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# **LUXURY FASHION ONLINE**

**A RESEARCH OF THE ONLINE MARKETPLACE FOR LUXURY FASHION  
BRANDS**



**HÁSKÓLINN Á BIFRÖST**  
BIFRÖST UNIVERSITY

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Student: Anna Rakel Ólafsdóttir

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## **ABSTRACT**

Over the last decades the scene of Luxury Fashion has changed significantly, and has evolved from being trade-driven activities, dominated by small and successful family businesses, to becoming a global economic force with a concrete structure and operational mechanisms. At the same time, the evolvement of the online marketplace has been substantial in the last decade, and it has taken Luxury Fashion brands quite some time to catch up with this evolution. There is an ongoing debate on whether or not Luxury should be sold online, at all, because of paradoxes between Luxury and the Internet.

The main objective of this thesis is to better understand if the online marketplace is a favourable channel for Luxury Fashion Brands to use in business, and whether there are any obstacles for Luxury Fashion Brands to use the online marketplace to its full potential. The author was also interested in knowing whether these possible obstacles would be reflected in the consumer's attitude towards e-retail of Luxury Fashion.

According to results, the online marketplace has the potential to be a favourable channel for Luxury Fashion Brands to use in business, but does however face some obstacles. The main obstacles are firstly the reduction of the senses when shopping online, senses such as touching, seeing and even smelling a product, and secondly the fact that one cannot try on a product when shopping online. However, according to results these obstacles could be overcome or compensated for with technology and additional services, and by recreating an atmosphere on the Internet that impacts the senses rather than functional aspects.

## FOREWORD AND AUTHOR'S STATEMENT

This Bachelor's thesis accounts for 14 ECTS-units towards a B.Sc. degree in Business Administration at Bifröst University. The author is Anna Rakel Ólafsdóttir, and the thesis' supervisor was Bryndís Björnsdóttir, professor at Bifröst University. The processing and writing of the report took place primarily in Paris, between January and April 2012.

The thesis' subject is to look at the online marketplace as a channel for luxury fashion brands, to gain a deeper and clearer understanding of how they can use this channel to their advantage, as well as to compare the consumers' attitude towards e-commerce and the online marketplace. An attitude survey was conducted to understand the opinions of consumers and their attitude towards e-retail and the online marketplace. Additionally an interview was conducted with Uché Okonkwo, writer and expert on luxury fashion branding and online branding. Finally, findings from the attitude survey and interviews were compared and evaluated to create a conclusion. The author hopes that this thesis will increase readers' understanding and interest on the subject.

The undersigned wishes to thank those who provided essential support and information to the processing of the report. Special thanks go to Bryndís Björnsdóttir, for excellent guidance and advice and Uché Okonkwo of Lux Corp, for taking the time to give an interview, on short notice. In addition to the above special thanks go to the following parties: Shameem Ólafsson and Sverrir Ólafsson, reading parts of this thesis, and the author's family for help and support along the way.

I, the undersigned have worked on this thesis independently and it is the result of my own research. The thesis is altogether my own work, with clearly referred to sources, where the works of others have been cited. In this respect the rules of Bifröst University have been followed to the best of my ability.

Bifröst University,

April 5<sup>th</sup> 2012

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Anna Rakel Ólafsdóttir

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# 1 INTRODUCTION

*This chapter will give a background to the thesis where the concepts of luxury, fashion, and branding of luxury fashion will be explained. Furthermore the problem discussion will be presented which will end in the purpose of this study where the research questions will be outlined. After that the delimitations for the study are set before the thesis outline is presented.*

## 1.1 Problem definition

In the last 23 years, since the World Wide Web was invented in 1989, the Internet, as we know it today, has grown at an unbelievable pace. According to research conducted by Netcraft Ltd., on March 1<sup>st</sup> 2012 there were over 640 million existing websites on the World Wide Web<sup>1</sup>. Another research was conducted by Miniwatts Group in June 2009, stating that about 1.67 billion people worldwide used the Internet on a daily basis. Further research by Miniwatts Group, in December 2011, shows that this number had grown to an astonishing 2.26 billion people (2,267,233,742 to be precise)<sup>2</sup>. These statistics change several times per minute and allow for the assumption that cyberspace is growing at an astonishing rate. The emergence of the Internet has created a new market space and, as a means of information and retail distribution, has provided access to this huge market of the online consumer and established e-retail as a core aspect of global business.

Over the last decades the scene of Luxury Fashion has changed significantly and according to Okonkwo (2010) has evolved from being trade-driven activities, dominated by small and successful family businesses, to becoming a global economic force, with a concrete structure and operational mechanisms mainly controlled by three Luxury giants; *LVMH*<sup>3</sup>, *Richemont* and the *Gucci Group*. Even so, according to Mark Tungate, branding specialist and author of *Fashion Brands: Branding Style from Armani to Zara* (2008), “Luxury brands have been slower than most to unlock the potential of e-retail.”

The objective of this thesis is to shed some light on the important factors concerning e-retail of Luxury Fashion as well as to give insight into the views and opinions of Luxury Fashion consumers. It will cast a strategic view of how Luxury Fashion Brand managers can implement an innovative e-business strategy with the usage of new theory and concepts.

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<sup>1</sup> Netcraft Ltd. (2012, March 5<sup>th</sup>)

<sup>2</sup> Miniwatts Group (2011, December).

<sup>3</sup> **Word Definition:** *LVMH* stands for *Luis Vuitton – Moët Hennessy*

### **1.1.1 Purpose – Reasons for subject selection**

Based on the discussion above, the purpose of this thesis is firstly to gain a deeper and clearer understanding of which obstacles luxury fashion brands can be faced with on the online marketplace and how they can use this channel in their advantage, secondly, to attempt to understand the consumers' attitude towards e-retail, and the online marketplace, when purchasing Luxury Fashion products. The purpose will be reached by addressing the following research questions:

#### **Question 1:**

*Is the online marketplace a favourable channel for luxury fashion brands to use in business?*

#### **Question 2:**

*Are there any obstacles for luxury fashion brands to use the online marketplace in business? If yes, are those obstacles reflected in the consumers' attitude towards e-retail of luxury fashion brands?*

### **1.1.2 Delimitation – Subject demarcation**

The study consisted of companies within the luxury fashion industry, more specifically companies in Luxury clothing apparel and Fashion accessories (shoes and handbags)

### **1.1.3 Terms and definitions**

#### **Luxury Fashion**

This thesis looks at consumer's attitude towards e-retail of Luxury Fashion. These are products such as clothes, shoes, jewellery, and accessories (such as handbags, scarves, belts, etc.) sold by brands within the luxury fashion sector. These are brands such as *Louis Vuitton*, *Yves Saint Laurent*, *Gucci*, *Prada*, *Armani*, *Alexander McQueen*, *Zack Posen*, *Vivienne Westwood*, *Viktor & Rolf*, and *Elie Saab*, to name a few.

Luxury Fashion Products should not be confused with other luxury goods, such as perfumes and cosmetics, eyewear, writing materials, textiles, travel guides, hair accessories, furniture, cars, home decorations and experiences.

#### **Online and offline customers**

This thesis looks at consumers of luxury fashion in regards to their shopping channel, and categorises consumers into online and offline clients. An online client is a consumer that uses the

Internet as a shopping channel and an offline client is a consumer that uses physical stores as a shopping channel. Most luxury fashion consumers fall into both categories.

### **Luxemosphere and luxemopherics**

Luxemosphere® is an extended Internet marketing concept, developed by Luxe Corp. *“It is the strategy of reproducing a luxurious atmosphere in an environment both online and offline. It can be applied online through the integration of specific web elements that are directly linked to the five human senses.”* (Okonkwo 2010: 347)

## **1.2 Outline of the thesis**

This thesis consists of seven chapters including introduction, subject discussion, literature review, methodology, data analysis, and conclusions.

The first chapter, *Introduction*, explains the overall background of the thesis, it's purpose and potential benefits, as well as outlining the thesis' research questions. The second chapter, *Definition of Luxury*, defines the main facets of luxury, it's history and it's attributes. The third chapter, *Digital Luxury*, presents relevant theories and research on the thesis topic. In the fourth chapter, *Methodology*, every method used in conducting the research for this thesis is presented. In the fifth and sixth chapters, *Attitude Survey Data Analysis* and *The Luxury Fashion Industry*, the empirical data collected is presented. Finally, in the last chapter, *Conclusions*, the findings are discussed and overall conclusions are drawn followed by implementations for further research.

## 2 THE DEFINITION OF LUXURY

*The purpose of this chapter is to define the meaning of luxury. The literature presented in this chapter deals with research findings and theories regarding luxury fashion. All the literature is described and explained in order to build a theoretical background for this thesis.*

### 2.1 In the beginning, there was Luxury

Many of the most desired luxury brands are French brands founded in the eighteenth or nineteenth century, such as *Hermès* in 1837, *Louis Vuitton* in 1854, and *Cartier* in 1847, by artisans who created the most beautiful clothes and things imaginable, for the French royal court which, according to Thomas (2007) set the standards for lavish living.

According to Thomas (2007), in the seventeenth century, Marie de Medicis, wife of the French king Henri IV, wore a gown embroidered with 32 thousand pearls and three thousand diamonds, for one of her children's baptism. She states that to maintain control over his courtiers, Louis XVI dictated to them what they were allowed to wear, when and where. He decided how high necklines should be, how large a gown should be and the length of its train, and ladies of the court would wear wigs so tall, their servants had to stand on ladders to arrange them. According to Professor Thierry Herselin, (In a lecture on History of Costume, March 26<sup>th</sup> 2012), Louis XVI himself dressed in fabrics of the highest quality such as silk, taffeta, and velvet, paired with frilly blouses, ample capes and coats with fur trimmings, high-heeled shoes and leather boots, and would wear long curly wigs with giant feathered hats.

Thomas (2007) also recounts, that Marie-Antoinette, wife of Louis XVI, “*overran her annual clothing budget of €2.8 million by buying gowns encrusted with sapphires, diamonds, silver, and gold.*” However, she claims, that according to observers, it was money well spent, and goes on to quote John Adams, second president of the United States, that “*her dress was everything art and wealth could make it.*”

#### 2.1.1 Luxury is not a necessity

*“Luxury is a necessity that begins where necessity ends”* – Gabrielle “Coco” Chanel (1883-1971)

Anyone that picks up a fashion magazine or turns on the television is immediately bombarded with celebrity news, reality shows, and pictures of models wearing amazing clothes and shoes, and carrying beautiful handbags or accessories. According to Okonkwo (2007) these are messages that “*touch the natural human craving to feel beautiful, important and recognized.*” They are designed



to communicate that if one obtains the right products and possessions, by the right designers, one can also become equally beautiful as the models and celebrities displayed, and become a part of their world. Therefore one quickly starts to want the Gucci watch, the Louis Vuitton bag, Chanel glasses, and Jimmy Choo shoes that one sees, every time one opens a magazine.

According to Kapfer and Bastien (2009) the keywords of luxury are price, rarity, exclusivity, tradition, history, art, and time. Charles Leadbeater, an independent writer and adviser on innovation and creativity, claims that for something to be considered a luxury, it must carry a particular kind of exclusivity, as luxury experiences are exclusive to only a few people, even though many want them. He further claims that luxury is sold to people through flattery, as by buying something luxurious they are not only displaying their wealth, but their refinement, and should luxury spread too fast, the sense of exclusivity is destroyed.<sup>4</sup>

This leads to the fact that luxury is not something that one needs, according to the New Oxford American Dictionary, luxury is *“the state of great comfort and extravagant living, or an inessential, desirable item that is expensive or difficult to obtain”*

### 2.1.2 Luxury and “The Dream”

In their book *The Luxury Strategy – Break the Rules of Marketing to Build Luxury Brands* (2009), Kapfer and Bastien define the nature of luxury products and services, and set out the rules for their effective management – including the luxury marketing mix and implementing a luxury strategy. According to Kapfer and Bastien (2009) products can be put into three categories, a basic product, a branded product and a luxury product:

- **The basic product** corresponds to a need that must be met as quickly as possible. The role of the basic product is to meet this need at the lowest cost possible, for example if one is cold and needs a sweater. In emergencies, one will buy the first sweater he sees.
- **The branded product** corresponds to a desire or a wish. Desire is artificial and does not need to be satisfied immediately. It lasts for a while, but not too long, and is substitutable (Kapfer and Bastien, 2009). Instead of any sweater one wants a Ralph Lauren sweater, preferably cashmere, but one will settle for J. Crew since it is cheaper.
- **The luxury product** corresponds to a dream. According to Kapfer and Bastien (2009) dreams are an integral part of human beings and do not necessarily need to be satisfied, they are beyond need or desire, outside time and often last forever. For example the dream of

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<sup>4</sup> Leadbeater, C. (n.d.).

looking like Audrey Hepburn will not be extinguished by buying a beautiful Little Black Dress by Versace or a cashmere cable knit sweater by Ralph Lauren. Kapfer and Bastien (2009) further claim that it is the role of the luxury product to satisfy, and respond to those dreams.

According to Kapfer and Bastien (2009), there is often a contradiction between the functionality of a product, and what makes it luxury, for example, the discomfort of a Louboutin stiletto. Even though the stiletto has an extremely thin and wobbly, 13 cm heel, at any given day in, one will see a woman trotting down the cobble-stoned streets of Paris in the famous red soles. Kapfer and Bastien (2009) state that these practical faults of luxury products are in fact qualities in the eyes of their clients, and an integral part of the clients dream *“beauty is pain”*.

For many luxury niches, in particular that of luxury fashion, hedonism and the pursuit of admiration from others, takes precedence over functionality (Kapfer and Bastien, 2009).

### **2.1.3 Luxury and “The Label”**

Karl Lagerfeld once said *“luxury bags make your life more pleasant, make you dream, give you confidence, and show your neighbours you are doing well.”* In fact, when it comes to Luxury Fashion Products, one of the most striking aspects in its nature is the visibility of brands and their logos. As stated above, when it comes to luxury fashion products, hedonism and the pursuit of admiration often take precedence over functionality, and luxury is the symbolic and hedonistic recompense of success and power; therefore luxury fashion must be seen.

According to Kapfer and Bastien (2009), at the court of French king Louis XVI, a certain level of “*étiquette*” was required. The *étiquette* was a formal set of rules that regulated the obligation to expenditure and show, in order to maintain one’s position at the court, and so that no one could dress like a gentleman, if he wasn’t. The direct translation of the French word “*étiquette*” means label, and according Kapfer and Bastien (2009) one can say that visibility of labels in Luxury Fashion products can be interpreted as a modern version of Louis XVI’s *étiquette*, and today’s noblemen are the economic elites, such as the bosses, the senior executives, and self-made men or women, as well as the artists, celebrities and sports stars.

### **2.1.4 Luxury fashion should last a lifetime ... and beyond**

According to Kapfer and Bastien (2009), one of the essential characteristics of a luxury product, is its relationship with time. Fashion is fleeting, and constantly renewed, as Austrian writer baroness Marie Von Ebner-Eschenbach once said, *“soon as a fashion is universal, it is out of date.”*

Therefore, luxury fashion must have time an essence of timelessness, and according to Kapfer and Bastien (2009), luxuries relationship with time is intimately connected to the aspect of “The Dream”

As stated before a luxury product is an affecting product, supposed to create an impression. According to Kapfer and Bastien (2009), a luxury product must not only be used, but must be seen whilst being used. They further state that an occasion of use will make the product more valuable, as it gives more public or social value to its user. *“This explains why a woman may spend a great deal of money on a handbag or a man on a watch: these are products that may be carried all day long, and are visible to all; social stratification is deployed to the maximum in these cases”* (Kapfer and Bastien, 2009).

As Gabrielle “Coco” Chanel once said, *“fashion fades, but style is eternal”*. According to Kapfer and Bastien (2009), luxury must be durable and seek out the longest possible lifespan. This imposes constraints on the style, which must remain both current and timeless at the same time. Kapfer and Bastien (2009) further explain that the value of true luxury fashion increases over time, as haute couture models are often displayed in museums and luxury fashion has a genuine market for second-hand items.

### 3 DIGITAL LUXURY

*The purpose of this chapter is to establish a theoretical outline. The literature presented in this chapter deals with research findings on the social web and theories relating to branding and online retailing. All the literature is described and explained in order to build a theoretical background for this thesis.*

#### 3.1 The Social Web – Web 2.0

The Social Web is a social media, website or application used for social networking. Social media is distinct from industrial or traditional media, such as newspapers and magazines, billboards, television, and film. They are relatively inexpensive and accessible to enable anyone to publish or access information, compared to industrial media, which generally require significant resources to publish information.

According to Weber (2009) the Social Web can take many different forms, including social networks, internet forums, weblogs, social blogs, micro-blogging, wikis, podcasts, pictures, video, rating, social bookmarking, and finally search engines which serve as reputation aggregators, as they aggregate sites offering the best product or service, according to ones search conditions, and rank them in order of their reputation.

Weber (2009) further explains that the most common social networks are considered to be micro-blogs such as Facebook, Twitter, and Google+ which are micro-blogging services where users can post short messages on their *profile page* which are then delivered to the users *online friends* or *followers*, and blogs; an online journal, where people can post thoughts, ideas and opinions, as well as images, music, videos, links to other sites, etc. Some blogs appear on personal sites, whilst others, are hosted by sites, such as Blogger, Weblog, or Tumblr. Some sites are devoted specifically to image sharing such as Flickr, and others to video sharing such as YouTube, which serves over 3 billion videos, viewed every day, and is visited by 800 million unique users each month.<sup>5</sup>

According to Corcoran, S. (2009, December 19<sup>th</sup>), branding on the social web can be categorized into three categories. Earned media, owned media and bought media:

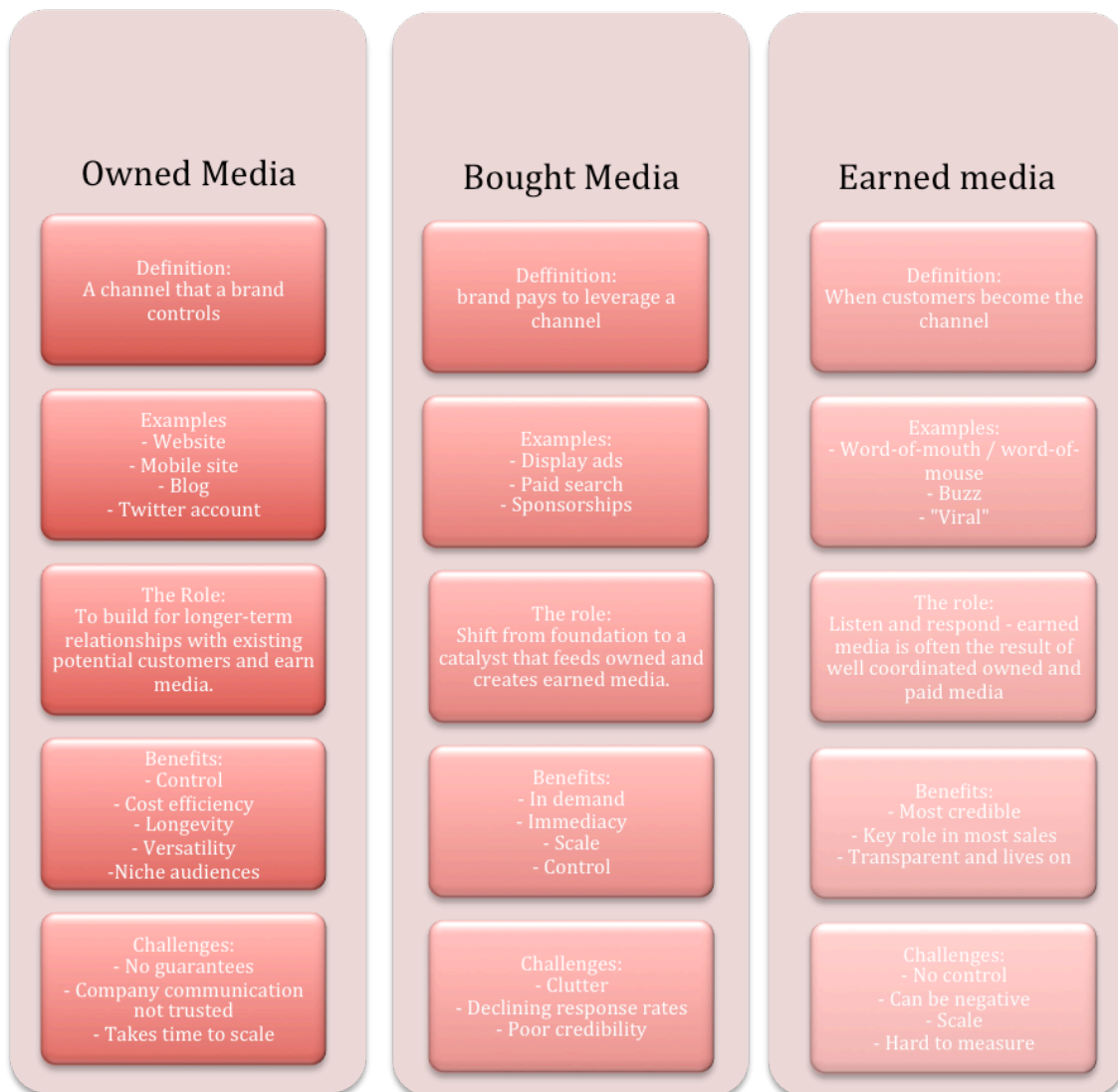
- **Owned media** is a channel that one controls. Within owned media there is fully owned media, such as a companies' websites, and partially owned media, such as a Facebook page

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<sup>5</sup> YouTube. (n.d.).

or Twitter account. Owned media creates brand probability and the ability to extend a brand's presence beyond its website, through social media and social network sites, like blogs or micro-blogs.

- **Bought media** is when a brand pays to leverage a channel, for example to display and banners advertising on a website, pay-per-click on search engines, or any other form of advertising on the social web, where a brand pays money in order to have the privilege to promote the brand.
- **Earned media** is essentially free advertising, through word-of-mouth (WOM), or "word-of-mouth" (forwarding of webpages), and favourable reputation. The influence of Earned media can catapult a brand to heights not previously imagined, however earned media is very uncontrollable and can easily cause the downfall of a brand, because of hurtful WOM.



**Figure 3.1 Corcoran's explanation of Owned, Bought and Earned media.**

According to Okonkwo (2010) the Social Web is a platform that gives a voice to anyone who wants one, through which one can spread their thoughts and ideas, create awareness, come together in action, vent out frustrations or just banter about nothing. The Social Web can therefore be defined as *“the use of the digital interactive media to congregate users with common interests and goals in a collaborative community that thrives on dialogue, participation, sharing and influencing. It features a new way of communicating and reaching out to a sizeable audience in the digital environment. It provides an unprecedented and powerful opportunity to be heard, seen, felt, engage, influence and be influenced.”* (Okonkwo, 2010)

### **3.2 A product without a brand is Naked**

Clifton (2002) states that the word *brand* is a degenerate of the Old Norse word *brandr* which originally meant *to burn*, and can be traced back to pre-historic Scandinavia when cattle farmers would mark their livestock with their names or a distinctive mark, to signify ownership of the animal. Cancino (2011, June 11<sup>th</sup>) further explains that in the late twelfth and early thirteenth centuries, this action was adopted to the practice of abjuration in England. Abjuration meant rejecting or exiling a criminal forever, and to identify this person as not trustworthy to others, the abjurers' thumbs were branded with the letter *A*. According to Okonkwo (2007) it was in the mid sixteenth century that the word *brand* began to relate to trade, emotions and trust, when whiskey distillers burned the producers name into the wooden barrels used to ship their products. This was done to differentiate the maker of each type of whiskey from competitors and to help consumers to identify the original quality product from cheaper substitutes.

Branding has advanced a lot from crude methods of differentiation to an essential business concept for any organization that wishes for long-term benefits, and is according to Okonkwo (2007) *“the most important intangible asset generator for an organization”*. Okonkwo (2007) claims that the terms *brand* and *branding* are among the most abused and misunderstood terms in the vocabulary of business today. She further claims that the average consumer of luxury goods will relate the term *brand* to a brand name or a logo, or a specific product, but by deeper definition one finds that consumers have different feelings and attitudes towards different brands. She explains that this is simply because each brand is unique and emits different messages, evoking different feelings with consumers.

According to the New Oxford American Dictionary a brand is *“a type of product manufactured by a particular company under a particular name”*. The American Marketing Association (n.d.) further defines a brand as *“a name, term, design, symbol or any other feature that identifies one*

*seller's goods or services as distinct from those of other sellers*", and finally The Online Business Dictionary (n.d.) defines brand as *"a unique design sign, symbol words or a combination of these employed in creating an image that identifies a product and differentiates it from its competitors"*.

Most dictionaries will refer to a brand as a corporate logo, a name, or a symbol, and according to Okonkwo (2007) many business professionals will associate branding with a company's trademark, the name of a company, its products or services. She claims that these are not the features that define a brand, but are mere parts of the associative elements of branding. She further argues that

"A brand is an identifiable entity that makes specific and consistent promises of value and results in an overall experience for the consumer on anyone who comes in contact with the brand. This entity includes names, terms, signs, symbols, designs, shapes, colours or a combination of these elements. Their purpose includes identifying the products of services of a seller, differentiating them from those of competitors and providing value to consumers."

According to Okonkwo (2007) *"a brand is the sum of all the feelings, perceptions and experiences a person has as a result of contact with a company and its products and services."*

According to Okonkwo (2007) the most important thing for a luxury fashion brand is differentiation. To differentiate itself from other brands, a brand should use a combination of important factors such as its identity, its personality, its heritage, its origin, and its visual language together and create a brand universe that is apart from any other brand. She further states that when a brand has a very strong universe, it creates a shield for its products so that they cannot be copied, replaced or discontinued. The brand becomes the owner of that category, that style, or that specific colour, because the brand has created a signature that differentiates it from other brands.

According to Okonkwo (2010) at the beginning of the Internet, luxury fashion brands were generally intimidated, because there were certain paradoxes between luxury and the Internet. It didn't really follow the codes of luxury, and the industry didn't really understand the multiple channels and benefits of the Internet. She further claims that the general belief within the luxury fashion industry is that to use these multiple functions of the Internet, a brand would have to adapt to the online world and essentially change the codes of the brand. However, according to Okonkwo (2010) the first rule about online branding of luxury fashion is that luxury shouldn't have to bend to suit the requirements of the web, but it's the web that needs to bend to suit the requirements of luxury. This is because the web already has the base to be able to bend and modify and adapt, to be able to express luxury in its true form.

Secondly, Okonkwo (2010) believes that the Internet requires a language of interactivity that engages make the consumer dive into a kind of immersive environment, so that they forget that this experience is only in front of a computer screen. Finally, she states that it is not about what people see, but it's about what people feel and what they experience, that controls the successes of a luxury website.

### **3.3 The consumer is king!**

According to Peter and Olson (2008) the conventional purchase decision-making for the offline consumer starts at awareness or recognition of the product and the need for the product, followed by information search such as comparison with similar products and locating a store or outlet, followed by purchase and utilisation, and finally after-use, evaluation and communication, such as returning or exchanging a product, or telling others about the product. Okonkwo (2007) states that the luxury consumer, both online and offline, follows a different decision-making path, due to the significant role that feelings, emotions and irrationality play in the purchasing decision. The online consumer is shaped by emotions and feelings, such as web experience and prior relationship with the brand, indicating a distinct process in relation to luxury goods. Okonkwo (2007) further states, "*Luxury fashion consumers have an emotional affair rather than a cognitive bond with luxury brands,*" and that in order to create effective e-retail strategies, it is important to understand the characteristics of the online luxury consumer and their online purchase behaviour.

#### **3.3.1 Today's luxury fashion consumer**

According to Okonkwo (2010) if a portrait were to be painted of today's luxury fashion consumers it would be someone who can recognise luxury quality and can tell between true luxury brands, and brands which claim the luxury status for quick returns, they are informed about the luxury fashion trends of the day and are difficult to tantalize. Today's web experience is about exchanging, sharing and collaborating, and according to Okonkwo (2010) luxury fashion consumers want to share their passion for luxury brands with other online users, making them empowered with the ability to influence the opinions and perceptions of others towards luxury fashion with a simple conversation or debate on a blog or a social network. This statement is also recognised by Weber (2009) who claims that a strong brand ought to be based on the dialogue it has with its clients, and that the stronger the dialogue, the stronger the brand. He further states that the social web allows brands to have these kinds of dialogues more efficiently and less expensively than in the past.

According to Okonkwo (2010) today's luxury fashion consumers are overloaded with information and are able to accept, or reject, details of brand promises with the click of the mouse. This



overload has also made today's luxury fashion consumer spoilt for choice and therefore has become more demanding and difficult to please. She further states that the social web has given luxury fashion consumers control of the relationship they have with luxury brands. They expect to be in charge, and *"brands now have to woo, court and dance to their tunes"* (Okonkwo, 2010).

Okonkwo (2010) also states that for a large portion of luxury fashion consumers their choice of shopping channel depends on convenience. The adaption of the Internet has made convenience a key factor in the accessibility and interaction with luxury fashion, as well as making them less intimidating. Okonkwo (2010) further explains that this has resulted in a difference in consumers' brand loyalty, if they are shopping online or offline:

*"In the physical world, their choice criteria for brand preference range from the brand's reputation, products, services and overall experiences. Online, however, their preference for a luxury brand depends on the offerings and experience the brand offers on its website. In other words, if a luxury website doesn't deliver the client moves on. After all, it only takes one click and half a second"* (Okonkwo, 2010).

Finally, today's luxury fashion consumer is increasingly a globetrotter and may even be a multiple homeowner, in more than one city, making him more likely to shop for luxury fashion in more than one city. They therefore *"expect coherent brand experiences at every shopping location, and every shopping channel, both offline and online"* (Okonkwo, 2010).

### **3.3.2 Consumer behaviour - The Online luxury fashion consumer**

The existence of an online luxury consumer population is no longer a question and according to Okonkwo (2007) this consumer segment is also growing at a fast and continuous pace, and a large portion of this online population are high net-worth individuals, who have the resources and willingness to buy luxury fashion goods online. The online consumer is empowered with a low switching cost, as he can move from one e-boutique to another with a click of the mouse. He is able to view and compare various products, shop conveniently and receive deliveries of purchases without travelling to the store, or even without the comfort of his home, and therefore should never be underestimated. Okonkwo (2007) further explains that the online luxury consumer also has high expectations, and although an e-boutique is available to the masses, *"it should be designed to feel appropriate to only a niche segment, to which the consumer belongs"*.

According to Okonkwo (2010) many luxury fashion brands today make great efforts to try to separate their online clients from the offline clients, such as creating separate client management systems, segmenting offers to clients according to shopping channel, and grouping VIP clients

according to their shopping channel, rather than their overall expenditure on the brand. She claims that the reality is that online and offline clients of luxury fashion brands are in most cases the same people, as consumers who have already established relationships with a luxury brand offline, are according to Okonkwo (2007) more likely to purchase the brand online. Therefore, luxury fashion brands online clients should not, and cannot, be separated from luxury fashion brands offline clients (Okonkwo, 2010).

Furthermore, Okonkwo (2010) claims that luxury fashion consumers are looking for a uniform brand experience from both channels. Therefore *“there should be strong synergies between these channels and everything about client management on either channel should compliment, rather than compete, with the other”* (Okonkwo, 2010)

According to Okonkwo (2007), Luxury fashion consumers make frequent online purchases, even though the available luxury e-retail websites are limited, and are more willing to make continuous online luxury purchases than offline. However, she states that previous shopping experiences and exposures, both online and offline, influence consumers. If a consumer already has a positive perception of a brand, it increases their decision process to buy the products of this brand online. Therefore, the likeliest consumers to purchase luxury goods online are those that already have a relationship or exposure to the brands.

Okonkwo (2007) claims that several attempts have already been made to segment online consumers according to their key purchasing influences, as well as to differentiate the offline and online consumer behaviours, without success. Although a standard online consumer behaviour model has yet to be developed, Okonkwo (2007) states that the model of offline consumer segmentation, produced by Nielsen (1999) can be applied to the online consumer population. In his model, Nielsen (1999) identifies six groups of consumers:

1. **The social shopper** – those who associate shopping with pleasure and social meetings. This group is the least likely to shop online.
2. **The habit shopper** – those that only visit the same stores and shop through the same medium. This group will stick to offline stores for a long time.
3. **The ethical shopper** – those who are more concerned with ethical associations of shopping, like material sources and employee working conditions, than with the shopping medium. This group has medium online shopping potential and requires a website to meet their ethical expectations.

4. **The value shopper** – those who seek value from an overall combination of product and service quality and cost. This group is likely to scout for these features online.
5. **The experimental shopper** – those who are not afraid to try new stores and shopping media. This group has a high potential for online shopping
6. **The convenience shopper** – those who appreciate shopping without time delays.  
This is the best target group for online shopping.

According to Okonkwo (2007) a large portion of the current online luxury fashion consumers fall within the convenience and the experimental shopper segments. She states that these groups can be characterized by high literacy and cultural awareness and that they are in most cases high net-worth individuals that expect security, convenience, personal service and instant satisfaction. She further explains that these consumers are likely to switch easily between brands as a result of their ease of searching for alternative brands to meet their demand, but are also likely to be repeat visitors and repeat buyers to a website that meets their expectations.

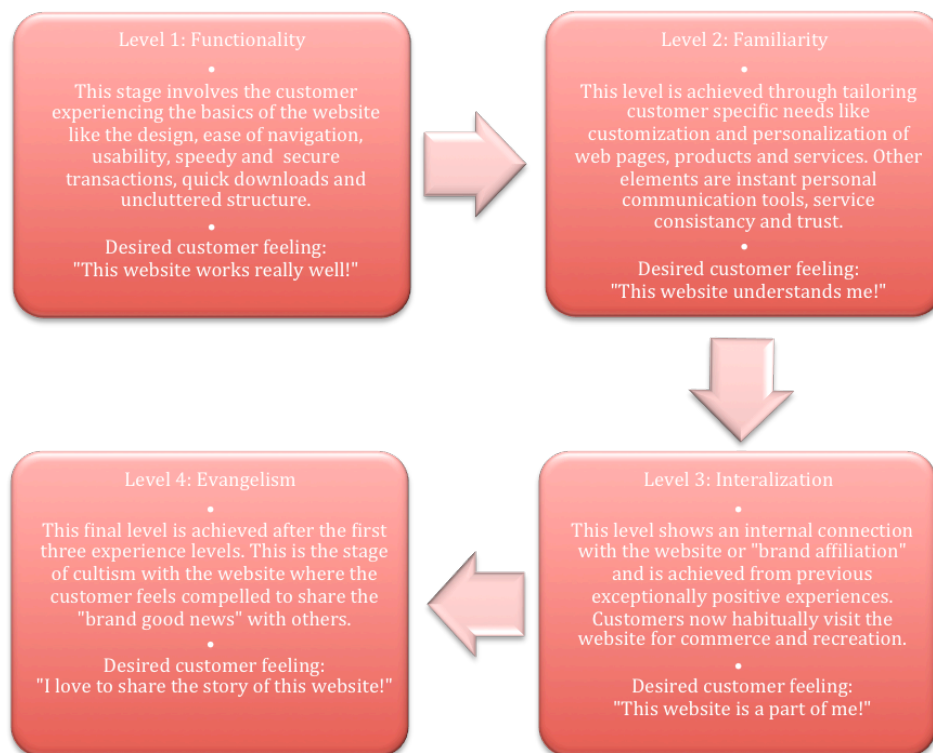
### 3.3.3 Luxury fashion consumer purchase-decision process

According to Kanuk and Shiffman (2004) the purchase-decision process is how consumers decide to spend their available time, money and effort on consumption related items such as products and services. They further define this in their hierarchy of influence as what, why, when, where and how consumers purchase products and services, followed by the frequency of purchase, how often they use the products and/or services purchased, how they evaluate and dispose of their purchases, and how they decide future purchase.

Okonkwo (2007) applies this hierarchy of influence to goods of the luxury sector, stating that in regards to luxury fashion, consumers do not only buy products and services, but “*complete package of experiences, feelings, and identities made up of the product, the service and the brand’s characteristics*”. As stated in Chapter 3, luxury products correspond to a dream, cravings and wishes rather than functional or basic needs. When, why and how often consumers purchase luxury fashion can therefore be explained by the constant desire for the products. According to Okonkwo (2007) this is also the reason for when the consumer purchases luxury goods, as well as their frequency of purchase and states that due to the dream aspect of luxury fashion products, the consumer will make a purchase whenever the opportunity arises. As for the other aspects of Kanuk and Shiffmans (2004) hierarchy of influence, (frequency of usage, product evaluation and disposal, and future purchase decisions) Okonkwo (2007) states that luxury products are in most cases used

frequently, since luxury goods serve as a stamp of consumers personalities, and are rarely disposed off since they traditionally last for a lifetime. Furthermore, Okonkwo (2007) states that since the appreciation of luxury goods extends beyond the products functional attributes, *“the evaluation focus is on the role of the luxury product in the life of the consumer and the satisfaction that it provides. Since the symbolic role of luxury products is continuous, their post purchase evaluation remains immaterial”*.

According to Okonkwo (2007) the decision-making process for online luxury purchase is excellently explained in the Experience Hierarchy model. The model follows a four stage process and is based on the principle that *“the sum of the consumer experience while shopping online determines their evaluation of the website, which subsequently affects future visits”*.



**Figure 3.2 The Experience Hierarchy Model<sup>6</sup>**

Okonkwo (2007) further states that the consumers overall perception of a brand is very much affected by the online experience, which can determine the consumers future interaction with the brand. The stages of the Experience Hierarchy model begin at the moment the consumer opens the homepage of a brand and continues with his post-purchase evaluation.

<sup>6</sup> Okonkwo (2007)

According to Okonkwo (2007) this assessment of the customer experience shows the need for luxury fashion brands to create a total customer experience for online shoppers that is both memorable and enjoyable and in order to maintain a parallel customer perception of the brand, the website should also be consistent with the overall brand strategy.

### 3.4 The e-experience

For a luxury fashion brand to survive on the online marketplace, the brands website must not only satisfy consumer needs, but must exceed their expectations (Okonkwo, 2007). In other words, it must meet more than the minimal requirements of e-retail, like ease of navigation and design. As already explained in this thesis, the decision process for luxury-purchase relies on high emotion and irrationality, which are boosted by high-impact experiences. Therefore, capturing the right moods and feelings on a luxury brand's website can enhance the emotional responses of the online consumer and increase the probability of online purchase.

According to Okonkwo (2010) luxury brands are obsessed with perfection, not only in product creation, but also in providing clients with exceptional brand experiences through services, as well as the design of the store and its atmosphere, merchandizing, packaging and sales interaction. Moreover, Okonkwo (2010) claims that this level of perfectionism, in providing the most optimal brand experience, is every bit as essential online as it is offline. Therefore, she states, the way luxury is represented online is not only a question of being present on the Internet through having a pretty, content-rich website, but it is about creating an exceptional viewing experience for each and every person that visits the website, and *“enveloping every website visitor in an immersive environment that makes up the brand's universe online”* (Okonkwo 2010). This rich experience, she states, will eventually translate into sales and brand loyalty.

The developing of a luxury website requires not only understanding of web applications and the Internet environment, but also elements such as the dynamics of the world of luxury, appreciation for aesthetics, understanding of a brand's DNA, its corporate goals, online and offline clients, competitors and core e-business strategy. Okonkwo (2010) claims that due to the above-mentioned elements, the task of creating a luxury brand's website should be addressed on a strategic level, instead of an aesthetic one.

According to Okonkwo (2010), for luxury fashion brands to have an enhanced online presence, the focus should not only be on creating a high impact website, but on implementing an integrated e-business strategy, which of course includes website design. Moreover, she states that an e-business strategy is far from being only about e-retail. It is in fact *“an integration of multiple “e” elements*

*including the e-experience, e-branding, e-communications, e-consumer analysis, e-commerce, e-CRM, e-logistics, e-merchandizing, e-marketing, e-customization, website design and the all too important social media” (Okonkwo, 2010: 115)*

### **3.4.1 The e-retail strategy and the Luxemosphere**

Kapfer and Bastien (2009), believe that for a luxury brand, an Internet strategy is indispensable, as a means of communication, advertising and an experiential tool, but should not be used for distribution and sales. Their opinion is governed by the dynamic of luxury itself. According to Kapfer and Bastien (2009) the personal relationship, or the physical link, between the consumer and the luxury brand disappears quickly online, as a result of the fact that the Internet is an anonymous universe, and one does not truly know who is behind the computer on the other side. They continue to state that the Internet world is a sensually reductive world, that is only able to serve the visual and aural senses, but *“the senses of smell, taste and touch gets ignored, or served in such a reduced, summary manner that the refinement and the multi-sensory component of luxury are excluded”* (Kapfer and Bastien, 2009).

Okonkwo (2010), however rejects this reasoning and explains her concept of the “luxemosphere”, which is an extended Internet marketing concept, which describes the prestigious atmosphere that every luxury brand’s website aims to attain, both offline and online. She further defines the aim of the luxemosphere to be:

*“... To recreate a truly splendid universe within the virtual environment of a brand mainly through replicating the unique identity, style, signature and codes that the brand uses in its offline existence.”* (Okonkwo, 2010: 121)

Furthermore, Okonkwo (2010) explains that for a luxury fashion brand to integrate the luxemosphere into their e-strategy, a brand must include factors, such as visuals, sounds, movement, scent and flavour.

She further explains that the visual and sound elements of the luxemosphere are most easily obtained, since, as stated above, the Internet primarily serves the visual and aural senses. Visual elements are images, colours, text, graphics, shapes, displays and layouts. According to Okonkwo (2010) the welcome page, homepage, design concept and the display of visual elements of a luxury brands website are the aspects which, in terms of visuals, require the highest attention. Sounds, and music is often linked with an experience or a feeling in consumers’ minds, for example people in their early twenties will most likely link a popular summer hit song with sun, beach, and partying. According to Okonkwo (2010) sounds go a long way in creating specific moods or atmosphere, *“as*

*well as compensating for the lack of human presence online, and act as a bridge to creating an emotional bond with the brand” (Okonkwo, 2010: 130).*

Factors such as scent and flavour are human senses that require physical touch, and are therefore considered by Kapfer and Bastien (2009) to be more likely to be sensually reduced online. The sense of smell and flavour, according to Okonkwo (2010) is an extremely personal sense as it is linked to individuals’ personality, feelings and emotions, as well as having an emotional and nostalgic effect on people. However, Okonkwo (2010) claims that they can be easily recalled in consumers’ minds, through providing strong and thorough descriptions, with precise and emotion-evoking words, as well as descriptive visuals.

Finally, the element of movement in the luxemosphere is the factor that is linked to the human sense of touch. According to Okonkwo (2010) reproducing movement and the sense of touch online is fairly easy with interactive technology, with the integration of elements that psychologically evoke the sense of touch, and make the consumer forget that he is, in fact, in front of a computer screen. These can be technologies such as zooms, which give the possibility of viewing parts of a product that can be seen better on the computer screen than with the physical eye, were the consumer holding the product in his hands. Other possibilities can be videos of how a product, such as a dress, moves when worn while walking, 360° product view with the possibility of turning a product around to view all sides of the product, interactive and alternative views of a product, animations, and so on. However, Okonkwo (2010) states that a luxury website must be consistent in the use of the above stated features, in order for it to be successful.

According to Okonkwo (2010), the question of luxury products’ suitability for e-retail continues to be discussed, with regards to the lack of a personal relationship between brands and consumers online, as well as the reduction of sensual interaction that happens in the online world. However, she claims, this point of view is no longer relevant, because, due to *“the significant advancement in digital technology, interactive media, client management applications and sales and logistics support systems in the last decade there is no longer any justification as to why luxury shouldn’t be sold online”* (Okonkwo, 2010: 217). Furthermore, she states that if a luxury brand has an integrated e-business strategy that is well crafted and equally well executed, it could create global brand awareness, strengthen the brand image, and increase client acquisition and client retention for the brand, for a mere fraction of the otherwise offline cost.

## 4 METHODOLOGY

*This chapter will present the methodological framework used for collecting and analysing the data, in order to solve the research problem and answer the research questions. The overall methods available to obtain data will be presented and explained before selecting the appropriate ones. The chapter starts with an explanation of the research purpose, the research approach and the research strategy. Afterwards, the sample selection and the data collection methods will be presented followed by a discussion around the validity and reliability of the study.*



**Figure 3.1 Methodology outline**

### 4.1 Research purpose

The purpose of conducting an empirical research is to answer or elucidate specific research questions. According to Ghauri and Grønhaug (2005) there are three main classes of research design, which can generally be distinguished:

- **Exploratory research design** is used when the research problem is badly understood, and often characterized as “looking around”. It is about collecting data, asking questions, and seeking new insights.
- **Descriptive research design** is used when the problem is well understood. This method concerns depicting accurate profiles of people, events or situations.
- **Causal research design** aims at gaining an explanation of a situation or problem, usually in the form of causal relationships.

Saunders, Lewis and Thornhill (2007) explain that exploratory research is useful when the aim is to clarify one’s understandings of a specific problem. As this study focuses on looking at the online marketplace as a favourable channel for luxury fashion brands to use in business, as well as to understand the consumers’ attitude towards e-retail of luxury fashion, the research conducted is of an exploratory nature. This is because little research has already been conducted on the topic and this thesis has the possibility of shedding new light on the situation.

The overall purpose of the research is firstly, to gain a deeper and clearer understanding of which obstacles, if any luxury fashion brands can be faced with on the online marketplace and how they can use this channel to their advantage. Secondly, to understand consumers’ attitude towards e-

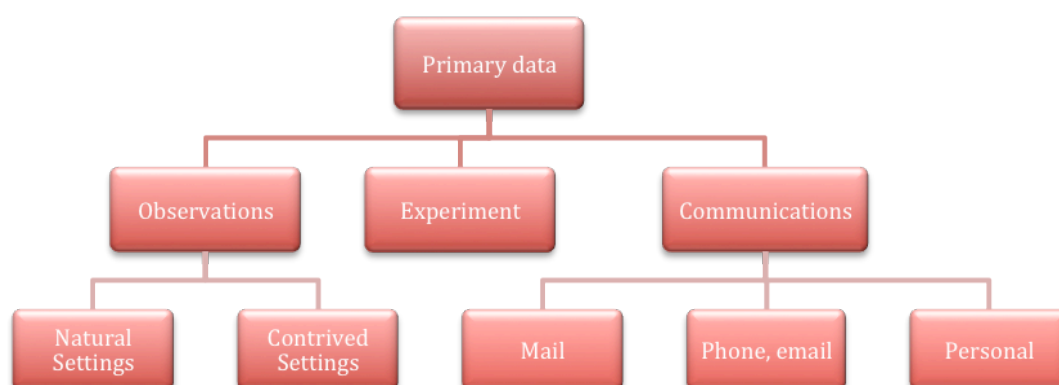


retail and the online marketplace when buying luxury fashion, and thirdly to cross-compare findings, gathered from consumers and business experts. Therefore, the research purpose has to be of exploratory nature.

## 4.2 Research approach and data sources

According to Ghauri and Grønhaug (2005) a research approach can either be inductive or deductive. This depends on what comes first, the formation of a theory, or the collection of data and formation of a research. In the case that data is first collected and a theory later formed as a result of the data analysis, an inductive approach is applied. Saunders, Lewis and Thornhill (2007) further explain that if the researcher starts by developing a theory, and later designs a research strategy to test his theory, a deductive approach is applied. In this research, a hypothesis was created from existing theories, which have created the framework for the collection and analysis of data. Therefore, a deductive approach has been applied to this research

Having decided on the main research approach, the question of primary or secondary data is addressed. Secondary data is information collected by others for purposes, which can be different from that of researchers. According to Ghauri and Grønhaug (2005), secondary data is useful not only to find information to solve our research problem, but also to better understand and explain our research problem. They also explain that when secondary data is no longer able to help answer our research questions, or no longer available, a researcher must collect original data himself, which is relevant to the research problem at hand. This is called primary data. There are several possibilities of collecting primary data, as shown in figure 3.2 below.



**Figure 3.2 Sources of primary data<sup>7</sup>**

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<sup>7</sup> Ghauri & Grønhaug (2005)

As with most research, this thesis began with a literature review of earlier studies on the topic at hand, but since little research exists on the topic, secondary data is quickly exhausted and the use of primary data sources are unavoidable. According to Ghauri and Grønhaug (2005), after deciding to collect data through primary sources, the approach to the collected data remains to be selected.

After selecting the overall approach of the research, the approach to the collected data remained to be selected. According to Ghauri and Grønhaug (2005), the research could either be of a qualitative or quantitative nature. They further explain that the main difference between qualitative and quantitative research does not lie in the “quality” of selected data, but in the procedure of collection. In qualitative research, the emphasis lies on words and interpretation thereof, while a quantitative research emphasises numbers and statistical values.

According to Ghauri and Grønhaug (2005), when testing different hypothesis or when studying human opinions, forecasting consumer attitudes, behavioural patterns, and identifying customer needs, a quantitative approach is favourable. Furthermore, quantitative research tries to quantify a problem and understand how prevalent it is by looking for projectable results to a larger population.

However, as stated before, this research is of exploratory nature, and according to Ghauri and Grønhaug (2005), qualitative methods are most useful in the case of exploratory research, and that moreover, often a combination of the two methods can be used. Therefore, this research consists primarily of quantitative data, which is supported by qualitative data.

### **4.3 Research strategy**

According to Ghauri and Grønhaug (2005) a survey is an effective tool to opinions, attitudes and descriptions, as well as for getting cause-and-effect relationships. As the purpose of this thesis is to identify any possible obstacles for luxury fashion brands to use the online marketplace in business, as well as to look at the consumers attitudes and opinions on e-retail of luxury fashion brands and their perceptions thereof, a survey is the most suitable research strategy.

Yin (2009) explains that research strategies include experiments, histories, surveys, archival analysis and interviews and case studies. Interviews are a qualitative research strategy, which demand real interaction between the researcher and the person being interviewed, where the researcher should “*know his respondent, their background, values and expectations*” (Ghauri and Grønhaug, 2005: 131). Finally, according to Yin (2009) data collected from interviews can also be used as supportive tools for data collected from other research forms, whether they are qualitative, quantitative or a combination of both methods. Therefore, a qualitative interview is a suitable

strategy to further research, and evaluate data obtained from the before mentioned quantitative survey.

#### **4.4 Data collection method**

As stated above, this thesis has two suitable research approaches, and is therefore split into two parts, according to the method used. An online survey questionnaire appeared to be best suited, to the first part of the thesis, as this part focuses on the opinions and the general view of the consumer towards e-retail of luxury fashion brands. The second part of the thesis was best suited with an open-ended interview to support the findings from the survey.

Finally, according to Yin (2009), both interviews and questionnaires should be supported further by information gathered from other sources. Various literature and theories were gathered to compliment the data retrieved from both the survey and interview. Data and information was gathered through various books and articles, as well as with the help of online search engines such as Emerald Insight and Google Scholar.

##### **4.4.1 Consumer Survey**

According to Ghauri and Grønhaug (2005), surveys and questionnaires are among the most popular data collection methods in business studies. In survey research where structured data collection techniques are used on a large number of respondents, questionnaire design becomes very important. During the construction of the questionnaire for this thesis, various factors were taken into consideration. The questions were mostly yes or no questions and checkbox or multiple-choice questions, where the respondent had the choice between at least three options of answers.

According to Fowler (2009) when choosing and creating questions for survey research, the possible responses should be listed in an articulate, clear and neat manner, as to prevent any risk of the question to be suggestive. A suggestive question is a question, which is phrased in such a manner that makes it more likely to be answered in one way than another.

The arrangement of questions is also an important factor to consider when creating a survey, especially to avoid any misunderstanding or misinterpretation, as according to Fowler (2009), the interpretation of questions are subject to change, due to the preceding and/or following survey questions.

Fowler (2009) further states that when conducting a quantitative research, survey questions can be both open-ended and/or closed. Open-ended questions have both advantages and disadvantages.

With open-ended questions, the researcher has the possibility to get a clearer picture of respondent's views and sentiments towards the research topic. This is due to the fact that respondents are able to answer the questions using their own words and expressions, and in most cases more accurately. Despite these advantages, the data processing of surveys, which contain open-ended questions, considerably more difficult than for surveys containing closed questions.

Closed-ended questions are when respondents are presented with questions, which have specific numbered responses and are expected to choose either one or more answers (Fowler, 2009). The benefit of surveys, which include closed questions, is that it is easier to obtain a clear and simple conclusion than it is with open-ended questions. Furthermore, surveys that consist of closed questions allow for the possibility of asking more questions than surveys with open-ended questions. Finally, the respondent is able to give reliable answers when the answer choices are given and the processing of the survey becomes clearer, easier and faster.

Ghauri and Grønhaug (2005) provide a list of guidelines for the construction of questionnaires in their book *Research Methods for Business Studies*. During the construction the researcher tried to her greatest extent to follow these guidelines, which included using simple and concise language, using one-dimensional, specific and straightforward questions, to avoid misunderstanding and confusion, and avoiding the use of questions of suggestive nature. This will be further explained in chapter five, *Attitude Survey*. To make sure that the survey worked properly, as well as to make sure that there was a coherent understanding of all questions for all respondents, the researcher's colleagues, and family members tested the survey several times.

Finally, The survey was aimed at a wide target group to get the most significant result. The respondents of the survey were of both sexes and all ages, ranging from unemployed individuals, to students and self- and fully-employed respondents. The survey was sent to respondents via e-mail and Facebook-messages and reached respondents both in Europe and North America. The survey was open for 9 days, from March 23<sup>rd</sup> to April 1<sup>st</sup>, and was created with the help of the online survey creator FluidSurveys.com. The full transcript of the survey questionnaire can be found in Appendix II.

#### **4.4.2 Interview**

According to Ghauri and Grønhaug (2005) the best data collection method is often considered to be through interviews and can be done via mail, telephone or in person. They further categorise interviews into structured and unstructured interviews. In *structured interviews* the interview questions are standardized to emphasize fixed responses and a systematic sampling. These

interviews are easy to combine with quantitative methods as they often provide data that is easy to quantify for statistical data (Ghauri and Grønhaug, 2005). *Unstructured interviews* are often conducted to understand “how” or “why”. These types of interviews require the interviewer to ask only a couple of lead questions, and the respondent is then allowed to liberally answer, react, and discuss his opinions and beliefs on the matter at hand. However, unconstructed interviews should always be recorded in order to later understand the “how” and “why” (Ghauri and Grønhaug, 2005).

According to Yin (2009) unconstructed interviews (also called open-ended interviews) are best suited for interviews, which concern the respondents’ opinion on a certain matter, as it allows for more freedom in answering the question.

Therefore, it was decided to conduct an unconstructed (or open-ended) interview with an individual within the luxury fashion sector, who might be able to shed light onto the survey results, and thus provide a better understanding of it. Uché Okonkwo is a branding specialist who specialises in luxury and online branding. She is the author of two books on the subject; *Luxury Fashion Branding* (2007) and *Luxury Online* (2010). Uché Okonkwo has vast experience in this field and was therefore considered to be an excellent choice for an interview. The interview was conducted in person, and recorded. The interview took place on Wednesday, April 4<sup>th</sup> 2012.

## 4.5 Data analysis

According to Yin (2009) and Ghauri and Grønhaug (2005), the processing of analytic data consists of three parts:

- **Data reduction** refers to the process of arranging, focusing, and simplifying the collected data, generating categories and identifying themes and patterns so that relevant conclusions can be drawn from the data.
- **Data display** helps the researcher to understand what is happening and permits drawing conclusions and taking action based on this understanding.
- **Conclusion drawing and verification.** Interpretation is at the heart of qualitative research and starts already at the beginning of the data collection process. The conclusions drawn are verified as the research proceeds.

The above recommendations were taken into account during the process of collecting and analysing the research data. Conclusions have been drawn through the entire process of data collection, even

though vague and unclear at first, they have become more clear and grounded, finally leading to the conclusions of the thesis.

#### **4.6 Quality standards**

In this research, as in any research, there is always some level of subjectivity in interpreting the collected data. Therefore it cannot be guaranteed that another researcher would come to the exact same conclusion as is done in this thesis.

According to Ghauri and Grønhaug (2005), validity is concerned with the suitability of the indicators. As the online survey received 101 answers, the possibility of generalizing the findings, should not be affected. Therefore, the author of this thesis presumes that attitudes and opinions found in the online survey are applicable to most companies within the Luxury Fashion sector.

The interview conducted was recorded so that data could not be forgotten or missed. The final threat to validity of the research is that the interview was conducted in English, which is not the author's native language, nor is it the native language of the interviewee, which opens the possibility for language misinterpretations. In order to ensure that all the information gathered is correct, a summary of the interview was sent to the respondent after the interview. All the procedures of this research are described as thoroughly as possible in the methodological chapter of this thesis.

## 5 ATTITUDE SURVEY ANALYSIS

*An online attitude survey was conducted on 194 individuals, and this chapter will present the data gathered. The chapter will describe the survey results in illustrative statistics, such as pie charts, histograms and cross-collisions, as found appropriate. The chapter starts with a brief background regarding the sample selection, and the research execution, and then continues to go over the results obtained from the survey, beginning with demographical statistics, and concluding with the data most essential to this thesis.*

### 5.1 Sample Selection

For the accuracy of the survey, it was necessary to find a sample that would reflect the consumers' general attitudes towards luxury fashion brands implementation of the online marketplace in their overall business strategy, as well as their attitude towards the e-retail of luxury fashion products. Therefore, for the clearest result of the survey, it was important for the survey to have a diverse sample, of both sexes, which covered a wide age group.

The sample selected was between the age of 16 and 64 years. For a diverse and significant survey, it was sent to both men and women, in different employment, ranging from students, homemakers, unemployed, to full-time employees. The reason for this sample selection, was because the overall purpose was to find out the general attitude amongst consumers. Therefore the author it was decided to include both individuals that regularly consume luxury fashion products and those who do not.

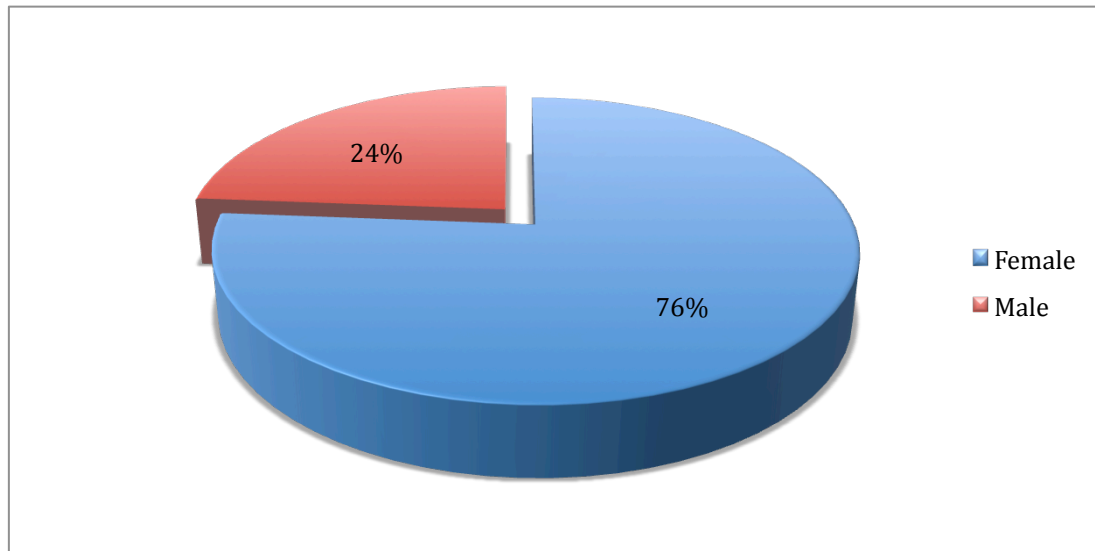
An online consumer survey was conducted, created with the help of the online survey program on the webpage [www.fluidsurveys.com](http://www.fluidsurveys.com), and sent by e-mails and Facebook messages on March 23<sup>rd</sup> 2012. The survey lasted for nine days and ended on April 1<sup>st</sup> 2012. The sample consisted of 194 individuals and 101 people participated in the survey, therefore the response ratio was 52%.

### 5.2 Survey Results

This chapter starts with demographical statistics and then continues to the data most essential to the thesis.

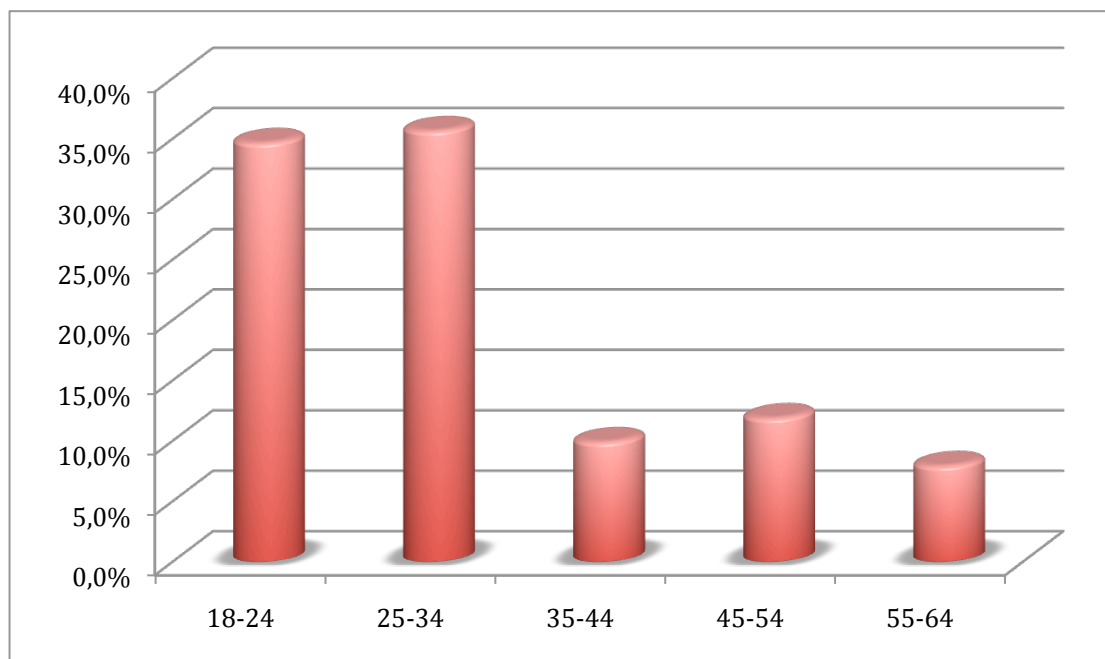
### 5.2.1 Demographical statistics

As stated above the survey was sent to 194 individuals and got 101 responses. The survey was sent to individuals of both sexes, and out of the respondents, 76% were female and 24% were male.



**Figure 5.1 Male to Female ratios**

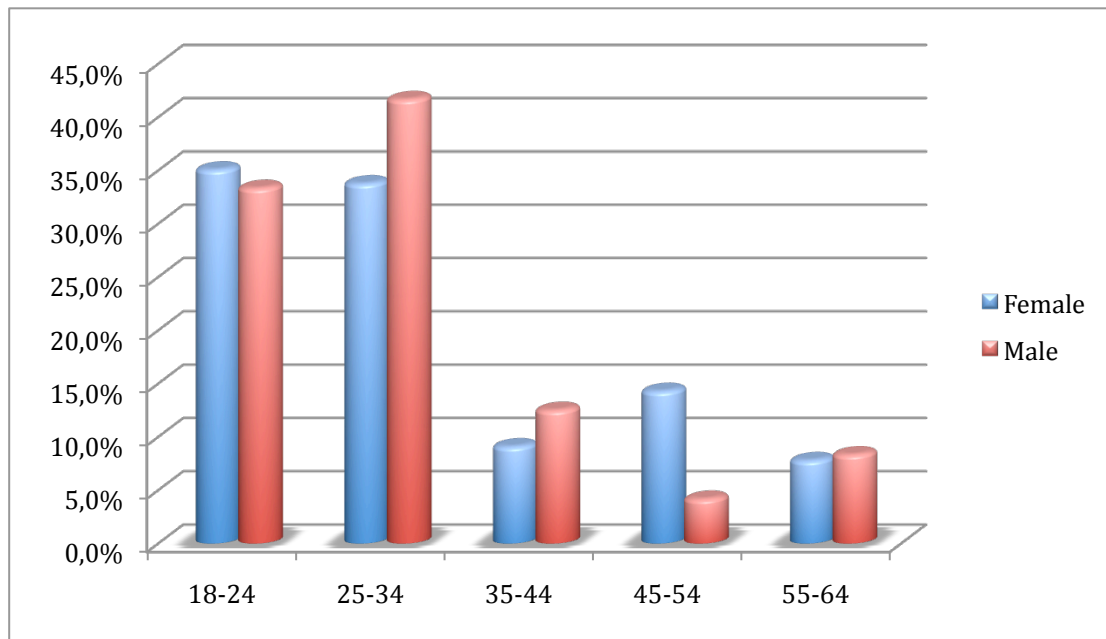
Out of the respondents, most were between 25 and 34 years of age, or 35.6%, followed by respondents between 18 and 24 years who accounted for 34.7% of the total answers received. Respondents between 35 and 44 years accounted for 9.9% while 11.9% of respondents were between 45-54 years, and 7.9% were between 55 and 64 years old. The survey received no answers from respondents more than 64 years old.



**Figure 5.2 Total age ratio of survey**

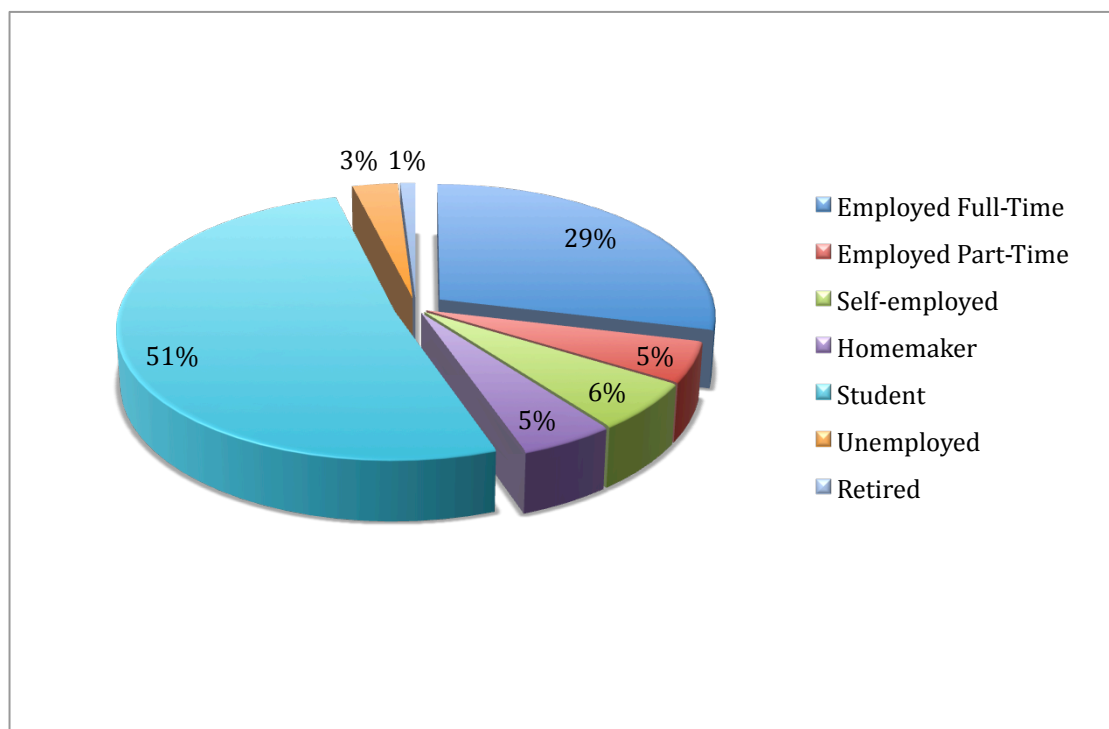


Out of the total respondents, the survey received most responses from women in the age group “25-34 years old”, and most responses from men in the age group “18-24 years old”.



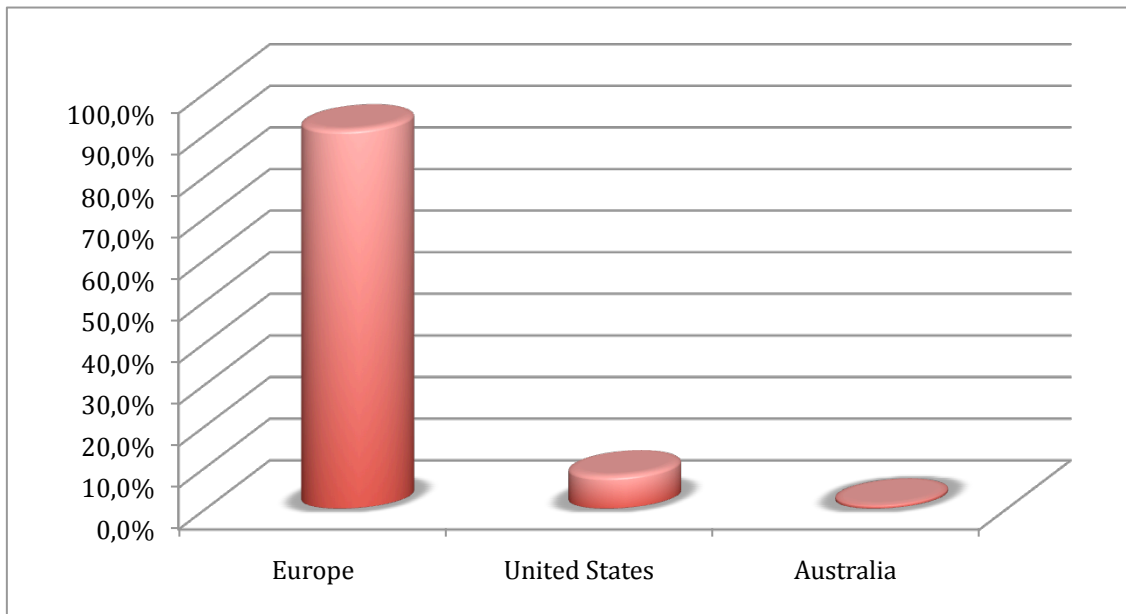
**Figure 5.3 Age in regards to sex**

Out of total answers received, most respondents were students, or 51%. Individuals in full-time employment accounted for 29%, while part-time employees accounted for 5%. Self-employed individuals accounted for 6%, homemakers for 5%, and unemployed individuals accounted for 3% of total responses. Finally, retired individuals accounted for only 1% of total responses.



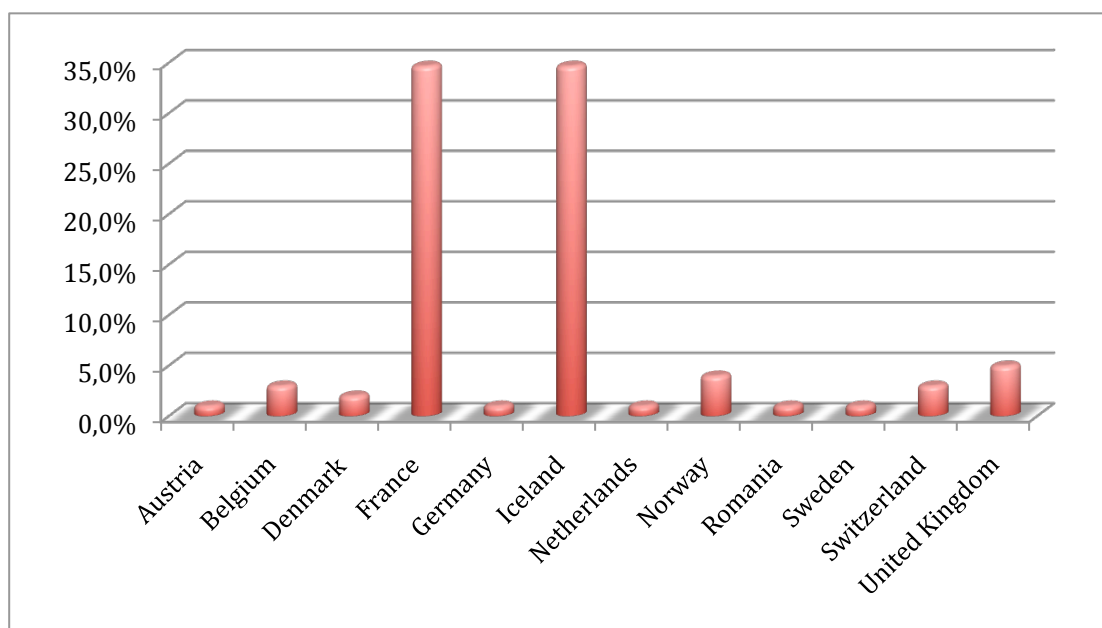
**Figure 5.4 Employment ratios**

The survey, received answers from respondents in multiple countries, spread over three continents. Most answers, or 91.1% were accumulated from Europe, while answers from the United States accounted for 7.9% and answers from Australia accounted for only 1% of total responses.



**Figure 5.4: Location of responses according to continents.**

As stated above, 91.1% of the answers received were from Europe. Within Europe, most answers received were from France, or 34.7% of total answers. Also, 34.7% of all answers came from Iceland. The survey received 5% of answers from the United Kingdom, 4% from Norway, 3% from Switzerland and Belgium, 2% from Denmark and 1% from Austria, Germany, Netherlands, Romania and Sweden.



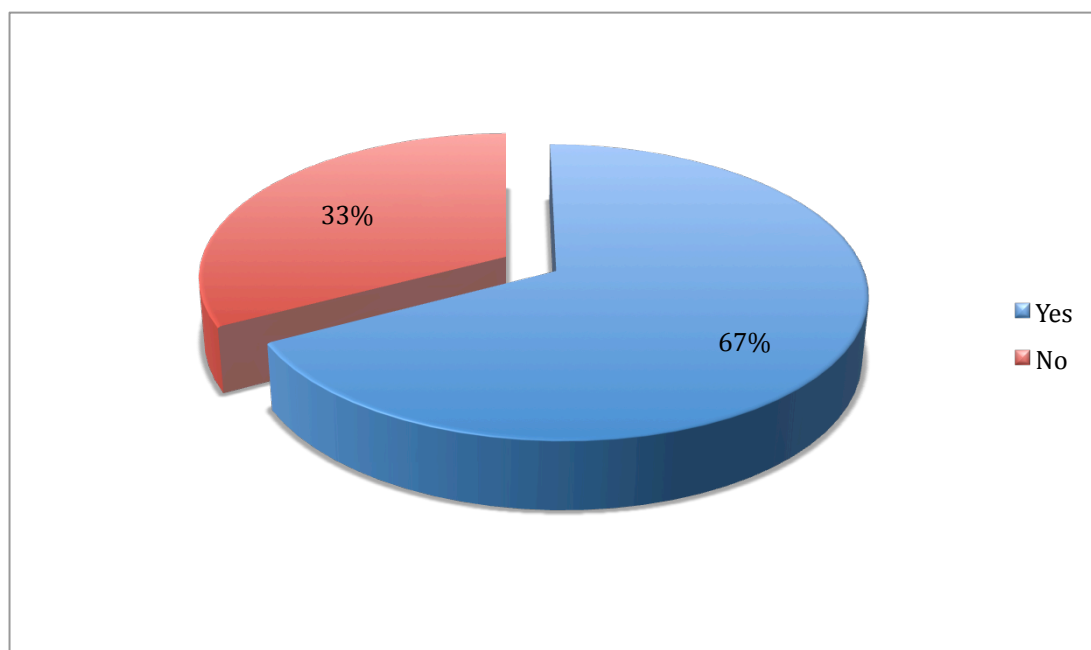
**Figure 5.4: Location of responses in Europe.**

### 5.2.2 Survey statistics

There were multiple possible paths when answering the survey, according to responses for each question. These paths allow one to identify different groups of consumers and analyse their attitude towards Luxury fashion products. These groups will now be identified and analysed.

***Question 1: Have you ever purchased Luxury Fashion Products, for yourself or others?***

This was the first question of the Survey, and was a yes/no question. Respondents were split into two groups according to their answer in this question. Respondents who answered “yes” were defined as Luxury Fashion consumers and those who answered “no” to this question were defined as non-Luxury Fashion consumers. Majority of the respondents, or 67%, were Luxury Fashion consumers, and 33% were Non-Luxury Fashion consumers, as they had never purchased Luxury Fashion Products. Out of those who answered yes, 73.5% were female and 26.5% were male, which is very close to the general male to female ratio of the total respondents.

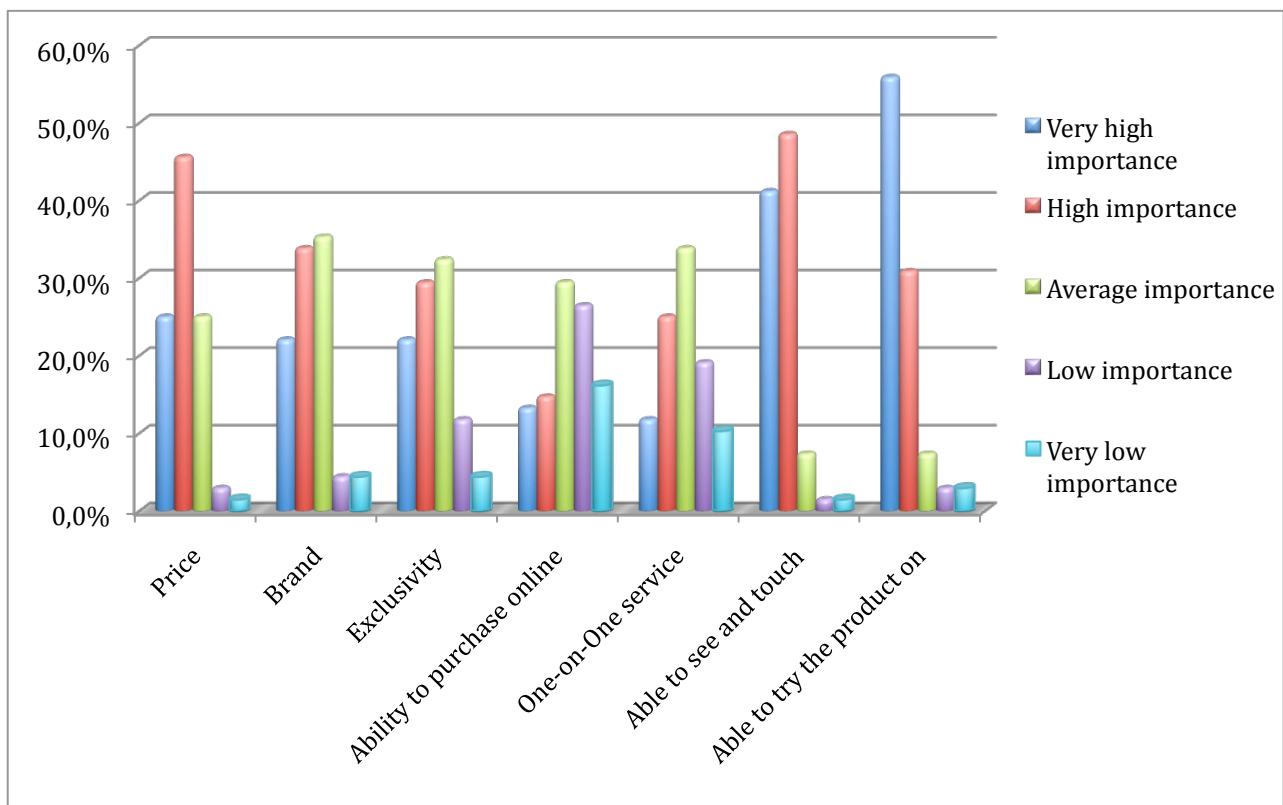


**Figure 5.5: Luxury Fashion consumer ratios.**

***Question 2: By importance, rate the following factors in purchasing Luxury Fashion Products.***

Luxury Fashion consumers were asked to rate which factors out of seven possibilities they found most important when purchasing Luxury Fashion Products. These factors were; the price, the brand, the exclusivity of a product, the ability to purchase online, one-to-one service, the ability to see and/or touch a product, and the ability to test or try a product on.

Generally the most important factor was “the ability to see and/or touch a product”. Out of the total of respondents, 89.7% found this to have high, or very high importance. The second most important factor was “the ability to test and/or try on a product”, as 86.8 % of respondents found this factors to have very high, or high importance. Thirdly 70.6% of respondents, stated the “price of a brand” to have high or very high importance. 69.1% of respondents found “a products brand” to have high or average importance, and 61.8% found “a products exclusivity” to have high or average importance. The factor “one-to-one service” was expressed to have average importance by 33.8% and finally 55.9% expressed the “ability to purchase online” to have average or low importance when purchasing luxury fashion products.

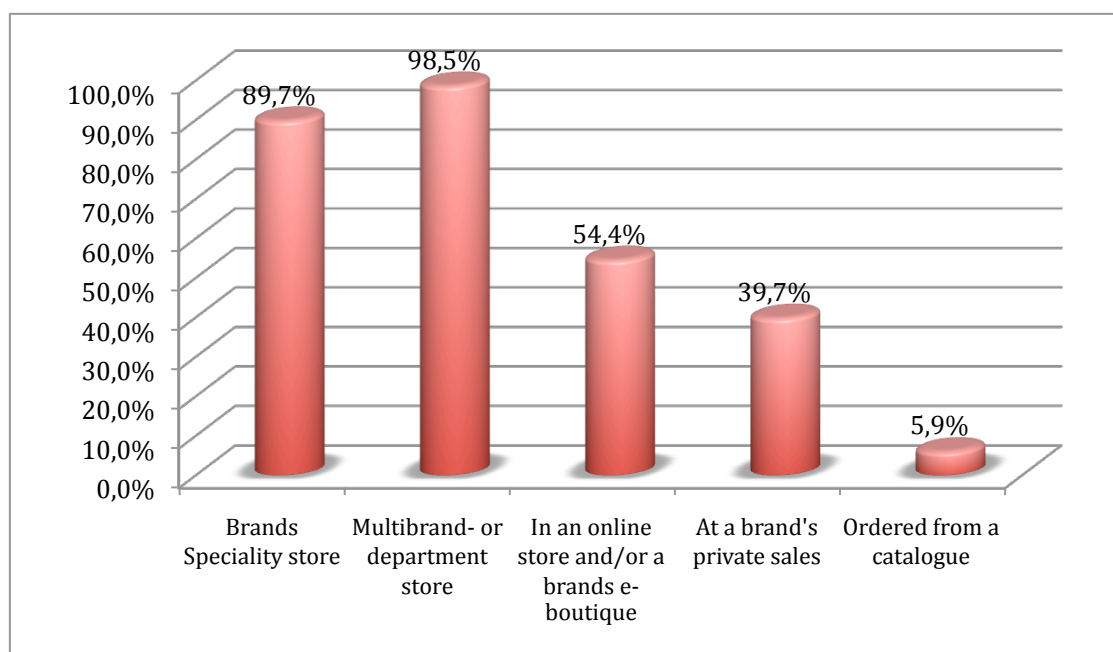


**Figure 5.6: Important factors when buying luxury fashion products.**

In addition to the seven pre-defined answers, respondents were given an open ended question where they were asked to state any other factors they found important when purchasing luxury fashion products. This question was optional but received answers such as quality, craftsmanship, uniqueness and originality, subtlety of the brand, sentimental factors, and payment methods, as well as shipping time, trustable resellers and consumer reviews when purchasing online.

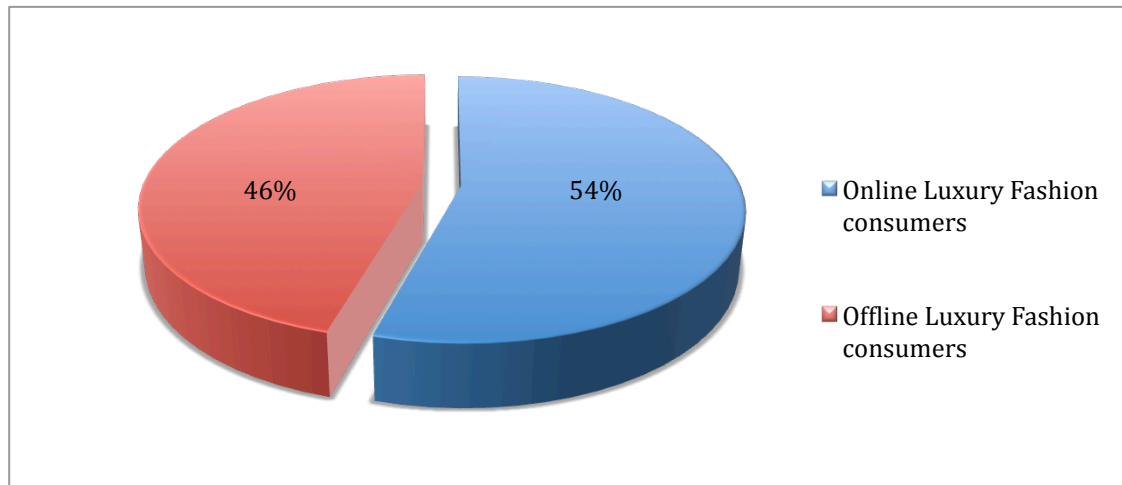
***Question 3: Where have you purchased luxury fashion products?***

The Luxury fashion consumers were next asked to state which shopping channel they had previously used when purchasing luxury fashion products. This question was presented as a multiple yes/no question giving each respondent the choice of selecting more than one channel. Most of the respondents, or 98.5% claimed to have purchased luxury fashion products in multi-brand- or department stores and 89.7% in a brands speciality store. About half of the respondents have made luxury brand purchases in online stores or e-boutiques, and 39.7% have made purchases at brands private sales. Finally, only 5.9% of respondents claimed to have made luxury fashion purchases from catalogues.



**Figure 5.7: Purchasing channels used by Luxury Fashion consumers.**

This question was used to split the Luxury Fashion consumers group into two new subgroups for further analysis. The first subgroup is defined by the respondents who claimed to have purchased luxury fashion products in an online store or in a brands e-boutique and will therefore be called Online Luxury Fashion consumers. Consumers that had previously purchased Luxury Fashion by other channels than online stores or brands e-boutiques, form the second subgroup, and will hereafter be called Offline Luxury Fashion consumers.

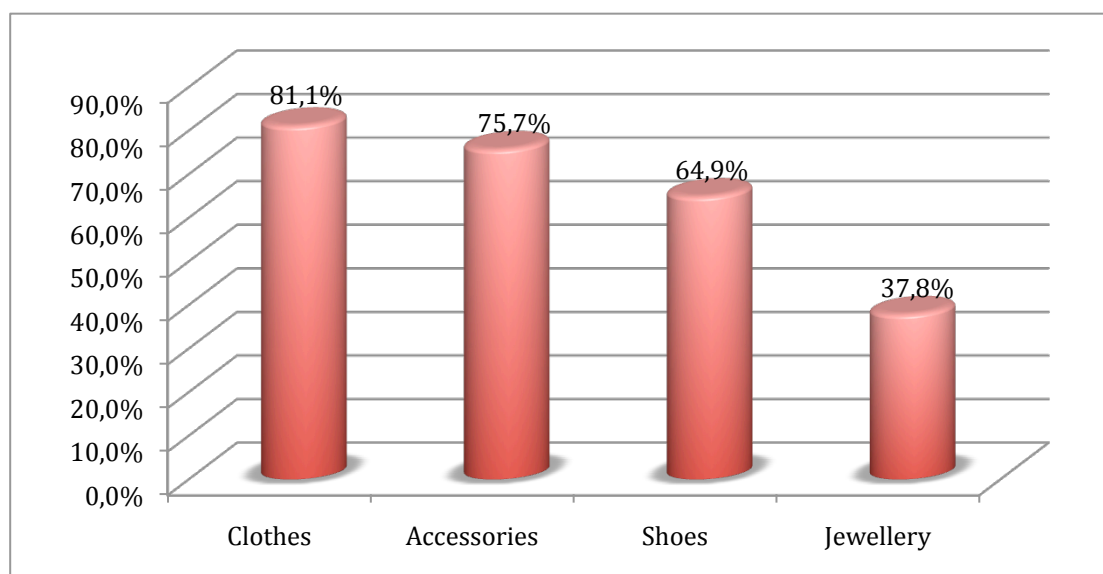


**Figure 5.8: Luxury Fashion consumer subgroups in respect to online vs. offline shopping channel**

Out of the total Luxury Fashion consumers, 37 of them, or 54% were Online Luxury Fashion consumers and 31 of them, or 46%, were Offline Luxury Fashion consumers.

***Question 4: Which of the following Luxury Fashion Products have you purchased online?***

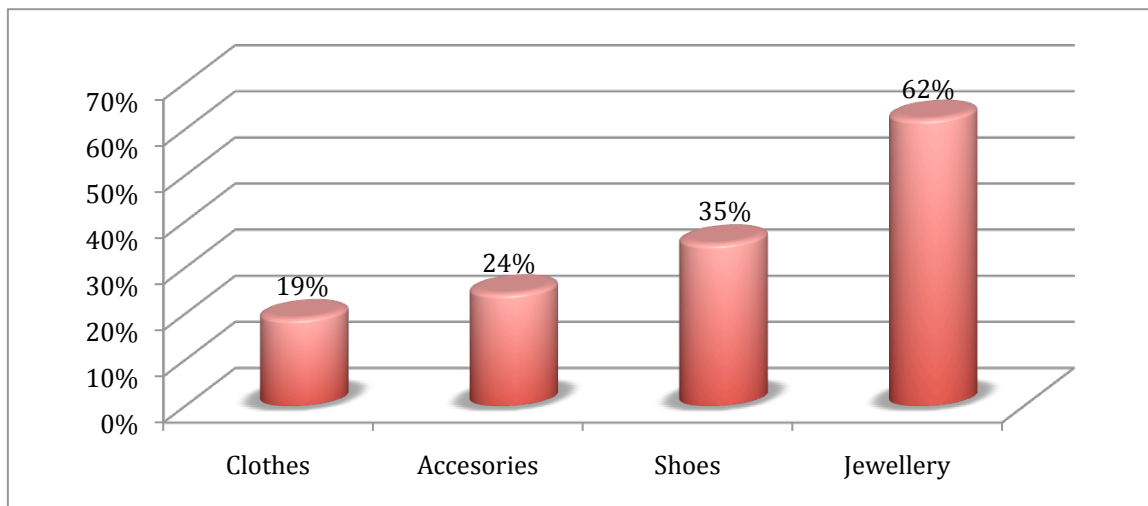
Online Luxury Fashion consumers were now asked what types of products they had previously purchased in online stores or e-boutiques. This question was presented as a multiple yes/no question giving each respondent the choice of selecting more than one type of products. Most respondents, or 81.1% had purchased clothes, and 75.5% had purchased accessories. More than half of the respondents, or 64.9% had purchased shoes, and only 37.8% had purchased jewellery online.



**Figure 5.9: Online purchase ratios for luxury fashion products.**

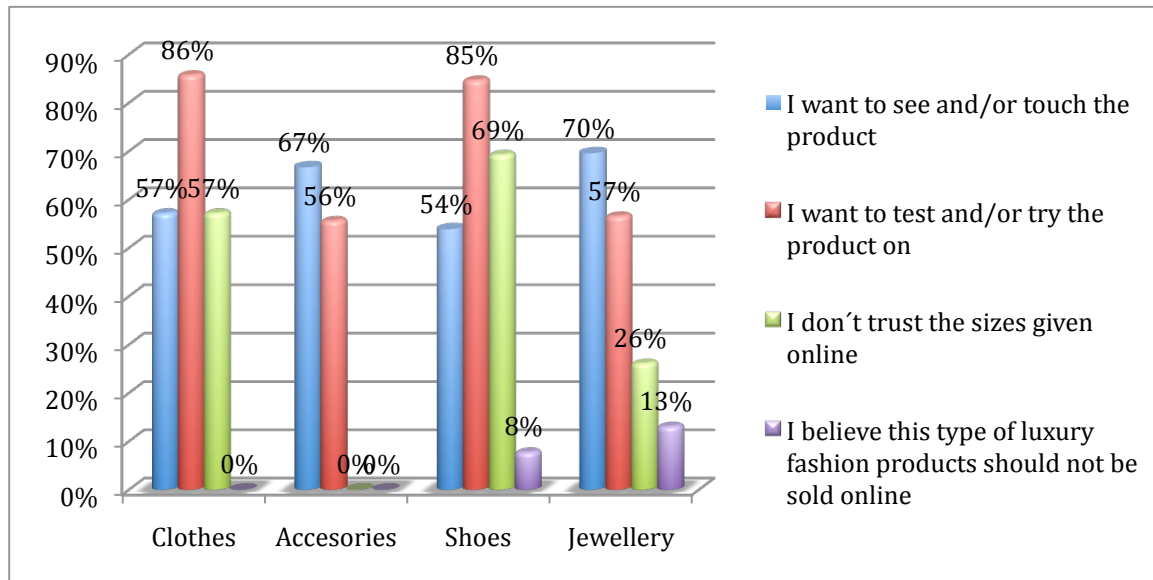
***Question 5: Why have you not purchased these types of products online?***

This question was presented to further understand the reasons for which Online Fashion consumers had not purchased certain types of products in the previous question. Out of the 37 Online Luxury Fashion consumers 62% had not purchased jewellery online, 35% had not purchased shoes online, 24% had not purchased accessories online and only 19% of the Online Luxury Fashion consumers had not purchased clothes online.



**Figure 5.10: Online Luxury Fashion consumers that had not purchased certain types of Luxury Fashion online.**

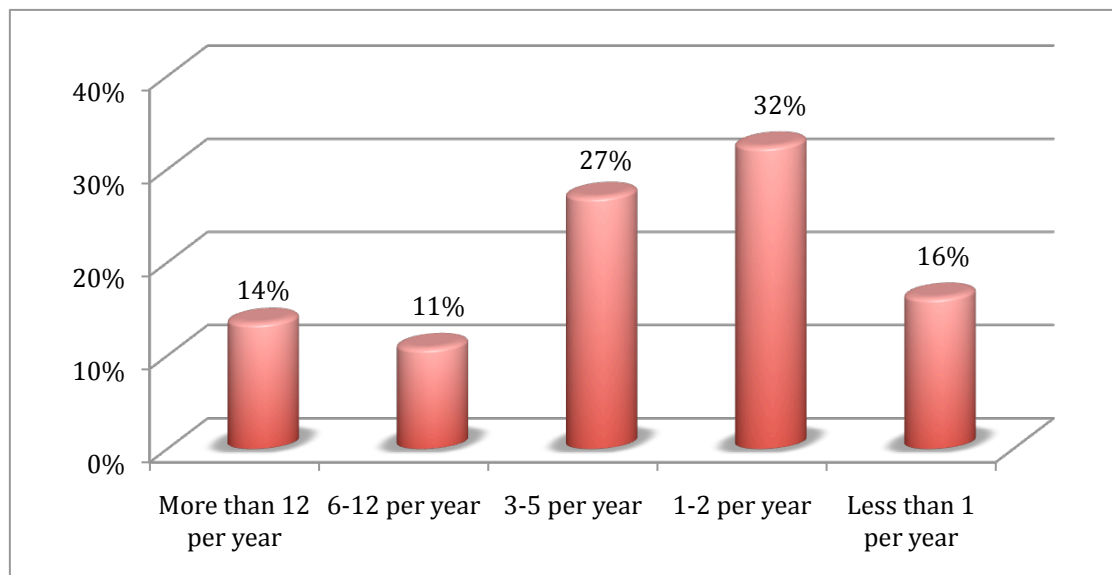
When giving the reasons for not purchasing these products online respondents could select one or more choices for each type of products they had not purchased. The two main reasons for not purchasing jewellery online were that they “wanted to test and/or try the product on”, or that they “wanted see and/or touch the product”. For those who had not purchased shoes online 85% said that they “wanted to test and/or try the product on”, and another reason, was that they “don’t trust the sizes given online”. The only two reasons online Luxury Fashion consumers gave for not buying accessories were that they “wanted to test and/or try the product on”, or they “wanted see and/or touch the product”. For those who had not purchased clothes online 86% said that they “wanted to test and/or try the product on” and 57% “wanted to see and/or touch”, and finally 57% “didn’t trust the sizes given online”. Very few found that jewellery and/or shoes “should not be sold online” while none of the respondents had this opinion for accessories and clothes.



**Figure 5.11: Reasons for not purchasing luxury fashion products online**

***Question 6: On average, how many Luxury Fashion Products do you purchase online, per year?***

When online Luxury Fashion consumers were asked to give the number of Luxury Fashion products they purchase online each year, 32% of them claimed to purchase 1-2 products a year, 27% claimed to purchase 3-5 products a year, 14% claimed to purchase more than 12 products a year while 16% of Online Luxury Fashion consumers purchase less than 1 product a year.

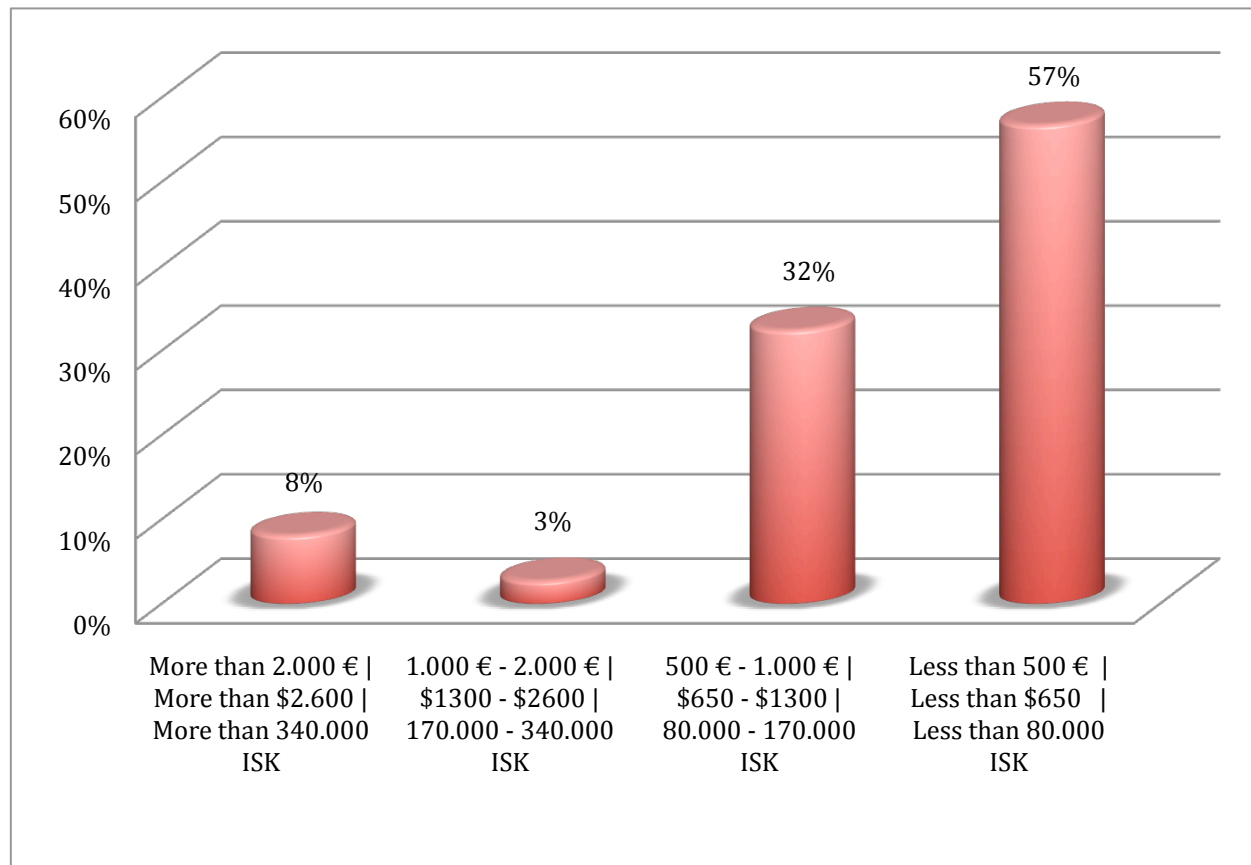


**Figure 5.12: Number of products purchased per year by Online Luxury Fashion consumers**



**Question 7: On average, how much do you spend on each Luxury Fashion product you purchase online?**

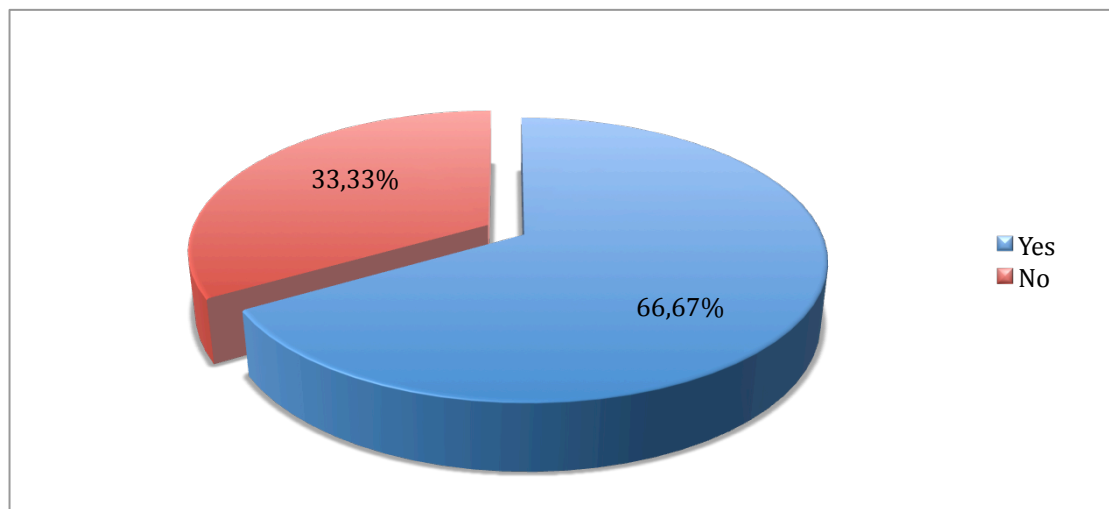
When Online Luxury Fashion consumers were asked to give the average amount they spend on their Luxury Fashion purchases online, 57% of them claimed to spend on average less than 500€ on each of their online purchases, 32% said each product to be between 500€ and 1.000€, 3% spend between 1.000€ and 2.000€ and only 8% claim to spend on average more than 2.000€ on each Luxury Fashion product they purchase.



**Figure 5.13: Average amount spent on each product purchased by online Luxury Fashion consumers**

**Question 8: Would you consider purchasing Luxury Fashion Products, for yourself or others?**

This question further separates the users from the Non-Luxury Fashion consumers group, identified in question 1, into two subgroups. The first subgroup consists of the consumers that answered “no” when being asked if they would consider purchasing Luxury Fashion products, for themselves or others and is called Non-Potential Luxury Fashion consumers. Respondents who answer “yes” to this question are identified as Potential Luxury Fashion consumers.

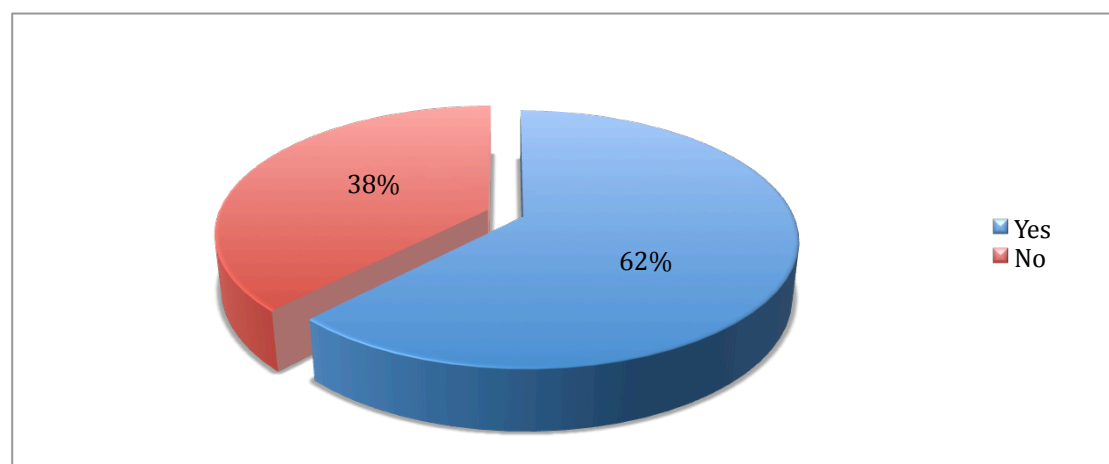


**Figure 5.14: Ratio of Potential Luxury Fashion consumers, between current Non-Luxury consumers**

Out of the 33 respondents in the Non-Luxury Fashion consumers group, 11 or 33.3% of them would not consider buying Luxury Fashion products while 22, or 66.7% state that they would consider purchasing Luxury Fashion products.

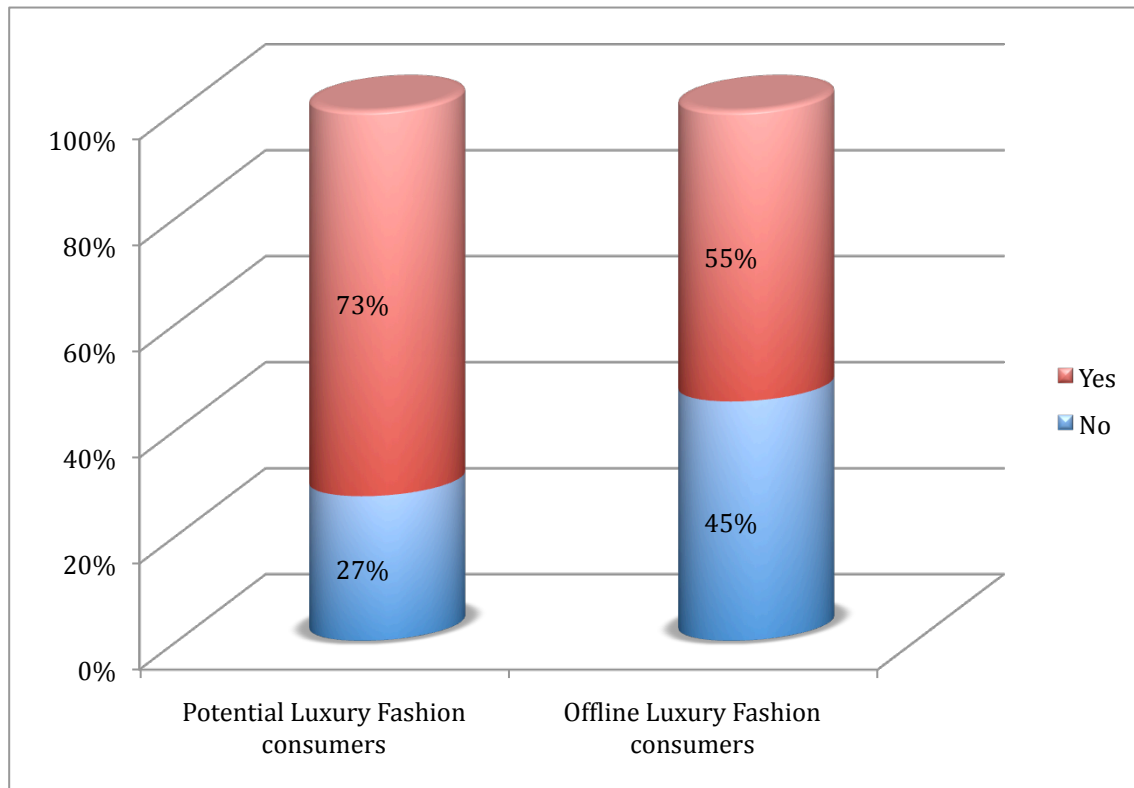
***Question 9: Would you consider purchasing Luxury Fashion products online, for yourself or others?***

This question is presented to the 31 Offline Luxury Fashion consumers identified in question 3 as well as the 22 Potential Luxury Fashion consumers identified in question 8. The total 53 respondents from the two merged groups were presented with the question above. When looking at their responses, 33 or 62% of them say they would consider purchasing Luxury Fashion products online for themselves or others. This group is hereafter named Potential Online Luxury Fashion consumers.



**Figure 5.15: Ratio of Potential Online Luxury Fashion consumers.**

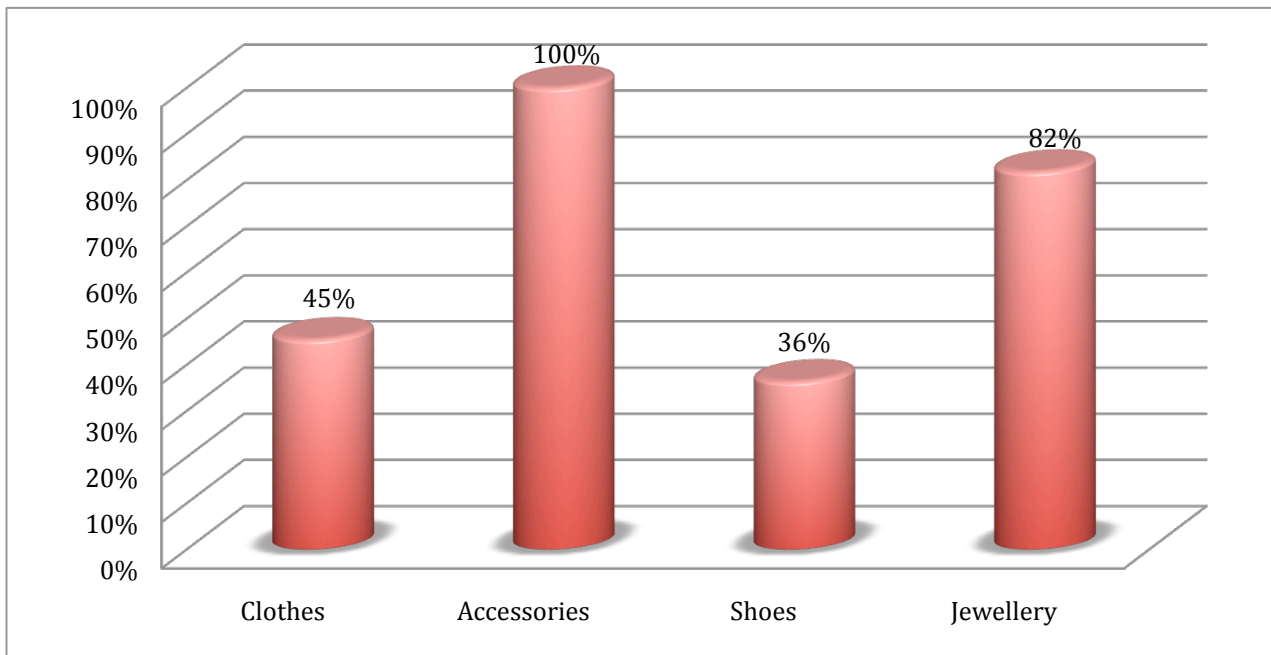
When looking at the responses for each of the merged groups, 73% of the Potential Luxury Fashion consumers are willing to purchase online while 55% of the Offline Luxury Fashion consumers claim the same.



**Figure 5.16: Ratio of Potential Online Luxury Fashion consumers, in regards to each group**

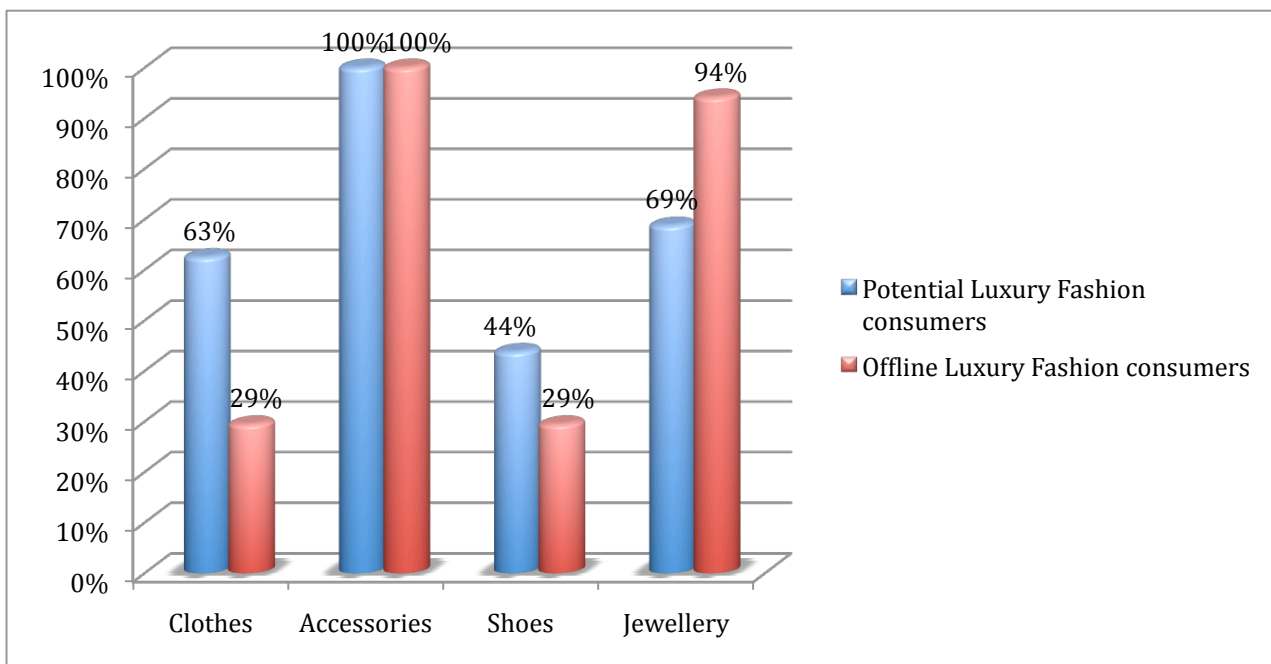
***Question 10: Which of the following types of Luxury Fashion products would you consider purchasing online?***

The group Potential Online Luxury Fashion consumers, identified in question 10, was asked this question to further understand what types of products they would consider purchasing online. All of the 53 consumers said they would consider purchasing accessories online while 82% were ready to purchase jewellery, while less than half, or 45% would consider purchasing clothes and only 36% would consider purchasing shoes online.



**Figure 5.17: Types of products Potential Online Luxury Fashion consumers would consider purchasing online.**

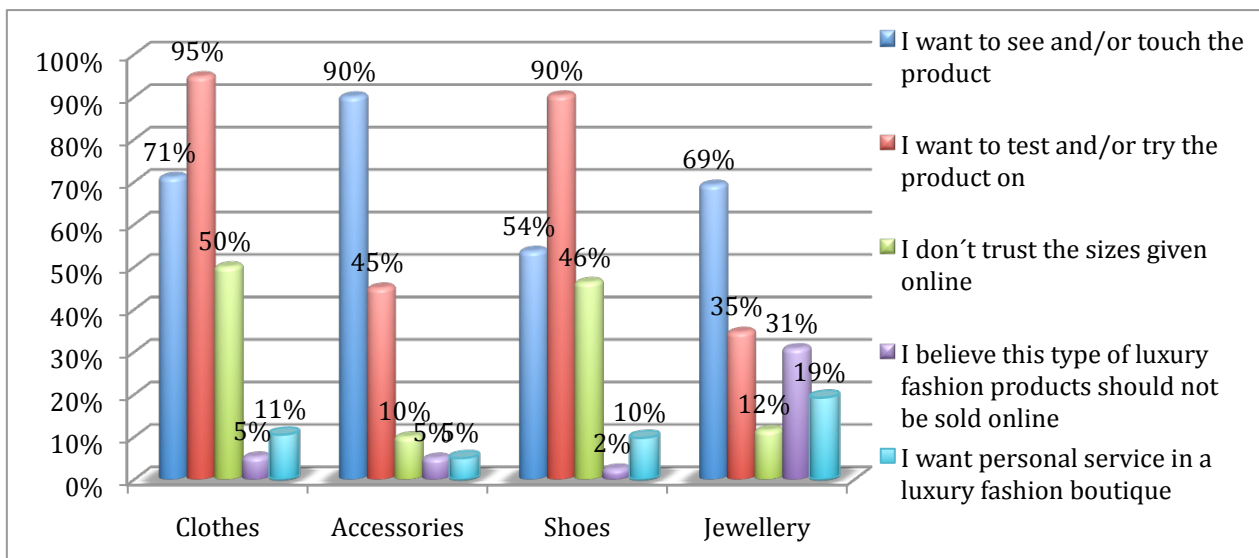
When looking at the responses for the two groups within the Potential Online Luxury Fashion consumers group separately, it shows that a higher ratio of Potential Luxury Fashion consumers are willing to purchase shoes and clothes online while the ratio for purchasing jewellery online is higher within the group Offline Luxury Fashion consumers.



**Figure 5.18: Types of Luxury Fashion products Potential Luxury Fashion consumers and Offline Luxury Fashion consumers would consider purchasing online, seen separately.**

***Question 11: Why would you not consider purchasing the following type(s) of Luxury Fashion products online?***

This question was presented to the 25 Potential Online Luxury Fashion consumers who claimed they would not consider purchasing one or more of the types of Luxury Fashion products online in question 10. This question was also presented to the 20 respondents that answered “no” in question 9. The aim of this question is to understand the reasons why consumers would not consider purchasing each of the types of products online. The main reason for not purchasing clothes and shoes online is that consumers want to test/try the product on, while the main reason for not purchasing accessories and jewellery was that consumers want to see and/or touch the product. For Luxury Fashion jewellery 13% found that it should not be sold online.

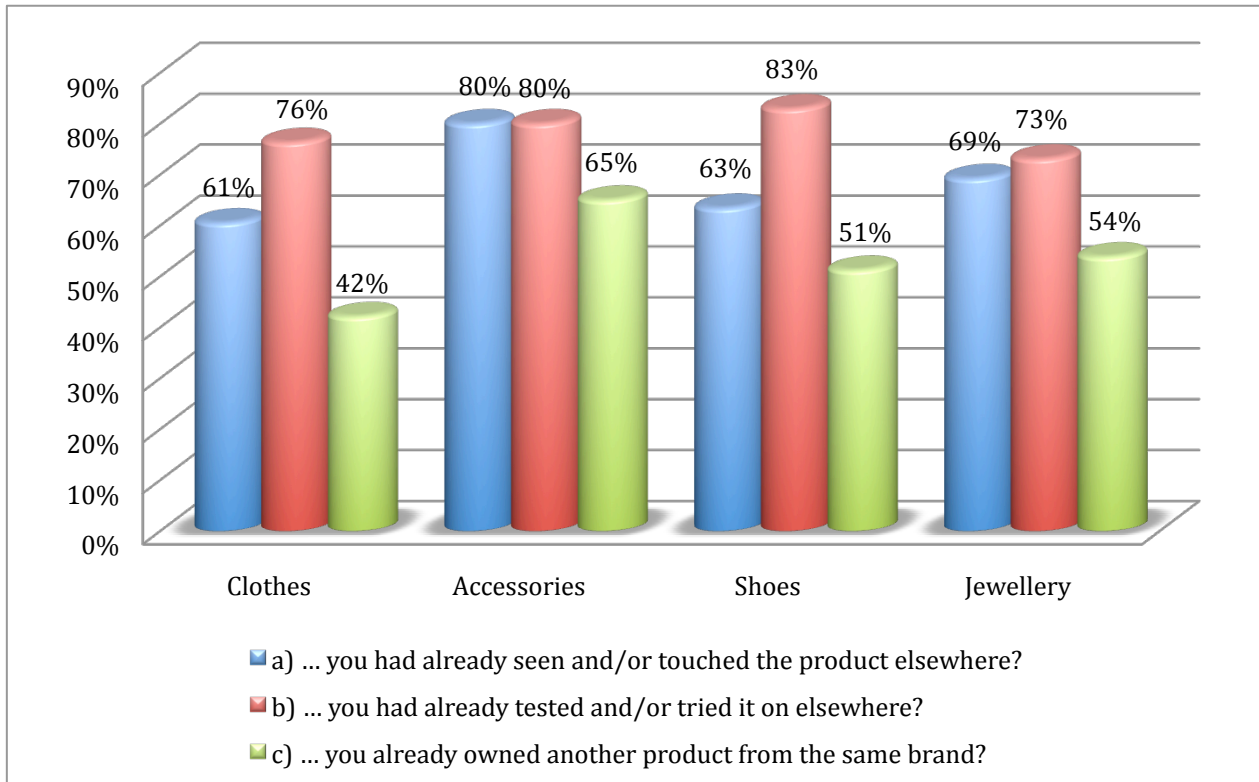


**Figure 5.19: The reasons for not purchasing these types of Luxury Fashion products online.**

***Question 12: Would you consider purchasing the following type(s) of Luxury Fashion Product(s) in an online store, if....***

- a) ... you had already seen and/or touched the product elsewhere? ( for example in a brands store or from a friend/colleague)*
- b) ... you had already tested and/or tried it on elsewhere? ( for example in a brands store or from a friend/colleague)*
- c) ... you already owned another product from the same brand?*

This question was presented to the same respondents as in question 11. The aim of the question was to understand if the consumer would reconsider their policy regarding not purchasing some types of Luxury Fashion products online if a previous encounter with the product or the brand had been established.

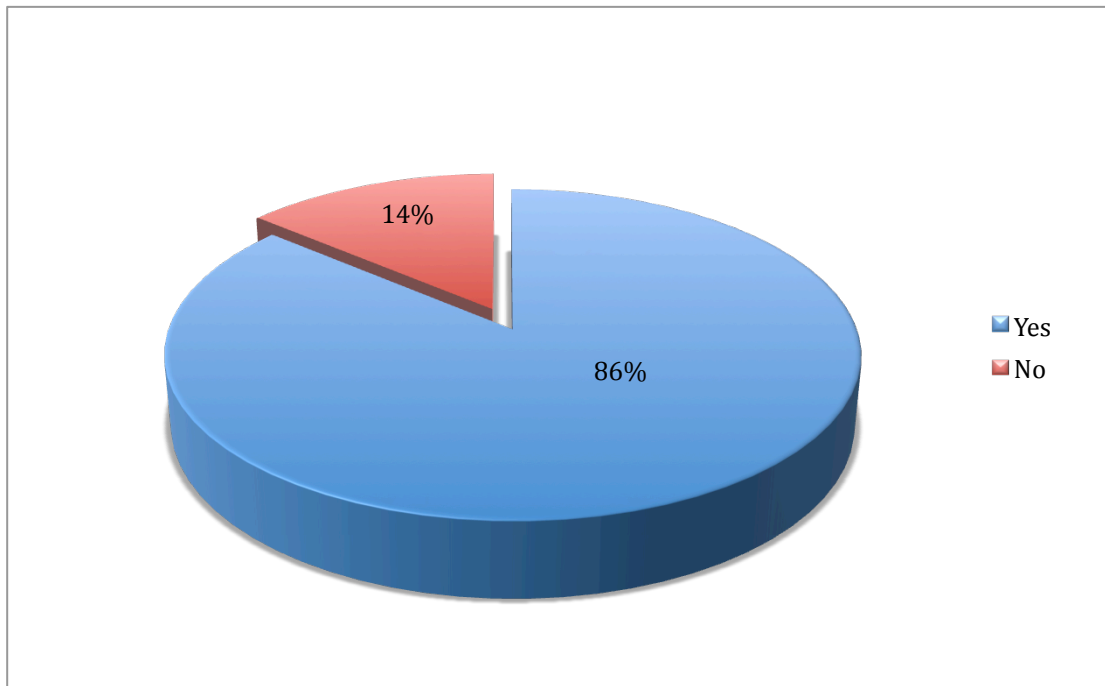


**Figure 5.20: Consumers attitude towards purchasing Luxury Fashion product online given a previous encounter with the brand or the product.**

For all types of products 73-83% of consumers said that they would reconsider purchasing the Luxury Fashion product online if they had already tested and/or tried it on elsewhere. Similarly 61-80% said they would reconsider purchasing accessories online if they had either seen and/or touched the product elsewhere.

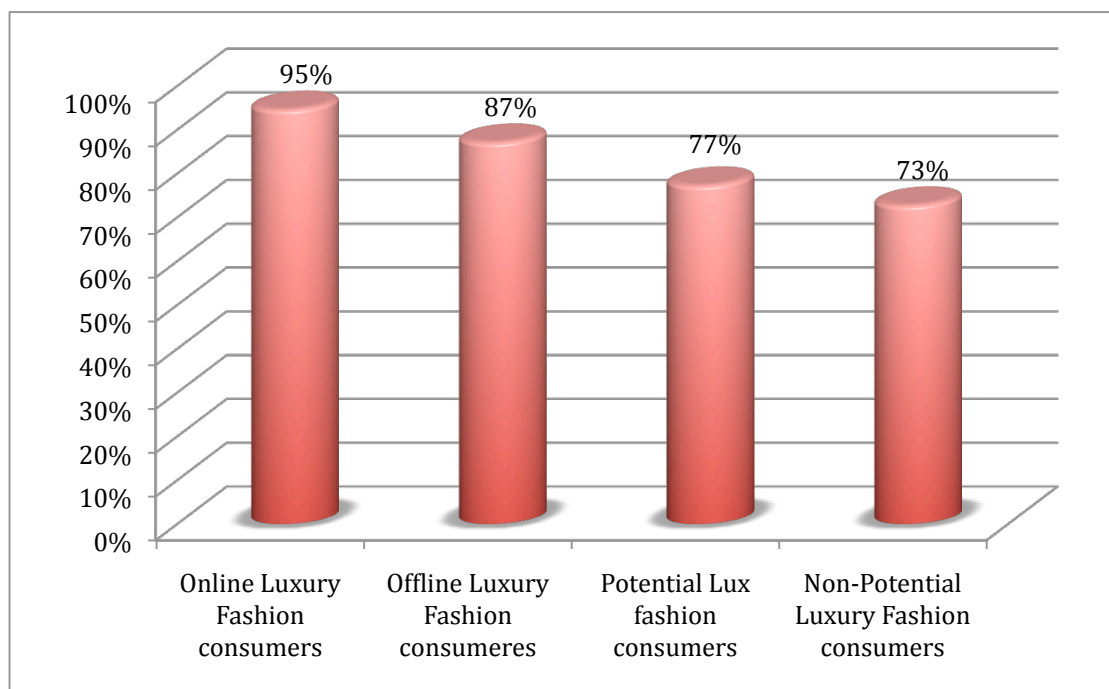
***Question 13: Do you purchase any non-luxury fashion products online?***

This question was presented to all respondents in order to understand their experience with online fashion shopping. It turns out that 86% of the respondents have purchased fashion products online.



**Figure 5.21: Out of all respondents how many purchase Non-Luxury Fashion products online.**

When looking at the responses for the different groups it can be seen that the ratio is very high for all groups but it is noticeably higher for current Online Luxury Fashion consumers or 95%.



**Figure 5.22: How many purchase Non-Luxury Fashion products online split by groups of consumers.**

## 6 THE LUXURY FASHION INDUSTRY

*In this chapter, data gathered from an interview with Uché Okonkwo, expert on luxury and online branding, and author of two books on the subject, is presented. The chapter starts with a brief background about Uché Okonkwo and is concluded by a summary that brings out the data most essential to this thesis.*

### 6.1 Uché Okonkwo

As stated above, an interview was conducted with author and luxury branding specialist Uché Okonkwo, on April 4<sup>th</sup> 2012.

Uché Okonkwo has an MBA from Brunel Business School, London. She is one of the pioneer business strategists and opinion leaders in the luxury industry, and has collaborated closely with major established luxury companies as well as emerging luxury brands. Uché is the CEO of Luxe Corp, a pioneer Strategy and Management Consultancy Company, and business services provider that have specialized in the luxury sector. She is also the founder of Club e-Luxe, which provides luxury executives with strategies, tools, and techniques to thrive in the world of digital media, technology and innovation, and the Founding Editor of the luxury business magazine, Luxe-Mag.Com that provides in-depth analysis of luxury management issues.<sup>8</sup>

Furthermore, Uché is the author of two bestselling books. Her first book, *Luxury Fashion Branding* (2007), is the first book to address the business of luxury from a strategic viewpoint, and her second book, *Luxury Online* (2010), is the first book to address the subject of the Internet, digital media and new technologies in the context of luxury.<sup>9</sup>

Finally, Uché is a regular speaker at industry events worldwide and a frequent seminar lecturer on the luxury business at several business schools including Harvard Business School, ESSEC Paris and EML Geneva. She sits on the board of several luxury entities, and is an Honorary Fellow of the American Luxury Marketing Council.<sup>10</sup>

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<sup>8</sup> Okonkwo, U. (2010). – *Information retrieved from book cover: About the author*

<sup>9</sup> Okonkwo, U. (2010). – *Information retrieved from book cover: About the author*

<sup>10</sup> Okonkwo, U. (2010). – *Information retrieved from book cover: About the author*



## 6.2 Summary interview

The purpose of this interview was to gain a better understanding of the survey results, as well as to obtain an experts opinion on the matter. The interview was an unconstructed interview, where questions as well as survey results were presented to the interviewee, Uché Okonkwo, and she was allowed to express freely, her opinion on the matter.

Uché was asked to define in her own words what luxury fashion was. In her opinion, luxury and fashion should be defined separately before it could be possible to bring the two together. The fundamentals of luxury are that luxury is a culture. It's a kind of philosophy that is expressed through different means such as products, services and experiences. She states that this culture has it's own codes, such as codes of excellence, of perfection, of quality, and of craftsmanship, which are uncompromising. When all of these codes are brought together they make up a world of their own that is apart from anything else. Fashion, however, is first and foremost an expression of society and a reflection of the current state of affairs within the social culture perspective. It is the temperament and the mood of a society. Uché stated that when the two, Luxury and Fashion are brought together it is like merging the base of a society with a culture, and thus elevating it to a higher level, where it becomes a platform for artistic expression. It's a language of emotions, it's the language of the senses, it's the language of aesthetics, and the language of art, but in its purest and most creative form, and this is, in her opinion, what Luxury Fashion is about.

Uché was asked about the importance of several factors when purchasing Luxury Fashion Products. These were the same factors as presented in Question 2 of the previously explained attitude survey; the price, the brand, the exclusivity of a product, the ability to purchase online, one-to-one service, the ability to see and/or touch a product, and the ability to test or try a product on. Uché said all of the above stated factors to be important to the consumers purchasing decision process, and added several other factors equally important, such as the quality and craftsmanship of a product, the after-service of purchase, the products uniqueness and exclusivity, and a products originality and differentiation.

When asked how these factors could be integrated into the online world, she explained, that people shop for luxury products because it brings a kind of pleasure and emotional gratification. When shopping in a physical boutique, one gets immersed in the ambiance of ones physical environment, which has been created through the architecture, the presentation of merchandising, the products, the displays, the colours, the smell and the atmosphere. All of these factors contribute to parts of the pleasure of luxury shopping, and even though one would not purchase anything in the store, one has still had this pleasurable experience. She further stated that to translate these factors in the online

world is extremely important. The experience of a website has to be very strong, but should also offer numerable factors that compliment this pleasurable experience. These can be things such as logistics and delivery. For example, when a consumer can shop for shoes in the morning and receive them by noon, it is part of the emotional gratification, and adds to the pleasure of the online shopping experience. Another factor can be the packaging. If the pair of shoes arrives beautifully packaged, in a beautiful box, with the ribbons, and the silk paper, and the dust bag, etc. the consumer is in the process of discovering a treasure, which according to Uché is a large part of the pleasure and the emotional gratification as well.

Furthermore, people shop in online stores or e-boutiques for various functional reasons. Some consumers do not have access to the physical stores; others simply do not have time to go to the physical store. These consumers, however, still want this pleasurable experience. Shopping in an online store or in an e-boutique is a convenience for these consumers, and should provide them with the same experience and gratification they would have in a physical store, making it easy for them to shop and easy for them to enjoy themselves.

Uché explains that to recreate this atmosphere on the Internet a luxury website should be designed and implemented with the target on impacting the senses rather than the target of impacting the functional aspects. By this, she means that you have to think about the sense of sight, the sense of sound, the sense of smell, the sense of touch, and how can you reproduce the pleasurable experiences that touch all of these senses on the web. She further states that obviously one cannot, for example, smell anything online but one can reproduce, and evoke the sense of smell, and to do this one must evoke memories, and emotions and experiences. This applies to all the senses, and according to Uché, can be done quite easily online.

Uché was presented with findings from the survey results, where the most important factors were to see and touch products, and to be able to try products on. She explained, that what a lot of brands focus on is to reproduce online exactly what exists offline. However, one cannot touch anything online, but the impact of touching, for example, a cashmere scarf or high quality leather handbag can be reproduced, by evoking the consumer's emotions.

In regards to trying on products, she explains that websites such as taaz.com exist, where one can upload a headshot photograph and create "him/her" in the virtual environment, and then try on thousands of different types of makeup, or hairstyles. This technology exists for trying on clothes as well, for example on a website called stylitics.com, the consumer uploads two pictures of himself, a front shot and a side shot, and the website builds a 3D "him/her". The consumer can then upload

products onto his/her virtual body, turn around and see how a product would look on. Uché claims that the Internet and technology offers so many tools that today, are underutilized by the fashion sector.

Finally Uché was asked about her opinion on the statement that “Luxury Fashion products should not be sold online”. She states that the Internet is the only platform ever, in the history of luxury fashion, that provides access to consumers 24 hours a day, 7 days a week. When the physical stores are closed, the human interaction between the brand and the consumer is also non-existent. By bringing technology and people together, one can have automated responses and interactions with clients, thus providing the possibility for the best customer service, as one can personalise a consumers welcome, services and VIP offers if one has the correct tools to do so. Finally, whilst in a physical store, that gets thousands of customers every day, making it impossible to remember each and every one of them, the online world provides the possibility to know exactly who the consumer is as soon as they log on.

## 7 CONCLUSIONS

*This chapter will go over the data previously presented in the two previous chapters. It will start with a short summary of the results from both the attitude survey and the interview with Uché Okonkwo, which brings out the data that is most essential to this thesis. The chapter will then present the conclusions and findings that the author of this thesis found when the gathered data was analysed. This will lead to the authors' answer of the research questions and thereafter recommendations and implications for further research will be presented*

### 7.1 Summary of research results

As already stated before, the survey received 101 answers. Out of the total responses, 68 respondents, or 67% had already bought Luxury Fashion products for themselves or for others. Out of the 68 Luxury Fashion consumers, 98.5% had made their purchases in a multi-brand- or department stores, and 89.7% had made their purchases in a brands specialty store and more than half of them or 37, had already purchased Luxury Fashion products in online stores or e-boutiques. When asked, 25% of Luxury Fashion consumers, or 17 respondents, said that they would consider purchasing one or more of the types of Luxury Fashion products online. Furthermore, the remaining 21% of Luxury Fashion consumers, or 14 respondents, were willing to reconsider purchasing one or more types of Luxury Fashion products in an online store or a brands e-boutique, had they already had experience of the product or the products brand.

Out of the 101 respondents, the remaining 33 are considered as Non-Luxury Fashion consumers as they had never purchased Luxury Fashion products for themselves or for others. Out of these Non-Luxury consumers 48.5%, or 16 respondents, said that they would consider purchasing one or more of the types of Luxury Fashion products online. Finally, 18% of Non-Luxury Fashion consumers, or 6 respondents, were willing to reconsider purchasing one or more types of Luxury Fashion products in an online store or a brands e-boutique, had they already had experience of the product or the products brand.

From these results regarding the 101 Luxury Fashion and Non-Luxury Fashion consumers, one can summarize that 36.7% of the respondents are Online Luxury Fashion consumers, 32.7% would consider purchasing Luxury Fashion products online and 19.8% were willing to reconsider purchasing Luxury Fashion products online, had they already had experience of the product or the products brand.

Luxury Fashion consumers were asked to rate which factors, out of seven possible, they found most important when purchasing Luxury Fashion products. The online survey showed that 89.7% of Luxury Fashion consumers found the factor of touching and seeing a product to have high or very high importance when purchasing Luxury Fashion products online. This is followed by the factor of testing or trying the product on, as 86.8% claim this to be of high or very high importance.

This attitude was reflected when Online Luxury Fashion consumers were asked why they would not purchase some types of Luxury Fashion online. For clothes and shoes, around 85% claimed the reason to be that they wanted to test or try the product on. For jewellery and accessories, around 70% claimed the reason to be that they wanted to see or touch the product. Very few selected the option “I don’t believe this type of product should be sold online” as a reason for not purchasing luxury fashion products online, or 13% for jewellery and 8% for shoes.

Similar results were observed when looking at responses from consumers that had not purchased Luxury Fashion products in online stores or brands e-boutiques as well as for those who had never purchased Luxury Fashion products offline or online, but would consider doing so. For clothes and shoes, 95% and 90% respectively, claimed the reason to be that they wanted to test or try the product on. For accessories and jewellery, 90% and 69% respectively, claimed the reason to be that they wanted to see or touch the product. Notable difference was for the option “I don’t believe this type of product should be sold online” as 31% claimed this to be a reason not to purchase jewellery, and only 2% for shoes.

## 7.2 Answers to Research Questions

The purpose of this thesis was to identify any possible obstacles for luxury fashion brands to use the online marketplace in business, as well as to look at the consumers attitudes and opinions on e-retail of luxury fashion brands, and their perceptions there of. Therefore it aimed to answer the following research questions:

*“Is the online marketplace a favourable channel for luxury fashion brands to use in business?”*

*“Are there any obstacles for luxury fashion brands to use the online marketplace in business? If yes, are those obstacles reflected in the consumers’ attitude towards e-retail of luxury fashion brands?”*

Regarding the first question, results from the consumer survey show that 69.4% of total respondents had either already purchased Luxury Fashion products online or were willing to do so. When

looking at the same ratio for those who were already luxury fashion consumers, the ratio is 79%. Moreover, a minority of respondents believed that luxury fashion products should not be sold online. Therefore the author of this thesis believes that the online marketplace is a favourable channel for Luxury Fashion brands to use in business. The interview conducted with Uché Okonkwo further supports these findings, as she claims that the Internet allows for a complement channel for Luxury Fashion brands to use in business.

In regards to the second question, the thesis' author found that Luxury Fashion brands are faced with some obstacles on the online marketplace, and the most significant obstacles were found to be the ability to physically see and touch a product, as well as the ability to test a product or to try it on. This is reflected in the consumer's attitude towards e-retail of luxury fashion brands, as these were the most common reasons for not purchasing Luxury Fashion products in online stores or in brands e-boutiques. Findings from the interview with Uché Okonkwo, however, showed that these obstacles can be overcome if one has the right tools and technologies to evoke feelings and sensations that cannot be reproduced online, such as touch, smell, and taste. By evoking a pleasurable experience and making the consumer forget that he's in front of a computer screen and not in a physical store. The interview also showed that there are resources available that allow consumers to build a 3D version of them selves, allowing them to access a virtual dressing room where they could virtually test and try on products online.

Finally, the interview with Uché Okonkwo showed that Luxury Fashion brands have the possibility of offering services that could compensate for the obstacles stated above. These can be things such as impeccable packaging, online shopping assistance, VIP offers to promotional events or private sales, or more functional things such as logistics and delivery options like same-day delivery, or the access to online customer service 24 hours a day, 7 days a week.

Conclusions from survey results show multiple obstacles in selling Luxury Fashion products online, however it is the authors opinion that through the tools and technologies stated above, such as a virtual dressing room and other positive development, the virtual world has potentials and possibilities that might not be currently known to the average Luxury Fashion consumer. Through implementing these technologies and service tools, it is the authors' opinion that Luxury Fashion brands should be able to overcome, and compensate for obstacles such as those presented in the consumer survey and could radically change the face of online Luxury Fashion shopping.

## 8 EPILOGUE

The evolvement of the online marketplace has been substantial in the last decade, and it has taken Luxury Fashion brands quite some time to catch up with this evolution. There is an ongoing debate on whether or not Luxury should be sold online because of the paradoxes between Luxury and the Internet. However, these paradoxes are possible to overcome, due to the multiple channels and benefits of the Internet today, and it's the ability to bend, modify and adapt to suit the requirements of Luxury.

The main obstacles for Luxury Fashion brands in implementing the online marketplace in their business strategy have been obstacles such as the reduction of the senses when shopping online, senses such as touching, seeing and even smelling a product, and secondly the fact that one cannot try on a product when shopping online.

The evolvement of the Internet has been impressive, and the possibilities in technology today are awe-inspiring. Certain obstacles have already been overcome, such as the possibility of trying on a product, as there are already tools that exist, such as building virtual 3D models of oneself, that compensate for not being able to physically try a product on. It is the authors belief that by introducing these possibilities to Luxury Fashion consumers could radically change their opinion towards Luxury fashion shopping.

The reduction of the senses poses a more difficult problem. It is possible that someday a technology will be developed that allows for the perception of touch, however, techniques do exist, such as extreme zooms, for example, that impact the senses rather than the functional aspects, and to get the consumer immersed in such an environment that he feels like he can see, touch, and even smell the products, by evoking memories, emotions and experiences.

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## APPENDIX I – LUXURY FASHION ONLINE CONSUMER SURVEY

**Have you ever purchased Luxury Fashion Products, for yourself or others?**

- ☐ Yes
- ☐ No

**By importance, rate the following factors in purchasing Luxury Fashion Products.**

	Very high importance	High importance	Average importance	Low importance	Very low importance
The products price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The products brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The products exclusivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The ability to purchase online	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal- and/or one- to-one service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The ability to see and/or touch the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The ability to test and/or try the product on	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please state any other factors you consider important when purchasing Luxury Fashion Products.**

**Would you consider purchasing Luxury Fashion Products, for yourself or others?**

- ☐ Yes  
☐ No

**Where have you purchased Luxury Fashion Products?**

	Yes	No
In a brands speciality store	<input type="radio"/>	<input type="radio"/>
In a multibrand- or department store	<input type="radio"/>	<input type="radio"/>
In an online store and/or a brands e-boutique	<input type="radio"/>	<input type="radio"/>
At a brands private sales	<input type="radio"/>	<input type="radio"/>
Ordered from a catalogue	<input type="radio"/>	<input type="radio"/>

**Which of the following Luxury Fashion Products have you purchased online?**

	Yes	No
Clothes	<input type="radio"/>	<input type="radio"/>
Accessories (handbags, gloves, scarves, etc.)	<input type="radio"/>	<input type="radio"/>
Shoes	<input type="radio"/>	<input type="radio"/>
Jewellery	<input type="radio"/>	<input type="radio"/>

**Why have you not purchased these type(s) of Luxury Fashion Products online?**

Select at least one or more reason(s) for each type of product(s).

	I want to see and/or touch the product	I want to test and/or try the product on	I don't trust the sizes given online	I believe this type of luxury fashion products should not be sold online
Clothes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accessories (handbags, gloves, scarves, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shoes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jewellery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**On average, how many Luxury Fashion Products do you purchase online, per year?**

- ☐ Less than 1 per year
- ☐ 1-2 per year
- ☐ 3-5 per year
- ☐ 6-12 per year
- ☐ More than 12 per year

**On average, how much do you spend on each product you purchase online?**

- ☐ Less than 500 € | Less than \$650 | Less than 80.000 ISK
- ☐ 500 € - 1.000 € | \$650 - \$1300 | 80.000 - 170.000 ISK
- ☐ 1.000 € - 2.000 € | \$1300 - \$2600 | 170.000 - 340.000 ISK
- ☐ More than 2.000 € | More than \$2.600 | More than 340.000 ISK

**Would you consider purchasing Luxury Fashion Products online, for yourself or others?**

- ☐ Yes
- ☐ No

**Which of the following types of Luxury Fashion Products would you consider purchasing online?**

	Yes	No
Clothes	<input type="radio"/>	<input type="radio"/>
Accessories (handbags, gloves, scarfs, etc.)	<input type="radio"/>	<input type="radio"/>
Shoes	<input type="radio"/>	<input type="radio"/>
Jewellery	<input type="radio"/>	<input type="radio"/>

**Why would you not consider purchasing the following type(s) of Luxury Fashion Product(s) online?**

Select at least one or more reason(s) for each type of product(s).

	I want to see and/or touch the product	I want to test and/or try the product on	I don't trust the sizes given online	I believe this type of luxury fashion products should not be sold online	I want personal service in a luxury fashion boutique
Clothes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accessories (handbags, gloves, scarfs, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shoes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jewellery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Would you consider purchasing the following type(s) of Luxury Fashion Product(s) in an online store, if you had already seen and/or touched the product elsewhere? (For example in a brands store or from a friend/colleague)**

	Yes	No
Clothes	<input type="radio"/>	<input type="radio"/>
Accessories (handbags, gloves, scarfs, etc.)	<input type="radio"/>	<input type="radio"/>
Shoes	<input type="radio"/>	<input type="radio"/>
Jewellery	<input type="radio"/>	<input type="radio"/>

**Would you consider purchasing the following type(s) of Luxury Fashion Product(s) in an online store, if you had already tested and/or tried it on elsewhere? (For example in a brands store or from a friend/colleague)**

	Yes	No
Clothes	<input type="radio"/>	<input type="radio"/>
Accessories (handbags, gloves, scarfs, etc.)	<input type="radio"/>	<input type="radio"/>
Shoes	<input type="radio"/>	<input type="radio"/>
Jewellery	<input type="radio"/>	<input type="radio"/>

**Would you consider purchasing the following type(s) of Luxury Fashion Product(s) in an online store, if you already owned another product from the same brand?**

	Yes	No
Clothes	<input type="radio"/>	<input type="radio"/>
Accessories (handbags, gloves, scarfs, etc.)	<input type="radio"/>	<input type="radio"/>
Shoes	<input type="radio"/>	<input type="radio"/>
Jewellery	<input type="radio"/>	<input type="radio"/>

**Do you purchase any non-luxury fashion products online?**

- ☐ Yes
- ☐ No

**In order to better understand the results of this survey, please answer the following demographic questions regarding your background.**

**What is your gender?**

- ☐ Male
- ☐ Female

**How old are you?**

- ☐ Under 18
- ☐ 18-24
- ☐ 25-34
- ☐ 35-44
- ☐ 45-54
- ☐ 55-64
- ☐ 65 or Above

**What is your current employment?**

- ☐ Employed Full-Time
- ☐ Employed Part-Time
- ☐ Self-employed
- ☐ Unemployed
- ☐ Homemaker
- ☐ Retired
- ☐ Student
- ☐ Other, please specify: \_\_\_\_\_



**Where do you currently live?**

- ☐ Afghanistan
- ☐ Albania
- ☐ Algeria
- ☐ Andorra
- ☐ Angola
- ☐ Antarctica
- ☐ Antigua and Barbuda
- ☐ Argentina
- ☐ Armenia
- ☐ Australia
- ☐ ... 170 additional choices hidden ...
- ☐ United Kingdom
- ☐ United States
- ☐ Uruguay
- ☐ Uzbekistan
- ☐ Vanuatu
- ☐ Venezuela
- ☐ Vietnam
- ☐ Yemen
- ☐ Zambia
- ☐ Zimbabwe

## APPENDIX II – CONFIDENTIALITY AGREEMENT

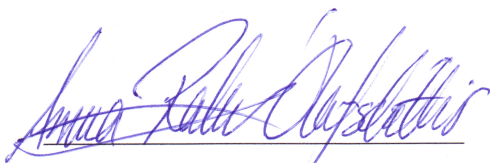
### CONFIDENTIALITY AGREEMENT

The undersigned parties of this agreement are Uché Okonkwo, on behalf of Lux-Corp, hereby named COMPANY, and Anna Rakel Ólafsdóttir, student of business administration at Bifröst University, hereby named STUDENT.

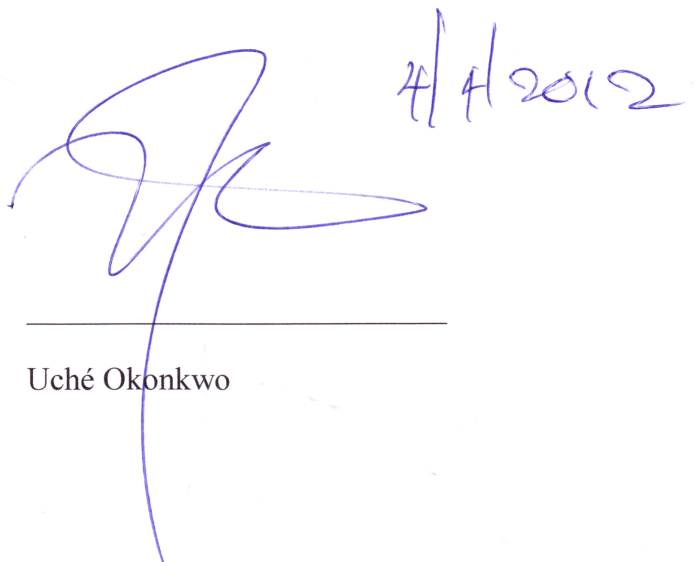
The company and the student hereby make the following agreement regarding confidential information, hereby named INFORMATION that the company has provided, or will provide for the student, in the purpose of writing of the students Bachelors Thesis.

1. The student undertakes to the proper handling of the information, to exclude the possibility of unauthorized access to them.
2. The student does not have the right to use the information differently than expected in this agreement.
3. Upon request, the company may require student to explain the manner in which information shall be kept secret from unauthorized access.
4. The student undertakes not to reveal information to anyone who she may cooperate with, without the consent of the company.
5. The student must return the information to the company, after use.
6. Any use of the students' thesis must take account of this agreement, unless otherwise agreed. Bifröst University will keep the thesis secret for two years.
7. Exempt from the confidentiality of this agreement, is the assessment of the thesis in regards to the student's bachelor's degree, and when the thesis is submitted as an appendix to the student's application for admission, in her further education.

Paris, 4 April 2012



Anna Rakel Ólafsdóttir



Uché Okonkwo



