



A Work Project presented as part of the Award of the Master's Degree in International Management from the NOVA School of Business & Economics.

Title:

**“BENEFITS AND CHALLENGES OF AN OMNICHANNEL
RETAIL STRATEGY FOR LUXURY FASHION BRANDS”**

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03-01-2020

ABSTRACT

Luxury is neither a product, an object, a service nor a concept or a lifestyle. It is an identity, a philosophy and a culture. As a business sector and management discipline, these characteristics signify the presence of challenges in the integration of luxury branding within the Internet and digital environment and the requirement of intricate strategies to overcome them (Okonkwo, 2010). The digital transformation that the world has seen in the last decades has been capable of reshaping the way every business is organized. While most of the retail businesses did not face many difficulties when going through digitalization, the Luxury Fashion industry did. Luxury Fashion system today faces the challenge of renewing business models to intercept what is changing in the retail environment and in the consumer base. One way to do so is to implement a successful Omnichannel Strategy. The present work aims to present the benefits and challenges linked to the implementation of the strategy, from a managerial point of view. The results will be achieved by leveraging qualitative research conducted with professionals of the industry and the available literature.

KEYWORDS

LUXURY FASHION, OMNICHANNEL, RETAIL, DIGITAL TRANSFORMATION

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

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1. Introduction

The digital revolution has changed the business landscape significantly, transforming the ways in which brands reach out to consumers as well as how consumers interact with brands (Morisset, 2016). Digitalization has been pushing strongly every type of business, challenging both their growth and survivor. The internet and the services born with it created a very complex scenario. From the late 90's the digital ecosystem has been capable of developing new business models and uncountable business opportunities, culminating with the supremacy of tech companies. Especially in the retail world with the raise of eCommerce, Amazon, Google, the Yoox-Net-a-Porter group and Farfetch are drastically changing the rules of the game, leveraging an always-on consumer base. Digital is happening fast and forcefully, whether brands are ready for it or not. It enables new products and services. It opens up opportunities to create personalized offers and provides bespoke services to many more customers (BCG, 2016). With online interactions consumers are becoming more and more pretentious and powerful. Even luxury consumers are changing, the online environment is becoming more important for them. Guy Salter, deputy chairman of the British luxury goods association Walpole, already in 2006 said "Lots of marketers have deluded themselves that online business is not relevant to their customers. But the specialist online retailers who have stepped into the breach have shown how wrong they were" (Tungate, 2009). Now upmarket consumers are getting younger and feel far more comfortable in the digital environment. However, the luxury fashion industry did not try to engage them properly. Luxury fashion's late adoption of 360° digital environments is not only placing limitation to the growth potential of the whole industry, but it is also affecting the increase of Brand Equity and limiting the experience offered to customers. Luxury fashion brands have been avoiding digitalization, pursuing a strong organic growth with the opening of a high number of flagship stores in emerging countries and trying to increase consumer spending. For instance, today South East Asia host more luxury stores than its consumers have

demand, and consumer spending has cooled (BCG, 2016). Therefore, the whole market remained strongly anchored to the physical store that allowed the creation of a unique experience for consumers through contact with products and in-store marketing levers such as merchandise layout, architecture, colors, lights, sounds and scent (Aiolfi et al., 2019). Driven by the changes in consumer behavior, many brands started investing in digitalization lately. However, excellent ones have experienced the advent of digitalization and information technologies with skepticism, so much that they accuse the Internet and new digital media of being cold, aseptic, vulgar and advocating the democratization of consumption (Grand Union Italy, 2016). However, consumers' habits are constantly altering and there is a need to take them into account. The "new" luxury consumers of today are increasingly time-poor, multiple and heterogeneous, individualistic and most importantly empowered and connected (Morisset, 2016). That's the case of Millennials (born between the '80s and the first half of the '90s) and Centennials (born after the second half of the '90s), already relevant segments for luxury brands, that will be tomorrow's main buyers of luxury goods. But younger consumers are not the only ones pulling brands towards digital, according to Bacigalupo & Zarrini (2019) the vast majority of luxury shoppers, whose average age has fallen from 48 to 34, now engage with brands and goods online before making purchases, regardless of whether the ultimate transaction occurs online or in store. Since consumers are becoming younger and their behavior, tastes and preferences are shaped by the digital environment, it is important to track their attitudes and satisfy them in every possible way. Luxury fashion brands need to understand them, to conversate with them and make them feel part of the Brand. The activation of digital channels and strategies is the only way to make this possible. To unlock the full power of digital, luxury fashion brands need to go beyond the limits that are tearing them from approaching the digital world in a complete and coherent way. The luxury industry has potential to become leader in digital innovation instead of being a follower. However, brands need to advance

carefully since they could harm their Brand Image. It can be though to balance tradition and exclusiveness with innovation and openness. A good way of achieving it can be implementing an omnichannel strategy. The Omnichannel retail strategy is an approach to sales and marketing that brands can use to provide to customers a fully integrated shopping experience, by amalgamate user experiences from the classic brick-and-mortar concept to online-browsing and everything in between. Throughout this thesis, challenges and benefits coming from the implementation of the Omnichannel strategy will be assessed, leveraging insights from professionals involved in the design and execution of digital strategies for luxury fashion brands.

1.1 Research Questions

According to Okonkwo (2010), the brands that will lead in luxury online will be those that embrace the internet as a complement to offline activities, instead of viewing it as a threat; those that integrate internet activities with existing offline departments, instead of treating the internet as an independent business unit; those that apply the internet and digital tools in the full-range of their online marketing activities. Following this affirmation and considering Omnichannel as the most advanced way to achieve a full integration, the aims of this whole thesis are:

- to understand which are the benefits that luxury fashion brands can obtain from the implementation of an Omnichannel Strategy
- to define which are the challenges associated with the implementation of the Strategy

1.2 Structure

The thesis will be structured as follows.

First, the second chapter serves as a literature review, it gives a contextual background constituting the backbone of the whole paper. An introduction about the relation between luxury

consumers and digital, the omnichannel consumer journey and omnichannel in the luxury goods' industry will be presented, giving an overview about the topic. In the third chapter, the topic of the thesis will be addressed. In this chapter the research methodology used will be illustrated. Research strategy and research design will be thoroughly explained. The main insights derived from the research will be then presented.

Chapter four will contain the discussion of the thesis. There will be presented the reasons why the luxury industry has been slower than the others in pursuing the digitalization. The rationale for which omnichannel is fundamental will follow. The fifth chapter will be used to highlight the limitations of the research while, the sixth and last chapter will serve as a wrap-up.

2. Contextual Background

2.1 Luxury Consumers & Digital

The technological disruption fully involved the consumers and their approach to buying. The traditional consumer shopping patterns have been completely altered by an increasingly complex retail landscape and a drastic shift toward e-commerce (Bacigalupo & Zarrini, 2019). Today, consumers consider sales and marketing as a single entity and the shopping experience is faced without interruption, regardless of the channel used (Herhausen et al., 2015). Luxury brands have always been focused on providing a very high level of customer service in their stores. The word “luxury” is itself synonymous with high-end customer service, and this is exactly what customers expect when interacting with luxury brands (Forbes, 2017). That expectation of course, is as essential when it comes to digital. For Luxury Fashion Brands it is crucial that that the level of customer service online matches the level of service they offer in store, of course with a personal touch. A study conducted over 46.000 shoppers by Sopadijeva et al. in 2017, demonstrated that customers love to interact with retailer's touchpoints, both

through digital and digitalized in-store tools, indicating omnichannel as a cure for the fluctuating retail market of today. The study highlighted that customers want to be able to buy online and pick up products in store or buy in store and have the purchase shipped for them whether for convenience-sake or for gift giving. Sopadijeva et al. also affirmed that omnichannel consumers spend an average of 4% more on every shopping occasion in-store and 10% more online than single-channel consumers who only shop in brick-and-mortar stores. Furthermore, they observed that with every added channel the customers interacted with, shoppers spent even more money. With 4+ channels interactions they estimated an average 9% increase in spending. Considering that according to BCG (2016), fully 86% of millennials and 75% of baby boomers and older people who buy luxury brands are ready for omnichannel interactions, the results shared by Sopadijeva et al. configure a good scenario for the growth of the Luxury Fashion industry, if Omnichannel is implemented efficiently. However, the experience must be tailored to the clientele and their expectations, false steps can make Luxury Fashion Brands lose clients, for the benefit of internet wholesalers like Yoox or Luisaviaroma. Luxury clients have become demanding of instant rewards and do not hesitate to relegate Brands unable to deliver what they expect (Okonkwo, 2010).

2.2 Omnichannel Consumer Decision Journey

The purchasing funnel is a model used to describe the steps consumers undertake during the purchase journey. It starts with the first moment of contact with a brand to the ultimate step of purchasing. The consumer decision process is influenced by many different variables, such as social, cultural and environmental factors. In a world where the physical and the digital environment are converging, there is a need to digitalize the consumer decision journey. Through the shift to digital everything, customers have increasingly experienced interactions with brands and products in a multitude of ways (Chheda et al., 2017). Exploiting the nearly

unlimited touchpoints in the pre-purchase, purchase, and post-purchase phases, customers create their personal journeys, and those are increasingly challenging to capture and influence (Van Bruggen et al., 2010; Verhoef et al., 2015). However, since these interactions are essential to the value creation for both firms and customers (Baxendale et al., 2015; Kumar et al., 2016), how luxury brands attract and retain customers in these digital channels is fundamental. Not only due to the opportunities to convert interest in sales, but also because most of the choices customers take are informed by the quality of their experiences all along their journey (van Bommel et al., 2014). The current decision journey in an omnichannel approach could start online, go offline and back. Each interaction becomes an extension of their previous interaction, enabling customers to use the channel of their choice for each step along the journey. This includes product research, product comparison, buying, paying, everything regardless of channel (Carroll & Guzmán, 2013). Each step in the journey is influenced by a mix of offline and online interactions with the brand. While both positive and negative synergies between channels have been found (Falk et al. 2007; Neslin et al. 2006), more recent studies point out that the integration is positively related to outcomes such as sales growth (Cao & Li 2015) and perceived risk reduction, as well as the quality enhancement of online stores and lower cannibalization of offline stores (Herhausen et al. 2015). Maximizing satisfaction with customer journeys has the potential not only to increase customer satisfaction by 20 percent but also to drive revenue by up to 15 percent while lowering the cost of serving customers by as much as 20 percent (Pulido et al., 2014). While prior research has progressed in identifying the reasons for channel choices and suggested approaches for segmenting multichannel customers, existing efforts have focused on selected interaction options or parts of the customer journey. From a journey perspective, the integration and synergistic effects of multiple channels may further drive channel choice and increase customer experience. The consumer journey is now a circular journey, a non-stop process. Consumers can easily control and vary their routes

between channels to suit their needs at any given moment. The consumer journey enabled by the digitalization is dynamic, accessible and continuous, with evaluation at the center and channels that are always on and always at hand (Nunes et al., 2012). The new decision journey involves customers through the five steps: awareness, consideration, evaluation, purchase and use. However, the consumer never exits the evaluation process, he is constantly interacting with the brand across all channels and does not follow a linear process. Consumer may go back to a previous step and change their decision or may even decide to enter and exit a relationship with different brands at unpredictable points.

Consumers are not only looking at content provided by Luxury Brands, but also at other Luxury consumers. In the digital landscape, everyone is welcome to join the consumer decision journey by sharing opinions to others. The voice of these communities may even be more influential than the voice of brands. The consumer has become more powerful, while brands are becoming weaker. This goes hand in hand with a dynamic decision journey. Online channels are always active, consumers can access information whenever they want and anywhere, there are no time constraints on making purchase decisions. This has resulted in a change of focus from purchase to evaluation. It is easier for consumers to compare their own expectations to the experience provided by Luxury Brands by looking at their promises versus delivery. With so much turmoil online, it is vital that luxury brands' marketers are able to track where their consumers are on the purchase decision journey. Recently, even mobile devices have gained academic attention. The broad adoption of smartphones and tablets is transforming the customer journey. Early indications suggest that mobile devices are better suited for the pre-purchase phases compared to the purchase or post-purchase phases (De Haan et al. 2015). Additionally, mobile devices may enable or catalyze certain customers' behavior. For example, showrooming may be fueled by the new opportunity to concurrently perform online research while in a brick-and-mortar store (Rapp et al. 2015). Furthermore, dynamic effects might occur within customers, for

example when brand relationships are developed (Fournier 1998), extraordinary experiences have lasting effects (Sheth et al., 1995), or decisions become routinized (Arnould et al., 1993). Thus, interestingly, integrative understanding on the determinants of channel choice embraced during the journey in the complexity of today's omnichannel customer journeys has not been achieved.

2.3 Luxury & Omnichannel

Technology is disrupting all industries and its greatest impact on the luxury market is the rise of e-commerce and ultimately the need for brands to operate an omnichannel strategy. There is a growth in the number of online purchases, as well as consumers who conduct research online but purchase in-store or vice versa (Deloitte, 2019). Physical channel and online channel are clearly different retail environments, but the recent integration of the channels led first to a phase of multichannel (Lazaris & Vrechopoulos, 2014) and afterwards to the implementation of the omnichannel (Verhoef et al., 2015). The multichannel strategy is a brand-centric retailing strategy defined by Zhang et al. (2010) as the set of activities involved in selling merchandise or services to consumers through more than one channel (Fig.1). Basically, multichannel enables the customers to purchase brands' offerings in a plurality of different ways, with the most common channels being brick-and-mortar stores, ecommerce, email and customer service. However, none of the channels communicates with each other. The brand looks at them as single connections to consumers, which is completely different from the omnichannel ecosystem. Often the terms multichannel and omnichannel are considered synonymous, but the literature considers omnichannel retailing as a new paradigm. For instance, Omnichannel is customer centric (Fig.1). It is a service designed by brands for consumers available anywhere and at any time (Fairchild, 2014). The Omnichannel Strategy is considered as the set of activities involved in the sale of goods or services through all the channels, activated at the

same time with complete interaction by consumers and a full integration controlled by the brands (Beck & Rygl, 2015). Omnichannel retailing represents the integration of all digital and physical channels (Rigby, 2011; Klosek, 2012; Frazer & Stiehler, 2014), a synergic management of the touchpoints in action to optimize the consumer experience (Herhausen et al., 2015).

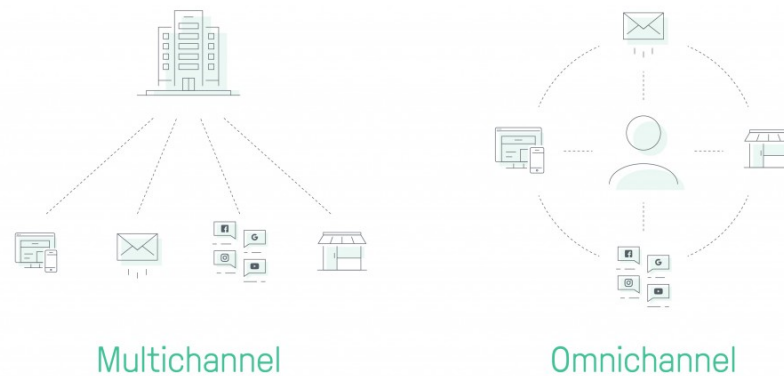


Fig.1 Multichannel model and Omnichannel model compared.

Omnichannel is pushing physical stores to be increasingly connected and to offer customers various formulas to search online for information: tablets, interactive totems, mirrors and interactive walls, virtual dressing rooms, mobile apps and live chat. In addition, retailers can use RFID, Qr-code and beacon labels that allow them to send personalized messages to consumers and manage relationships in order to better understand their behavior (Aiolfi et al., 2019). The omnichannel strategies are directed towards a more intelligent, integrated and creative use of technologies. In an omnichannel context, the physical and digital virtual worlds are integrated and oriented towards hybrid solutions: the consumer can buy online and withdraw in store, can order product in the store and if they are not available, he can buy online and return the product to the store. The creation of a unique shopping experience is one of the priorities of fashion and luxury brand retailers who are therefore forced to adopt an omnichannel approach and to manage their retail creating a “phygital” environment (Armstrong & Rutter, 2017).

3. Addressing Thesis' Topic

In this chapter will be discussed the process that has been used to collect information and data for the purpose of the research. The following subchapters will explain the underlying method and present the insights collected. The described theory is based on the book *Research Methods for Business Students*, written by Saunders et al. (2016).

3.1 Methodology

The choice of the research strategy has been to use qualitative methods only, which is in line with Saunders et al. (2016). First, a secondary research was conducted to get a clear overview about the area of interest. Very few literature is available regarding luxury digitalization, as for omnichannel consumer behavior, luxury omnichannel and the services linked to it. Thus, in order to achieve the aim of the thesis, primary research has been carried on. To answer to the two research questions, only qualitative methods have been employed. The qualitative method, in form of a semi-structured interview, was used to capture benefits and challenges faced by professionals involved in planning and realization of digital and omnichannel strategies for Luxury Goods companies. Insights have been used for two purposes, to determinate the benefits and challenges expected by professional from the implementation of an omnichannel strategy and to define its main pillars. The formulation of the research design resulted from a five steps analysis, as suggested from Saunders et al. in their book. The first step involved was the selection of an approach to theory development, the second was the methodological choice, the third regarded the research strategy, the fourth the time horizon of the research, while the fifth techniques and procedures of data collection and data analysis. The choices made will be presented in detail in the following lines. The approach to theory development selected has been the inductive one. In an inductive inference, known premises are used to generate untested conclusions. Data collection is used to explore a phenomenon, in this case the implementation

of an omnichannel strategy for Luxury Fashion Brands, to identify themes and patterns (benefits and challenges) and create a conceptual framework. For research using an inductive approach might be more appropriate the study of small samples of subjects rather than larger ones. The aim of the Inductive approach is to generate and develop a richer theoretical perspective than already exists in the literature. In line with the Inductive approach, the methodological choice selected has been the mono-method qualitative research. This methodological choice reckons on a single data collection technique and corresponding analytical procedures. Taken into consideration the previous choices and the specificity of the research questions to be answered throughout this work, the research strategy has to follow the Narrative Inquiry typology. As a research strategy, Narrative Inquiry has a very specific meaning and purpose. It enables to probe contexts where the researcher believes that the experiences of the participants can best be accessed by collecting and analyzing their stories, rather than collecting them as bits of data that flow from specific interview questions. The specific strategy made the selection of the other two steps, time horizon and techniques of data collection, easier. This research is a cross-sectional study, it is a “snapshot”, the qualitative method will be assessing every participant one-shot. It does not need a longitudinal perspective since the insights are linked to the past experiences of the interviewees and would not mutate overtime. With regards to the techniques and procedures of data collection, the most appropriate technique for the research seemed to be the semi-structured interview. This kind of interview is a non-standardized one to one interview that is used for exploratory, explanatory and evaluative research purposes. To respect the aforementioned research design and strategy, the pool of interviewees had to be relevant to the research questions and composed of a limited number of experts of the area. Therefore, the expertise in the luxury industry and a concrete involvement in the design and actualization of omnichannel strategies would constitute the optimal profile of an interviewee. After finding three candidates compliant with the prerequisites, five were then found using a snowball

sampling method. The snowball sampling is a non-probability sampling method, suggested when the pool of interviewees is not easy to build because of complexity in reaching and involving the single individuals. It implies the help of interviewees to recruit other individuals to be interviewed among their connections.

To answer in the best possible way to the research question, an interview guide was created (Appendix 1). Following a warm-up introduction, an in-depth question was formulated. The question, “Seen your working experience in the digital departments of Luxury Fashion Brands, could you please tell me in detail about your interactions with Omnichannel Strategies?”, would serve as a starting point. A list of topics to be discussed was created. If the topics were not covered during the in-depth phase, they would have been discussed after it. Every interview was audio-recorded. As suggested by the book *Research Methods for Business Students* for inductive approaches to research, the analysis started contextually to the data collection. In this way it was possible to develop a conceptual framework to guide the subsequent work. Having a clear research purpose, this parallelism between analysis and data collection makes it possible to make theory emerge from the process of data collection, analysis and interpretation. To analyze the qualitative data, each interview was transcribed and cleaned. Afterwards, a transcript summary was created. The summary contains the key points and insights emerged from every interview and a report of the most cited themes. These information have then been integrated in the thesis.

3.2 Research Insights

The insights coming from the eight interviews have been coherent. Even though the managers work for different brands and experienced the digitalization in different environments, their point of view regarding the omnichannel strategy was not distant. The following subchapters will sum up the most relevant insights extracted from the interviews. The first will briefly

explain the definition that the interviewees gave of the omnichannel. The description of the pillars on which the whole strategy is built on, according to the interviewees, will follow. Then the challenges that everyone faced or is facing in the implementation of the strategy and the weak points of luxury brands will be exposed. The different benefits sought in the implementation will close the chapter.

3.2.1 What is Omnichannel

When answering to the in-depth question that was opening the questionnaire, what has been interesting is that three out of eight interviewees found it difficult to give a clear definition of what an omnichannel strategy is. While all of them have been found agreeing that omnichannel is not only a retailing or marketing strategy and that has to be seen as a digital transformation process for the whole organigram behind a luxury brand, five interviewees highlighted that the strategy is a bundle of integrated services needed to provide customers with a holistic experience. An experience that needs to satisfy the high expectations proper of luxury customers, despite of the channel chosen. Thus, luxury managers see the omnichannel as a way of sharing the high level of experience and service, distinctive feature of luxury fashion brands, smoothly and continuously across all of those touchpoints that this strategy puts in place.

3.2.2 The Pillars of Omnichannel

The omnichannel strategy is not made of a unique block. It is a set of different services brought together, it must be built brick over brick. However, considering that not every luxury fashion brand can take advantage of huge budgets or has the intention of offering very sophisticated services, insights regarding the pillars that hold up the omnichannel were collected. The most mentioned one has been the unification of the data sources and the creation of a data architecture

that allows luxury fashion brands to identify customers' habits and preferences in a capillary way. According to the managers, an omnichannel strategy for luxury brands must be able to bring to customers solutions able to fulfill their needs. Without knowing them and understanding their needs in depth, the omnichannel strategy implemented would not be special, and luxury brands must avoid it. In this direction, CRM tools and every kind of database which contains data from both online and offline sources, must be connected to provide complete information to managers.

Moving to the in-store omnichannel experience, the managers identified two main features. The first service that must be offered to the clients is the "Ship to Home". Customers need to be able to ship conveniently what they purchase directly to the door of their home or to the hotel where they are staying. The second instead, regards the possibility to search online products while visiting a store. With the help of Sales Associates provided with digital supports (e.g. tablets or interactive totems), customers must be able to consult full product collections and, in case they find something they like, place online orders instantly and ship to the store or to a specific address once again.

Considering the services that must be activated online, on the ecommerce website of a luxury fashion brand, three cannot miss. Customers must be able to conclude a purchase on the eShop and receive it in store and they must be able to book items online and try them in store as well. The third necessary feature is the main bridge pushing eCommerce clients to visit and experience physical stores, the possibility to reserve an appointment with a Sales Associate. By selecting a precise shop and a time slot from their personal page, clients registered online must be able to book a visit to a flagship store and have a Sales Associate assigned to them. However, to have these puzzle pieces ready and raring, a strong backbone of business processes must be first set up. According to six out of eight interviewees, the integration of stocks is essential to support most of the omnichannel services. An "endless assortment" that unifies products

available in stores and warehouses dislocated around the world makes possible for customers to purchase or book the products they like everywhere they are, and to luxury fashion brands to avoid loss of sales. Three out of eight managers pointed to price consistency as another meaningful principle. They believe that implementing an omnichannel strategy without having price consistency on every channel would make impossible the implementation of services such as book online & try in store and would create an enormous disparity in sales between channels. Moreover, the inequality would give room to the increase to webrooming or showrooming according to where the lowest price would be found. Another process that must be implemented is the stream that permits to customers to return products bought from any channel both in store and online. Last but not least, to avoid Sales Associates' conflict of interests in encouraging store clients to purchase online, a system to let them perceive a commission for eCommerce orders as they do for tickets in store needs to be established.

3.2.3 The Challenges of the implementation of Omnichannel Strategy

During the in-depth phase, the interviewees cited many different challenges regarding the implementation of the omnichannel as well as its efficiency and maintenance. As already stated, the process of implementation of the strategy is of high complexity and involves a radical change for the entire organizations behind a brand. To be successful, there is a need for luxury brands to fully embrace a digital mindset. The shift must be transversal, involving every business unit. This requisite uncovers a first problem. In fact, according to the managers, the first limit to the pursuit of innovation for luxury goods brands is their own culture. In this regard, one interviewee said: "If luxury is everlasting, it is also due to its resistance to external contaminations. A brand's culture reflects the same resistance, it is hard to open it to innovation". The corporate orientation of luxury brands has a direct influence on employees, hence, driving innovation across different departments is seen as one of the main obstacles to

innovation, implementation of the omnichannel included. According to the interviewees, overcoming this limit can be possible only with the help of the top management. The CEO with the C-suite must be the drivers of the shift of corporate orientation towards innovativeness.

Closely related to the previous challenge, three out of eight interviewees identified as an additional pain point the definition of a governance in charge of the realization of the omnichannel project. Implementing an omnichannel strategy requires many internal processes to be completely redesigned. Opening an omnichannel department is not seen as a right solution. Managers believe that to better address the exigency of the different business units involved in the co-designation of the omnichannel strategy, cross-department taskforces must be empowered. The taskforces must work as a council, where representatives of every involved department collaborate to ensure the achievement of the hoped-for results without frictions while keeping up to date each other step by step. Moreover, four interviewees made reference to the need of decentralizing the implementation of the omnichannel strategy. This configures a big challenge since the Head Quarters and the central IT teams need to keep up with different scenarios and various projects. The four managers believe that the different regions in which a luxury brand operate need to have freedom to design part of their omnichannel services. They deem it necessary to enable local offices to better match their local technological advancement and customers' expectations, since these variables may vary substantially. Only two interviewees see as a challenge the creation of the right cyberspace. The problem raised regards the creation and the management of the touchpoints. According to the managers, the online presence of a luxury fashion brand must be impeccable; every online touchpoint, website, social network or advertising campaign must be aligned with the Brand Image of the sender, as it is for the offline world. The reason they gave when asked to explain in depth this argument was the same: to not misalign the Brand Perception from the Brand Image by avoiding faux pas. In fact, they are aware of the power of online communities and the risks associated with deluding

their expectations or betraying their principles. Always regarding matching the expectations, three managers see as a challenge the implementation of a solid Customer Intelligence strategy. If the omnichannel wants to satisfy each consumer, understanding customers' needs through data science becomes essential. The managers think that with the help of Customer Intelligence, luxury fashion brands should not only be able to understand the actual needs of clusters of clients but also to foresee which services they could find useful.

Omnichannel also brings another challenge to luxury fashion brands according to an interviewee, and it is about contents. The dynamicity of the web requires a constant conversation with consumers. Therefore, new content ceases to be so very quickly and it must be replaced often. Considering that in an omnichannel ecosystem consumers switch channel whenever they want, and campaigns must be the same everywhere, this is even a more complex and expensive issue. The manager continued saying that is very important also to have every item shot and every product description meticulously drafted. According to him, this is not a trivial topic. Considering that omnichannel must enable consumers in shop to purchase products that are not available and that the items available on eShops are usually less than a collection has to offer, the Sales Associates must be able to show and describe every product with the help of a digital support. Shooting every piece and have each product description ready is an additional effort that omnichannel demands.

3.2.4 The Benefits of the Omnichannel Strategy

The interviewees believe that every benefit comes from putting the consumer at the center of a Brand's strategy. With the ultimate target of selling more and better, every manager agreed that the omnichannel strategy generates an increase in customer satisfaction. Managers believe that by providing a fully integrated experience to customers, they would feel more engaged with the brand. If luxury fashion brands would be capable of designing very sophisticated customer

journeys through the omnichannel strategy, they would not only be able to match customers' expectations, they would also WOW them. The managers affirmed that significant increases in customer satisfaction could even be recorded by simply observing differences in Net Promoter Score (NPS). According to the interviewed managers, the main benefit that comes from the implementation of such a strategy is an important increase in customer retention rate. By increasing the retention rate, the pool of loyal clients grows year over year and the customer lifetime value reaches new heights. Only two managers out of eight highlighted that implementing an omnichannel strategy can be beneficial even from an acquisition point of view. They retain that, thanks to the direct integration of social networks to the eCommerce channel, luxury fashion brands may not only increase brand awareness by capturing the attention of a wider pool of consumers, but also simultaneously converting them into customers. According to the interviewed managers, another fundamental benefit of the omnichannel strategy is that it encourages customers to explore different channels. Omnichannel gives to clients the chance to shop following different purchasing patterns compared to the ones they are used to, guaranteeing them a seamless services and experiences. This effect would create a channel convergence. For instance, on one hand driving store clients to purchase online when far away from a store, on holiday or just simply lacking time on the other hand taking online customers to flagship stores to make them experience stores' atmosphere in their free time or when in need of style consulting. Moreover, by increasing the number of touchpoints with customers, the managers expect to generate an increase in the number of purchases per customer and so in consumer spending.

4. Discussion

The purpose of this study was to examine the perception of luxury managers regarding benefits and challenges of the implementation of an omnichannel strategy. In this chapter, through a

comparison between the insights of the interviews and the available theory, the two research questions will be proposed. The discussion focuses first on the limits Luxury Brands face in the run for digitalization and innovation. Afterwards the benefits of the pursuit of an omnichannel strategy will follow. Because of the lack of literature on the topics, two references were mainly used to develop this chapter. One is “Luxury Online - Styles, Systems, Strategies” written by Uché Okonkwo in 2010, the other one is “Digital Or Die”, a report on the Luxury Industry published by BCG in 2016.

4.1 What is slowing down Luxury Brands’ Digitalization

The luxury industry showed low commitment towards integrating advanced Internet technologies and its accompanying interactive and digital tools in the sector's overall business strategies (Okonkwo, 2010). That is why today managers are playing catch-up trying to align the innovation level of the Luxury Brands to the level that other industries reached already few years ago. The reasons for which Luxury has first been reluctant to digital innovation and now is being slower when compared to other industries are many. Managers identified corporate orientation as main limit. Completely in line with what Okonkwo wrote in 2010, who defined the issue of the inflexible corporate orientation as “the principal challenge and main drawback that luxury companies face in their move towards adopting Internet strategies”. Okonkwo identified as second problem for luxury brands the “unfounded belief that the Internet is simply a channel of communications or a channel of retail, in other words, advertising and selling”, however the interviewees had a clear view of what the internet is and they did not consider the internet as media for communication or a retail channel only. In fact, the managers consider the internet as an enabler of a vast choice of services to clients and to brands as well, especially in optic of an omnichannel landscape. Both Okonkwo and the interviewees have been found agreeing on a third challenge that luxury faces in the digital era, the issue of

representing a luxury brand's core essence on intangible channels. The author retains that online, a pretty and flashy website is not enough to emphasize Luxury Brand Images and to create a clear projection of them. According to him, luxury brands must create a luxurious "webmosphere" capable of transmitting to internavts a brand' soul. This is feasible only with the employment of a mix of key aspects like design, aesthetics as well as usability and functionality that matches luxury brands' personality in every digital touchpoint. The managers shared Okonkwo's position backing it with the risk of misaligning Brand Image and Brand Perception. Another major deterrent for the digitalization of Luxury Brands has been the empowerment of consumers. The increasing penetration of the internet, together with the birth of social media and blogs, has put the phrase "the consumer is king" permanently in every business' instructions manual. According to Okonkwo, in this world the consumer is in total control of not just receiving, interpreting messages from luxury companies and generating debates, but also of deciding the legitimacy of the communications, endorsing them or not, spreading their endorsements or even condemning a brand. The whole buzz around brands is constantly feeding the social networks and it can influence millions around the world in a matter of minutes. The rise of socials has had a huge effect on the growth of web power. Even beyond the target and actual customers, any individual who gives an opinion on the net can influence the perception of brands. The participants of these always-on conversations become a major component of the brand discourses and thus of their identity. This phenomenon, out of showing that the internet is rapidly becoming the most important and critical marketing medium, worries managers and strongly puts in danger the image of luxury brands. The world of mouth generated by online communities could only be influenced but not directly control. The internet has become the control tower of brands' communication and constitutes a very relevant medium. Thus, a prominent challenge and a huge "firewall" for luxury brands and managers when

approaching the digital sphere is to embrace the social web engaging communities and targets, via positive dialogues and being careful to not undermine the perception of their own brand.

4.2 Why it is important for Luxury Brands to embrace the Omnichannel Strategy

As affirmed by Okonkwo already back to 2010, digital is a reality that can no longer be questioned or resisted, even by an industry that carries as much economic and socio-cultural clout as the luxury sector. Digital has become an indispensable medium for growth prospects through its multiple possibilities that enable understanding client psychology, reaching a wider international clientele in a cost-effective manner and projecting a luxury brand's core essence and universe to a wider public (Okonkwo, 2010). Today luxury needs to shift to accommodate the evolution of the society. Fully opening to the digital world made of e-retail, digital communications and social networking. Through digital innovation and omnichannel, luxury brands can benefit from shifting to a complete digital mindset in their approaches to strategy, consumer insights, products and services, marketing and branding, distribution channels, ecosystems and partnerships, organization and capabilities, operations and infrastructure (BCG, 2016). Leveraging an omnichannel strategy, luxury brands would create a window over the entire world, multiply the touchpoints with the consumers. The interviewed managers believe that the ways luxury fashion brands could benefit from the implementation of an omnichannel strategy are multiple. Consumer insights are considered to be one of the biggest benefits that omnichannel brings to brands. BCG (2016) recognized that digitalized brands can leverage big data to better know their customers, apply the insights gained across the entire value chain and create personalized customer experiences. The interviewed managers believe that with the help of big data analytics tools, by understanding clients' preferences and behaviors, they could be

able to create services targeted at satisfying clients' needs. A greater proximity to the client base and the possibility to offer a more personalized experience, would favor a quicker and stronger bonding with the brands. BCG (2016) reported that the creation of digitalized customer journeys entails a shift from simply targeting consumer segments to creating offers for individual consumers. For BCG this means more than straightforward selling products, it involves building emotional connections with customers based on shared interests and broader opportunities for interactions, which is what luxury managers are aiming for.

Moreover, managers believe that the omnichannel would also help increase the customer retention rate and have some influences on the acquisition side, even though there is no certain proof of it referring to the existing literature. What is tested is the increase in revenues and the higher customers' loyalty that the interviewees expect from driving clients through the omnichannel funnel. Sopadjieva et al. in 2017 demonstrated that omnichannel consumers are avid users of retailer touchpoints, who enjoy exploring brands through multiple channels and to use the different purchase services available. Moreover, the research showed that omnichannel users are more valuable on multiple counts. They have been registered spending on average of 4% more on every shop occasion in store and 10% more online than single-channel customers. Even more compelling, with every additional channel they used they spent more money. Customers who used more than 4 channels for example, posted a +9% when shopping in store. In addition to having bigger shopping baskets, the Omnichannel shoppers were also more loyal, which reinforces managers' belief. Within six months after an omnichannel experience, these customers had logged 23% more repeat shopping trips to the retailer's stores.

5. Limitations

This research was developed as a master thesis, with a time constraint of four months. Having more time to develop it, a bigger pool of managers could have been taken under consideration. Moreover, additionally to the collection of interviewees' insights, a quantitative method could have been used to properly quantify the sentiment that a wider court of managers have regarding the different topics quoted during the interviews. Therefore, a limit of this work can be its generalizability. In fact, the eight managers interviewed represent the voice of three different European luxury fashion brands, in particular two Italian ones and a French one. Even if these Brands are considered some of the most affirmed luxury fashion brands, the insights recorded could not be representative of the situation that the whole industry is living. To conclude, all of these limitations indicated that the external validity was not given. However, the reliability of the underlying results was given, since each step of the research process was carried out carefully.

6. Conclusions

Taking into consideration all the aspects previously mentioned, it can be concluded that the underlying research provides new insights to the luxury fashion industry. The main idea of the work was to provide to luxury fashion brands' managers involved in digital innovation processes, considering the implementation of an omnichannel strategy, a clear overview of what are the challenges they would face and the relative expected benefits. However, additional research should follow to better assess and quantify the effects that omnichannel has both on luxury brands' organizations and on their clientele.

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Appendix

Appendix 1 - Interview Guide

INTREVIEW GUIDE

WARM-UP

Good morning/afternoon.

My name is Alessandro and I'm currently a Management student at NOVA School of Business and Economics. As you already know, I am at the moment interviewing professionals as you from the Fashion Luxury industry in order to complete my Master's Thesis.

This interview will last around 30 minutes and it will start with an in-depth interview. I will ask you a specific question that will help us to start the interview. Feel free to say whatever comes to your mind, there are no right or wrong answers. At the end of the in-depth phase I will ask you further questions in case they will be needed.

Before starting, do you give me the permission to record the interview? The records will be used to answer to the research questions behind my thesis, under the principles of anonymity and confidentiality.

IN-DEPTH QUESTION

"Seen your working experience in the digital departments of Luxury Fashion Brands, could you please tell me in detail about your interactions with Omnichannel Strategies?"

TOPICS TO BE DEVELOPED

- | | |
|---|--|
| <input type="checkbox"/> Definition of Omnichannel | <input type="checkbox"/> Merchandising |
| <input type="checkbox"/> Challenges of the implementation | <input type="checkbox"/> Effects on Retail |
| <input type="checkbox"/> Underlying necessity of the strategy | <input type="checkbox"/> Effects on eCommerce |
| <input type="checkbox"/> What Omnichannel does influence | <input type="checkbox"/> Effects on Clients |
| <input type="checkbox"/> Pursued Benefits of the strategy | <input type="checkbox"/> Managerial implications |
| <input type="checkbox"/> Pillars of the strategy | <input type="checkbox"/> Organizational Limits |
| <input type="checkbox"/> Internal structure | |
| <input type="checkbox"/> WW outlook | |
| <input type="checkbox"/> Logistics | |