Omni-channel retail strategies in the Luxury World: trends and the case of Farfetch

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“The Internet is the biggest challenge faced by luxury. On one side it explodes brand awareness, on the other it opens distribution.”

- Jean-Noël Kapferer

“Omni-channel retailing is not optional.”

- Darrell Rigby
ABSTRACT

It’s impossible to neglect the changes that internet and e-commerce caused in the retail sector, by increasing customers’ expectations and forcing retailers to adapt the business to the new digital era. Internet is characterized by the increase in accessibility to everyone, which can be good or not so. For instance, luxury products rely on the sense of exclusivity, instead of being accessible to everyone. Hence, internet represents a challenge for luxury brands once, although they are able to provide a fullness service to their customers, they need to maintain the exclusiveness in which luxury is sustained. Consequently, the appearance of omni-channel was more than a challenge for the luxury sector, in particular, given the need to provide a full integrated experience through different channels.

The aim of this dissertation is to find out how important is omni-channel, even in the luxury industry, and how it’s actually implemented based on the case of one of the most successful companies on luxury fashion e-commerce industry – Farfetch. Even though the company started in London, its founder is a Portuguese entrepreneur, and it’s in Portugal where most of its employees work, divided in two offices – Guimarães e Porto.

Therefore, a literature review was written on relevant concepts and ideas about luxury, e-commerce and the different channels’ approaches. There were formulated five propositions that were after discussed according to the information gathered about the company and its strategies. In the end, it was possible to identify which propositions are in accordance with theory and which are not, as well as understand which are the most important strategies and trends about omni-channel in the luxury fashion e-commerce sector.

Key words: luxury, e-commerce, multi-channel, omni-channel
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INTRODUCTION

The aim of this dissertation is to investigate how companies acting in the retail sector, specifically in the luxury segment, deal with the increasing growth of internet and the need to provide a seamless experience through different channels.

In the beginning, when companies started taking the first steps online, luxury companies showed some reluctance. However, for most of the companies, internet represented a great evolution, since they were able to reach more potential customers at lower cost.

Later, with the appearance of e-commerce, and the increase of online transactions, luxury companies saw their business change radically. With internet and e-commerce everyone can buy products online and companies cannot control their customers. In contrast, luxury is sustained in characteristics as excellent quality, high price, uniqueness and exclusivity instead of accessibility. Therefore, the fear of losing the sense of exclusivity was one of the major reasons why luxury companies were reluctant in follow the path of other companies.

From this time, retailers have been facing an evolution on the retail channels. Initially, there was only a single channel in the retail business to serve customers. The most common one, that time, was the bricks-and-mortar, the physical stores. After, a multi-channel approach followed, in which the customers were reached through more than one independently channels. Most recently, due to technological advances and the rise of mobile usage, another approach is drawing attention of retailers: the omni-channel. In this stage, companies reach customers through a variety of channels that should be integrated and aligned with the brand, to transmit the customer a seamless experience.

In this digital era, it’s not profitable for companies not to be online, since shoppers are constantly dependent on their mobile phones, computers, tablets, and use them to search information about products, to compare prices, and also to find physical stores.
Because it’s not a very developed topic, it seemed interesting to discover more about it, especially regarding the luxury sector where apparently it would be harder to implement. Therefore, the study will focus on understanding omni-channel strategies that are more likely to bring success to luxury companies, based on a case study of one of the most successful e-commerce companies in the luxury sector – Farfetch.

Thereby, the study is divided in four phases: the literature review, where there will be introduced relevant concepts to the study; the methodology, where there will be described the qualitative analysis as well as the data collected; the case study, where an introduction to the company will be provided followed by a discussion about the results and finally the conclusion, where the main findings and limitations of the study will be presented.

**LITERATURE REVIEW**

This chapter will be dedicated to present literature about luxury and the digital era. There will be presented definitions considered relevant to understand the purpose of the work and ideas on the importance of e-commerce, as well as the channels’ evolution on the retail. Through a deductive approach, the process to develop hypothesis based on theory, there will be formulated five propositions to determine the direction of the study and help understanding the research question.

**WHAT IS LUXURY?**

Although we all recognize luxury, its definition is everything but simple, once in first hand it’s determined by the consumers’ perceptions (Vigneron & Johnson 2004). Coco Chanel used to say that “Luxury is the necessity that begins where the necessity ends”. Despite the inconsistences, the notion of luxury refers to rare, hedonic, very high quality objects and services, with higher price that their functional value, source of self-reward, image, uniqueness and exclusivity, resulting in a sense of desire in people’s mind (Kapferer, 1998). Hence, it’s many times seen as a way to create a social stratification within the society, offering a sense of belonging and status (Kapferer & Bastien, 2012).
Thus, luxury brands try to create awareness and desire on products through the prestige they represent. As Kapferer (1997) pointed out, a luxury brand should be well known to be desired by everyone, but only available for a few people, who actually belong to higher social levels.

**LUXURY VS. INTERNET**

Internet appeared in mid-1960s, being responsible for the improvement of global communication and interactivity, enabling the transaction of a huge amount of information, easily accessible and at a lower cost (Varadarajan & Yadav, 2002).

From a retail perspective, given the rapid growth of internet and easiness to look for anything with a simple click, consumers are increasing their expectations to have the information they need accessible from everywhere and whenever they want (Remy, Catena & Durand-Servoingt, 2015). Even more, they expect to be able to actually buy the products through their computer in the comfort of their home. In this sense, the digital era is influencing both how to create value for the customer and how to capture that value. Nevertheless, in the specific case of the luxury industry most of the brands are skeptical about the online, fearing the lack of control, the excess of accessibility and the difficulty in providing a great experience through a computer screen. In an interview for the Fortune.com, Brunello Cucinelli, a reputable fashion designer, said “The Internet was not developed for luxury products”, otherwise the company’ soul would probably get lost.

**INTEGRATING OFFLINE AND ONLINE**

In retail, a channel is usually defined as a customer’s contact point through which there is an interaction between the customer and the company (Neslin et al., 2006). The integration of the existing channels to find the optimal strategy is the biggest challenge, being harder with the increase variety introduced by internet. Examples of channels are for instance the B&M or physical stores, the catalogues and the online channel. More recently, as it’s going to be presented further, there are other emerging channels such as mobile and social media.
For many years, retailers did their business through one single channel, the popular B&M or physical stores. As major advantages are the in-store multisensory experience, the feel and try possibility and the instant access to the purchases (Rigby, 2011). However, with globalization and technological evolution the paradigm changed, and customers started demanding new experiences, as the possibility to access to the same information through different ways, leading retailers to progress into multi-channel. Anderson et al. (2010) describes multi-channel as the use of more than one channel to sell products, emphasizing that there is no integration between them. Though, multi-channel allows companies to add new channels anytime and permits customers to use a variety of devices when and wherever they need (Avery et al., 2012).

The emergence of the internet, considering some of the characteristic already mentioned above, fostered the rise of what we call “online shopping”. As Basu and Muylle (2003) pointed out, by providing information, facilitating the communication with customers, collecting market research data, promoting goods and services and supporting the online purchases, internet provides retailers with a new extremely rich and flexible channel. However, regarding the luxury sector, online shopping reveal to be a threat given the ease to develop counterfeits and grey markets, which might take away the uniqueness and exclusivity in which the brand image is sustained (Remy, Catena & Servoingt, 2015).

Few years later, after the appearance of mobile phones, the world assisted to another disruptive change in the retail environment: mobile as the new channel (Rigby, 2011). Although it’s not a well-studied subject yet, it’s gaining an extremely relevance due to its ubiquity. According to a McKinsey study, more than half of luxury shoppers’ do search through mobile and do it often before purchase. Mobile phones are rising new consumer behavior patterns such as “always on, anytime, anywhere, but only when and where I want it” attitude (Remy, Catena & Servoingt, 2015). Also, their individuality can be somehow seen as a mean for companies to deliver a personalized service, once
customers demand each day more. Is important that retailers listen them and develop appropriate strategies to provide a better and customized experience. “No retailer today can afford to not have its Web site tuned for mobile visitors”, said Fulgoni (2014).

- THE RISE OF OMNI-CHANNEL

According to Rigby (2011) omni-channel retailing is the new way to surprise customers with a seamless integrated shopping experience, across all channels of interaction, that may include physical stores, digital media, mobile, social media, catalogs, call centers. The aim is to combine advantages of both physical – in-store multisensory experience, feel and try, physical help - and digital – anything, anytime, rich data - to provide a seamless and pleasure experience, anytime.

Regarding theory, the main differences between multi- and omni-channel are the increasing focus on the brand, and so on the development of integrated strategies that are able to transmit the same brand image and experience through all channels; the full integration instead of separation of channels without overlap and finally the focus on the overall performance of channels instead of each channel in particular (Verhoef et al., 2015).

Additionally, omni-channel raised two important and opposite issues: showroming, where shoppers seek information and see the products in the store before buy online and the web-rooming, where shoppers search information online, in the brand or multi-brands’ websites before buy offline (Verhoef, Neslin, and Vroomen 2007).

Even though omni-channel is presented as a new strategy that should integrate the important channels for the business, combining online and offline, there is still the idea that the digital era will “destroy” the traditional retail. Customers are now able to find products that they wouldn’t easily find in a physical store. Further, there is the convenience and commodity of purchase and receive from home or the office, without losing time visiting stores.
STRATEGIES TO PROVIDE A SEAMLESS EXPERIENCE

According to literature, it is already evident that today’s customers demand a seamless experience during the whole purchase journey, meaning that they want to be able to seek information and buy products through different channels as they were actually in store, which can be overcome through omni-channel. It’s not about operating in all channels though, but find the optimal mix for the customers, which might differ (Staflund & Kersmark, 2015). Even so, there are essential elements common to every brand to develop a good digital strategy: strong mobile presence, engage and influence customers through social media and focus on carefully chosen of digital-performance metrics. Luxury brands have now the challenge to figure out which significant touchpoints will proportionate the best fit for them.

Regarding mobile, luxury brands that have their websites optimized are likely to generate a higher store traffic. In addition, customers tend to compare prices in different sites, including multi-brand ones, rising the importance of this channel and therefore the necessity luxury brands are facing to be represented on those websites (Dauriz, Remy & Sandri, 2014).

Social media is becoming essential. Social platforms such as Facebook, Instagram, Twitter and Blogs are present in every person’s life, being part of the routine to post creative photos expecting to reach as much followers as possible. Furthermore, content is an important element to maintain the brand image, generate new traffic in stores and capture new customers, by providing information about the products and services in more appellative ways. According to Eisingerich & Kretschmer (2008), what engages online shoppers the most is to maintain them informed about the products and services of the site. Indeed, is understandable that a website without images or videos is not tempting. Therefore, luxury fashion brands should invest in the creation of great content through images, videos and storytelling editorials about fashion, art, health, or even sports, that will fit a personalized group of customer to engage them. Engaged customers can be loyal in two different ways: by making purchases, and by sharing and posting their experience in social platforms.
All the theory already presented lead us to the final point of this literature review, which describes the stage brands are facing: “It’s more and more difficult to distinguish e-commerce sales from others” (Rigby, 2014). As discussed, to deliver a seamless experience, brands should combine online and offline, providing customers the best of both. Retailers start improving their complementary services offering the possibility to choose different delivery, shipment and return options such as “click-and-collect” - buy online and collect in store -, same-day delivery, returns in store and the possibility to check inventory online before visit the store. These initiatives result from a combination of the two worlds that will instinctively support each other – by collecting an online purchase in store, the customer go also through the physical experience that may originate another purchase.

We can affirm that there is a great potential for digital technologies in stores, mobiles and other channels as there is for websites. Thus, retailers must have in mind that they can create an omni-channel experience with stores superior to a purely digital strategy, by testing digital and physical innovations in order to improve this experience (Rigby, 2011).

To conclude the literature review section, there were formulated the following five propositions that will help verifying the importance of omni-channel in the luxury fashion world:

1. Luxury and Internet are not compatible
2. Mobile as the most important channel
3. Physical stores will still be important
4. Content, personalization and social media to engage customers
5. The future will be physical WITH digital

They will be analyzed further considering information about the luxury fashion e-commerce company, Farfetch.com, as well as based on some important variables for this sector.
**METHODOLOGY**

The methodology of this work began with an intensive search for theory related to luxury and the approaches to the use of different channels in the retail industry. Then, there were built five propositions according to theory that will help understanding the omni-channel tendency, considering the data collected from Farfetch, a Portuguese luxury fashion e-commerce website, chosen because of its huge success in the online fashion market.

A qualitative approach was preferred for this work, using the case study method to have a deeper understand on the issue and the formulated propositions. It’s a great method to analyze particular situations, offering insights that might not be achieved with other approaches. Farfetch seemed the right case study, given the huge success in luxury fashion e-commerce and the increasingly concern in developing omni-channel strategies. In addition, there were chosen two variables for each proposition, considered relevant to prove their accordance with reality and findings. Table 1 resumes the five formulated propositions and the variables chosen for each one.

<table>
<thead>
<tr>
<th>Propositions</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Luxury and Internet aren't compatible</td>
<td>Online luxury sales; Digital influence on offline luxury sales</td>
</tr>
<tr>
<td>2 - Mobile as the most important channel</td>
<td>Mobile share of luxury &amp; fashion e-commerce transactions; Average luxury &amp; fashion purchase value on mobile</td>
</tr>
<tr>
<td>3 - Physical Stores will still be important</td>
<td>Online vs in Store sales; Number of new physical stores</td>
</tr>
<tr>
<td>4 - Content, Personalized service and social media to engage customers</td>
<td>Average time spent on social networks; Impact of content in brand awareness</td>
</tr>
<tr>
<td>5 - The future will be physical with digital</td>
<td>Multiple devices used in buying process; Impact of sync information across channels</td>
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Finally, the last step of the methodology process is data collection, as significant as the others to get the appropriate answers for the propositions. In this work project was decided to use secondary data – collected by someone else, but with relevance and utility for the study - as source of information, through interviews and articles that present some of the company’s strategies, future ideas, and challenges in dealing with customers. Therefore, relevant articles and interviews were selected in order to gather information that enables the theory analysis. The title, date and source of each article are presented in the table 2 in appendix.
**FARFETCH’S CASE STUDY**

This chapter will be dedicated to a case study on Farfetch - an international luxury website, founded in 2008 in London by a Portuguese entrepreneur José Neves, experiencing a fast growth in a constantly evolving environment: digital. Therefore, it’s increasingly concerned about the adoption and improvement of an omni-channel global strategy.

The propositions formulated before will be analyzed according to information from the company and the variables chosen in order to better understand if they are in accordance with the company’s reality and find out how Farfetch is providing a seamless experience for its customers.

**COMPANY OVERVIEW**

Farfetch brings together pieces from a global community of more than 300 independent boutiques in a unique e-commerce website, with customers in 180 countries. These boutiques have been carefully selected based on different parameters – approach to merchandising, diversity of brands and forward-thinking attitude - and are located around the world in fashion capitals – Paris, New York, Milan – as well as in other emerging cities – Tokyo, Mumbai, Riyadh. At Farfetch is possible to find over 1000 labels from clothes and shoes to other accessories and jewelry from recognized fashion brands as Chanel, Louis Vuitton, Saint Laurent and Valentino, but also from other lab/experimental brands with unique styles.

Created in response to the increasingly need of the boutiques to become international and open their businesses to the rest of the world, the website was designed to enable small and independent boutiques to compete in the marketplace while maintaining their own identity.

After a purchase, the product goes directly from the boutique to the customer’s door, meaning that the company doesn’t have any inventory - the point of differentiation from competitors.

Currently, Farfetch has offices in Porto, Guimarães, London, Los Angeles, New York, São Paulo, Moscow, Tokyo, Hong Kong and Shanghai. As a matter of numbers, it was recently valued at $1
billion thanks to the latest financing round of $86 million led by DST Global and other existing investors, Condé Nast International and Vitruvian Partners.

**DATA ANALYSIS**

This section will be dedicated to the analysis of the formulated propositions considering the data collected from the sector in general, and from the articles and interviews in the specific case of Farfetch. This way we should be able to prove the importance of omni-channel in the luxury fashion market, based on the evolution of important indicators and on the company’ success.

➢ **LUXURY AND INTERNET ARE NOT COMPATIBLE**

As introduced in literature, the concepts of luxury and internet may seem contradictory. Luxury is characterized by a sense of exclusivity and uniqueness, creating desire for many but pleasure for only a few, while internet opened the world, brought accessibility and easiness in finding everything with a simple click. For luxury brands having their products online is seen as a way to lose their soul and exclusivity. José Neves always says “fashion isn’t downloadable”, and even though he believes in the connection between luxury and internet, he believes that it can’t be purely online (Article 16).

In the beginning, brands didn’t believe that luxury fashion products could actually be bought online, where people can not touch or try them. According to José Neves, it was a challenge to explain boutiques the business model, the concept, and to convince them that they would benefit from being online and at Farfetch (Article 3). Therefore, Farfetch principle was always not only to create a website to sell luxury products, but a real platform with an element of quality and luxury that somehow minimizes the loss of exclusivity they fear (Article 6).

Despite the insecurity in adopting a different strategy, it’s visible that luxury brands are now prioritizing the online channel, since more consumers search and browse luxury products online before the purchase (Article 18).
Further, it's observable that in practice the fear in adopting online strategies is decreasing once brands have a growing need to be online. If we look to the numbers, according to Euromonitor statistics, the global online luxury sales in 2015 reached US$25 billion and now represent about 8% of the global luxury market for personal goods, weight that will certainly continue to rise. Although it may seem a small portion of the total sales, it represents a great evolution over the last 10 years, as it’s possible to see in the figure 1 below.¹

According to some information provided by José Neves in an interview, we can observe the amazing growth that is going through since the beginning: in 2010 the sales value was around $15 million², and 3 years later, the company reached around $130 million in sales, which represented a 150% of annual growth relatively to 2012.³ Then, in 2014 the annual sales value was $300 million and for 2015 the forecasts predict sales of $500 million – a more stabilized yet impressive growth of 67%.⁴ In addition, the average order value was around $700 in 2014.⁵ Dolce & Gabbana, Saint Laurent, Valentino, Lanvin, Givenchy, Moncler and Fendi are some of the highly recognized luxury brands sold at Farfetch. Another interesting information is the impact of being at Farfetch for boutiques. According to Index Ventures, about 30% of the overall boutiques’ sales are generated through the company’s platform, showing the importance of being online and in a multi-brand website in this

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² Now you can shop the world’s little-known luxury boutiques on your phone, Quartz, 2014
³ Farfetch’s new retail plan could revolutionize e-commerce, Fashionista, 2013
⁴ Farfetch tries to reach a little further, Bloomberg, 2015
⁵ Farfetch, the ‘unicorn’ that may be worth $1 billion, CNBC, 2015
case. Without Farfetch, this revenues would never been made in the retail store. In addition, more than the evolution of the online sales relatively to the offline ones, there is also the impact that the online channel has, even in the in-store purchases. According to a McKinsey research about 75% of luxury purchases are influenced by online channels, that is what people see on internet, social media, multi-brands websites, even if the purchase happens in store. Internet allows customers to easily compare prices, product characteristics, reviews, and even find substitutes, reasons why it has a huge influence on purchases.

In conclusion, it seems clear that the gap between internet and luxury is getting narrower. The big challenge, however, is to create an online presence that allows the brands to maintain their image and exclusivity and to provide a seamless experience as the one provided in store.

➢ MOBILE AS THE MOST IMPORTANT CHANNEL

The rise of mobile devices contributed immensely to the growth of multi-channel and it’s visible that no one can be indifferent to this channel. Nowadays every person owns a smartphone, and it’s impressive the time each one spends on internet per day. Regarding the luxury shoppers, McKinsey studies reveal that globally 95% own at least one smartphone, and that the average time spent on internet is around 14 and 15 hours per week. Although owning a mobile phone doesn’t directly mean that shoppers will buy through this channel, these numbers indicate the increasing importance mobile has in customers’ life that may impact sales in some way. The importance of mobile devices also derives from their personal element and people’s capacity to generate content when using social media to re-post or share their purchases, outfits and routines. As it’s possible to see in figure 2, the luxury and fashion sector is the one where mobile share is higher, representing around 34% of the total e-commerce sales in US. In addition, by the end of 2015 the global mobile share is forecasted

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6 Farfetch brings home $66 million in new funding, Index Ventures, 2014
to reach the 40%, more 5% than in the beginning of the year – figure 3.\textsuperscript{9} Also, the average spend in most countries is 94$ per purchase on mobile, compared with 100$ on desktop, which give us an idea of how mobile is approaching desktop purchases.\textsuperscript{10}

Additionally, mobile can be important not only to result in purchases, but to engage customers and preserve their loyalty. According to a Criteo study, mobile apps are usually a strategy to increase engagement, and can also be responsible for 54% of mobile sales, or more if it’s well performed. Therefore, a user-focused app, with characteristics to accelerate the purchase process like limited-time campaigns, easy check out, reminders such as wishlist and saved items, and with a good connection with social networks it’s more likely to succeed.\textsuperscript{11}

Farfetch Discover was developed to continue with the curation theme, but also to stimulate sales (Article 14). According to José Neves, mobile represented 5% of the company’s sales in 2011 and 25% in 2012.\textsuperscript{12} And these numbers refer to an app that was not even optimized by that time. Certainly, the better the experience provided through this channel, the more influence it will have on the global sales. Unfortunately, it wasn’t possible to disclose more updated information about the company’s channels sales, but it seems obvious that the impact of mobile is increasing. Recently,

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\begin{figure}[h]
  \centering
  \includegraphics[width=\textwidth]{figure3}
  \caption{Figure 3 – Source: Criteo}
  \end{figure}

\textsuperscript{9} State of Mobile Commerce, Criteo, Q3 2015
\textsuperscript{10} Fashion Flash Report, Criteo, 2015
\textsuperscript{11} Fashion Flash Report, Criteo, 2015
\textsuperscript{12} Farfetch’s new retail plan could revolutionize e-commerce, Fashionista, 2013
the app was restructured, with the aim to improve the consumers’ shopping journey and deliver a premium experience, through features such as super-fast and easy to use checkout, strong image focus through the product page and a fast and efficient browsing throughout the app. For sure the new developments will strongly increase the potential of mobile sales.

➤ PHYSICAL STORES WILL STILL BE IMPORTANT

The survival of physical stores in the digital era is a sensitive topic, since many people believe that online is destroying offline. Without internet, purchases used to be done through the physical channel, which is changing. However, as José Neves said in an interview, “only about 6% of luxury fashion sales happen online, globally” (Article 13). “It’s incredible, because you would think online takes over, cannibalizes offline, therefore offline becomes the second thought. Actually that’s not what happens”, said José Neves (Article 6).

In fact, although online sales are increasing rapidly, the offline sales still represent about 92% of the total sales of personal luxury goods, in 2015, since the online sales reached 8% this year. Also, according to a McKinsey study, while the online luxury sales are growing much faster than the offline sales (27% vs. 7%), the last still represent the major portion.13

José Neves believes in “physical retail experiences” and considers the human element extremely important in the luxury sector: "fashion needs to be touched, tried on...” and “if you deeply understand the consumer, you know that’s the way you shop for fashion” (Articles 8, 11, 16).

Therefore, the characteristics of the physical stores that cannot be attained in an online store are the main reasons why the offline channel continues to be so fundamental. According to Deloitte, about 75% of luxury consumers consider as main benefit of buying luxury products in a physical store to try and feel the product, while about 50% consider important to be able to immediately have the product in hands after the purchase – figure 4.14 This numbers show why sometimes shoppers are

14 The Luxury Opportunity, Deloitte, 2015
skeptical in purchasing luxury products online, as well as the increasing importance to ensure a consistent cross-channel experience.

The truth is that offline and online cannot survive one without the other. Therefore, as the CEO of Farfetch says, the future should be a “combination of a fantastic physical experience with powerful, yet subtle technology” (Article 16).

The offline channel will still exist and no one should weaken its importance, once we are now facing a “new retail” that integrates all the channels (Articles 8, 11, 16). In addition, nowadays there is a higher number of purely e-commerce businesses that are investing in the physical channel, being conscious of the importance of physical stores. Although it wasn’t possible to find an estimate of the number of online businesses that are becoming offline as well, it’s known that some online fashion retailers such as Bonobos, Warby Parker, Nasty Gal, Birchbox and JustFab are investing in this channel to improve their business, taking the advantages of it to better combine both online and offline.15

Farfetch was not exception. Apart from the particularity of the business – doesn’t have inventory and so depends on the boutiques –, which reflects one of the major competitive advantages, the company also decided to acquire a famous luxury boutique, Browns. According to José Neves, “to do this [business] on a global level, you need a network of independents, and at the present we’re the only network” (Article 2). Browns was acquired with the intention to test some marketing and business ideas, strengthening the company’s omni-channel strategy by developing technology to stimulate and preserve physical stores with a new perspective though (Article 13). Certainly, the future will bring a new perspective of physical stores, where technology and internet won’t destroy but transform them.

15 “Some online retailers seeing value in opening brick-and-mortar shops”, Forbes, 2014
CONTENT, PERSONALIZED SERVICE AND SOCIAL MEDIA

Content, customization and social media are three drivers that are becoming each day more important for retailers to take into consideration and are somehow interconnected. With globalization and the appearance of internet, retailers face a variety of customers with completely different fashion tastes, especially in multi-brands websites like Farfetch. Therefore, it’s a big challenge to discover how to satisfy such a global customer base. In respect to social media, according to Euromonitor, the number of social media accounts reached, in 2014, 2.3 billion. Facebook is the most popular social network with around 1.5 billion monthly active users worldwide in 2015. Additionally, the global internet users spend on average 101 minutes per day on social networks and the expected number of users worldwide in 2018 is 2.5 billion, which give us an idea of the dimension social networks represent.

Nowadays, people born using Facebook and Twitter, making social media work as a democratization tool constantly present in everyone’s quotidian, being a matter of survival for brands to follow social media tendency: “Whether fashion brands want to be there [in social networks] or not, they have to”, enlightened David Lindsay (Article 7). According to a Deloitte’s study, customers use social media for a variety of reasons before making a purchase, but mainly to look for the latest trends, comments and recommendations and new products - figure 5. Hence, it’s easier to understand the relation between social media with customization and content. For José Neves “social media is a driving force for personalization” once it encourages people to be creative

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17 Statistics and Facts about Social Networks, Statista, 2014
18 The Luxury Opportunity, Deloitte, 2015
and have their own style (Article 20). In the launch of MySwear, Farfetch selected 50 ambassadors, to create their own pair of shoes. This way they would generate content by posting and sharing their personalized sneakers on Facebook, Instagram and Twitter pages to build awareness and reach a greater audience (Article 19).

Regarding content, according to Stephanie Horton, CMO of Farfetch, “the consumers’ first touch point with one’s website is the home page, so it’s essential that the content there reflects your brand image and tone” (Article 9). On Farfetch’s website customers find editorial content about the brands, trends, designers and boutiques, which will help to educate them on the luxury fashion topic, as well as be more engaged with the brands (Articles 4, 12). Deloitte research showed that product information influences the shopping behavior and enhances the brand loyalty of about 75% of consumers, giving companies a higher responsibility to provide this information in appellative ways.19 Further, it’s necessary to understand that customers can also create content. According to a McKinsey study, about two-thirds of luxury consumers generate content through social media in a monthly basis, and about 50% do it daily. One image posted by a luxury brand on its official Instagram page results on average in 10,000 consumers’ posts with the brand’s hashtag.20 Clearly it varies from a brand to another but for sure there is a huge impact of social media and consumers’ opinions on brand’s awareness and sales.

Another strategy to face the increasing variety of customers is to provide customized content based on their characteristics - geographic location, history with the brand. As Kelly Kowal, Farfetch’s Digital Marketing Director, explained by personalizing content depending on consumers’ characteristics and testing different approaches on the website it’s possible to see impact on conversions (Article 4). For instance, Farfetch assisted to an increase of 17,1% in conversion rate only by promoting the FAQ page to consumers who visited more than 10 pages in a session without

19 The New Digital Divide, Deloitte, 2014
completing a purchase.\textsuperscript{21} Farfetch Discover was another strategy to expand the creation of content and customers’ engagement being considered by Stephanie Horton as the “natural extension to the website”, thought to deliver an additional utility beyond shopping, a lifestyle guide. By taking advantage of the vast network of people, the plan was always to “add lots more content” by adding new cities and “targeted content to support brand campaigns and on-site editorial” (Article 5).

Lastly, the more recent strategy to improve customer engagement through a personalized service was the launch of MySwear, a partnership between Farfetch and the shoes brand Swear. The aim is essentially to offer the customers an opportunity to customize shoes with “their personal style and creativity, in a luxurious way”. According to Farfetch’s CEO, the platform attracts very unique customers with their own identity, who look for creative pieces, and therefore customization is becoming each day more demanding (Article 20).

➢ THE FUTURE WILL BE PHYSICAL WITH DIGITAL

“How will people shop for luxury fashion in five or ten years?” is the question Farfetch is constantly trying to answer with all the strategies that has been developing until now. It’s a difficult question, because it’s hard to predict the future in a world that is always evolving. But what José Neves guarantee is that “is not going to be purely online”, but omni-channel (Article 11, 16). The company’s Cs believe in a cross-channel experience, where Brick & Mortar will continue to exist as “a mix between digital and physical”, which will totally change the stores from what they are now (Articles 2, 8, 9, 16). The numbers also express the importance of providing a cross-channel experience, since the increasingly use of multiple devices during the buying process is notorious. According to Criteo Fashion Report, about 43\% of fashion shoppers use multiple devices to complete a single purchase.\textsuperscript{22}

\textsuperscript{21} Case Study: Conversion uplift, Farfetch.com, Qubit
\textsuperscript{22} Fashion Flash Report, Criteo, 2015
Additionally, in order to achieve a great combination of online and offline companies develop strategies to deliver a better service and experience to consumers such as click-and-collect, return in store and same-day delivery, extremely appreciated services in the luxury world. Recent studies revealed that in general, 62% of consumers want to experience return in store services, while 44% are interested in click-and-collect in store services. Moreover, as described by José Neves the future is to have distributed stock, where inventory will be everywhere, spread by “micro-warehouses” across the world, which in case of Farfetch are the boutiques. This omni-channel vision enables the company to better provide those services and improve customers’ experience. Further, for Farfetch, it allowed the implementation of a same-day delivery service in multiple cities such as New York, LA, Milan, Paris and London, more than its competitors that have warehouses located only in strategic cities (Article 8).

Likewise, the already mentioned acquisition of Browns represents other initiative to consolidate the company’s omni-channel strategy. The objective is to “demonstrate to the industry and to the customer that [omni-channel] works, it’s seamless, it’s compatible with luxury and drives interaction”, using technology to find the best way to combine online and offline shopping and provide the greatest customer experience across all the boutiques. (Article 10, 14, 15).

Lately, in order to innovate and differentiate from competitors, the startup developed the Black & White, a white-label solution for brands, where they will use Farfetch’s platform to build their own website and benefit from the company’ services. “Some brands will want to have complete control over design, build and day-to-day operation of their website, while others can ask us to manage everything for them, from customer service to payment to online marketing.” (Article 17). There is no doubt that online shopping is growing very fast and is each day more important for brands to have an online presence. However, this doesn’t mean that offline will disappear. The future

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23 “Differentiating your retail store with new delivery options”, Cisco, 2015
will definitely go through the integration of all channels, strategy that companies should consistently try to improve, as expectations change fast. As a matter of facts, a study from 2014 suggests that retailers who develop an omni-channel strategy, syncing information across the channels, experience an improvement in customers’ satisfaction by 58%, an increase in the size of purchase both in store (54%) and online (42%), as well as in the shopping frequency (41%). Therefore, it seems clear that omni-channel is the right approach to follow, and companies’ success will depend on whether they adopt and invest in this strategy.

CONCLUSIONS AND MAIN FINDINGS

Internet and technology are big responsible for the constantly world changes. They elevated customers’ expectations to completely different levels, even in the luxury sector. They demand each day more a seamless, digitally enabled and omni-channel experience that many luxury players are not ready yet to provide. Nevertheless, luxury brands are realizing that there is no other option rather than accept online and are increasingly invest in omni-channel.

This project was important mainly to understand more about the strategies implemented by luxury e-commerce companies in order to improve their omni-channel presence and competitiveness. Based on a case study on Farfetch, it was possible to gather information related to the topics addressed in theory, and in the end, along with the analysis of the chosen variables, figure out which propositions were or not in accordance with the findings. Although not all, most of the propositions were in accordance. Besides, they give the answers on what are the main strategies to develop an omni-channel approach as well as the main trends faced by retailers to provide a seamless experience. Also, the proposition that was not in accordance with the findings, the first one, was the one we wanted to reject, since the aim was to prove that luxury and internet are actually compatible.

24 The Omnichannel Challenge: Strategies that work, Oracle, 2014
This way, it’s important to retain the principal factors that should integrate an omni-channel strategy in the luxury fashion e-commerce sector and will somehow be responsible for the future trends:

- Mobile
- Content, Personalized Service and Social Media
- Physical Stores, always

Mobile is the first completely individual device, everyone owns one and consider it indispensable. Regarding the luxury market, it’s already known that this channel is influencing each day more the sales, since companies are more concerned to provide an optimized experience that allows customers to easily search and buy products. Loyalty apps, mobile services and payment solutions are some strategies that companies use to follow the increasing importance of mobile.

Regarding content, personalized service and social media theory suggests that they are becoming imperative in the luxury fashion e-commerce as points of differentiation. The findings followed the same direction, and according to the data collected from Farfetch, these three factors, which can be connected, are extremely important to improve customers’ engagement and loyalty. In a business where competition is very strong, and many retailers sell the same products, the one providing a most relevant experience will stand out and have more loyal customers. In Farfetch’s example, content is created to help educate customers and encourage them to have their own style, beyond the simply presentation of trends. Moreover, through the mobile app and the creation of a lifestyle guide the company is able to generate more content, in order to bring customers closer to the boutiques and cities from where they buy.

As mentioned, personalization is another factor to take into consideration, either in products or content. With this study was possible to verify that different content can be showed to customers depending on their characteristics, and the impact can actually be significant. Additionally, the partnership with MySwear allows Farfetch to provide their customers a personalized and innovator service in the luxury world, through the opportunity to customize luxury sneakers, encouraging once
again creativity. Finally, social media is equally very important to consider. Facebook and Instagram are now part of the daily routine of most of people, either to post or just to be updated. As all social networks, they serve mainly to interact with customers, create awareness, desire and generate content through the brand’s page, celebrities’ pages or even the customers who are constantly sharing their opinions. However, in addition to the functionalities already provided, given the ever-evolving world of social media, seems the next step will be using them as shopping platforms to actually sell products, in order to maximize their potential and simplify the shopping process. While this is already done when e-commerce links appear directly on Facebook or Instagram posts, this feature will certainly continue to evolve.

Lastly, another important finding of the study is that, contrary to what many might think, the online presence is becoming mandatory to every company as well as the offline. The two worlds don’t survive one without the other anymore, it’s not profitable to choose only one, but necessary to develop a strategy that best combine both. This way, companies are increasingly concerned in adopting an omni-channel approach, developing strategies as services like click-and-collect, return in store and same-day delivery. Additionally, the offline businesses are not the only ones that are going online, but the inverse as well. The number of purely e-commerce businesses that are expanding to the offline channel has been increasing each day. Farfetch was not exception. Although the business already depends a lot on physical stores, the boutiques, the company acquired Browns precisely with the intention to strengthen its omni-channel strategy. Exploiting the huge technological progressions the world is continuously facing, Browns will work as the laboratory to test and improve customers’ shopping experience.

In conclusion to this study, we can highlight as the main omni-channel trends the use of mobile as the primary channel, that is start developing first for mobile and then adapt to the computer; the increasingly use of social media not only to interact with customers in creating awareness and generating content, but in selling products and finally the need of the physical channel, even for
purely online businesses, mainly for the development of new technology that will revolutionize the traditional retail experience. The success of luxury companies will depend on their capacity to choose the relevant strategies and channels to follow the right omni-channel approach and find the optimal mix between online and offline.

➢ LIMITATIONS AND FUTURE RESEARCH

This study was based on a combination of qualitative and quantitative approaches in order to originate more realistic conclusions. Nevertheless, although there were used numbers from the luxury retail sector in general, it was also chosen a company as case study. The lack of company’s information that was possible to disclose represents one of the main limitations of this study. Because most of the data needed for the study were related to the company’s sales, it wasn’t possible to reveal and use them in the analysis, even though they were completely in accordance with the conclusions.

Another limitation is that Farfetch was chosen precisely for its huge success in the luxury fashion e-commerce market and in developing an omni-channel strategy. If other less successful company, or a set of different ones, was chosen we might have reached other conclusions.

Finally, the fact that the study was focused on the luxury fashion retail market may be a limitation in the sense that not all sectors are equal and follow the same strategies, and therefore omni-channel may work for some but not in the same way for others.

Omni-channel is not a very developed subject, not in literature or in practice, and although there is an increasing number of companies starting the development of omni-channel strategies, they are still few. Therefore, it would be interesting to study the impact of the omni-channel strategies in different companies in order to have wider and more realistic conclusions that would also allow the comparison between them. By different companies we mean both in the same sector, the luxury and fashion market, but also businesses from different areas to see if the omni-channel tendency is present in other markets, if it works and what is the impact.
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**APPENDIXES**

Table 2: List of sources

<table>
<thead>
<tr>
<th>Title</th>
<th>Date</th>
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<tr>
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