Luxury brands and e-commerce

Why do luxury customers buy online?

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Abstract

This thesis investigates the online purchasing behaviour of luxury customers as well as the concerns they may have concerning online shopping. The purpose is to detect what makes luxury customers purchase through an online channel rather than the physical shops.

A study has been conducted relying on primary data collected through an online survey and secondary data from industry reports, books and articles written by luxury and fashion experts, newspaper articles, and articles concerning legislative development in e-commerce. The secondary data and personal knowledge of the authors has been used to form hypotheses. The survey answers have been used to attempt to falsify the hypotheses.

The study concludes that the price sensitivity traditionally associated with luxury consumption does not transcend to the online environment and price savings constitute the main reason for buying online. However, even luxury customers who have experience with purchasing online do not necessarily want to buy *all* products online.

The thesis makes three main contributions: (1) determining that the purchasing process of luxury customers is more complicated than shown in literature, (2) determining that luxury customers are price sensitive online, and (3) determining which factors prevent *visitors* of e-boutiques from becoming *customers* in the e-boutique.

Keywords

Luxury consumption, e-commerce, purchasing process, motives for purchasing online, motives for purchasing offline.

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I. Introduction

1.1. Purpose of the Thesis

The purpose of the thesis is to investigate *why* luxury consumers decide to purchase from an online channel; which needs do each channel fulfil and which do they not fulfil? By determining why customers buy or do not buy luxury on the Internet, luxury companies will be able to better understand their customers and hence be able to improve their e-boutiques once aware of what actually catalyses the decision to buy from one channel rather than another.

1.2. The Luxury Industry Today.

The worldwide luxury good market has known a rapid increase in the last 30 years. It represented €170 billion in 2007, up from €77 billion dollars in 1995 (Altagamma 2010). In 2009, the subprime and financial crisis affected the industry badly resulting in a total worth of €153 billion, an 8 percent decrease compared to 2008 (€163 billion). The term 'luxury' will be defined in Chapter II.

In the thesis, four different segments within the luxury market will be studied: the ready-to-wear apparel market, the leather goods market, the jewellery and watches market and the skin care and cosmetics market. This choice is based on the segmentation which is usually applied to the luxury system (Saviolo, Corbellini 2010:23):

- *Accessories:* leather goods, shoes, and silk items
- *Apparel*: traditionally haute couture and ready-to-wear although the two categories are blending more and more today.
- *Perfumes and cosmetics*
- *Jewellery and watches*.

It is not possible to analyse all products within the four categories wherefore this thesis limits itself to four product categories. These four categories need different business models (e.g. the decision to produce in-house or through licensing) and thus have different challenges. For instance is accessories considered easier to work with than apparel due to uniform sizing of e.g. leather goods. The authors therefore find that the chosen segments represent the overall luxury market and can help shed light on different challenges in the luxury industry when taking luxury online.

The data presented below represent the luxury and fashion markets as a whole, with the luxury segment being a part of it.

The apparel retail industry consists of the sale of all men's wear, women's wear and children's wear, women's wear being the largest segment of the apparel market. The European market grew by 0.4 percent in 2009 while the Asian-Pacific market grew by 3.3 percent. The performance is forecast to remain unchanged in Europe, with an anticipated compound annual growth rate (CAGR) of 1.7 percent over the period 2009-2014 while Asia-Pacific is forecast to reach a CAGR of staggering 3.2 percent (Datamonitor 2010b). While most luxury fashion houses now hold an e-boutique, the situation was drastically different in 2010 when only 32 percent did have an e-boutique (Grose 2008). Fashion brands decided to open e-boutiques mainly because they saw opportunities since customers were apparently willing to buy online (Grose 2008). However, the reasons why customers would do so are still unknown. The study aims at identify those reasons in order to improve the new e-boutiques' features in order to increase customer satisfaction and therefore, sales. The study will also identify the reasons that prevent customers from buying this type of good online in order to be able to mitigate the potential problems.

The leather goods market values the total sales of bags, wallets & purses and luggage. This category contains the subcategories of briefcases and handbags. This market reached a value of $ 33.7 billion in 2009, which represents an increase of 3.3 percent compared to 2008 (Datamonitor 2010b). The Americas currently account for more than half of the global sales and the market is forecast to reach a market value of $41 billion in 2014, a 21.2 percent increase since 2009 (Datamonitor 2010b). Companies specialising in leather goods have followed the same trend as fashion and luxury houses and opened e-boutiques in recent years (Grose 2008). The reasons why customers want to purchase leather goods online are still unidentified. Therefore, identifying the specific reasons why customers decide to purchase leather goods through the Internet channel will make it possible to improve this channel.

The global market for skincare grew by 4.2 percent in 2009, reaching a value of $ 65,991 million. Europe accounts for 34.9 percent of the global skincare and cosmetics market (Datamonitor 2010c) and facial care is the largest segment of the skin care market in Europe, representing 63 percent of the market's total value. This type of good is largely on brand official websites and as for ready-to-wear apparel and leather goods, the reasons why customers want and do not want to purchase skincare and cosmetics online are still unidentified.

The market for jewellery and watches includes gold, silver, platinum and precious stones such as

diamonds, sapphires, emeralds and rubies, pearls (natural and cultured) and semiprecious stones (garnet, quartz, opal, topaz, amethyst, coral etc.). The European market for jewellery and watches shrank by 1.3 percent in 2009 while in Asia-Pacific it grew by 5.2 percent. In 2014, the European market is forecast to increase 3.3 percent over 2009 level (Datamonitor 2010a). Only few luxury jewellery and watches companies, such as Cartier, have started selling online. Many are still reluctant to sell such complex and expensive products online. Therefore, the study will reveal the reasons why consumers would buy this type of product online and the reasons why they would not buy through the online channel. Here, the aim of the thesis is to determine if jewellery and watches companies should open e-boutiques.

1.3. Luxury and the Internet

1.3.1. Luxury E-Tailing

The internet is characterised by mass access and mass appeal (Okonkwo 2009:304), and this has been the focal point in the discussion of e-commerce. The industry's traditional view on e-tailers has been one of moderate disdain due to the price consciousness of typical online customers (Binkley 2009, Stokes, Jensen 2011). Nevertheless, as coined in *Fashion Brands - Branding from Armani to Zara* (Tungate 2005:80), "*today's shoppers don't like to stay in a box for long, no matter how gorgeous it is*". Increased traffic on the web and an increasing fraction of turnover coming from e-boutiques is thus a reality and one that luxury companies must also deal with. According to the study *How the Affluent Luxury Consumer Uses the Internet and Social Media: An In-Depth*, a typical luxury consumer spends approximately 4.2 hours shopping online per week while the heavy users spend all of 9.5 hours weekly on shopping-related activities (Global Cosmetic Industry 2010). This stands in contrast to luxury companies' very slow adoption of the new technology because the medium has been judged unfit for luxury products.

However, luxury e-tailing is by no means a new phenomenon although the path to establishment has been problematic. One of the very first attempts to sell luxury online occurred in 1999 with the launch of Boo.com. The company received massive media coverage from large publishing companies such as Forbes and Financial Times, while Bernard Arnault, CEO of the LVMH conglomerate, was one of the financial backers with an 8.5 percent stake (Galinier 2001) in the company. Unfortunately Boo.com suffered under inadequate management and was liquidated only six months after the website was launched. This did not scare Arnault off the web strategy and he invested a staggering €500 million of his personal fortune into the investment fund Europ@web

(Matlack, Reier 2000, Thomas 2007:254) that backed various start-ups with an online business model. Further, he created the website eLuxury.com, funded by more than $100 million of his personal funds as well as funding from the LVMH group, dedicated to the fashion brands of the LVMH group. To ensure steady traffic of visitors on the website, Arnault and his team decided to make the site function like a fashion magazine that not only shared the latest tendencies with the readers, but also sold the items directly on the site, the same approach which made Net-a-Porter.com a highly successful company. The beginning of the 21st century thus brought about several new luxury e-tailers.

Both Boo.com and eLuxury.com shut down in 2000 (interestingly enough, Arnault's site eLuxury.com suffered the same destiny of financial trouble due to inflated overhead costs as Boo.com), while LuxuryFinder.com and LuxLook.com both closed their browsers for the last time in 2001. Net-a-Porter, however, survived and is considered an industry signpost that luxury and fashion e-tailing is not only feasible, but also a potentially very lucrative business.

About the same time of Boo.com's launch, a much smaller e-tailer entered the market; Net-a-Porter.com. Whereas Boo.com was a financial disaster burning through $135 million in two years (Thomas 2007:255), Net-a-Porter.com started with a seed investment of £190,000 and grew in a more controlled manner, which proved successful. The editorial team considered themselves representatives of their target group, and decided to pursue the concept of a fashion magazine which also happened to sell the items it was showcasing to the readers. They loved fashion magazines, but found it a hassle themselves to hunt down an item after seeing it in a magazine and saw an opportunity for combining the best of the fashion magazines with the opportunities of technology. Net-a-Porter.com was acquired by Compagnie Financière Richemont in 2010, in a transaction that valued the company at £350 million (Sonne 2010).

Luxury goods are available on three different types of websites. Most luxury brands selling ready-to-wear apparel, leather goods and skincare and cosmetics now operate their *own* e-boutiques, selling products in some specified country markets. Customers, in turn, are able to re-sell luxury items on *customer-to-customer websites*, such as eBay.com. The last channel is *luxury fashion websites*, which is a multi-brand platform that sells several brands, sometimes at discounted prices.

Online luxury shopping has been over-performing overall web sales over the last years, increasing by 20 percent compared to 8 percent (D'Arpizio 2010:28). The off-price segment has increased due to coupons and discounts provided to visitors by luxury fashion websites. While 80

percent of luxury sales on the Internet were conducted at full-price in 2008, this percentage was estimated at 70 percent in 2010 (D'Arpizio 2010:28).

1.4. Problem background: E-Tailing Has Yet to Gain Legitimacy among Luxury Companies

In spite of luxury e-tailing having existed for approximately a decade, the practice of selling luxury products online has not gained complete legitimacy in the industry. The following quote captures the essence of the discussion quite well:

> "Luxury itself has always had innate characteristics that are intricate to its very being and comprise of elements that speak more to passion than reason. These include originality and creativity in product and retail conceptualisation; craftsmanship and precision in creation and production; emotional appeal and an enhanced image in brand presentation; exclusivity and limit in access and high quality and premium pricing, all for a specific clientele." (Okonkwo 2009:304)

In the industry, it is considered a universal truth that a luxury product is of superior quality founded on the efforts of craftsmen and possessing a spectacular design which appeals at least as much to the heart as to the brain. Nevertheless, those qualities alone will not do. The brand has to be recognised as being top of its league and the product cannot be widely distributed. The latter point has been at the centre of the discussion of the legitimacy of luxury e-tailing. The opponents of luxury e-tailing focus on the wide accessibility inherent in the online channel and argue that this undermines exclusivity and thus the products effectively lose their luxury status. Jean-Noel Kapferer, internationally acknowledged as one of the most influential experts in luxury brand management (Tungate 2005) went as far as to claim that once an item is sold online, it ceases to be a luxury item (The Economist 2010). The importance of limited accessibility is supported by Françoise Montenay of Chanel who states "*luxury is exclusivity – it is made for you and no one else has it*" (Thomas 2007:324). Further, it is claimed that the Internet puts too much focus on price (The Economist 2010). This is a detail whose importance companies can, to some extent, downplay in the stores by engaging the customers through aesthetics and personalised service.

The proponents of selling luxury online find this a too narrow view on the potential and strength of luxury brands. Buying online is convenient and the beauty of websites such as Net-a-Porter.com is not the price, but the possibility of purchasing a particular item before it sells out in the physical store (The Economist 2010). Also, trying clothes on at home is less of a hassle than taking time to go shopping (Massenet, quoted in Tungate 2005:193), and often dressing rooms undermine the experience through bad lighting and lack of space given that many women prefer to use their

girlfriends as the judges and enter the fitting room together (Holmes, Smith 2011). However, those arguments are not specific to *luxury fashion*, and proponents of luxury e-tailing acknowledge that a special balance is needed to *keep the magic* (Massenet, cited in Thomas 2007:253) of shopping luxury while offering the benefits associated with online shopping.

However, *why* would customers want to purchase luxury online when they are guaranteed a superb shopping experience in the physical stores? This has not been discussed so far. The discussion of channel legitimacy has been based solely on the characteristics of the product itself rather than which customer needs the online stores can fulfil that the physical stores do *not* meet.

1.5. Research Questions

1. Why do customers decide to purchase the following luxury items online:
   o Ready-to-wear apparel
   o Leather goods
   o Skincare and cosmetics
   o Jewellery and watches

2. What are the main impediments for customers to purchase luxury items online? Can luxury firms mitigate them?

II. Definitions of Luxury and General Knowledge about Luxury Customers and Brand Business Models

For the purpose of this thesis, it is important to determine what constitutes luxury. This is a difficult task. The term covers something intangible that many companies use to promote themselves. Since the 1950s new terms have been introduced in the management field; terms such as *opuluxe*, *premium*, *ultra-premium*, *trading up*, *hyperluxury*, *real luxury*, *true luxury* along with many more. The following section will investigate and discuss the merits and disadvantages of different definitions and how advances in new fields of research force us to take a more holistic approach to the concept than has been promoted through the strict categories set forth in the traditional literature.

2.1. Definitions Found in the Literature

Bastien and Kapferer (2008) specify six approaches to define the concept of luxury. While they are set forward by renowned authors, most are, however, difficult to apply practically. A run-through of all six is found in Appendix A for those interested.

Two of the approaches have been used by other authors in the field of luxury and fashion research. This concerns the democratic definition (the market decides what constitutes luxury) and the empirical definition (the collective mind of consumers decide what constitutes luxury). It is worth noting that the empirical definition and the democratic definition are related, as the democratic definition acts as a foundation for the empirical approach. When a critical mass of people shares the view of particular *brands* being luxurious *all products* of that brand will qualify as luxury according to the empirical definition regardless of how extensive the distribution of any given product may be. Nevertheless, the democratic approach is more complicated as it involves cognitive processes of each individual customer. We will follow the same tradition in our research.

Stefania Saviolo and Erica Corbellini approach the definition of luxury in the following way: *"Today, luxury is a multi-dimensional concept that means different things to different people"* (Saviolo, Corbellini 2010:21)*,* and they conclude that it does not make sense to create "ironclad definitions" of luxury and fashion (Saviolo, Corbellini 2010:28). Rather they define luxury as a "*coherent system of excellence*" (2010:26). Please see Exhibit A for an overview of national differences in share of mind of different luxury brands.

Dubois, Laurent, and Czellar (2001) have tried to investigate consumers' definition of luxury rather than impose one on the research participants. They conducted interviews with respondents who had made at least one purchase or received an item as gift which *they* considered luxurious (Dubois, Laurent & Czellar 2001:7). This approach is consistent with Saviolo and Corbellini's consideration of luxuriousness being based on the individual's judgement.

2.2. Luxury Products Share Six Characteristics

Although the definition of luxury can be approached in different ways, all of them have gravitated towards six common characteristics coined by Laurent and Dubois (1996). They count *rarity*, *utility*, *price*, *craftsmanship*, *story*, and *perceived quality*. These six characteristics can be connected to the underlying ideas of the VRIN framework (Barney J.B. 1992), which proposes that to obtain a competitive advantage, a company's products must be *Valuable*, *Rare*, *Inimitable*, and *Non-substitutable*. The authors of this thesis find that the two views are highly interrelated, though when looking at the concepts from the Resource-Based View in the context of luxury, we must include cognitive processes, as for instance non-substitutability of luxury products is not founded in the functional utility derived from the product but rather from the pleasure derived from ownership and/or consumption of the good. The following table compares the two approaches.

Table 1: Comparison of the characteristics of the resource-based view and Laurent & Dubois' six characteristics

The Resource-Based View	Laurent & Dubois
Valuable	Perceived quality
	Craftsmanship
Rare	Rarity
	Price
Inimitable	Story
	Craftsmanship
Non-substitutable	Utility

Table created by authors

2.2.1. Rarity

Rarity concerns different aspects of the product: rarity of *distribution/ownership* as well as rarity of the *product* itself. The implication of rarity of distribution is that luxury goods cannot be accessible everywhere in order to be considered luxurious. Different distribution channels exist for luxury brands, for designer brands, and for commodities. Luxury goods are mostly sold through

distribution channels that give perfect control over the brand, such as brand stores, also known as flagship stores. In this type of stores the luxury company has perfect control both the products and the physical environment they are sold in. A strong personal relation with clients can be achieved through the direct contact between customers and the sales personnel of the brand. This strict mode of distribution can also act as an effective method for distinguishing between genuine and counterfeit products; more specifically, if customers know that the brand is not sold officially outside the flagship store, they know that the branded products that are available outside of flagship stores are counterfeits by default.

A second type of distribution channel which is consistent with the rarity dimension is *exclusive distribution* where the company itself still covers the distribution, but through more modes of distribution than the flagship store mode only (for instance shop-in-shop distribution modes). The close relation with customers can be preserved. This mode of distribution is less focused than if the company would only sell in flagship stores, but the supply is still limited and thus still *rare*.

The last mode of distribution is *selective distribution*. In this system, the distribution is still conducted through high-end retailers, but takes place through wholesale channels. This implies that the brand no longer has the same degree of control over the sales process at the point of sale. The direct relationship between the brand and the customer is broken since the customer is the customer of the intermediary rather than of the brand itself. Opting for such a distribution strategy may not seem logical at first sight, but in some countries it is the most convenient approach; for instance it is very difficult to serve the Italian market through directly operated retail stores due to the high geographic dispersion of luxury customers (Saviolo 2011). France, on the other hand is more easily served through directly operated retail stores due to the high concentration of luxury customers in France. The French market essentially consists of Paris and Côte d'Azur which makes distribution considerations much less complicated (Ziviani, G. of Audemars Piguet 2011). This is shrewdly captured in an example by Ziviani "*Italy is a poor country inhabited by rich people and the UK is a rich country inhabited by poor people*" (Ziviani, G. of Audemars Piguet 2011). Following the same distribution approach in all countries may therefore not be the most effective approach.

Rarity also applies to inherent characteristics of the products. The raw materials that are used can be rare and if raw materials are rare, production is limited, and so is the supply of the end product. Rarity can also be technically based. This is a form of rarity often applicable to hard luxury such as watches. For example, a craftsman needs ten years of training to be able to make the mechanism of a Cartier watch (Gargat 2010). However, rarity can also be artificially created through limited

editions. Whether rarity is based on 'true' and 'tangible' rarity (technical and raw materials) or simulated rarity (limited editions and information) is secondary.

Lastly, *rarity of possession* has traditionally been considered crucial as this type of rarity is the very source of perceived exclusivity. Although the drivers of fashion and luxury innovation have been presented several different ways in literature ((see for instance overview of the theories of Veblen, Simmel, Blumer, and Bourdieu in Rüling 2000)), a common denominator is that it is a demarcation used by the 'elite' (be it based on social class or other factors) to distinguish itself from other groups.

2.2.2. Utility

The second dimension is that of utility or rather the decreased emphasis on functional aspects of the product and more emphasis on the emotional utility that is derived from owning or consuming a luxury product. The functional utility of a luxury good is not necessarily higher than the functional utility of a similar good that is not considered luxurious; for instance, any well-functioning car can transport a person from one place to another, but the *experience* of driving may differ depending on whether driving a Ferrari or a Saab.

2.2.3. Craftsmanship and Price

The price of luxury goods is another important aspect to consider. The price of luxury goods *must* be higher than the price of commodity goods with the same functional utility. The price premium illustrates the rarity or quality of the raw materials and/or of the craftsmanship used to produce the product. Traditional wisdom has claimed that it is the luxuriousness that makes the price, and not the price that makes a product a luxury good such that increasing the price of a commodity will not make it luxury as the price increase must be justified by other dimensions. This causal relationship, has however been questioned in recent research and the implications of this for the following study will be specified below.

Craftsmanship is a crucial characteristic for many brands. It is vital for Louis Vuitton to manufacture in France in the old workshop in Asnières, employing highly trained *craftsmen*. This is why outsourcing has always been considered incompatible with luxury.

2.2.4. Story and Perceived Quality

Due to the craftsmanship, the *perceived quality* of luxury goods is higher than the perceived quality of non-luxury goods regardless of the extent of the actual performance difference between the two

categories. The link between effort and result is strongly emphasised in the concept of craftsmanship. The numerous hours put into learning the necessary skills and the care with which the products are produced results directly in a premium based on a quality gap between luxury products and non-luxury products. Production experience tends to equate having a long history and heritage is thus an important element of competitive advantage for top-of-the-pyramid companies.

2.2.5. Competitive Advantage for Luxury Companies

When a company performs well on all six factors, it can be said to be luxurious because it follows a coherent system where each aspect of the product itself as well as the distribution oozes of good quality and limited accessibility. Only once all six are fulfilled can the company develop a sustained competitive advantage as it is known from Barney's VRIN framework. The six characteristics thus help specify which factors are important for luxury companies to be able to fulfil the requirements of a well-known strategic framework.

2.3. Implications for the Study

Researching luxury consumption patterns without specifying to the research participants what makes a luxury product might not seem rigorous at first sight. However, recent research in neuroscience supports this decision.

Recent research by neuroscientists in the field of neuromarketing suggests that the relationship between price and luxuriousness is a little more complicated than suggested above by Laurent and Dubois. Researchers from Stanford University and California Institute of Technology have conducted fMRI (functional magnetic resonance imaging) scans to measure the enjoyment derived from drinking different wines and discovered that when presenting two wines twice but at different prices, without the test persons' knowledge, the mere belief that one wine was more expensive than its identical twin had very concrete measurable effects on the volunteers; they simply experienced more pleasure when drinking the "expensive" wines (Lindstrøm 2008:197). This supports that objectively defining luxury is exceedingly difficult as "luxurious" products will be *experienced* very differently by each consumer. If a customer finds a product luxurious, he or she will act as if the product is very luxurious, if it is not considered anything special, the (brain's) reaction will be accordingly.

However, pleasure can also be considered a type of utility just as the functional utility derived from a product, and purchasing decision models for luxury products indicate that the decision processes are very time consuming, but nevertheless encompass largely the same steps as models

describing commodity purchases. Based on the tenants of economics, it can therefore be argued that luxury customers also try to maximise the utility they derive from their purchases. The categories of utility in question are merely different. Due to the importance of 'pleasure', *perception* is a very important concept in the discussion of luxury and something which we therefore cannot ignore in our study. If people *feel* that a product they buy is luxurious, they will *act* as such even if their perception is not shared by all other consumers, as could be seen in the brain scan results from the wine experiment. In our investigation of the purchasing patterns of luxury consumers we have to account for the possibility that the consumers' own perception of their purchases may not be aligned with an expert definition. When answering our survey, the responses are shaped by each individual respondent's personal opinions. What *they* think constitutes luxury is therefore crucial. This implies that in the study we cannot explicitly tell respondents which products and/or brands are luxurious since it could severely limit the size of our data sample and bias the results. More information about how this concretely affects the study can be found in the methodology chapter.

2.4. Luxury business model: The Luxury Pyramid

The classical luxury business segments have been identified by Bastien and Kapferer (2008) and are illustrated through the so-called Pyramid Business Model (see Figure 1). This is compatible with the pyramid suggested by Saviolo and Corbellini, whom however indicate that demographic and socioeconomic changes result in a shift in the pyramid so that if portrayed according to sales, it should actually look like a pear (see Exhibit B).

Figure 1: Bastien & Kapferer's Pyramid Business Model
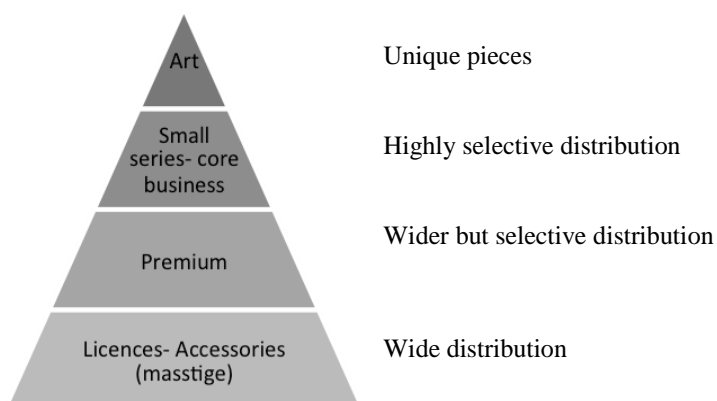
The foundation of the pyramid is made up by *masstige* products (a term originating from the contraction of 'mass-market' and 'prestige'). Most luxury brands sell *masstige* products targeting a

wider audience than the products that created the luxury reputation can ever serve. These mass produced items do not live up to the luxury label when following the elitist and expert definitions, but are considered luxurious by the wider population due to the status of the companies producing them. Perfumes and smaller accessories such as sunglasses are popular masstige products. The word *masstige* was popularised by Silverstein and Fiske in Trading Up (2003) and the most basic meaning of the term is luxury goods for the masses.

The next level of the pyramid contains premium products that are still widely distributed but more selectively than *masstige* products. Examples of such products count perfumes and fragrances for many luxury brands.

The next step is the core business of the brand, i.e. what the brands is famous for. The distribution is highly selective; the customers are not as numerous as in the bottom layers of the pyramid. These products are often priced at prohibitive levels for consumers earning an average income.

The top of the pyramid is made by art. These are unique products that the brand makes that brings aura to the brand. Haute Couture is such a category. While haute couture shows what a designer is capable of, very few of the creations are wearable for ordinary people regardless of the occasion. Thus, while the top of the pyramid brings aura and prestige to the brand, the items closer to the bottom can bring in significant amounts of money. However, selling "too much" can be detrimental to the brand. The most difficult thing for a luxury brand is therefore to keep the balance between the aura and the money generated. This balance might be threatened when luxury firms decide to open e-boutiques because of the implications for exclusiveness of distribution. This consideration will be taken into account when delivering recommendations to luxury firms.

III. Theoretical Framework

The previous chapter explored the concept of luxury. This chapter will present the literature review and the three models used for the study: one model dealing with the decision making processes of luxury consumers, one generic customer behaviour model and one specifically applied to the online channel. This is useful for the later analysis of the empirical results and for gauging the impact of the introduction of the Internet for information searches and purchasing for luxury consumers.

The chapter will be structured in the following manner: Firstly, the degree that consumers have adopted the internet as purchasing channel in general will be examined. This is followed by a general overview of how online-boutiques impact revenue generation and the chapter is concluded with an overview of three models; a general purchasing process model, one which is specific for luxury products, and lastly one relating to purchasing on the internet.

3.1 Literature Review

3.1.1. Customers' Adoption of the Internet as a Purchase Channel

Citrin et al. (2003) pointed out that a high level of prior Internet usage would increase the level of usage for product purchases. Age is an important factor that influences the use of the Internet (Rosen, Weil 1995). Hence, there is a negative correlation between age and the use of new technology, implying that generation Y is more willing to purchase online than generation X (Bergadaa, M., Coraux, G. 2004). Moreover, gender has an impact on the willingness to buy sensory products online: women have a higher tactile need than men. Since the relationship between the need for tactile input and the use of Internet as a purchase channel is negative, men are more willing to buy sensory products online than women (Citrin et al. 2003).

3.1.2 Online Information and Revenues Generation

Lee and Grewal (2004) have investigated the financial market valuation impact of adding the Internet as a communication channel to see if the market valuates the risk of dilution the same way as the industry itself. They quantify the short-term and long-term effects of introducing an *informational* website for different types of products (sensory and non-sensory products). While the revenue impact of website introduction is positive in the short run, because it draws more customers to the store, the long-run revenue impact on sales in physical stores depends on which customer segment enters the website. Most customers would buy higher margin products, while some would reduce their shopping trips to the store wherefore the website could have a cannibalising effect on the in-store visits. The positive revenue impact on physical-store sales of

website introduction is higher for sensory products than for non-sensory products.

The introduction of an informational website enabling online browsing can thus have a positive impact on in-store sales. The mechanism of researching online and buying offline has been called 'web-to-store' shopping (Verhoef, Scott & Vroomen 2007).

Pauwels et al. (2011) proceed to specify which kind of customers would react positively to the introduction of an informational website and conclude that offline revenues increase more for customers with a high web visit frequency. This is particularly the case for designer labels which have more changes in the collection from season to season than do luxury houses. The online catalogue lowers search costs which benefits especially customers who live far from the physical store.

Despite the fact that the introduction of an informational website generates more offline revenues for sensory products than for non-sensory products (Lee, Grewal 2004), Burke (2002) showed that buying online was less suitable for sensory products. The reason is that customers prefer to buy this type of product through channels that can accurately portray the characteristics, i.e. touch, smell and the feel of the products. Hence, when purchasing sensory products on the Internet, customers perceive the transaction to be more risky and then need more information in total before purchasing the item (Citrin et al. 2003, Peck, Terry 2003). The need for more information is a way to compensate the inability to touch and feel the product. Moreover, the need for extra information explains why Internet retailers should aim at shifting customers' focus from tactility to other shopping cues, such as reliability.

3.1.3. Brand Management and the Online Environment

The literature has also dealt with the difficulty of representing the brand essence through the official website (Okonkwo 2005, Beverland 2005, Radon 2010). Emphasis has been put on the need for strong visual effects through flash animations, pictures, videos and music to try to recreate the atmosphere of the store. Different tools are therefore necessary for the management of the brand online compared to the physical world.

The essence of the brand is the same off and on-line (Chen 2001, De Chernatony 2001, Clauser 2001). The fundamental rules of brand building are still focusing on brand names, consistency, customer insight, emotional connection and brand experience (Clauser 2001). However, the way information is presented might change due to the new technology; on the Internet people tend to scan rather than read (De Chernatony 2001). Brands should also pay attention to what customers say on the web, since they tend to communicate with other customers on forums and communities

(De Chernatony 2001), which makes online brand management fairly more complex than in the offline environment.

3.1.4. Room for Improvement for Transactional Websites

The qualities of luxury retail that are highly valuable for customers are *reliability* and *fulfilment* (e.g. in terms of delivery and ease of use), *financial security & trust*, and *interactivity & personalisation* (Christodoulides, De Chernatony 2006, Phillips 2011). Living up to the same standards in different sales media, online and offline respectively, can be exceedingly difficult and a deficient interactive service is one of the major factors distinguishing e-commerce from traditional retail environments (Pitta, Franzak & Fowler 2006). Smooth interactivity thus creates value and increases customer satisfaction (Yoo, Lee & Park 2010). Clauser (2001) hypothesises that luxury brands have not yet reached their full potential of the Internet which explains why many customers are still reluctant to use the Internet to purchase luxury goods.

3.2. Buying Behaviour Models

3.2.1. Model for Customers' Buying Behaviour in General

A customer buying behaviour theory has been built by several authors throughout the years (Bettman 1979, Dibb et al. 2001, Jobber 2001, Boyd, H.W, Walker, O.C. Mullins, J. and Larreche, J-C 2002, Kotler 2003, Brassington, Pettitt 2003). The model applies to generic products and consists of five phases:

Figure 2: Bettman et al's model for customer buying behaviour

Problem identification	→	Information search	→	Alternatives evaluation	→	Purchasing decision	→	Purchase
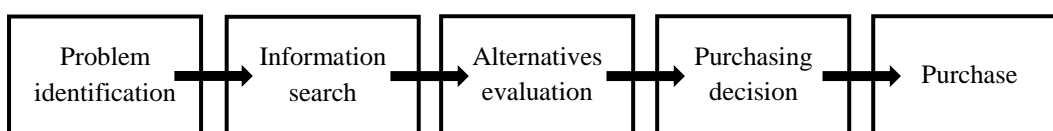
Phase 1. Problem identification phase

The first phase, the problem identification phase, represents the point when the customer becomes aware of a need and/or a desire to own a given product. It is worth keeping in mind that, by definition, the consumption of a luxury good is a *desire* and not a *need* since the functional need can be fulfilled by non-luxury products. Advertising is a way to make customers realise their desire for luxury goods, hence the heavy investment of luxury brands in advertising/publicity.

Phase 2. Information search

Information search takes place in the second phase. Once the need/desire is discovered, the consumer will search information internally (in his/her memory, if he/she already purchased the good or a similar good), and externally. The sources for external information are numerous: family, friends, comparison shopping, public sources and the internet to name a few.

Phase 3. Evaluation of alternatives

The customers evaluate the alternatives found during the second phase, based on established criteria determined by the customers. At this point the process for commodities is deemed to vary considerably from that for luxury goods. For luxury goods, price is supposed to be a low ranking decision criterion due to the differentiation strategy followed by luxury companies while it is a very important factor for commodity products competing on price.

Phase 4. Purchasing decision

The purchase phase implies the concrete process associated with buying the chosen alternative, i.e. the product, type of store and method of purchase.

Phase 5. Purchase

The last phase is the actual purchase moment. For a luxury product there can be a considerable time lag between the purchasing decision is made and the actual purchase takes place and the two should therefore be considered two different phases. Financial considerations as well as product availability may be influential in the creation of this difference.

However, due to the previously described differences between luxury products and commodities, some steps take more time and include different decision criteria and, furthermore,, a post-purchase phase becomes interesting for companies specialising in luxury goods.

3.2.2. Luxury Customer's Behaviour

Bastien and Kapferer (2008) theorised the luxury customer behaviour process. The model consists of three phases:

Figure 3: Bastien's and Kapferer's model for luxury customer purchasing process

Pre-buying behavior	→	Purchasing decision	→	Post-purchase behavior
Long phase		Pleasure to buy		Keep up the dream
Dream		Aesthetic and human environment		High quality customer service is expected
Utility and Price are secondary				
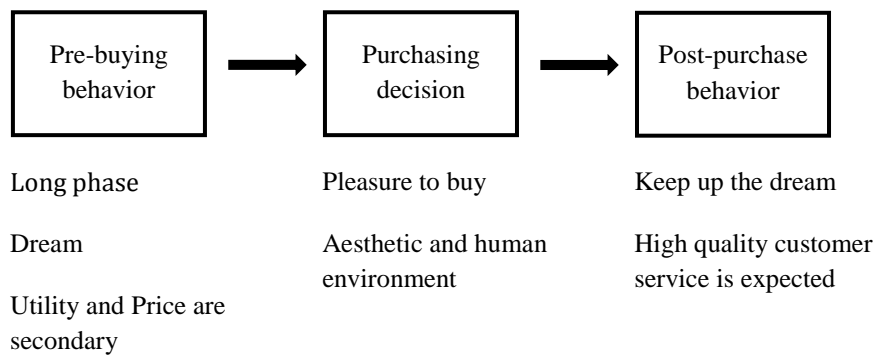
Phase 1. The pre-buying phase

Craftsmanship and the story associated to the brand make customers dream of the product. This phase can last several years which in itself prolongs the entire process compared to that for mass-market goods. The dream of the product ranks higher than the functional utility of the product along with its price. Nevertheless, the high price leads to high customer involvement because it influences the perception of risks associated with the purchase (Boyd, H.W, Walker, O.C. Mullins, J. and Larreche, J-C 2002); that is, the monetary consequences are higher if the buyer regrets the purchase after the purchasing process is complete.

Phase 2. The purchasing decision phase

The pleasure of buying the product is considered luxurious in itself. The aesthetic and human environment is crucial as it helps justify the high product price.

Phase 3. The post-purchase behaviour phase

Customers must find confirmation that they made a good decision. With the purchase of a luxury item the dream of ownership disappears and is replaced by ownership. This necessitates investments in marketing and communication to preserve the dream of the *brand* even after ownership of the *product* has been achieved. At this point, the brand can distinguish itself from the providers of commodity goods through strong relationship building with the buyers. This is also expected by the customers who expect high quality customer service.

3.3. Purchasing Behaviour on the Internet

The two previous models do not specifically address how the option of Internet shopping affects the consumption patterns. As the thesis investigates what makes luxury customers decide to purchase

from an online boutique rather than from the stores that have been polished and perfected a brief venture into how online shopping affects the purchasing behaviour model is necessary.

Park and Kim (2003) have built a model focusing on online aspects that entice customers to buy on the Internet. The model lists two main factors: *information satisfaction* and *relational benefit*. Both of these factors are based on underlying factors that link to site commitment, which is the very factor that enables the online purchase.

Figure 4: Park and Kim's model for online purchasing behaviour
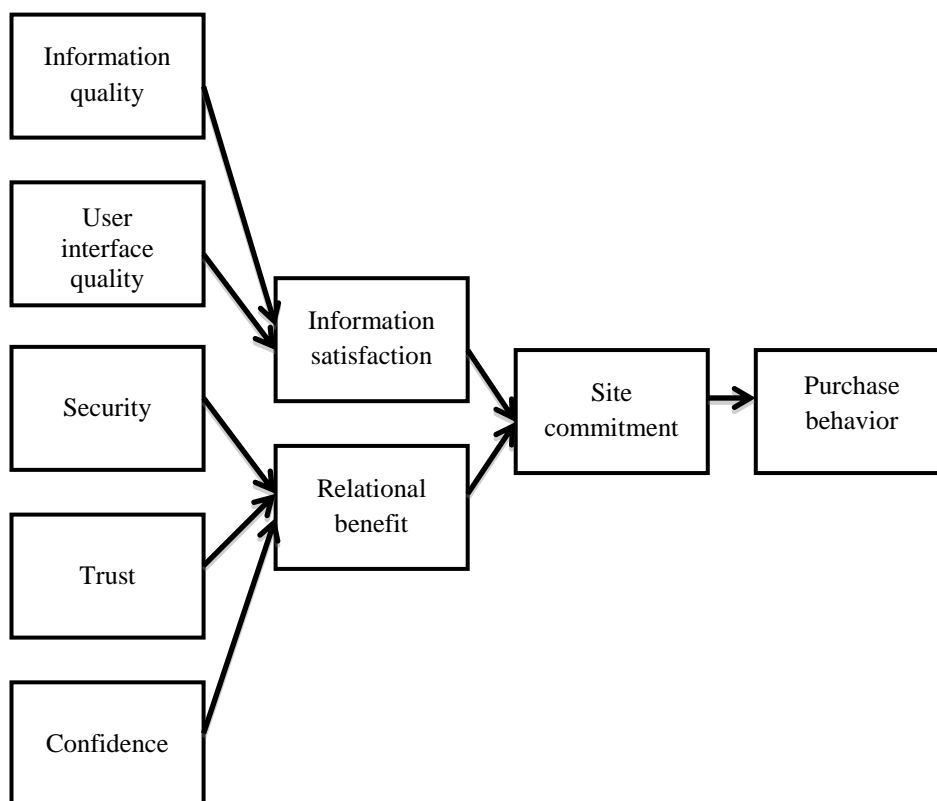
Information satisfaction is defined by the *satisfaction or dissatisfaction with the overall information service encounter* (Crosby, Stephens 1987). Information satisfaction rests on information quality, which concerns both products and service, and user interface quality, which concerns ease of use (Wang, Strong 1996). The relational benefit is defined as *the benefit customers receive from long-term relationships above and beyond the core service performance* (Gwinner, Gremmler & Bitner 1998:104). Security, trust and confidence comprise the relational benefit (Morgan, Hunt 1994, Garbarino, Johnson 1999).

In essence, the model states that when a website is easy to use, is trustworthy (e.g. the site will actually deliver the goods), is safe to use (e.g. in terms of sharing of personal details), and the information provided about products and service is ample and accurate, consumers will be willing

to make their purchases in the virtual world. It thus outlines which elements must be addressed for an online strategy to be successful. The model does, however, *not* rank the importance of each individual factor, nor does it explain exactly what drives a customer choose the online channel over the physical store. The physical store ought to fulfil the above conditions, being an established luxury company, and the e-boutique must fulfil the conditions to be considered a valid alternative to the high street stores by the customers. How do they decide which one to choose?

This can be considered a significant black hole in the body of theories relating to luxury consumption and to online shopping in days where it is necessary to combine the two models.

IV. Methodology

4.1. Narrowing Down the Market of Interest

As previously stated, the study focuses on four categories of luxury goods: ready-to-wear apparel, leather goods (accessories), watches and jewellery (hard luxury), and skin care and cosmetics.

Ready to wear apparel must be studied in the thesis since it is the biggest category in the worldwide luxury market, accounting for 25 percent of the total market in 2009 and expected to increase to 27 percent in 2010 (D'Arpizio 2010:26).

Leather goods make an interesting category, since it is the only one experiencing significant growth in 2009 (D'Arpizio 2010:42), a time when the luxury industry overall took a hit because of the credit crisis. 26 percent of all luxury purchases are purchases of accessories, leather goods being the champion of this category, and men spend the same as women per transaction in monetary terms (D'Arpizio 2010:42).

Watches and jewellery is the category that was the most hit by the recent financial crisis. Jewellery suffered a negative growth of 11 percent while watches faced a decrease of 16 percent (D'Arpizio 2010:43). At the same time, however, many companies, such as Cartier, opened e-boutiques. The quote by Emmanuel Perrin, North America President and CEO illustrates the industry attitude well:

> "The demand for online selling is too great to ignore. The Internet has been a medium taking an increasing part in our client's lifestyle and means of interaction. The decision to create the Cartier e-boutique was made in direct response to what our clients were sharing with us." (Perrin, Cartier North America president, cited in Chabbott 2010)

Skin care and cosmetics is an interesting category because it is different from the others in that the products literally disappear when used. While fashion apparel, leather goods and jewellery may go out of fashion and become fashionable again several decades later and luxurious products from the same categories can be considered timeless *investments*, skin care and cosmetic products are not durable. Buying luxury beauty products is thus a recurring expense for the consumers, and it is therefore one of the first things customers stop buying when the economic situation tightens.

4.2. Conducting an Inductive or Deductive Study

Traditionally, two main methods exist for this kind of research: inductive and deductive. While the inductive method gathers empirical data and determines its implications on theory, the deductive

method aims at falsifying hypotheses based on the existing theories in the research area (Flick 2009). For this study, an *abductive* method is used, meaning that we use both the inductive and deductive approaches, although at different stages of the research. This is based on the fact that both authors have had a personal interest in the field of luxury for many years and in that respect are not "blank sheets of paper". Acknowledging this, it would not be possible to conduct an entirely inductive study and the *initial* approach is thus deductive; we seek to falsify the hypotheses we had formed before the outset of the research process associated with this thesis as well as the hypotheses that formed during the literature search.

The literature provides various arguments as to why customers buy online. These arguments we treat as hypotheses that can be subjected to falsification through a survey research framework. The purpose is to see if these arguments are applicable to the purchase of luxury goods, as much that has been written about e-commerce focuses on less expensive products. Nevertheless, luxury e-commerce is a fairly recent phenomenon and has not previously been the centre of attention of either author. The literature concerning luxury e-commerce specifically is rather limited, wherefore falsifying hypotheses derived from literature alone is not sufficient to gauge the underpinning of luxury customers' purchasing behaviour. To support the findings of the literature we have thus also relied on an inductive approach to gather empirical data in a less structured way to account for potential new approaches not covered by the recent literature or by our own hypotheses based on our own personal experience.

4.3. Conducting a Qualitative or Quantitative Study

A quantitative study aims at explaining phenomena through analysing numerical data using mathematically based methods (Sukamolson 2009) while a qualitative study aims at gathering in-depth understanding the *why* and *how* questions associated with the given phenomena rather than the *what*, *where* and *when* questions (Denzin, Lincoln 2005).

This particular study will combine qualitative and quantitative methods as a response to our decision to try to falsify our initial hypotheses while seeking out potential rival explanations. For the falsification purpose, a high number of respondents is necessary for the resulting data to be representative and our conclusions to have significant impact. Nevertheless, there may be other reasons that drive customers to purchase online than is covered by our hypotheses wherefore qualitative measures must supplement the quantitative approach of the survey data. To account for

this duality in the final survey version launched online, we made a pilot study which will be discussed in detail below.

4.4. Explaining the Creation Process of the Survey

The authors have created an internet-based survey using the software known as Qualtrics provided by Stockholm School of Economics. This serves as a foundation for the falsification of the hypotheses outlined in Chapter V (Discovering Consumer Motives Online Luxury Shopping). Closed-end questions allow us to gather data which can be processed according to standard statistical methods while open-ended questions allow respondents to elaborate on their responses and add thoughts and concerns not covered by the survey.

4.5. General Concerns

4.5.1. Concerns Related to Survey Distribution

The survey has been distributed through the online environment as it this way can reach several countries and the results are easier to process than if the survey were paper-based. Also, the internet-based survey provides respondents with a greater sense of anonymity as the authors are not in physical vicinity of the respondents while they fill in their answers. Hopefully this reduces the risk of a response-bias (Yin 2009:102) where the results are biased by respondents filling in what they believe the authors want to hear.

Nevertheless, this distribution format brings about a few concerns. First of all, the goal is to be able to reliably falsify the hypotheses we have formed. For this to be possible, the pool of respondents should be representative of the luxury customer population. Furthermore, several countries must be represented to overcome nationality-based biases.

Recognising that response rates may differ greatly depending on whether the respondents know the authors directly, are friends of friends or have no affiliation whatsoever, we have created two identical surveys identified by two different links so that responses stemming from personal networks and complete strangers can be distinguished from each other.

Both authors have extensive networks that share their interest in luxury, and many have acted as endorsers of the study to their own contacts. This method may result in a certain bias in age or nationality, but this distribution method was deemed efficient for collecting data.

To reach luxury customers that are not part of our personal networks, the survey has been distributed through luxury and fashion forums and communities on the Internet. Online fashion and luxury communities are of high interest since, firstly, people participating in those communities

have a passion for fashion and luxury and, secondly, many of the communities have discussion threads dedicated to online shopping. This increases the probability of finding luxury customers who have an opinion on online shopping, be it positive or negative. To name a few forums, the survey has been posted on FashionSpot.com, which is a forum dedicated to fashion which requires an invitation in order to be able to become a member. This increases the probability of contacting respondents that are really interested into fashion and luxury. Moreover, the survey has been posted on the ASmallWorld.net community, which is a private social network that requires an invitation as well. The luxury industry is a common centre of interest of the members. An overview of all the relevant forums is found in Appendix B.

4.5.2. Concerns Related to Language Proficiency

The survey has been made available in English and French. Since luxury has a strong historical foundation in France, some forums and communities have French as first language, and less than half of the French population speaks English proficiently (European Commission 2006), we deemed it crucial to offer a French version. One of the authors is French ensuring an accurate translation.

One limitation worth considering already at this stage is that we have not been able to translate the survey into the languages spoken in all the relevant markets where English is not commonly spoken, e.g. in China. The problem is, however, not merely one of finding a person who could translate the questions; all the results would also show in the given language in the software. Therefore, even if we could get help for translating the questions into multiple languages, we would be heavily reliant on the individual translators for treating the data afterwards as well. The authors would then rely much on the interpretation of several other people not directly connected to the thesis in the analysis of the collected data. This could be problematic as well given the importance of having a homogeneous approach to treating the results. However, there appears to be a demographic bias among luxury customers; they tend to be the most educated part of the population, which increases the likelihood of many of them being proficient enough in English to be able to complete the survey without feeling discomfort due to language barriers.

4.5.3. Concerns Related to Luxury Definition

The opening page of the survey presents the purpose of us conducting the survey and mentions a few established luxury companies that have been appointed the most notorious luxury companies by Nielsen's company study (Ruiz 2008) as well as a few other niche producers to induce the

respondents to think of more than the most famous brands. A specific definition is deliberately not provided. To allow for the possibility of conflicting definitions of luxury among respondents, the definition of luxury was deliberately left open. As stated earlier, as long as respondents *think* of products as luxury, they *behave* as if it luxury, and therefore their opinion on these products are interesting for our study. The category of skin care and cosmetics is very interesting in this respect. The number of products in this category that lives up to the requirements of the elitist and specialist definitions is very limited. One such brand would be Creme de La Mer which produces very expensive skin care products which are only financially feasible for a small fraction of the population. However, the majority of the skin care products that are sold in department stores are nowhere near the price ranges of those produced by Creme de La Mer. Does that mean that very few luxurious skin care products exist? The category of skin care and cosmetics can therefore act as a control category; how many respondents indicate that they buy luxury skincare and cosmetics? Chances are that very few would indicate that they bought luxury skin care and cosmetic products if only such products as La Mer are considered luxurious. If, however, many people indicate that they buy these products, it acts as support of the definition of luxury being heavily founded on personal judgement. Although the price difference between mascaras produced by Yves Saint Laurent and by Max Factor is considerably smaller than the price difference between a Ferrari and a Saab, mascara can still be considered luxurious for its product category. If that is the case, the customer will treat the product as a traditional luxury product if extrapolating Lindstrøm's (2008) fMRI wine-tasting results.

4.5.4. Concerns Related to Respondent Grouping

A distinction has been made between existing luxury customers and potential future customers. The stakeholders of the luxury industry count not only the existing customers, but to a great extent also people who *aspire* to become customers and the latter group's aspirations provide legitimacy to the former group's actual purchasing behaviour. The aspiring customers often gradually increase their affiliation with the brands by first looking at the items, then buying the less expensive items, and gradually increase their expenditure (Tungate 2005:20). This process is of great interest for the luxury companies, and we therefore consider the aspiring group important to investigate as well; where do they look for information and where do they intend to buy when they finally make the transition from admirer to owner of an item. Covering both current customers and aspiring customers' views increases the representativeness of the respondent pool as both groups are important for the wheels of the fashion industry.

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4.5.5. Concerns Relating to Respondent Background

The luxury industry has experienced significant sales drops in the most recent years due to the financial crisis. For this reason it was decided *not* to ask which profession, and which income bracket respondents belong to. We believe that the severe fluctuations in employment resulting from the crisis and the trend of *conscious consumption* that emerged as a response to the more vulnerable financial climate ought to be kept in mind, as we do not wish to exclude respondents who have been avid buyers of luxury goods before 2008, but since then have reduced their consumption. Asking for respondents' current professional status and income bracket may not be representative for the time when they made their purchases and we would not be able to soundly assume a correlation between current income and past purchases. Moreover, money is not the unique factor that explains consumption of luxury items; culture is as important (Dubois, Duquesne 1993) and consumers may save for considerable amounts of time to be able to make a particular purchase. Therefore it was decided to exclude questions concerning income brackets and professional occupation.

4.6. Making a Pilot Survey

Before launching the survey online, we tested it ourselves and received feedback from seven colleagues and family members who we know buy luxury products. This helped us find inconsistencies, detect phrasing which was difficult to understand, and to get an insight into respondents thoughts when they answered our questions, as we would speak to them while they were filling it in. We believe this has significantly improved the quality of the survey, as our, occasionally brutally honest, pilot-respondents have helped sharpen the questions and detect rival theories (Yin 2009:133-135) to why people may decide to purchase or not online. Speaking to these seven testers made us aware of potential biases in our assumptions (Yin 2009:72) founded in our personal interest in the field and the resulting extensive amount of time we have spent investigating the field before beginning the research for this thesis.

This is particularly important for the validity of the results, as part of the purpose of the survey is to test *a number* of hypotheses of which some may be beyond our own initial understanding, but explains the buying behaviour better. If questions are based on biased assumptions, the construct validity (Yin 2009:41) of the study would be severely compromised, as we would not be able to collect the relevant data.

4.7. Launching the Survey in Two Stages

Though completing a pilot phase before launching to the general public, the survey was initially launched in a limited number of online communities and a limited number of people in our network were provided with a link. The reason for this was that the survey was quite extensive and we found it important to see that the live survey did not exhibit inconsistencies we had not managed to catch in the pilot stage. Also, the extensiveness of the survey made us monitor that give-up rates (percentage of people who give up before the end of the survey) were not too high in which case the survey would have to have been shortened. These evaluations were made first when the 'network version' reached ten respondents and then again at about 30 respondents. Neither became relevant and the survey was subsequently distributed on all the online forums and communities related to fashion and luxury and to the writers' network.

V. Discovering Consumer Motives for Online Luxury Shopping

This chapter will introduce all the hypotheses which are tested with the survey described in the methodological chapter. There are in total 13 hypotheses and one question. The hypotheses are structured according to the following themes. The first four hypotheses are related to general assumptions that arguments against luxury e-commerce are founded on. Hypotheses 4-6 are concerned with trust in websites and potential trust issues that luxury customers may encounter when shopping online. Hypotheses 7-11 concern practical issues which can influence the decision to buy online versus in the physical shop, while the remaining two hypotheses are related to factors that favour shopping in the physical shop over shopping in the e-boutique. The question which ends the chapter concerns the transaction size that respondents are willing to complete online.

5.1. Underlying Assumptions

5.1.1. Price Insensitivity

An underlying assumption of the luxury industry is that price is a secondary phenomenon for luxury customers. Due to the superior offerings based on quality and the particular background story of the given luxury company, customers are willing to pay a premium price for the products. This implies that luxury customers are significantly less price sensitive than is seen for commodities. This is a basic assumption of differentiated products as suggested by Porter (2008) and it thus ought to hold for online luxury shopping offered by companies offering differentiated products.

Hypothesis 1

Luxury customers put less emphasis on price than they do on other aspects of the online luxury experience even if shopping online.

5.1.2. In-store Experience

Although the industry has been notoriously slow adopters of the technology, it should be acknowledged that once going online they have tried to recreate the experience of the physical shop by using the upcoming technology for special effects of video and picture. An interesting aspect to consider is thus which experience the luxury customers prefer. Given that current sales levels are biased towards physical stores at this point in time, it appears that it is the preferred mode of shopping. This channel provides customers with the opportunity to see and feel the texture of the product they are about to buy as well as ask questions to the sales clerks.

Hypothesis 2
Luxury customers prefer the personalised experience they receive in the physical stores.
2.a. *Luxury customers prefer to see and feel the texture of apparel before buying*
2.b. *Luxury customers prefer to see and feel leather goods before buying*
2.c. *Luxury customers prefer to see and feel jewellery and watches before buying*
2.d. *Luxury customers prefer to see and feel skin care and cosmetics products before buying*

5.1.3. Size, Colour, and Dimensions of Products

As a logical deduction of the hypotheses relating to in-store experience, the question of sizing, colours presented on the screen versus those of the real-life product. This is a relatively straight forward argument for buying in a traditional, physical store; there the customer has the possibility of seeing and trying on apparel and jewellery and the opportunity to see how a bag is structured inside in terms of pockets and the like. From this perspective it is noteworthy that apparel, footwear, and accessories are actually one of the three best-selling categories online, the other two being electronics and books, videos, and music respectively (Datamonitor 2010b). However, the category of apparel, footwear, and accessories above covers all segments, and luxury products are thus only a fraction of that amount. Could it be that luxury customers will buy online when they are unsure if the item fits or if the colour is just right? From a logical perspective, it would be too much of a hassle and it ought to keep some luxury customers from the online channel.

Hypothesis 3
Luxury customers are unsure of size, colour, and dimensions of items when browsing online

Nevertheless, even if there is a bias towards the traditional physical shops, sales in online boutiques are increasing as well as general traffic on the websites. The remaining part of this chapter will therefore propose various hypotheses that favour online luxury shopping, hypotheses aiming to explain why luxury customers may shy away from this channel, and, lastly, hypotheses that suggest that the decision to purchase online or in the physical shop is complemented by several factors that relate more to the context of the purchase than to the product itself. The structure of the remaining of the chapter will be as follows; hypotheses relating to trust, hypotheses relating to shopping efficiency, hypotheses relating to geography and atmosphere of shops, hypotheses relating to other concerns, and lastly hypotheses relating to circumstances where customers clearly prefer the physical shop over the internet based alternative.

5.2. Hypotheses Relating to Trust

5.2.1. Trust in Websites

Shopping online for luxury products is a relatively new practice wherefore this mode of shopping can be considered more risky than modes of shopping that customers are highly accustomed to. Given the amount of money that is at stake for luxury products, it can therefore be theorised that trust is very important for luxury customers. Moreover, it could be theorised that the most risk-averse will buy from the official website run by the luxury company, those a little less risk-averse will consider buying from luxury fashion websites, and the least risk-averse customers will consider buying from customer-to-customer websites where the websites merely facilitate a contact between private sellers and private buyers.

Hypothesis 4

Luxury customers who shop online rate trust highly when shopping online

4.a. *The degree to which luxury customers value trust as important is correlated to which websites they buy from; the most risk-averse buying from the official websites, those a little less risk-averse would be willing to buy from luxury fashion websites, and those who are the least risk-averse would be willing to buy from customer-to-customer websites*

5.2.2. Trust in Products Being Genuine

A much debated issue related to luxury products across categories is that of counterfeit production. Much effort has been put into creating a theoretical framework that distinguishes between the type of customers who shy away from any type of counterfeit product and those who accept and buy these products. While this is not the focus of this thesis, the existence of counterfeit products must be considered, as not all the products that are offered online are genuine. This could affect customers' propensity to buy online as they will try to minimise the risk of inadvertently buying a counterfeit product.

Hypothesis 5

Luxury customers are concerned with the risk of inadvertently purchasing a counterfeit product when shopping from an e-boutique

5.2.3. Trust in Personal Information Being Protected

Scandals of leaked personal information are not unheard of in the world of the Internet. Luxury customers tend to place high value on their privacy (Lagerfeld cited in Diderich 2008) wherefore such leaks can be suspected to be a particular concern of affluent people who wish to remain anonymous to the public. While encryption technology has advanced significantly, such concerns

must be addressed for the customer to willingly pass on personal information such as name, address, and credit card details.

Hypothesis 6

Luxury customers are concerned with the protection of their personal details being insufficient when purchasing luxury products online

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5.3. Hypotheses Related to Shopping Efficiency

Several motives for online shopping can be derived from the literature. They are strongly associated with the notion of convenience in terms of time-savings from streamlining browsing and buying, the ability to easily evaluate the value-for-money across products and brands, and the convenience of having the products brought to the door.

5.3.1. Time as a Luxury Product

Natalie Massenet of Net-a-Porter.com makes an interesting observation of today's luxury customers which is worth considering in the discussion of the legitimacy of online sales in the luxury segment:

> "Today, the only true luxury is time. And we save you time by enabling you to shop 24 hours a day". (Massenet, cited in Tungate 2005:192)

This is the first venture into the motives of luxury consumers for valuing online opportunities over the physical store whose atmosphere has been perfected through billion dollar investments by the luxury companies. Whereas the luxury e-tailing opponents' arguments are based on the intrinsic qualities of the products, Massenet's argument is based on the perception of changing consumer values.

Hypothesis 7

Luxury consumers buy luxury online because they do not have time to enter the physical shop to make their purchase

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5.3.2. Conscious Consumption

While the price sensitivity associated with luxury products is lower than that associated with commodities, the Italian fashion industry organisation, Fondazione Altagamma, and the specialised master in fashion management, MAFED, at SDA Bocconi in Milan conducted a comprehensive study of luxury consumers in 2009. Among the results they detected a new trend of 'conscious consumption' gaining foothold over 'conspicuous consumption' (Altagamma 2010:13). The financial crisis has greatly impacted spending patterns to emphasise the 'research phase' before a purchase is made to ensure that the *right* purchase is made. The e-boutiques provide an efficient

means to conduct such research without having to enter various different brand stores to look at the products and request the prices.

Related to this explanation is the possibility that luxury customers think of the e-boutiques as a means for getting an overview of the collection. It may very well be that the online boutique is merely a means for the customers to gather information about the collection, while the actual purchase will take place in a physical store on a high street.

Hypothesis 8

Luxury customers use the Internet for browsing, i.e. gather information about colours, dimensions of products and prices, rather than for shopping

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5.3.3. Buyer versus User

In a conversation, a male professional revealed another factor which was significant for his own purchasing decision; his propensity to purchase online depended on whether the product was for him or a present for his wife. If he knew that she wished for a particular item his concerns regarding colour, dimensions, return policies etc. were reduced significantly and he would not mind purchasing even very expensive items such as diamonds for as long as the website was trustworthy. In such a case, the online boutique was a very convenient alternative.

For a buyer who is short on time an online boutique can make life significantly easier once the buyer knows the product in question (it may specifically have been pointed out by the receiver as a valued potential present) and trusts the boutique. As the buyer is not the end consumer, the buyer may in such a case value convenience and time saving over spending a lush afternoon in the physical store.

Hypothesis 9

When the buyer is not the end consumer, and the e-boutique is trusted, the online boutique is considered a convenient alternative to the physical store

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5.4. Hypotheses Related to Geography of Shops and of Shopping Atmosphere

5.4.1. Geographical Boundaries

Convenience is a point which is emphasised much in the literature focusing on the increasing popularity of online retailers such as Amazon. Nevertheless, both book shops and electronic retailers are available in almost every city, while this is not the case for luxury retailers. The convenience of online luxury shopping may therefore also be founded in the lack of physical stores in the vicinity of the shoppers' home environment.

Hypothesis 10

Luxury shoppers buy online if there is no physical store close to where they live

This particular relationship may not be so straight forward since luxury shoppers tend to be more affluent than average consumers. This also makes them part of the population which is more likely to live in an urban environment and travel to other large cities in other countries where they can find the shops that are not represented in their home cities.

5.4.2. New Luxury Customer Segment

Massenet has ventured further into potential reasons for how her website became a customer success in spite of it not being possible according to conventional fashion wisdom:

> "It attracted a new middle-market clientele that had coveted the items but either didn't have access to or felt intimidated in the stores". (Thomas 2007:256)

This is an interesting point, as it signifies that a new clientele might be become more interested in the offers of luxury companies, people who have not traditionally felt that they belonged in the luxury stores. This particular group is not likely to consist of those who do not enter the shop because of the constraints set by working hours. Yet, the phrasing of the quote suggests that these customers are worth keeping an eye on. It leads back to the two attitudes towards luxury put forwards by Wilcox and his colleagues; luxury serves a purpose, but the degree to which it is social-adjustive or value-expressive depends on the reference group (Wilcox, Kim & Sen 2009). The degree to which luxury consumers fall into the social-adjustive or value-expressive categories respectively is beyond the scope of this thesis, as it focuses on the underlying considerations of consumers choosing to buy online or offline.

Hypothesis 11

Luxury customers buy online because they feel intimidated in the physical stores

5.5. Hypotheses Related to Preferences for Off-line Shopping

5.5.1. Life Expectancy of Product

Another concern is that of the item being a long-term investment. For instance are leather goods such as briefcases are often a long-term investment for the customer. Such a bag must be able to age gracefully or at least be of a quality that makes it relatively resistant to wear and tear to and from work. It could therefore be hypothesised that customers would have different concerns when making long-terms investments compared to purchases of goods that are to be used at a few,

selected events. Due to the possibility to see and feel products in a store, it could therefore be that the physical store is the preferred sales channel in such cases.

Hypothesis 12

When the product is considered a long-term investment, luxury customers prefer to make the purchase in a physical store rather than online

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5.6. Back-Ground Aspects that are Interesting to Investigate

5.6.1. Gender Differences

According to marketing studies, a purchasing decision is rarely clear-cut. It is therefore likely that other factors than those mentioned above influence the decision whether to buy online or in a store. One point brought up in the literature is a difference in propensity to buy online based on the gender of the shopper. However, the possible alternative explanations do not end there, as a male interviewee revealed.

Looking further into the profile of online luxury shoppers, there might be a gender difference worth considering. Evidence suggests that men are well represented among the *heavy* users of online shopping accounting for 48% of this group (Global Cosmetic Industry 2010). Demographically these men tend to fall into the age-brackets below 35 years and have an average income of $337,000 per year (Global Cosmetic Industry 2010). As this thesis will not include the influence of income brackets on purchasing propensity of luxury goods, the paper cannot venture into the tendency of wealthy individuals versus the less wealthy. However, differences based on gender can still be investigated.

Hypothesis 13

Male luxury customers value the in-store experience differently than do the female luxury customers

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5.6.2. Perception of Transaction Sizes Online

The fact that offline shopping came before online shopping for technological reasons may greatly affect the way the customers think about the online market. While e-tailers such as Amazon are doing exceedingly well, the average transaction value on these sites is significantly lower than what is seen for luxury shopping. This leads to the question of whether the continued popularity of the physical shops is due to habit or due to the customers being averse to making large transactions online.

Question

How much is a luxury customer willing to pay for a product purchased online?

VI. Empirical Data

This chapter will provide an overview of the data that the authors have collected through the survey which was described previously. The run-through of the data will be divided according to the relevant hypotheses. However, this does not provide the entire picture of why some luxury customers decide to buy online while others decide to buy similar products in a physical store. The end of the chapter is therefore dedicated to the products that survey respondents are unwilling to buy online and the reason for why they are unwilling to do so.

The presented data is the aggregated data from the survey link that was distributed to the authors' network and the link that was distributed on online forums and communities. The link distributed to the authors' personal networks resulted in 354 started surveys and 281 completed surveys, while the other survey link resulted in 65 initiated surveys and 33 completed surveys. However, these numbers include respondents who indicated that they have not purchased any luxury products previously and they have no intention to do so in the future either. These respondents should be excluded from the analysis since they bring no value to the data set. Respondents were given the opportunity to click that they had no interest in luxury since some people might open the link out of curiosity either if coming across it by coincidence online or if provided with a link by a friend but having no actual interest in the topic. If the respondent has no interest in the topic of luxury, the survey format gives the opportunity to terminate the survey early and thus give the authors the possibility to easily distinguish between the respondents who gave up underway and those who terminated due to lack of interest in the luxury industry.

The following overview of the respondent base includes only respondents who have indicated that they have previously purchased at least one luxury good and respondents who have not yet purchased, but aspire to do so in the future.

6.1. Description of Respondents

6.1.1. Age and Country of Residence

Respondents	Age										
Country of Residence	<18	>60	18-24	25-29	30-34	35-39	40-45	46-50	51-59	(Empty)	Total
Australia			3	1							4
Austria			3	1							4
Bahamas						1					1
Barbados			1								1
Belgium			1		1			1			3
Brazil			25	3	2		1				31
Canada			1					1			2
China			3	6							9
Costa Rica			5								5
Denmark		7	14	7	4	4	1	1	1		39
France			26	19	3	6	1	2	2		59
Germany			2				1				3
India			1	3							4
Ireland			1								1
Israel							1				1
Italy			19	3	3						25
Japan				1							1
Latvia			1								1
Mexico					1						1
Netherlands			3								3
Norway				1							1
Panama			1								1
Portugal			1	10							11
Russia			4								4
Serbia			1	1							2
Singapore			7	2							9
Sweden			9	4	4	1					18
Switzerland			1								1
Turkey			1								1
UK	1		6	4	7						18
USA			3					1			4
Venezuela			1								1
(Empty)										12	12
Total	**1**	**7**	**144**	**66**	**25**	**11**	**6**	**4**	**5**	**12**	**281**

'Empty' signifies that the survey was not completed and age and country of residence thus not recorded since this data comprised the very last question. When testing hypotheses controlling for

gender, respondents who did not complete the entire survey must be excluded from the sample. While the sample is fairly large, it is not entirely representative of luxury consumers world-wide. For instance is Japan the single largest market for luxury products in the world while the data set only contains one respondent from this geographic market. The average age in the data set can also be suspected to be somewhat lower than that of the overall luxury population, especially when considering mature markets.

An overview of answers to closed-end questions beyond what is found in the chapter containing results is not provided with the study due to the length of the collected responses. A file containing these is available upon request. A complete overview of answers to open-ended questions is provided in Appendix C.

6.1.2. The Products that Are Purchased

The following figure illustrates, ranked by prevalence, which products respondents have indicated that they purchase.

Figure 5: Types of products acquired by respondents
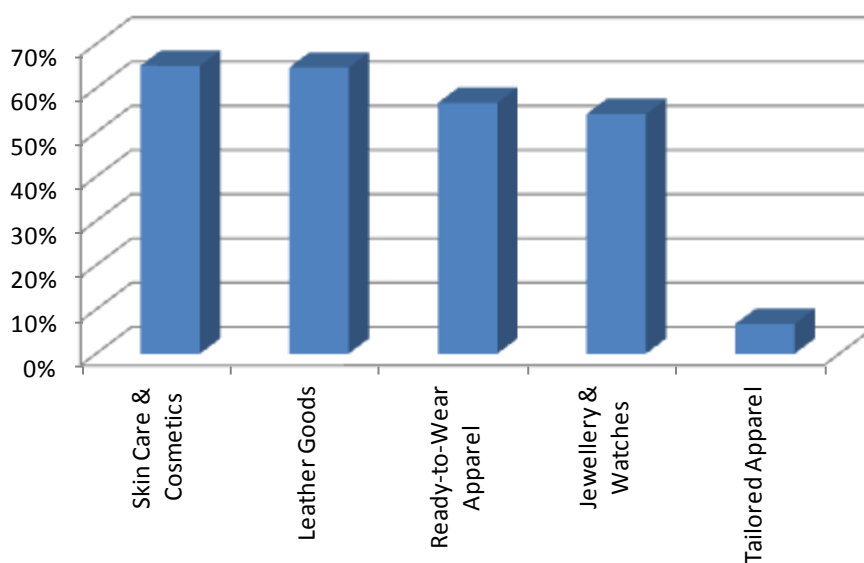
It is interesting that the category of skin care and cosmetics is the one purchased by most of the survey respondents. Though a few brands have very exclusive offerings, most products in this category do not live up to the traditional tenets of the luxury industry; they are mass produced and widely available although they cost relatively more than products from less renowned brands, as previously discussed. The results nevertheless indicate that skin care and cosmetics products are treated as luxurious by the respondents.

6.2. Testing the Underlying Assumptions of the Luxury Industry

6.2.1. Hypothesis 1: Luxury Customers Are Price Insensitive

One of the basic assumptions that the luxury industry works under is that luxury customers are less price sensitive than consumers of commodities due to the strict differentiation that is made between commodities and luxury products. If the brands are robust this ought to transcend to the online sphere. In the survey, the respondents who had already purchased luxury online as well as those who had not yet done so but were willing to in the future were asked to rank six different factors according to importance for their decision to buy online rather than in the physical shop.

Table 2: Ranking of factors by different respondent groups

Rank of factor	Experience with online luxury	Offline luxury experience only, willing to buy online	No luxury experience, willing to buy online
Price	1	1	1
Opening hours	5	3	2
Availability of products	2	2	3
Return policy	3	5	4
Online assistance	6	6	6
Delivery time	4	4	5
# Respondents	70	65	21

As can be seen from the table, all three groups uniformly rank price as the most important factor for the decision to purchase online rather than through the physical channels. This is supported by data showing that a vast majority of the respondents who have already purchased online believe that online prices for luxury products can be more attractive than the prices in physical stores.

Table 3: Online pricing can be more attractive

Have Bought Online	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	88,10%	11,90%	42
Leather Goods	87,18%	12,82%	39
Jewellery and Watches	85,71%	14,29%	28
Skin Care and Cosmetics	93,02%	6,98%	43

These results indicate that a stark majority of the respondents believe that the prices online can be more attractive and buy online for that reason. Considering the number of respondents is important, as it determines the margin of error of the survey sample, and thus the representativeness of the

overall luxury population. The following table shows the standard error and the ensuing upper and lower boundaries of 95 percent confidence intervals for the data in the table just above.

Table 4: Confidence interval concerning how many agree that online pricing can be more attractive

	Standard error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-wear Apparel	5,00%	78,30%	97,89%
Leather Goods	5,35%	76,69%	97,67%
Jewellery and Watches	6,61%	72,75%	98,68%
Skin Care and Cosmetics	3,88%	85,41%	100,64%

Although believed to be a phenomenon associated with commodity products, potential price savings appear to be a significant motivator even for luxury online shoppers. The data does therefore not support that luxury shoppers' price insensitivity transcends to the online environment. The potential reasons for such divergence from the suggestions of the literature will be explored further in the analysis.

6.2.2. Hypothesis 2: Preference for Personalised Experience in the Physical Store

Luxury companies invest vast amounts of money in their stores to shape the atmosphere and the shopping experience. However, the results are very difficult to replicate in a virtual environment, and the industry has for that reason shied away from this channel since factors of shopping environment are considered important for differentiation of luxury companies from their lower budget substitutes. Some companies are still firm believers of this and only sell in physical stores. For example, the heir to fragrance house Creeds, Erwin Creed, is determined to keep their fragrances offline and states that "*with the internet, people don't need to make an effort to get something. We want to go back to the old roots. If people want an exclusive they need to work for it*" (Punter 2011). For long, luxury companies did therefore not think that customers would be interested in purchasing online and were therefore greatly surprised when sales exceeded their expectations. However, to this day, most companies that *do* offer an e-boutique most of the collection online, but reserve the most expensive and iconic products for the physical store i.e. the ones that are on top of the pyramid business model seen in Chapter II (Definitions of Luxury and General Knowledge about Luxury Customers and Brand Business Models).

To explore to which degree the preference for a personalised experience in the physical stores acts as an incentive to buy in the physical store rather than the online boutique, respondents who have not purchased online and do not plan to do so in the future have been asked to rate the

importance of several factors for their decision to *not* purchase online. Among those factors is the importance of a personalised experience in the physical store.

Table 5: Importance of personalised experience for the decision to *not* purchase online

Respondent Group	Important	Somewhat Important	Less Important	Not Important	# Respondents
Offline luxury experience only, not willing to buy online	45,95%	27,03%	20,27%	6,76%	74
No luxury experience, not willing to buy online	58,82%	29,41%	11,76%	0,00%	17

In spite of the small number of respondents in the second category, there appears to be a significant skew towards 'important' when viewing the data aggregately for the respondents who have no experience with online shopping of luxury. It is worth noting that prior experience with online shopping does *not* imply that a luxury consumer is willing to buy *all* types of products online.

6.2.3. Hypothesis 2.a.-2.d. The Need for Seeing and Touching the Product before Buying

When exploring the reasons for why respondents with online experience were unwilling to buy certain products, the argument based on preference for the personalised in-store experience was backed by approximately half of the respondents for each of the product categories.

Table 6: Respondents with online experience choose to purchase certain products from the physical shop due to a preference for the personalised in-store experience

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	57,53%	42,47%	73
Leather Goods	49,28%	50,72%	69
Jewellery and Watches	53,85%	46,15%	65
Skin Care and Cosmetics	40,30%	59,70%	67

As the results are so close to 50 percent, it is not possible to make any conclusive remarks for the entire luxury population based on the sample. By making confidence intervals for the fractions of respondents who *agree*, we see that these numbers are *not* conclusive beyond the sample. More extreme results and/or a larger pool of respondents would have increased accuracy of the results.

Table 7: Confidence intervals for results regarding preference for in-store experience

	Standard Error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-Wear Apparel	5,79%	46,20%	68,87%
Leather Goods	6,02%	37,48%	61,07%
Jewellery and Watches	6,18%	41,73%	65,97%
Skin Care and Cosmetics	5,99%	28,55%	52,04%

However, other arguments related to being able to touch and feel the products before buying receive more backing:

Table 8: Respondents with online experience prefer to be able to touch and feel the product before purchasing it

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	87,01%	12,99%	77
Leather Goods	72,86%	27,14%	70
Jewellery and Watches	73,85%	26,15%	65
Skin Care and Cosmetics	47,83%	52,17%	69

This statement receives enough backing by the respondents that the results appear robust for the overall population for all categories but 'Skin Care and Cosmetics'.

Table 9: Confidence interval for results regarding the respondents' preference for being able to touch and feel products before purchasing

	Standard Error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-Wear Apparel	3,83%	79,50%	94,52%
Leather Goods	5,32%	62,44%	83,27%
Jewellery and Watches	5,45%	63,16%	84,53%
Skin Care and Cosmetics	6,01%	36,04%	59,61%

The search for a personalised experience and the need for being able to touch and feel the texture and material of the product may at the first glance appear to be two sides of the same coin. However, it can be argued that the "touch and feel" argument is based on individual assessment of the product whereas the personalisation of the store experience is created through interaction and guidance by the employees in the store.

6.2.4. Hypothesis 3: Customers are Unsure of Size, Colour and Dimensions of Items

To investigate whether this hypothesis holds true, respondents who have purchased online were asked to indicate whether they were ever in doubt of whether the product on their screens were actually the products they had set out to buy online after seeing it in the shop.

Figure 6: Store-to-web purchasing pattern: Prevalence of doubt among respondents whether the product seen on the screen is the same as the one seen in the physical store (e.g. colours and dimensions of product)
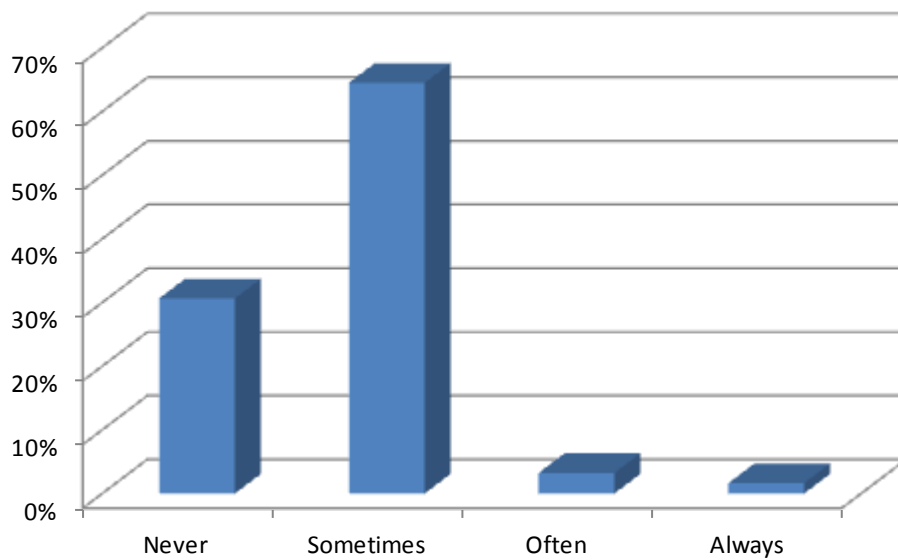
Note: # Respondents: 62

To account for a reverse consumption pattern respondents were also asked if they were in doubt of products being the same when entering the physical store after seeing the product online.

Figure 7: Web-to-store purchasing pattern: Prevalence of doubt among respondents whether the product seen in the store is the same as the one seen when browsing online (e.g. colours and dimensions)
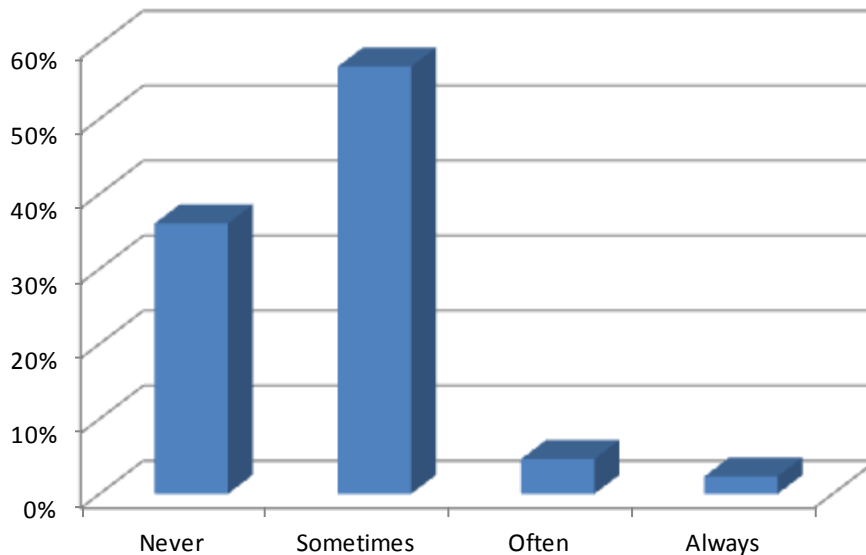
Note: # Respondents: 86

A relatively high number of respondents who use both the e-boutique and the physical store experience occasional doubt when finding a specific product in one medium and subsequently wishes to buy it through another. This is related to the quality of pictures depicting the product, the *number* of pictures, the interactivity between the user and the product as well as other means to present the item – e.g. runway videos. It does, however, also have something to do with the quality of the screen resolution of the customer's computer. The number of respondents who often or always have such concerns when switching from one medium to the other is negligible. This particular hypothesis thus appears not to have great explanatory power as to why some customers would avoid the online channel.

6.3. Hypotheses Relating to Trust

6.3.1. Hypotheses 4 and 4.a.: Trust in Websites

A prominent argument in the literature concerning online shopping is the importance of general trust in the website. To gauge the importance of trust for shoppers on the three different types of sites, respondents were asked to rate how influential their concerns of trust in the website are for their shopping decision. The distribution of answers can be seen in the table below. The total

number of respondents in the table is larger than the number of respondents buying online because some respondents purchase from more than one type of site.

Table 10: Importance of trust for choosing one of the three types of websites for purchasing online as indicated by respondents with online purchasing experience

	Important	Somewhat Important	Less Important	Not Important	# Respondents
Official Brand Websites	76,92%	15,38%	7,69%	0,00%	52
Luxury Fashion Websites	82,61%	13,04%	4,35%	0,00%	69
Customer-to-Customer Websites	94,44%	2,78%	2,78%	0,00%	36

Firstly, it becomes apparent that trust is indeed a very important aspect of online shopping regardless of the sales channel as no respondents consider it "not important". Nevertheless differences across types of sites have emerged in the data. No hypotheses were made before the launch of the survey to account for this, and the authors believe this finding deserves a bit further analysis.

Intuitively, the official brand websites would be expected to be the most trust-inducing websites due to the brand's direct control over the website. Luxury fashion websites often benefit from endorsement from fashion magazines and the like leading to higher awareness among the fashion interested of the safe sites' existence. Customer-to-customer websites act as facilitators between individual sellers and buyers, and these types of sites are thus less trust-inducing than the other two types. One would therefore think that from a logical perspective those who purchase from the official brand websites would tend to rate trust as more 'important' than those buying from luxury fashion websites followed by those buying from customer-to-customer websites. Rather, the reverse appears to be the case.

To test if this inverse relationship in fact exists in the overall population or if it is merely present in the sample, a two-sample t-test can be made to compare the proportions stating that trust is 'important'. The t-test is chosen as it is considered more conservative than a z-test because of the "fatter tails" of the t-distribution. In short, the two-sample t-test determines the probability that two proportions are exactly the same. Hence, the lower the p-value when comparing two proportions, the higher is the probability that the results on population level are *not* the same.

Table 11: Two-tailed two-sample t-test for testing if the difference in respondents considering trust 'important' is different at population level

	t-value	p-value	Conclusion
Official brand websites/ Luxury fashion websites	0.7602	0.4489	55.11% certainty that the proportions are *not* the same at population level
Official brand websites/ Customer-to-customer	-2.4829	0.0151*	98.49% certainty that the proportions are *not* the same at population level
Luxury fashion websites/ Customer-to-customer	-1.9694	0.0517	94,83% certainty that the proportions are *not* the same at population level

Note: *Significant at 95% significance level

As can be seen from the table, the relationship between official brand websites and luxury fashion websites yields no statistically significant difference, whereas the difference between official brand websites and customer-to-customer websites is statistically significant at the 95% significance level and almost at the 99% significance level. The difference between luxury fashion websites and customer-to-customer websites is not significant at the 95% significance level, but the result is close to being significant. Considering the sample size, it is possible that a larger sample would lead to significant results merely due to the effect of larger sample sizes on the standard error if the distribution of results remains the same.

From this data can be seen that fashion brand websites are not treated as considerably more risky than official brand websites whereas there are considerable differences in the way both official and fashion websites are treated compared to customer-to-customer websites by luxury customers.

The possible reasons for this inverse relationship will be explored in the analysis in Chapter VII (Analysis of the data).

7.3.2. Hypothesis 5: Customer Concern with the Risk of Counterfeit Products

Related to the theme of trust is the issue of counterfeit products. Counterfeit production is a prominent concern for both luxury companies and consumers as trademark infringement, violation of design patents, and infringement of copyrights result not only in loss of revenue but also potentially in dilution of the original brand if consumers cannot detect the differences between the originals and the counterfeit products (Bastien, Kapferer 2008). The survey therefore also sets out to investigate the reach of this concern among the respondents; i.e. the consumers. The following table shows to which degree respondents who have experience with luxury online shopping consider it important to be able to control the risk of counterfeit when buying from a website.

Table 12: Importance of the implied ability to control the risk of purchasing a counterfeit product through each type of website when choosing where to purchase luxury

	Important	Somewhat Important	Less Important	Not Important	# Respondents
Official Brand Websites	76,92%	15,38%	5,77%	1,92%	52
Luxury Fashion Websites	63,24%	19,12%	14,71%	2,94%	68
Customer-to-Customer Websites	52,78%	27,78%	16,67%	2,78%	36

For these results, the proportions considering the control of counterfeit 'important' seems to follow the logic presented above; official brand websites are controlled by the luxury companies and the products sold through this channel should be genuine. The ability to avoid buying a counterfeit product induces consumers to buy from the official brand websites. Luxury fashion websites are considered relatively more trustworthy than customer-to-customer website and the perceived ability to control the risk of purchasing a counterfeit product from this channel is therefore also more important for customers' decision to buy from luxury fashion websites than it is for those buying from customer-to customer websites. As above, a two-sided t-test will be used to determine whether a real difference exists across website types on population level.

Table 13: Two-tailed two-sample t-test for testing if the difference in importance assigned to the implied ability to control the risk of purchasing a counterfeit product is different at population level

	t-value	p-value	Conclusion
Official brand websites/ Luxury fashion websites	1.6418	0.1033	89.67% certainty that the proportions are *not* the same at population level.
Official brand websites/ Customer-to-customer	2.3450	0.0220*	97.80% certainty that the proportions are *not* the same at population level.
Luxury fashion websites/ Customer-to-customer	1.0162	0.3131	68.69% certainty that the proportions are *not* the same at population level.

Note: *Significant at 95% significance level

These results indicate that the ability to control whether the purchased item is original or counterfeit is more important for those who purchase from the official brand sites and that a majority purchase from the official website due to the greater trust in the products being genuine. This is not to say that customers purchasing from luxury fashion and customer-to-customer websites are not concerned with the risk of counterfeit; as the data shows, buyers from official websites are simply *more* concerned. This also shows in that only 7.69% of the respondents purchasing from the official

brand websites consider the circulation of counterfeit products "less important" or "not important" for their decision to buy from the official site whereas the numbers for customers buying from fashion luxury and customer-to-customer are 17.65% and 19.54% respectively for the decision to buy from those channels.

To truly understand the importance of the issue of counterfeit, it must also be acknowledged as a potential reason for why some respondents refrain from purchasing a product online although the respondent has prior experience with buying online.

Table 14: Respondents with online experience have refrained from purchasing a luxury product due to fear of inadvertently purchasing a counterfeit product

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	31,51%	68,49%	73
Leather Goods	40,00%	60,00%	70
Jewellery and Watches	49,25%	50,75%	67
Skin Care and Cosmetics	29,85%	70,15%	67

For the respondents who have experience with online shopping, it appears that the risk of purchasing a counterfeit product does not constitute the primary reason for refraining from buying online for most of the respondents. However, the category Jewellery and Watches appears to be considered more risky by the respondents, as many more agree that they would not purchase these goods online in order to avoid buying a counterfeit product. A two-tailed, two-sample t-test can determine whether such a difference actually exists at population level.

Table 15: Two-tailed two-sample t-test for testing if there is a difference at population level between the fraction of respondents who agreed that they prefer to buy some propducts in the physical store because of the risk of purchasing a counterfeit product.

	t-value	p-value	Conclusion
Ready-to-Wear/ Leather Goods	-1.0554	0.2930	70.70% certainty that the proportions are *not* the same at population level
Ready-to-Wear/ Jewellery and Watches	-2.1546	0.0330*	96.70% certainty that the proportions are not the same at population level
Ready-to-Wear/ Skin Care and Cosmetics	0.2108	0.8333	16.67% certainty that the proportions are *not* the same at population level
Leather Goods/ Jewellery and Watches	-1.0857	0.2796	72.04% certainty that the proportions are *not* the same at population level

	t-value	p-value	Conclusion
Leather Goods/ Skin Care and Cosmetics	1.2445	0.2155	78.45% certainty that the proportions are *not* the same at population level
Jewellery and Watches/ Skin Care and Cosmetics	2.3258	0.0216*	97.84% certainty that the proportions are *not* the same at population level

Note: * Statistically significant at 95% significance level

Two of the comparisons involving the category of jewellery and watches reach statistical significance while no other comparisons. This indicates that there may really be a differences based on the product category. As for those respondents who have no prior experience with online purchases, circulation of counterfeit products is also a concern. It does however appear to be a more important concern for those respondents who have prior experience with purchases of luxury products than it does to those who have not bought any luxury products before. This may, however, also be due to a sample bias given the small number of respondents in the latter group.

Table 16: Importance of the risk of inadvertently purchasing a counterfeit product for the to purchase in the physical store

Respondent Group	Important	Somewhat Important	Less Important	Not Important	# Respondents
Offline luxury experience only, not willing to buy online	40,54%	41,89%	12,16%	5,41%	74
No luxury experience, not willing to buy online	17,65%	58,82%	23,53%	0,00%	17

6.3.3. Hypothesis 6: Customer Concern with the Protection of Personal Details

The degree to which protection of personal information, or rather the perceived lack of it, acts as an impediment to buying luxury online, has been investigated by asking respondents about the importance of this concern and if it is an influential factor for the decision to purchase a given product in a store.

Table 17: Respondents with online experience are concerned with the protection of their personal details when purchasing luxury products online

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	32,43%	67,57%	74
Leather Goods	34,78%	65,22%	69
Jewellery and Watches	33,85%	66,15%	65
Skin Care and Cosmetics	29,41%	70,59%	68

It would have been interesting to hold these numbers against the results showing that the degree of trust depends on the website the consumer purchases from. However, as the difference in trust in websites was not hypothesised before launching the survey, and many respondents have indicated that they have purchased from several types of websites, it is not possible to compare the results from the table above with the results of the trust analysis. This could be done in future research.

Asking the groups of respondents who have *not* purchased online and do *not* plan to do so in the future about the importance of protection of personal details for their decision to purchase offline, the following picture emerges:

Table 18: Importance of concern with protection of personal details online for respondents with no online experience for the decision to purchase luxury products in a physical store

Respondent Group	Important	Somewhat Important	Less Important	Not Important	# Respondents
Offline luxury experience only, not willing to buy online	18,92%	21,62%	33,78%	25,68%	74
No luxury experience, not willing to buy online	11,76%	35,29%	29,41%	23,53%	17

Overall, it appears that consumers are not *greatly* concerned with the safety of their personal information when purchasing online, though it does have *some* say for their purchasing decisions. From the data at hand, it is, however, not possible to make clear-cut conclusions.

6.4. Hypotheses Relating to Efficiency of Browsing and of Shopping

6.4.1. Hypothesis 7: Customers Purchasing Luxury Items Online because they have no Time to go to Physical Stores

The previous section suggested several hypotheses concerning why luxury customers would be interested in purchasing apparel online, one of them being that luxury consumers have less time to shop due to other obligations, such as work. The respondents who have purchased luxury products online were asked whether they agreed that time constraints were a factor for why they shop online rather than in the physical store.

Table 19: Respondents with online experience purchase luxury products online because they do not have time to enter the physical store to make their purchase

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	42,86%	57,14%	42
Leather Goods	30,77%	69,23%	39
Jewellery and Watches	32,14%	67,86%	28
Skin Care and Cosmetics	41,86%	58,14%	43

Due to the sample size, the distribution cannot be expected to be exactly like for this for the overall population. For the overall population of online luxury shoppers, the fraction who agrees falls into the intervals outlined below.

Table 20: Confidence intervals for results regarding online purchasing behaviour being based on time constraints preventing respondents with online experience from making the purchase in the physical shop

	Standard error	95% confidence, lower boundary	95% confidence, upper boundary
Ready-to-Wear Apparel	7,64%	27,89%	57,82%
Leather Goods	7,39%	16,28%	45,25%
Jewellery and Watches	8,83%	14,84%	49,44%
Skin Care and Cosmetics	7,52%	27,11%	56,61%

As can be seen from the table, the results are inconclusive for the overall population. However, there appears to be a trend towards this argument being less important. For reasons already outlined in the methodology, the authors have decided not to ask for data regarding professional occupation. In future research it might be interesting to hold occupational data against positive responses for time constraints.

To gauge the importance of time constraints for respondents who intend to buy from online channels in the future, respondents with no prior online experience have also been asked to rate the importance of this factor.

Figure 8: Importance of time constraints for decision to purchase luxury products online for respondents who have offline luxury experience only, but are willing to buy online
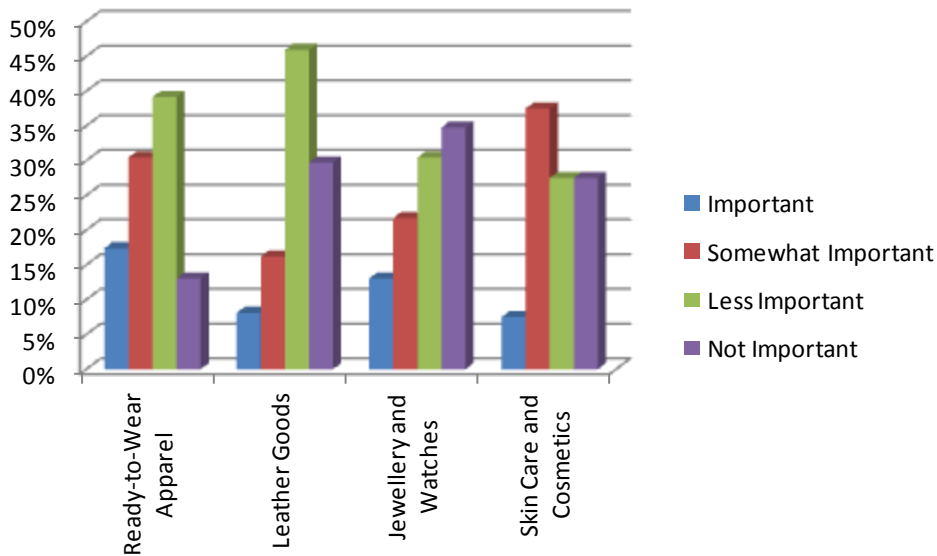
Note: #Respondents: Ready-to-Wear Apparel: 23, Leather Goods: 37, Jewellery and Watches: 23, Skin Care and Cosmetics: 40

Figure 9: Importance of time constraints for respondents with no luxury experience but who are willing to buy online
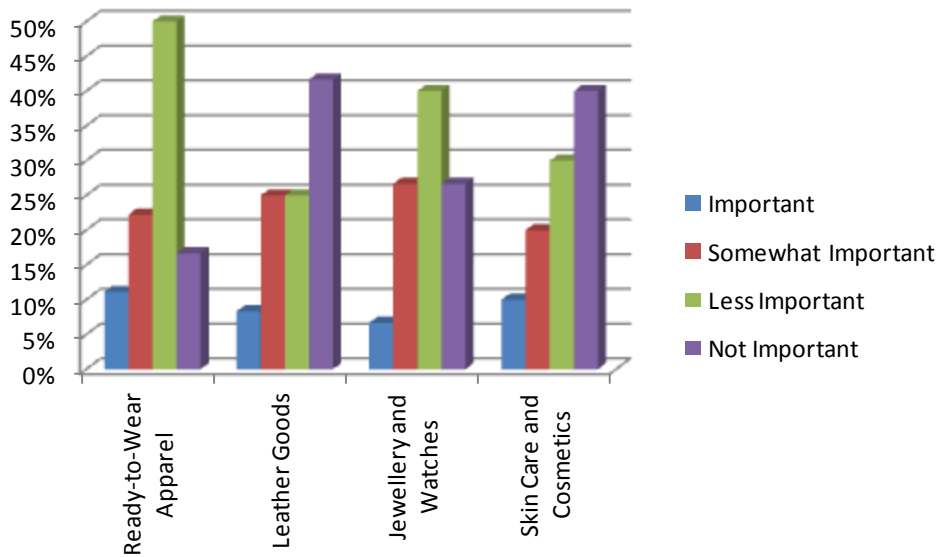
Note: # Respondents: Ready-to-Wear Apparel: 18, Leather Goods: 12, Jewellery and Watches: 15, Skin Care and Cosmetics: 10

It appears that for experienced online buyers, time constraints are more influential for the categories of ready-to-wear apparel and skin care and cosmetics than for the other product categories. This is

somewhat surprising considering that clothes often need to be tried on to ensure fit. However, as ready-to-wear items are usually purchased on a more regular basis than the other types of goods given that they are subject to daily use, one possible explanation could be that if loyal to specific brands, the customers will have less concerns regarding sizing, as they are familiar with the style, cut, and fitting of that company. This particular explanation, is however not possible to investigate given the data available for this thesis.

Another question posed to respondents that could be related to a possible time constraint relates to the mechanism of web-to-store shopping. Respondents have first indicated whether they first browse online and subsequently purchase in the physical store were afterwards given the opportunity to explain as detailed as they wished through an open-ended question why they follow this browsing strategy. 85 out of 96 respondents, roughly 88 percent, indicate that they browse online and afterwards buy the product in a store. Please refer to Appendix C to see the answers to open-ended question about why they use the two different channels for research and purchase.

The open-ended responses reveal that although time-efficiency of browsing is a factor for some of the respondents it is not the only influential factor. Being able to try on and feel the product, to ask questions to the sales assistants as well as the pleasure of being able to take the product home in a nice shopping bag immediately after having made the purchasing decision are also influential.

6.4.2. Hypothesis 8: Customers Using the Internet for Browsing Rather Than for Shopping

To test this, data outlining the prevalence of respondents using the internet for information search can be compared with the prevalence of those who use the internet for purchasing products. 96 out of 281 respondents have indicated that they buy online. As can be seen from the table below, a significantly higher number uses the internet as a means for obtaining information about luxury companies and their products.

Figure 10: Percentage of respondents from different respondent groups who use the internet for searching for information about luxury products
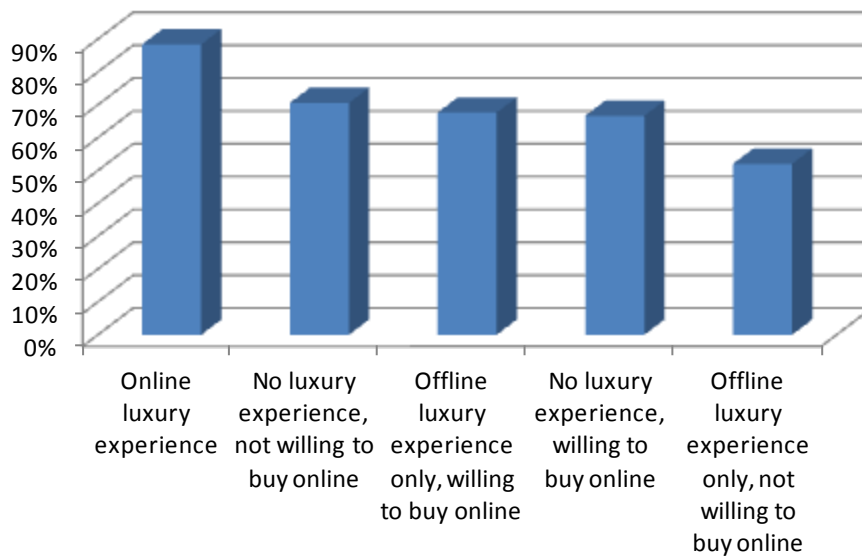
Note: # Respondents: Online luxury experience: 96; no luxury experience, not willing to buy online: 17; offline luxury experience only, willing to buy online: 68; no luxury experience, willing to buy online: 27; offline luxury experience only, not willing to buy online: 73.

This should, however be held against data for web-to-store purchasing and store-to-web purchasing patterns. These two patterns concretely show how respondents use different channels for different purposes.

Table 21: Overview of browsing- and purchasing patterns for respondents with online experience

Purchasing Pattern	Agree	Disagree	# Respondents
Respondents browse online, but buy in the physical store	88.54%	11.46%	96
Respondents browse in the physical store, but buy online	68.82%	31.18%	93

The data shows that the internet is a widely used source of information for luxury customers, even if they do not actually *purchase* the products online. Even if most of the luxury websites now hold an e-boutique, a website of *transactional* nature, it appears that the current use of the website is mainly of *informational* nature. Many respondents have experience with both the web-to-store and store-to-web patterns but table 21 shows that web-to-store is the more prevalent of the two patterns.

6.4.3. Hypothesis 9: E-Boutiques are Convenient for Buying Luxury for Others

To investigate if the tendency of buying luxury for others through e-boutiques is relevant for the general luxury population and not only the pilot respondent who pointed out the issue, respondents were asked to indicate whether they use e-boutiques for purchasing luxury goods as presents.

Table 22: Respondents with online experience consider e-boutiques convenient for buying luxury products as presents for others

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	57.14%	42.86%	42
Leather Goods	66.67%	33.33%	39
Jewellery and Watches	82.14%	17.86%	28
Skin Care and Cosmetics	62.79%	37.31%	43

There appears to be support for the idea which was brought up by the pilot respondent. However, a larger sample size would improve reliability of the data.

6.5. Hypotheses Relating to Location and Atmosphere of Shops

6.5.1. Hypothesis 10: Customers Shop Online if there is no Physical Store Close to Where They Live

Asking the respondents if a lack of stores near their homes is a factor for their choice to shop online, the following distribution of answers resulted for the four different product categories.

Table 23: Respondents with online experience purchase luxury products online because there are no physical stores close to where the respondent lives

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	66,67%	33,33%	42
Leather Goods	58,97%	41,03%	39
Jewellery and Watches	64,29%	35,71%	28
Skin Care and Cosmetics	34,88%	65,12%	43

At first sight it appears that it could be a concern for buyers of all categories except for skin care and cosmetics. A confidence interval can indicate how the span of values that the results would take at population level.

Table 24: Confidence interval for results regarding respondents purchasing online due to lack of physical shops in geographic proximity of the respondents' home

	Standard Error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-Wear Apparel	7,27%	52,41%	80,92%
Leather Goods	7,88%	43,54%	74,41%
Jewellery and Watches	9,06%	46,54%	82,03%
Skin Care and Cosmetics	7,27%	20,64%	49,13%

The results for this hypothesis are inconclusive as can be seen from the table above. More extreme results and/or a larger sample would have improved accuracy. However, geographic proximity appears to be a factor for some of the respondents. It is noteworthy that the interval for skin care and cosmetics ends below 50 percent indicating that lack of physical stores in the geographic proximity of the respondents' home is not a problem for this category. This might be due to the distribution of these goods being wider than for the other categories of goods. Finding a retail outlet which sells skin care or cosmetics products is thus easy for most customers. However, the potential influence from sample size should be considered.

6.5.2. Hypothesis 11: Luxury Customers Feeling Uncomfortable in Physical Stores

It happens that some customers, even if they are a minority, do not feel comfortable going to luxury stores and therefore do not purchase luxury goods through this channel. Hence, e-boutiques are a perfect channel for them to buy luxury items without having to be confronted to a shopping experience they do not value at all. Those customers probably belong to the first two categories of luxury customers defined by Bastien and Kapferer (2008): they either value the 'art de vivre' related to the good or creativity and niche products. Only the product matters to them.

To see to which degree this is the case for the respondents in the data set for this survey, respondents who have purchased luxury online were asked if they agreed/disagreed with the statement "I do not feel comfortable in the physical store" while respondents who have not yet purchased online were asked to rate the importance of feeling discomfort in the store for their decision to purchase through the online boutique rather than the physical store.

Table 25: Respondents with online experience purchase luxury online because they feel uncomfortable in the physical shop

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	35,71%	64,29%	42
Leather Goods	20,51%	79,49%	39
Jewellery and Watches	17,86%	82,14%	28
Skin Care and Cosmetics	23,26%	76,74%	43

The results in table 25 appear to be fairly conclusive, but a confidence interval will be inform whether that is the case at population level.

Table 26: Confidence interval for results regarding respondents purchasing luxury online because they feel uncomfortable in the shop

	Standard Error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-Wear Apparel	7,39%	21,22%	50,21%
Leather Goods	6,47%	7,84%	33,19%
Jewellery and Watches	7,24%	3,67%	32,04%
Skin Care and Cosmetics	6,44%	10,63%	35,88%

For all segments except for ready-to-wear the upper bound falls considerably under 50 percent. This implies that the vast majority of customers do not seek out the e-boutique due to feeling uncomfortable in the physical store. Exactly how prevalent such a motive is cannot be deducted from the data at hand. Neither does it show which type of customers avoid the physical shop for this particular reason. These two pieces of information would nevertheless be important for luxury companies to have if they are to make any conclusions as to whether the number is 'too high'. However, for future research to make a significant contribution to such a discussion, even if a specific number *were* found, the result should be held against a bench mark and the rest of the customer profile of these customers would be necessary to clarify in order to be able to determine the impact of the customer feeling this way towards the physical shops.

Respondents who have offline luxury experience, but consider purchasing online in the future as well as respondents who aspire to make their first luxury purchase in the future and are not averse to buying online have been also been asked about the importance of the store environment for this decision. When asked about the importance of feeling discomfort in the physical store for the

decision to buy online, it appears that there is askew towards it being less important for this customer category.

Figure 11: Importance of feeling of discomfort in the physical store as a driver of the decision to purchase online; for respondents with offline experience only but willingness to buy online
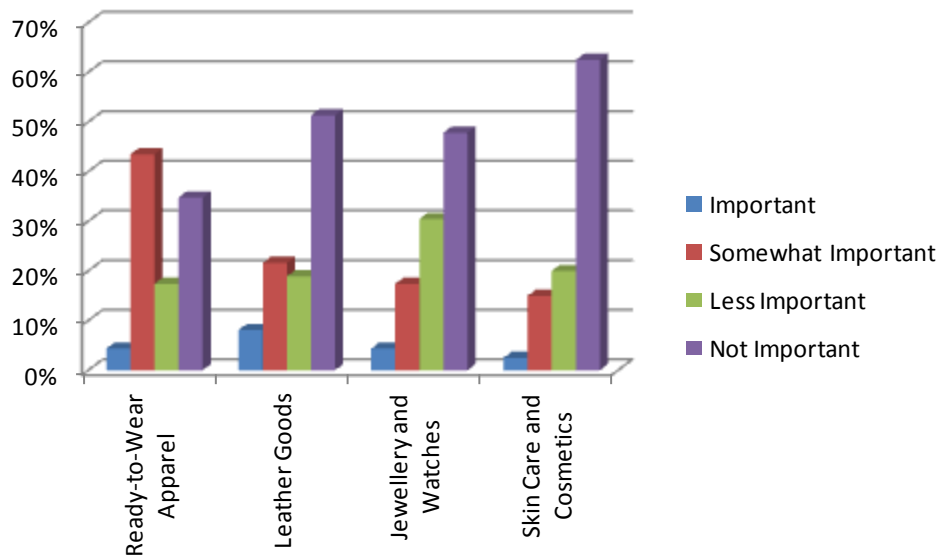
Note: # Respondents: Ready-to-Wear Apparel: 23, Leather Goods: 37, Jewellery and Watches: 23, Skin Care and Cosmetics: 40

Figure 11 indicates that for the categories of leather goods, jewellery and watches, and skin care and cosmetics, the issue of feeling uncomfortable in the physical store is not a driver for customers changing from the physical store to the e-boutique. It appears to be 'somewhat important' for the category of ready-to-wear category, but the data does not allow to investigate this deeper. Nevertheless, the number of respondents in this category could be influential as well and as mentioned previously, a higher number of respondents would increase accuracy.

Figure 12: Importance of feeling of discomfort in the physical store as a driver of the decision to purchase online; for respondents who have no luxury experience but who are willing to buy online
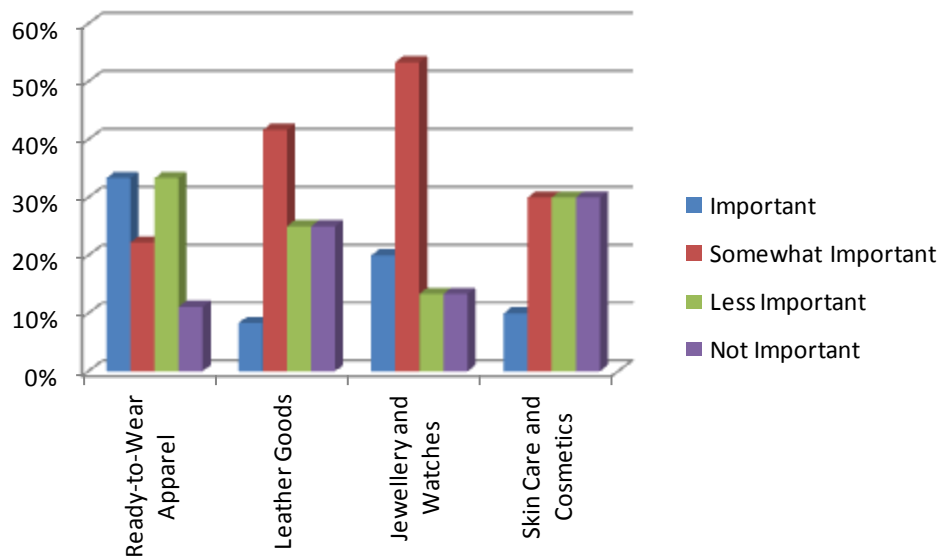
Note: # Respondents: Ready-to-Wear Apparel: 18, Leather Goods: 12, Jewellery and Watches: 15, Skin Care and Cosmetics: 10

The results of figure 12 are difficult to analyse due to the sample size. However, in future research, it would be interesting to see if the spike seen in 'somewhat important' for jewellery and watches holds when the sample size is increased.

6.6. *Hypotheses Related to Whether Specific Factors Create Preference for Off-line Shopping*

6.6.1. Hypothesis 12 about Life Expectancy of Product

In the process of creating the survey, one of our pilot respondents specified that he was much wearier of purchasing a product online if it were a long-term investment regardless of the product category. As examples for products within the above categories, the respondent mentioned suits (fit is crucial), brief cases used for work (the leather's resistance to wear and tear), and engagement- and wedding jewellery. Seeing that this could be a potentially important factor, this was added to the survey. As skin care and cosmetics are non-durable products by default, these products cannot be considered long-term investments. This question is thus only relevant for the other three product categories. The table below shows the percentage of respondents who prefer to purchase the goods in the physical stores if they are long-term investments.

Table 27: Respondents with online experience prefer to purchase luxury products from the physical store if the products are long-term investments

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	60,00%	40,00%	75
Leather Goods	67,16%	32,84%	67
Jewellery and Watches	70,15%	29,85%	67

For the overall luxury population, the numbers would fall between the following intervals:

Table 28: Confidence interval for the percentage of respondents with online experience who agrees that they prefer to purchase products qualifying as long-term investments in the physical shop

	Standard error	95% confidence, lower bound	95% confidence, upper bound
Ready-to-Wear Apparel	5,66%	48,91%	71,09%
Leather Goods	5,74%	55,92%	78,41%
Jewellery and Watches	5,59%	59,19%	81,11%

According to the data, a majority of those who have already purchased products online prefer to buy products in the physical store if it is a long-term investment. This is a particularly important point to keep in mind later on when making recommendations for management of luxury e-boutiques.

The pattern seen among the respondents who have experience with online shopping repeats itself in the groups who have not yet purchased online, but would be willing to do so in the future.

Table 29: Respondents with *no* online experience who are willing to buy online in the future prefer to purchase luxury products from the physical store if the products are long-term investments

Respondent Group	Agree	Disagree	# Respondents
Offline luxury experience only, willing to buy online	73,53%	26,47%	68
No luxury experience, willing to buy online	70,37%	29,63%	27

These results appear to indicate that the pattern seen for respondents with online luxury experience is robust. For these two groups, the confidence intervals are:

Table 30: Confidence interval for the percentage of respondents with *no* online experience who agrees that they prefer to purchase products qualifying as long-term investments in the physical shop

Respondent Group	Standard error	95% confidence, lower bound	95% confidence, upper bound
Offline luxury experience only, willing to buy online	5,35%	63,04%	84,02%
No luxury experience, willing to buy online	8,79%	53,15%	87,59%

For both respondent groups, the percentage of respondents who agrees that a long expected life span of the product leads to a preference for the physical store is over 50 percent at population level. Overall it thus appears that the longer life expectancy the product has, the less likely is the customer to buy the product through an online channel.

6.6.2. Hypothesis 13: Male Customers Value the in-store Experience Differently Than Female Customers Do

To gauge whether there are in fact differences in how men and women value the personalised in-store experience, respondents with online experience were asked if there were luxury products they were *not* willing to purchase online and in that case why. One of the closed-end questions provided in the survey concerned preference for the in-store experience for these products. It makes sense to look at this particular scenario since it would indicate that the respondent actively chooses the physical store over the e-boutique for the purpose of obtaining the benefits of the in-store experience[1].

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[1] Only respondents who have indicated their gender at the end of the survey have been included in this table to ensure coherence among answers. Respondents who have not completed the survey have thus been disregarded for this particular question.

Table 31: Overview of difference in male and female respondents' preference for the personalised experience in the physical store

	Men		Women		Percentage of men who answered yes	Percentage of women who answered yes
	Yes	No	yes	No		
Ready-to-Wear Apparel	10	13	32	18	43.5%	64.0%
Leather Goods	7	13	27	22	35.0%	55.1%
Jewellery and Watches	10	10	25	20	50.0%	55.6%
Skin Care and Cosmetics	5	16	22	24	23.8%	47.8%

There appears to be a difference between how male and female respondents value the personalised experience associated with physical stores given that more women than men indicate that it is a motive for choosing the physical store over the e-boutique for certain products. It is worth noting that this pool of respondents all have purchased products online and thus have overcome the initial barriers of online-shopping. When they indicate that they will not purchase certain products through the online channel, it can thus be considered a deliberate choice.

A two-sample T-test can verify whether this difference actually exists on the overall population level.

Table 32: Two-tailed two-sample t-test for testing if the difference between the percentage of male respondents who agree is different from the percentage of female respondents who agree at population level

	t-value	p-value	Conclusion
Ready-to-Wear Apparel	-1.6289	0.1110	88.90% certainty that the proportions are *not* the same at population level
Leather Goods	-1.5360	0.1332	86.68% certainty that the proportions are *not* the same at population level
Jewellery and Watches	-0.4055	0.6875	31.25% certainty that the proportions are *not* the same at population level
Skin Care and Cosmetics	-1.9866	0.0531	94.69% certainty that the proportions are *not* the same at population level

Although none of the figures are statistically significant at the 95% significance level, it appears that for the categories ready-to-wear, leather goods and skin care and cosmetics, male and female respondents do not have the same motive for choosing to buy from the physical store rather than the e-boutique. More specifically, male respondents do not as often indicate that a personalised in-store

experience is a motive for choosing this channel rather than the online channel. The underlying reason for such a difference is not apparent from the data set at hand and future studies investigating this would be valuable for clarifying this point.

It would be interesting to do a similar analysis for respondents who have offline luxury experience only and who are not willing to buy online in the future either as well as for respondents who have not yet purchased luxury and who are only willing to do so in the physical stores. By controlling for gender, it would be possible to see if there are significant gender based differences for why these two groups of respondents are not willing to purchase online. However, the number of male respondents in these two groups implies that such an analysis would not yield useful results. It would, however, be useful to investigate in future research in the field.

6.7. Other Questions

6.7.1. Maximum Amount of Money that Respondents Are Willing to Spend Online

The following figure illustrates how much three different respondent groups are willing to pay when buying luxury products online.

Figure 13: Maximum amount of money that respondents are willing to spend when purchasing luxury products online
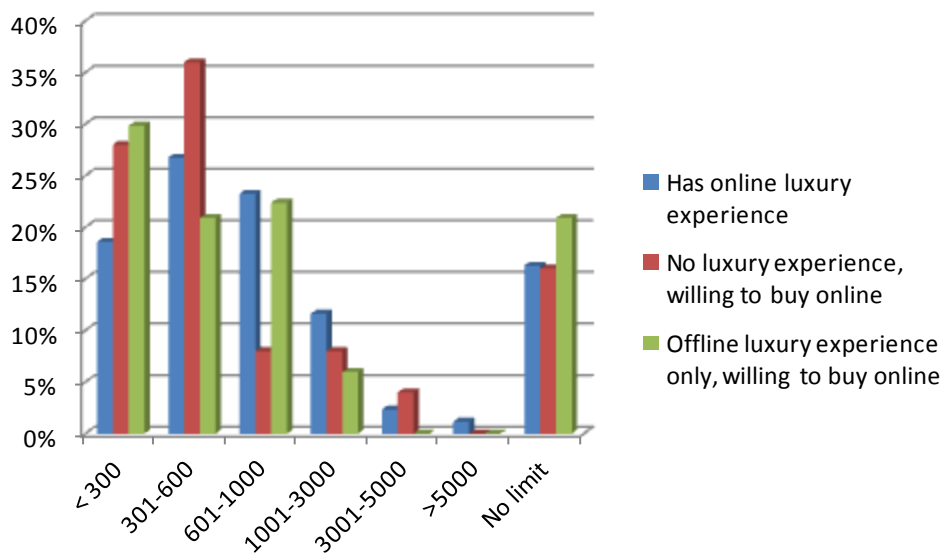
Note: Currency: USD; # Respondents with online experience: 86; # Respondents with no luxury experience: 25; # Respondents with offline experience only: 67

When interpreting these results, it is worth noting that only one group has actual experience with the online channel. Intention may not translate directly into action so for the two groups with no online experience, this question should be acknowledged as a hypothetical one.

From the above figure, it is difficult to make conclusive remarks concerning differences in the distribution of answers across groups. However, the group with online experience appears to be slightly less price sensitive than the others. For all three groups, approximately 70 percent of responses fall under $1,000 but for the group with online experience the skew appears to be less extreme. A higher number of respondents with no prior luxury experience but who are willing to buy online would improve the reliability of answers for this group.

From the figure, it *can* however be concluded that the price sensitivity would act as an impediment for buying the most expensive items online. It can be investigated further by asking respondents if the transaction size is influential when they decide not to purchase a product online.

Table 33: Respondents with online experience prefer to purchase some products in the physical store because they consider the transaction too large to complete online

	Agree	Disagree	# Respondents
Ready-to-Wear Apparel	43.84%	56.16%	73
Leather Goods	47.14%	52.86%	70
Jewellery and Watches	53.73%	46.27%	67
Skin Care and Cosmetics	22.06%	77.94%	68

From table 33, it appears that the price sensitivity also has something to do with the products. This is an important point to keep in mind when luxury companies decide on which products to make available through the online channel and which to distribute exclusively through physical stores.

6.8. Impediments to Online Shopping Identified By Luxury Customers with Online Shopping Experience

Acknowledging that no customer has uniformly positive or negative associations with neither online shopping nor offline shopping, respondents were asked which impediments to online shopping they consider important. Appendix C provides the respondents' answers to this question. From the table it becomes clear that even online shoppers have concerns when shopping online. The major concern is involuntarily purchasing counterfeit products.

6.9. Products That Respondents Will Not Buy Online

To better understand why the online shoppers turn to this channel, it can be helpful to also investigate which products they would *not* be willing to purchase online. In the survey, respondents have therefore also been asked which product categories they are not willing to purchase online. It turns out even respondents who have previously purchased luxury products have particular products they are *not* willing to purchase online. This is a particularly interesting finding, as it implies that even respondents who are generally positive to online luxury shopping and have experience with it, think that not all types of products ought to be purchased through this channel. Through open-ended questions, the respondents were given the opportunity to explain more freely why they would not buy the products they had indicated (please see Appendix C for specific answers).

The responses appear to converge within the product categories. For ready-to-wear apparel there is a clear bias towards the preference of trying on the items before buying them. Being able to touch and feel leather goods appears to also be valued by those who are unwilling to buy these products online. Further, the risk of inadvertently buying a counterfeit good is brought up in relation to these products. Though mentioned briefly in relation to ready-to-wear and leather goods, the price of the products becomes a more prominent concern for those who will not buy jewellery and watches online. Concerns related to potential delivery issues and to the items being difficult to assess accurately in a picture are also voiced. The sheer number of respondents not willing to purchase skin care and cosmetics online makes it difficult to see any emerging patters in the reasons why they are unwilling to do so.

VII. Analysis of the data

Key Learning Points from the Study

- Luxury customers are price sensitive when shopping online.
- Luxury definition is indeed based on individual experience of luxuriousness. Arguments based on neuromarketing research held true as is shown by the prevalence of luxury skin care and cosmetics purchases being considered luxurious.
- Seeing and feeling the products before buying is important for many respondents.
- Online browsing often acts as a means for researching brands and collections before purchasing in a physical store.
- Respondents are worried about purchasing counterfeit products.
- Respondents do not buy from the e-boutique because they feel uncomfortable the physical shop environment, the e-boutiques have a different kind of attraction.

The following chapter will provide insights into the relevance of the data overview in the previous chapter. This chapter links the hypotheses from Chapter V to the data in Chapter VI and is structured according to the themes covered by the hypotheses; trust, shopping experience, and value for money.

7.1. Luxury Definition: Individual Judgement Determines Luxuriousness

The overview of the type of products that respondents buy (figure 5) indicates that product groups not living up to traditional tenets of luxury are considered luxurious by consumers. More specifically, over 60 percent of respondents indicate that they purchase luxurious skin care and cosmetics products. It thus appears to be an important methodological choice to not set forth specific criteria for respondents regarding which companies and products are considered luxurious.

7.2. General Development: Conscious Shopping and Value for Money

7.2.1. Luxury Customers and Prices in the Internet Environment

One interesting finding of the study is that the price insensitivity that has traditionally characterised luxury customers does not transcend into the online environment, as price is uniformly considered the most important reason to purchase online (table 2). Considering the claim that time has become the new luxury (Massenet, cited in Tungate 2005:192), it is interesting that respondents with online experience do not rank the implicitly expanded opening hours online higher than they do. Luxury

customers appear to be bargain hunting online and looking for the best value-for-money possible. The trend of cautious consumption is thus visible in the results of this study. More importantly, it might be more than a trend. After the study was conducted and final results computed, Jesper Kunde, CEO of Danish advertising company Kunde & Co. and author of the book Corporate Religion, said the following in an interview in Danish financial newspaper Børsen:

> "Too many mistakenly believe that the financial crisis has merely put conspicuous consumption on hold. It hasn't even occurred to them that the consumer has fundamentally changed." (Kunde, cited in Theil 2011, translated by authors of this thesis)

Another potential reason for the online price sensitivity could be that online channels have been used by high-end designer labels for selling out old collections in an efficient manner on luxury fashion websites (The Economist 2010). This might have created an implicit expectation of a price differential between the online and in-store prices and could explain why more than 85 percent of the respondents with online experience, translating into more than 70 percent on population level, believe that online prices can be more attractive than in-store prices (tables 3 and 4).

7.2.2. Shopping Efficiency is Gaining Pace and Customers are Becoming Channel Savvy

The first step in mapping out how the internet is used by luxury customers is to consider the difference between how many respondents browse online and then purchase in the physical store compared to how many browse in the physical store and then purchase online.

It is noteworthy that just less 50 percent of respondents who have offline luxury experience but who are *not* willing to purchase luxury products online still use the online medium for searching for various types of information about the products (see figure 10). This implies that even though more and more companies intend their websites to be transactional websites, many customers use them merely to find information about the products before buying them in the physical store. The e-boutique thus serves a dual purpose for luxury customers.

It is important to recognise that no one respondent will necessarily commit to only *one* type of purchasing pattern. This is seen clearly in table 21 where a vast majority of 96 respondents admit to having browsed online and subsequently bought the product of their desires in the physical shop while slightly a slightly lower fraction of 93 respondents have indicate that they have browsed in the physical shop and afterwards bought the product in the e-boutique. This means that *all* 96 respondents that have experience with online shopping have indicated that they follow the web-to-store purchasing pattern while 64 of the same pool of respondents have previously purchased a product online after seeing it in the store. This implies that customers research efforts and the final

purchase can not only occur in different media, they can also follow reverse patterns from purchase to purchase. The data set at hand cannot explain in which cases a respondent will research online and subsequently prefer to buy offline or vice versa, but this could be interesting to investigate in future research. The only motive for store-to-web purchasing is the price sensitivity of respondents. Attempts to purchase the desired product at a lower price than the list price in the store are voiced by several respondents in the open questions (see Appendix C) and as mentioned above, the opportunity to make a bargain is considered a general motive for checking the offers of online channels. If a product is cheaper online than in the physical store, customers are therefore inclined to purchase online and wait for the product to be shipped to their home. However, the price is not the only factor of concern when a customer decides which sales channel is the most appropriate for buying a given product. The choice of channel also depends on the expected longevity of the product; if the product is considered a long-term investment, the respondents are more likely to purchase it in a physical shop than online (see tables 27 and 29). However, respondents appear to differentiate their purchasing patterns depending on whether the luxury product is to be used by themselves or to be given away as presents (see table 22). Respondents seem to consider it convenient to buy online when the products are going to be given away as presents. However, the data does not reveal why this is and what considerations this decision is based on. Investigating this was suggested by a pilot respondent and future research in this area would be interesting; how often is the buyer of luxury products equal to the end-consumer and from which channel does the buyer purchase the product? And yet, when all arguments for shopping online have been put forward, several respondents still simply cannot resist the feeling of exiting a shop with a bag dangling over one arm. All in all, buying behaviour of luxury customers has thus become more complex after the introduction of the internet as an informational as well as a purchasing channel.

Figure 14: Customer purchasing behaviour is evolving and becoming more complex

"I like this dress, but let me do a little comparison shopping on the Internet first"

(Bacall 2008)

7.2.3. Doubts Occurring When Shopping Online

The results thus support existing literature stating that web-to store shopping is common for luxury customers (see for instance Verhoef, Scott & Vroomen 2007). Each of these two purchasing patterns was, however, hypothesised to bring about doubts when customers have to identify the product they have seen online (or in the store) when entering the physical store (or the e-boutique) (see hypothesis 3). Very few respondents have indicated that they are 'always' in doubt or 'often' in doubt while more than 50 percent have indicated that they are 'sometimes' in doubt (see figures 6 and 7). Roughly one third of respondents are never in doubt when using different channels for browsing and purchasing, regardless of the channel which is used for browsing and purchasing.

7.3. Trust

Trust is a fundamental factor in luxury e-commerce, as buyers provide the companies with personal details and authorise withdrawal of significant amounts of money from their credit cards. If the buyer does not trust the seller, the probability that the sale will ever take place is thus very slim. The issue of trust can be split into different, though related, categories. More specifically, trust concerns trust in the website itself (e.g. the IP address being genuine), trust in the company running the website not sharing personal information and trust that the products themselves are genuine. Although this differentiation may appear to be artificial due to the interrelatedness, it allows a more nuanced view on consumers' perception of trust.

7.3.1. Trustworthiness of the Website

Several types of websites besides official brand websites offer luxury goods and each benefit from a different image among customers. Intuitively, the official page ought to be considered the safest alternative by respondents, as the company that controls the physical stores also controls this channel directly. This should be followed by luxury fashion websites. While the latter are independent online retailers, they are also subject to network effects enhancing trust, as the founders are often established in the fashion community and therefore more likely to receive 'endorsement' from e.g. fashion editors in fashion magazines, which in turn enhances the public's trust in the retailer. The last option is that of customer-to-customer websites. These websites merely act as facilitators of contact between private sellers and private buyers. Such transactions are thus founded on trust in the individual seller. The importance assigned to trust by customers from the three different websites was, however, inverse to that expected before conducting the survey (see hypothesis 4 and 4a in Chapter V and corresponding results in table 10).

A possible explanation seen by the authors is that the survey focuses on post-purchase evaluation; i.e. *experience*. The importance assigned to an alternative in the purchasing moment and after the purchase could differ. Specifically, if asking a customer in the very moment when he or she is *just* about to make a purchase from one of several different websites, the level of trust assigned to the official website may be the decisive factor that leads the customer to buy from the official brand website rather than the others. However, if asking the same customer after the purchase how important trust is for the decision to buy for any given website, the customer may understand it as "if I were to buy from website X, how important would trust be", making it a hypothetical scenario. In this scenario, customer-to-customer websites may receive a higher importance score because these websites are considered relatively more insecure by default. This insecurity calls for a much higher level of trust for a customer to choose this channel.

7.3.2. Concerns Related to the Risk of Purchasing a Counterfeit Good

The circulation of counterfeit goods was hypothesised to be a significant concern for luxury customers. This was confirmed in closed-end questions as well as the open-ended questions. The concrete impact of this concern is the impact on the very decision to buy from a given type of website (see table 12). 76.92 percent of respondents purchasing from official websites rate the implied ability to control the risk of purchasing a counterfeit product as important whereas this is only the case for 52.78 percent of respondents purchasing from customer-to-customer websites; a difference which is statistically significant at the 95% certainty level. This implies that there is a

causal relationship between the fears of counterfeit products and choice of channel and that the official websites appear to have a competitive advantage in this respect. However, the circulation of counterfeit products is a significant factor for those respondents who have no online luxury experience and who are not willing to purchase online in the future (see table 16). Unfortunately it is not possible to make concluding remarks concerning the perceived differences between official websites and luxury fashion websites. Hopefully, future research will be able to shed light on differences in customer perception official websites and luxury fashion websites.

Legislation is in place in both the European Union and in other regions under other legal frameworks. However, there are still issues to work out for this to be fully functional in addressing the issue of sale of counterfeit products online in a practical way. Luxury companies, internet service providers and various industry associations have addressed the issue by joining forces in order to jointly tackle the distribution of these goods. The implications of this will be discussed in Chapter VIII (Noteworthy Developments in the Field of E-Commerce).

7.3.3. Concerns Related to Protection of Personal Data

Protection of personal information is a concern for roughly one third of the respondents with online experience (see table 17) while approximately 40 percent of respondents who have only offline experience and who are not willing to purchase online in the future consider this either important or somewhat important (see table 18). While it is difficult to compare the two tables directly, respondents with online experience appear to be less concerned than those with no online experience. In future research these results could be held against country- and age data to see if there are confounding factors such as generation differences and biases based on diffusion of e-commerce in the country of residence.

7.4. Time Constraints and Geographic Proximity as Motivators to Purchase Online

Less than half of the respondents with online experience have indicated that they purchase online because they do not have time to enter the store to make the purchase there (table 19). A higher number of respondents would have increased the accuracy of the confidence interval in table 20, but given the results at hand, it does not appear that this is the most influential factor. In this study, income brackets and professional status were not asked for, for reasons already discussed, but in future research it would be interesting to know if the professional life of respondents is a significant factor for the outcome of this question.

The confidence intervals for the question concerning geographic proximity determining the propensity to buy online (table 24) is somewhat higher than the confidence intervals for the questions concerning time constraints (table 20, note the comparable sample sizes) indicating that lack of stores nearby a greater motivator to buy online than is lack of time. However, it would be interesting to hold this against country of residence in future research to be able to detect geographic biases based on the extent of distribution in the respondents' country of residence. More specifically, a Brazilian respondent might behave more difficulties finding a physical store close by than a European respondent.

7.5. Gender Differences

Although none of the results in table 31 illustrating differences in male and female respondents' preference for the physical shop are statistically significant at the 95% significance level (see table 32), the existing difference between results for male and female respondents indicate that there could be a real difference at population level given the relatively small sample size. The differences between male and female shopping patterns have not been the focal point of attention in this thesis, but the results in table 32 lead the authors to consider this an interesting venture in future research. For instance, the difference between the two genders appears to be more pronounced for apparel, leather goods, and skin care products than for jewellery and watches. Jewellery and watches are known as *hard luxury goods*, their value primarily being based on the intrinsic value of the materials that are used. It is, however, also a category of goods which comprises products that have ceremonial value as is seen for instance in engagement and bridal collections. Such purchases are usually thought of as long-term investments, and it may have a certain degree of explanatory power for the high number of respondents who have indicated that they prefer to buy products from this category in the physical store when they long-term investments. It is, however, not possible to isolate such an effect from the data in its current form and survey participants were not asked specifically which types of products from each product category they would not purchase online or which products within each product category they consider long-term investments. This would be interesting to investigate in future research.

7.6. A Future for Luxury E-Boutiques?

60.71 percent of respondents with online luxury experience stated they intend to purchase as much online in the future as they do today while 30.95 percent of the respondents with online experience

intend to purchase *more* online in the future. Roughly 8 percent is accounted for by respondents who intend to purchase *less* online in the future than they currently do.

47.89 percent of respondents with offline experience only express willingness to purchase online in the future while this is the case for 61.36 percent of respondents who have yet to purchase their first luxury item.

Existing customers as well as aspirational customers thus appear to make a solid foundation for future luxury e-commerce.

7.7. Implication of Results for Theory

None of the models outlined in the literature review account for the different browsing and purchasing patterns that the respondents in this study have exhibited. While Bastien and Kapferer specified that the length of the entire process from realisation of need until purchase is considerably longer for luxury products than for commodity goods, and that luxury companies must undertake greater efforts to nurture the relationship after the purchase (see figure 3), the model does not explain the new browsing-purchasing behaviour exhibited by respondents. Neither does the model by Kim and Park which outlines success factors for online sales (see figure 4).

VIII. Noteworthy Developments in the Field of E-Commerce

Before making recommendations based on the results above, it is necessary to briefly specify the boundaries that all fashion and luxury companies face. In the analysis of data relating to the hypotheses regarding respondents' fear of counterfeit (chapter VII, section 7.3.2.), the end of the section hinted that the issue of fighting counterfeit distribution is more difficult than it may appear on the surface. The data from this study indicates that counterfeit production is considered important impediments to online shopping by the consumers and that finding is backed by a Eurobarometer study from 2009, which states that "*one out five European citizens ha[s], on at least one occasion, unintentionally bought a counterfeit product*" (European Commission 2011a:18). Adding to consumers' potential doubt in websites is the emergence of more and more scam websites that sell counterfeit products or even pose as original websites (Thompson 2009, Action Fraud 2010). Jeweller Tiffany & Co. is for instance one of the most frequently counterfeited websites (Action Fraud 2010).

This holds the potential to seriously undermine consumers' trust in e-commerce and it is thus important to estimate what companies can do in such an environment to both foster the trust that their customers perceive from safe e-commerce and to protect the brand from profit losses due to counterfeit products. The threat from counterfeit products is thus threefold; they generally reduce trust in e-commerce, when customers who aim to purchase a genuine product inadvertently purchase a counterfeit product a profit loss is accrued to the official maker, and lastly, wide diffusion of counterfeit goods can lead to brand dilution if the market is not able to tell the difference between the genuine and the fake product.

As the ambition is to be able to make concrete suggestions for what managers of luxury companies must be aware of in the future, we must also consider the current environment of e-commerce and try to sneak peek into what the future may bring for online shopping. Only this way can the potential implications for the luxury companies and their online strategy be identified.

8.1. Legal Issues Relating to the Fashion Industry

The fashion industry is a difficult industry from a legal perspective since several different types of intellectual property rights are at work and, since most renowned luxury companies have multinational presence, work across jurisdictions. The following table gives an overview of the different types of rights that are influential for the workings of the fashion industry.

Table 34: Means for protecting intellectual property

Overview of Intellectual Property Rights that Protect Fashion Brands	
Trademark	A mark or symbol used to identify goods of a particular manufacturer or merchant.
Copyright	Copyright is a legal term describing rights given to creators for their literary and artistic works.
Design rights/Pattern protection	Similar to traditional copyrights, but also cover shape or configurations of three-dimensional designs. (Only effective in granting country).
Registered Community Design	Protection of design rights throughout EU. Must not be confused with the rights granted by individual member countries.

Table created by authors based on information from (August, Mayer & Bixby 2009, WIPO)

As a luxury product comprises shapes, logos, and names, a counterfeit product can violate several, if not all, of the rights stated in the table. As this thesis is not written by lawyers or for lawyers, the following section will focus on the managerial implications of the current environment.

8.2. Potential Problems That Luxury Companies Can Encounter and Solutions

From Chapter VI (Empirical Data), various problems that luxury companies can encounter can be identified. These must be addressed, which often requires some kind of legal action. Examples of such problems are:

Problem	Desired Solution
Counterfeit products sold through a website controlled by a third party	Removal of counterfeit product offer from the website in question
Website controlled by third parties posing as the official brand website	Closure of the infringing website

The way in which a company can address such issues depends on the jurisdiction in which the infringement takes place and if the case is cross-border or not. Most developed countries have very strong intellectual property frameworks in place wherefore the legal foundation for dealing with infringement cases is often in place. Nevertheless, once the case involves parties in different countries, it becomes a little more complicated in spite of the extensive work that has taken place to harmonise laws across borders. Counterfeit production and false websites violate several rights at the same time as *different types of rights* protect *different elements of the product*, be it shape, logo, brand name, or design pattern. Examining each of the potential violations is beyond the scope of this thesis, but this chapter will shortly describe the connections between international law and

national law to illustrate the complexity of the environment that the luxury companies must navigate in on a daily basis.

8.3. Trade in a Global Age

Multilateral trade agreements, free trade areas, and trade unions become more and more widespread. These organisations and unions have profound effect on the shape of national laws. The following figure gives a graphic illustration of the relationship between the different types of agreements and bodies of law.

Figure 15: Connection between international and national legislation
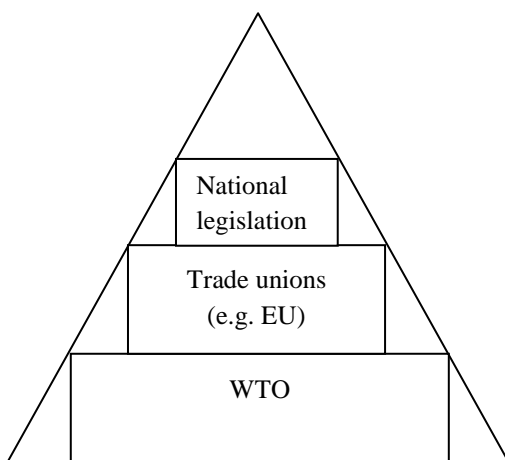
Note: illustration created by authors

For those interested, Appendix D will describe the overarching legal frameworks that the EU countries must respect in national legislation, but the following discussion will focus on the development in the European Union. The opportunities that companies can get from e-commerce include wider geographic span, better opportunities to serve customers who do not frequent the physical shop very often for various reasons, and the websites serve as additional channels for communication and building relationships with the customers. However, there are also some threats associated with presence online. Regarding the threats, the primary area of interest is the cases where luxury goods are sold online through sites not controlled by the luxury companies themselves. While the companies can always control that their own sites do not sell counterfeited material, this be more difficult when the goods are sold through third parties, especially in cases of customer-to-customer websites.

E-commerce in the European Union is governed by Directive 2000/31/EC. In short, the implications of this directive are:

- "Hosting": A website is not responsible for the material which is posted for as long as they do not know of any illegal activities taking place, do not participate, nor encourage to illegal activity, and for as long as they remove illegal content upon notification from rights holders.

- A website provider is not obligated to actively look for illegal contents on the internet service website they are providing.

- Rights holders must contact the website providers and notify them of illegal content, proving that they are the rights holders as well as with information regarding the specific content that violates the rights. Each notification is dealt with individually.

- When a internet service provider is notified that contents are illegal, they are obligated to notify the person who posted the material that it has been removed. If, however, the poster of the material opposes and claims that nothing illegal has happened, the service provider must repost the material, and the rights owners must take the case to court. While the case is treated in court, the service provider is not liable for letting the matierial be available.

This is quite time- and resource consuming for all parties and with the increasing levels of e-commerce, the process is not likely to become less costly with time. In fact it has become so cumbersome for many high profile companies and the service providers that they have joined forces and made a memorandum of understanding to account for the current inefficiencies of the legal system. This new initiative will briefly be described in the following.

8.3.1. The European Union: Fighting Counterfeit: Memorandum of Understanding

Ratification of international agreements and implementation can take several years while technological progress does not stop to wait for this process to be completed. The increasing adoption of e-commerce combined with the increasing problem of counterfeit products poses significant problems in terms of assigning responsibility. This has led to the creation of a *Memorandum of Understanding* among a number of companies, trade associations and internet providers in the European Union. It should be noted that the agreement is *not* a legally binding document, but can be considered a formalised "gentleman's agreement" where the responsibility of companies and Internet providers is spelled out. The most interesting section concerns the proactive and preventive measures that must be undertaken by rights owners and by internet platforms.

Selected paragraphs of the third section *Pro-Active and Preventive Measures* are found in the table below.

Table 35: Distribution of responsibility between rights owners and internet service providers

Responsibility of Rights Owners	Responsibility of Internet Platforms
Paragraph 21. Rights Owners commit to take commercially and available steps to actively monitor Offers of the websites of Internet Platforms with the aim of identifying Counterfeit Goods and notifying them, using NTD (Notice and Take-Down Procedures, authors), to Internet Platforms.	Paragraph 26. While Rights Owners have agreed to take reasonable and available steps to actively monitor Offers on the websites of Internet Platforms, Internet Platforms commit to take into consideration information received pursuant to paragraphs 22, 23 and 25. *Internet Platforms commit to use this information at their discretion. The receipt of such information shall not lead to a general obligation to monitor for Internet Platform* (authors' emphasis).
Paragraph 22. Rights Owners commit to take commercially and available steps to provide and update general information to Internet Platforms giving priority to specific products that Rights Owners contend present a substantial and pervasive Counterfeit Goods problem on that Internet Platform, including those products which are particularly susceptible to constituting Counterfeit Goods (...). *The provision of such information shall not constitute actual or implied notice or constructive knowledge* (authors' emphasis)	Paragraph 27. Internet Platforms commit to take appropriate, commercially reasonable and technically feasible measures, taking into consideration their respective business models, to identify and/or prevent proactively the sale of Counterfeit Goods, especially obvious Counterfeit Goods, and to prevent such goods being offered or sold through their services. The measures taken by Internet Platforms shall be at their discretion.

Table created by authors based on (European Commission 2011b, section 3)

Currently 34 parties have signed the agreement, among others representatives from Amazon, eBay, the LVMH group, Richemont, Nokia, and Lego. One might ask why the Internet Service Providers are not more enthusiastic and more proactive, but the difficulty lies in that the internet platforms have no judicial authority. Their role is not to "police" the Internet, and the sheer amount of data that can be stored in the services makes it practically impossible to overview everything that is posted before it is made public and the time and monetary resources associated with such a policy would have tremendous impact on the *legal* business that is conducted online. Yet their involvement and cooperation with the rights owners is crucial for the efficiency of dealing with illegal activities that may take place more or less systematically through the services offered by the internet platforms. Although the industry is in the process of trying to take care of matters

themselves in ways not currently possible through the judicial system, the current agreement among the companies and the internet providers still does not effectively solve the problem associated with private consumers selling counterfeited goods to other consumers over the internet. Although the industry is trying to cope with the current inefficiencies of the existing legal framework, the ensuing self regulation is nevertheless not flawless and does not fully solve the problem.

8.4. The Future and the EU's E-Commerce Directive

As Europe constitutes a large market for luxury and many luxury companies' country of origin is a member of the European Union, the directive concerning e-commerce is very influential for the luxury industry. Directives are regularly updated, and the discussion outlined above as well as politicians arguing for creating an even more coherent internal market in the European Union act as drivers for a revision of Directive 2000/31/EC. One interesting suggestion that has been brought up in the press over the summer of 2011 is the idea of transcending geographic boundaries between member countries completely when it comes to e-commerce (Taylor Rechnagel 2011). Such a policy change would imply that all those who reside in member countries could buy from any web boutique which served an EU country. In practical terms, where companies today can choose to only sell online in just one EU country, after the policy change it would be possible for a resident of Italy to purchase online in the UK web shop and have the goods delivered to the customer's home in Italy. The industry has generally been strongly opposed to this given that it would effectively force them to serve all markets equally; a requirement which is not made for physical shops. However, the strongest opposition has been targeted at the suggested changes to return policies: In short companies would be obligated to return the money to a customer even if it has not yet received the product it sold to the customer. This has led to speculation in the new type of risk that companies would have to undertake such as:

- What if the customer never returns the product but the money has already been transferred to the customer?

- What if the customer returns a damaged product/the wrong product so that it cannot be resold to another customer and the money has already been returned?

These are considerable risks for all companies, but especially companies which sell very expensive items as luxury companies do. The suggestions are currently processed by minister councils across Europe, but if passed, these risks would be added to the existing risks faced by the industry.

IX. Recommendations

This chapter sets out to concretise what luxury companies can make of all the information which has been provided. It is important to remember that a traditional luxury 'maison' and a design label will be positioned differently in the industry and derive their strengths from different luxury characteristics (see table 1 for an overview of the six characteristics of luxury products) and each may have different concerns relating to online security, image, and counterfeit products. For this reason the following chapter will highlight which strategic issues should be analysed by managers without concluding which would be the most appropriate course of action for any individual company after the analysis has been made.

9.1. Concretise Purpose of Websites: This Should Determine Online Collection

The study indicates that many luxury customers are willing to purchase online but only as long as the transactions do not exceed a certain amount (see figure 13 and table 33). While more than one in five of the respondents with online experience are willing to spend as much as $1000 online and a little over 10 percent are willing to spend up to $3,000, there is a considerable skew in the data towards smaller transactions. This sets a natural limitation for how many high-value items that can be sold to these customers, but it allows for easy distribution of lower value items. Research has so far distinguished between websites of informational nature and those of transactional nature. However, this study shows that the boundary between these two types of websites is very blurry and the way respondents use the internet and physical stores for browsing and shopping is not as clear cut as the two categories of websites might lead one to think. Nevertheless, the percentage of respondents with online experience who follow a web-to-store pattern is roughly 20 percentage points higher than the percentage of respondents who have experience with store-to-web buying patterns (see table 21). This indicates that the web-to-store purchasing pattern is still the primary purchasing pattern. This is important for companies to keep in mind as it implies that customers primarily treat the websites as sources of information rather than as points of sale. This in turn means that companies should consider how their website is in fact used compared to how they *think* it is used. The study shows that online shopping of luxury goods is considered more risky than traditional in-store shopping due to the very nature of online shopping. When the customer's risk profile changes depending on the medium used for shopping and e-commerce in itself can pose a risk to luxury brands as well, there is a risk that the offerings on the websites do not match both the goals of the luxury companies and their customers. Companies' risk is founded in both the degree

of legal protection that they receive and the brand dilution that might ensue if their products are distributed too widely.

For instance, the shoe company Christian Louboutin clearly states on the website which domain names are operated by the company and specifies that any other domain names containing the company name are illegal. Furthermore the American market is the only geographic market which is served with an e-boutique. Christian Louboutin thus differentiates whether to offer a strictly informational site (all non-American markets) or a transactional website (American market) to customers in different geographic areas. If a customer finds a "Christian Louboutin" website with an e-boutique serving a European country, the customer will thus know that the website is not operated by Louboutin. Letting customers know when products are *not* sold to a given market, thus also acts as a signal to customers.

Nevertheless, the choice of luxury companies is not limited to whether or not to serve a given geographic market with an e-boutique. The specific mix of products that are offered should also be considered. Knowing that the vast majority of customers is price sensitive and unlikely to be willing to purchase an item of very high value online, it might pose an unnecessary risk for companies to offer these items on a transactional website. Customers who would like to purchase these products are not unwilling to make a trip to the physical store for these products and if they consider the product a long-term investment, the preference for the physical store increases further. Also it increases the perception of exclusivity if the products are not easily available to everyone with a browser.

Recommendation 1

Determine how the companies' website(s) is (are) in fact used. Then decide on which items to offer in the e-boutique based on the risk profile of the customer base and the risk exposure (in terms of legal protection as well as brand dilution) that the company is willing to accept.

9.2. Assess Legal Risk Carefully

Both existing literature and the results of the study shows that counterfeit issues are considerable of considerable concern for customers and the luxury industry. It is not uncommon that self regulation of industries precedes changes in legislation and hence the recently formulated memorandum of understanding (European Commission 2011b) does indicate that legislation might be on a path to change to better help companies fight production and distribution of counterfeit products. However, the current level of protection does pose some difficulties for companies given that each claim of counterfeit has to be made individually. This is a costly process for the companies and while each

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case is getting resolved, offers of counterfeit products continue to confuse customers and risk diminishing trust in the official and legitimate channels. If a company is experiencing great problems with counterfeit product diffusion, it might in some cases make sense to completely cease to distribute specific products or entire product categories online while the issue is addressed to clearly signal to customers which are legitimate products and which are counterfeited. Such a decision must be based on an assessment of the resources (both monetary and non-monetary) the company is expending on fighting counterfeit distribution, the resources spent on educating customers to see the difference between originals and copies, and lastly an assessment of customers' actual ability to distinguish between genuine and counterfeit products. The latter point is the most crucial as the brand is in severe risk of dilution if customers cannot tell the originals from the fakes. Ceasing to distribute through particular channels or holding back distribution altogether for a period of time in order to protect and nurture a brand is not unheard of in fashion and luxury history (e.g. Ray-Ban has successfully done this (Corbellini 2010)). Therefore, while it sounds like a drastic measure, it might be the right thing to do for the health of the brand in the long-term.

Recommendation 2

Assess the level of risk from counterfeits and the level of protection offered by existing legislation. If diffusion of counterfeited goods is extensive and if customers find it difficult to distinguish between the genuine and the counterfeited goods, companies should consider ceasing to distribute the most affected products/product categories through online channels to help customers recognise legitimate products.

9.3. Improve Information Quality on Official Brand Websites

Information quality is one of the underlying factors of success for internet based shopping according to Park and Kim's model (2003). The same conclusion can be reached when looking at this study. Quality of information provided through e-boutiques is critical given the prevalence of the web-to-store browsing/purchasing pattern. The quality of information very directly influences how likely the customer is to find a product that lives up to desires and expectations on the website and subsequently enter the shop to purchase it. Moreover, high quality information helps customers following a store-to-web purchasing pattern find the product they want online after viewing it in the shop.

It is the personal opinion of the authors that some luxury companies are lagging behind some luxury fashion websites in this respect. To illustrate this point, the ready-to-wear section of Dior's website will be compared to that of Net-a-Porter. Net-a-Porter is widely recognised as the best luxury website (Carr 2011) and the authors therefore consider the site a valuable benchmark.

The first element that differs between Dior e-boutique and Net-a-Porter is the number of pictures of each product; while there is only one picture and no possibility to zoom at Dior's e-boutique, an average of five pictures are available on Net-a-Porter as well as the possibility to zoom to see small details. One picture portrays the front side of the product, two pictures represents a model wearing the item, one side picture and one back picture. This way, the potential customer can see the item from every possible angle, which is not the case in Dior e-boutique

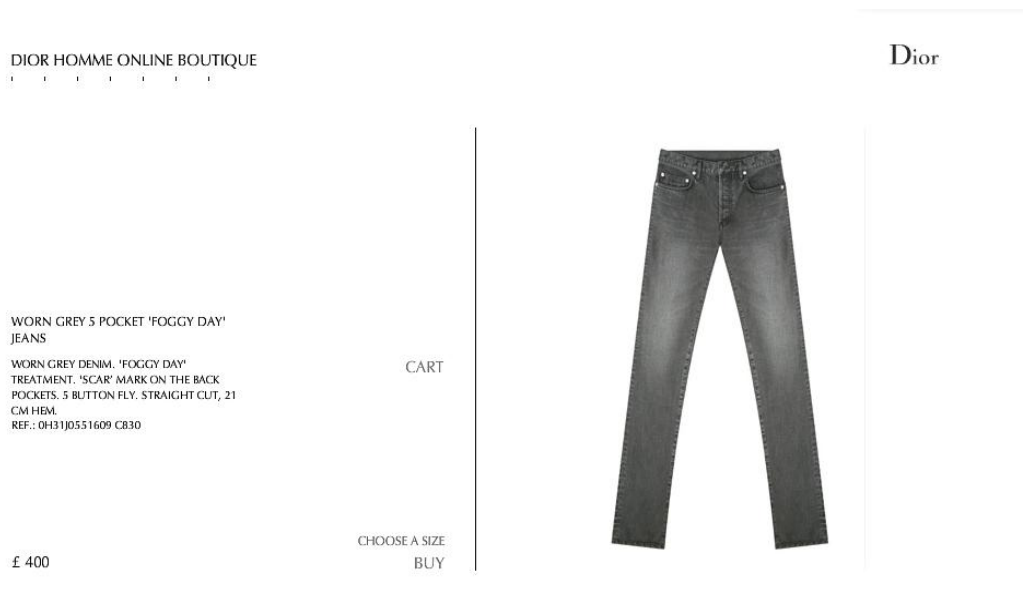**Figure 16: Screen shot from Dior's e-boutique**

Figure 17: Screen shot from Net-a-Porter's e-boutique
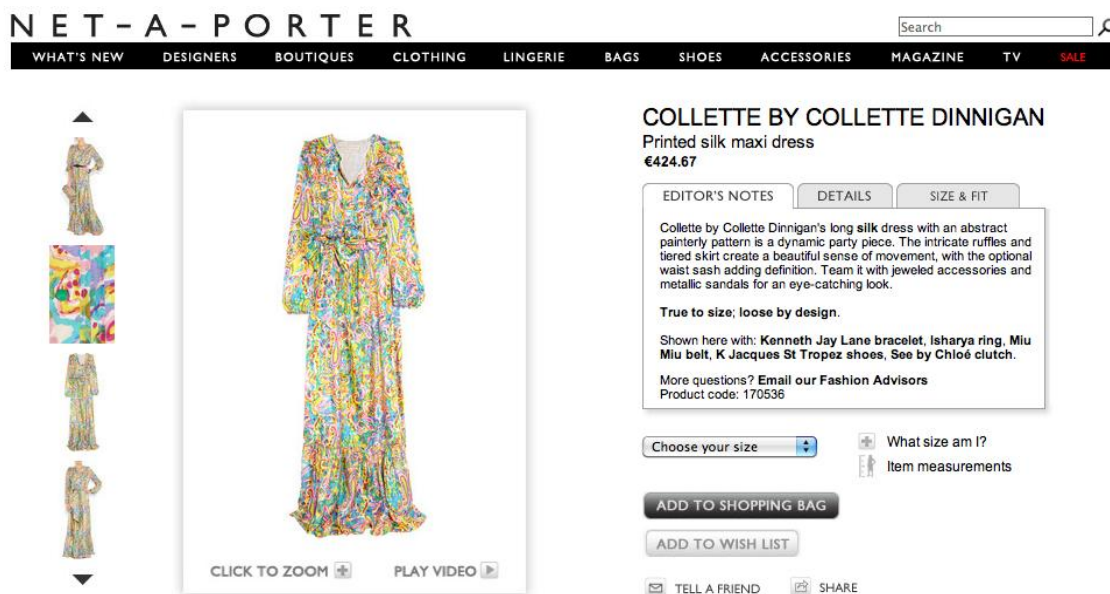
Moreover, Net-a-Porter provides visitors with a *video* with a model wearing the item. This way, the customer can see how the clothing moves when the model walks. The way Net-a-Porter exhibits the clothes is therefore much more exhaustive than is seen in Dior's e-boutique. The informational quality is therefore much higher at Net-a-Porter than at Dior's website.

The empirical data shows that most respondents who have second thoughts about buying clothes online are unwilling to do so because they are not sure if it actually fits. While Dior e-boutique takes no measures to deal with this issue, Net-a-Porter provides visitors with extensive information to control the doubts that customers may have. Beyond the ways already described, Net-a-Porter provides an extensive size conversion table to ensure that a customer can find the equivalent to her/his national size if the product follows a different measurement system. If still in doubt, the site also provides a product measurement table allowing customers to identify the right size based on her/his physical measurements. To ensure that measurements are done correctly, the website even provides instructions for *how* to measure correctly. Finally, Net-a-Porter also includes a care section which advice on how to take care of and wash the item.

While extra information cannot entirely replace a visit to a store to try on the items, Net-a-Porter significantly lowers the risk of customers purchasing items that ultimately do not fit them by providing such extensive information. This is a critical point of difference between Net-a-Porter and Dior as doubts related to sizing is the most cited reason in the study for customers to refrain from buying this type of product online.

Official brand websites still have the upper-hand in terms of trust due to their "official" status, but the awareness of fashion websites is increasing and fashion customers are experiencing that these websites actually work and deliver on their promises. This also shows in the study in that the difference between the level of importance of trust that is awarded to official websites and the level awarded to luxury fashion sites is far from being statistically significant (see table 11). The official status might therefore not be enough in the long run. According to Kim and Park's model, customers' satisfaction with information will increase when the quality of information is improved. Improvements of the information provided therefore have the potential to significantly improve sales through the official websites. This is in the interest of luxury companies as it is more profitable to sell through directly operated channels than through other channels.

Recommendation 3

Improve the quality of information provided in the e-boutique as well on informational websites by:

- Providing sizing conversion tables so customers can identify their own size if they are used to a different sizing system
- Providing more information about the fabric and washing/dry cleaning specifications
- Providing more pictures showing items from several angles
- Providing pictures of the items with a model so that dimensions can be more accurately estimated
- Providing videos showing models wearing the clothes to show how garment moves when worn

X. Limitations of the Study

10.1. Limitations of the survey results

10.1.1. Difficulty in Making Contact with a Representative Sample of Respondents

The most important limitation of study is the level of representativeness of the survey. Some countries and age groups are over-represented while others are under-represented. For instance is only one Japanese respondent represented in spite of Japan being the single largest market for luxury goods in the world while Denmark on the other hand is very well represented. This bias in the data is probably due to the difficulty that the authors experienced when trying to make contact with respondents that were outside the network of the authors. The survey link distributed in online forums resulted in only 65 initiated surveys and 33 completed surveys in spite of the authors actively participating and encouraging members in each forum to participate. As the number of answers included in the final data set approaches 300, the vast majority of answers thus come from the networks of the authors. This means that the background of the authors is likely to influence the distribution of age and residential status of respondents. To the knowledge of the authors, the link distributed to the personal network has reached at respondents positioned minimum three degrees of separation from the authors implying that respondents directly connected to the authors have acted as very efficient champions of the survey. This explains how such a high number of respondents from such a variety of backgrounds could be reached within the timeframe of this study.

The skew towards younger respondents might have affected results so that the fraction of respondents who have experience with buying online is higher in the study than in the overall population of luxury customers. Acknowledging this potential bias, no conclusions have been drawn based on how large a fraction of respondents have online experience compared to how many have in-store experience only.

10.1.2. Possibility of Language Barriers

Another short-coming is the fact that the authors were not able to translate the survey into all the languages that are spoken in the largest luxury markets. Some respondents might therefore have not have understood questions, which might influence the validity of their answers. Furthermore, the lack of translation might have prevented some respondents from participating at all due to their English proficiency. This might be particularly important when considering the Asian region and

future researchers might benefit from being able to make available the questions in Japanese, Mandarin, Cantonese, Korean, and Russian, as improved representation from these linguistic regions could improve the validity of overall results.

10.1.3. Intentions May Not Translate Directly Into Indicated Buying Behaviour

Existing research (see for instance Limayem et al. 2006) has cautioned researchers not to stop their investigation at *intention* to purchase assuming that the actual purchase will naturally follow. In this study, however, the authors have assumed that there *is* a direct correlation between the *intended* purchasing method and *actual* future purchasing method for respondents who have indicated that they have not yet purchased online but are willing to do so in the future. Nevertheless, it is important to realise that responses concerning future intentions might not translate directly into the indicated buying behaviour when respondents find them self at a point of sale, be it online or offline, in the future.

10.2. Scope of Types of E-Commerce Covered by the Thesis

The thesis does not specifically deal with mobile and tablet based commerce, which are currently experiencing high growth rates (Nickerson, Warkentin 2002). However, one could say that mobile and tablet commerce is partially covered, without taking into consideration the specificity of this type of e-commerce, since the thesis covers the broader scope of e-commerce. However, the results are not considering these types of e-commerce specifically.

XI. Contributions of Study and Suggestions for Future Research

This study set out to identify which factors incentivises luxury customers to purchase online rather than in the physical store. Several insights have been reached, but except for the clear influence of price sensitivity, no completely clear rank of motives can be made. However, the circumstances under which customers are *not* willing to buy online were also investigated and this reverse approach has also proven insightful.

Contribution 1: Generating new insight into the purchasing process of luxury customers

The study has shown that the purchasing process of customers is not as clear cut as presented in existing literature. Existing literature acknowledges spill-over effects from one medium to another, but the focus is directed at web-to-store purchasing patterns. This study shows that a secondary pattern exists when browsing and purchasing take place in different media, namely the store-to-web purchasing pattern. These two patterns combined generate higher requirements for information quality.

Contribution 2: Determining that price sensitivity does not transcend into the online environment

The study shows that the price insensitivity that has traditionally characterised luxury customers cannot be taken for granted once the customer enters the online environment. The virtual world significantly reduces the marginal cost of information and the internet is extensively used for comparison shopping.

Contribution 3: Determining the factors which impede *visitors* of e-boutiques from becoming *buyers*

The study shows that a *visitor* in the e-boutique will not necessarily convert into a *buyer* from the e-boutique. The impediments appear to converge to covering specific themes:
- Wish to see and feel products before buying
- Lack of information provided about the products creating uncertainty
- Fear of inadvertently purchasing a counterfeit good

While the findings are interesting they also lead to new questions which would be interesting to address in future research. These questions have been raised throughout the analysis when the data could not lead to a satisfactory explanation or when the authors suspected that confounding factors might be influential. The suggestions are collected in the following table.

Suggestions for Future Research

- Investigate whether the fear of websites sharing personal details can be explained by the type of website customers purchase from.
- Investigate whether occupational choice is related to customers not having time to enter the store to shop and instead shop online. Companies may also benefit from knowing how much young professionals spend compared to other customer groups.
- Investigate the prevalence of customers avoiding the physical shop due to feeling uncomfortable in the store and which characteristics are particular for these customers.
- Investigate differences between purchasing patterns of male and female luxury customers in detail.
- Investigate in which cases a customer will follow the web-to store purchasing pattern and in which cases the store-to-web purchasing pattern is preferred.

- Investigate which the impact it has on purchasing behaviour if the buyer of the product and the final user of the product is not the same. It would be useful to control for gender in this study.

XII. Transferability of Results to Other Fields

The fashion and luxury industry is often considered an artistic industry, which may lead one to think that any current in the fashion and luxury industry would have a parallel trend in other artistic industries. This study, however, only sets out to explain currents concerning e-commerce in fashion and luxury and in the categories of ready-to-wear apparel, leather goods, jewellery and watches, and skin care and cosmetics. Although the trends and results may apply to other products in the categories of apparel, accessories, jewellery and watches, and perfumes and cosmetics, results are not necessarily directly transferable to other artistic industries based on other types of artistic work such as painting.

XIII. Conclusion

E-commerce has traditionally not been considered consistent with the concept of luxury and e-commerce still poses some structural difficulties for companies due to issues such as safety of transactions and trust in websites. Today, many luxury companies do, however, operate e-boutiques, but legitimacy has yet to be completely established for luxury e-commerce.

This study has investigated the reasons why luxury customers choose one sales channel over another when making their purchases. This study has shown that the purchasing patterns of luxury customers are slightly more complicated than presented in existing literature. More specifically, customers do not necessarily browse for products and product related information through the same channels that they eventually buy from; two inverse patterns have emerged: the web-to-store purchasing pattern where customers browse the collections online and subsequently buy the product in the physical store and a reverse pattern, the store-to-web purchasing pattern, where customers browse in the physical shop and subsequently buy the product online. It is important for luxury companies to know how whether their websites are used primarily as informational or transactional websites by their customers as this determines how to serve customers following each purchasing pattern in the best possible way.

Which purchasing pattern customers adhere to depends on the situation; time, geographic position of shop versus home of customer, perceived security of online shopping, the price of product online versus offline, and the durability of the product to mention a few.

Existing research in the luxury industry has been investigated and has also been held against some general strategic and marketing literature. Specifically, six characteristics of luxury were held against Barney's VRIN framework (see table 1) which specifies which factors any company must consider in order to be able to reach a sustainable competitive advantage. In this respect it is important to remember that traditional luxury houses, such as e.g. Hermès, are positioned differently from designer labels which derive much of their strength from a specific designer, e.g. Marc Jacobs. This implies that specific one-size-fits-all recommendations for the entire luxury and fashion industry are not feasible. Each company must conduct its own analysis of how the e-boutique is used, the risk profile of customers as well as the risk exposure the company is facing on other fronts such as legal protection. This must be done while constantly keeping in mind how the e-boutique contributes to the overall system that each six luxury characteristic contribute to. If the e-boutique compromises performance on any of those characteristics, a competitive advantage will be difficult to sustain in the long run.

XIV. List of References

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Appendix A: Bastien & Kapferer's Six Approaches to Defining Luxury

The first approach is known as **the democratic definition** of luxury. According to this approach, the market decides what constitutes luxury. Potential customers are asked what luxury is for them personally with a survey. This approach is, however, problematic as different groups have radically different views, and some may even opposed to the concept of luxury. For instance, some people would consider a gold watch set with diamonds to be the best of the best, while others would consider it merely a sign of lack of taste. The subjectivity inherent in this definition can therefore be a confounding factor.

The second approach results in an **elitist definition**. This approach is radically different from the democratic one. Only the opinion of a small part of the population is considered, namely the High Net Worth Individuals (HNWI), individuals who have investable assets in excess of USD 1million. In the World's Wealth Report 2010, Capgemini estimated that the population of HNWIs grew 17.1 percent to 10.0 million individuals in 2009 and HNWIs' wealth increased 18.9 percent from 2008 levels to $39 trillion. North America remains the single largest home to HNWIs representing 31 percent of the global HNWI population while Asia-Pacific's HNWI population reached 3 million in 2009, for the first time matching that of Europe. Asia-Pacific wealth rose 30.9 percent to $9.7 trillion, surpassing the $9.5 trillion in wealth held by European HNWIs. However, what a French HNWI expects from luxury might be different from the wants of a Chinese HNWI implying that even when following an elitist approach, the idea of what constitutes luxury may not be the same across HNWI populations.

The third approach leads to an **expert definition**. With this approach, luxury experts define luxury using their specialist knowledge. But the problem inherent in the elitist definition also applies here. Experts also have specific backgrounds, coming from different countries and cultures wherefore they have different views of what constitutes luxury. Nevertheless, the characteristics that are brought up by luxury experts are somewhat converging and appear to relate closely to the basic ideas found in the Resource-Based View's recommendations for how to obtain a competitive advantage. This can be seen in the next section going through six basic characteristics brought up by experts.

The **empirical definition** equates luxury products to products made by luxury brands. This definition relies mainly on the status of brands in the collective mind of consumers. The question is

to know which brands to consider luxurious. For instance is Lacoste considered a luxury brand by Chinese consumers (Time Magazine 2007), ranking among the top three luxury brands according to notoriety when they discovered the brand in the Shanghai Tennis Master in few department stores and some exclusives flagship stores (Gaston-Breton, Kapferer 2002). However, Lacoste is not considered a luxury brand in countries such as France, Italy and Spain where distribution is extensive and on a similar note, Shiseido has a luxury aura outside the country of origin, Japan, while it is less so in its own country.

The **corporatist definition** allows for a differentiation in definitions based on the products' country of origin. In France, the Colbert Comity (2011) undertakes this function. The committee counts 75 members and was created in 1954 by Jean-Jacques Guerlain in order to share and promote luxury values 'tradition and modernity, craftsmanship and creation, history and innovation' in France as well as on the international scene (Comité Colbert 2011, foreword). Yet, also this approach lacks an international sense that matches the globalisation of markets of today.

The last approach is the **creator definition**. It aims at asking creators directly what they do, under which criteria, their conceptions and their values. Once again, the answers will probably differ among brands that do not have the same approach to products. But who should be interviewed then? To know, we would need to know what luxury resulting in a circular relationship of knowledge and confirmation rather than a clear causal relation making this definition very difficult to employ practically.

Appendix B: Forums and Communities Where the Survey Was Posted

Website	Description	Number of Members	Number of threads	Number of posts	Language
www.handbag.com	Community for information on handbags		44866		English
www.lucire.com	Online fashion magazine	209	402	722	English
www.style.com	Online fashion magazine		367557	462113	English
www.forum4fashion.com	Community for sharing opinions and ideas on fashion trends	903	2276	4545	English
www.kitmeout.com	Lifestyle e-magazine	20387	10238	60387	English
www.ethicalfashionforum.ning.com	Forum about fashion and sustainability		584		English
www.lookbook.nu	Magazine about beauty, art and fashion				English
www.fashionising.com	Magaine about online shopping.				English
www.ultrastyle.com	forum about fashion and design	9875	1773	15121	English
www.fashion-forums.com	Forums about fashion and design	12,460	80,362	210,342	English
www.shoppingactu.com	Site about e-commerce and private sales		1344	15336	French
www.closetcouture.com	Community that provides advice from stylists				English
www.stylehive.com	Magazine about style and fashion				English

Website	Description	Number of Members	Number of threads	Number of posts	Language
Fashion and Beauty group on LinkedIn	Linkedin group about fashion and beauty	16227			English
www.teenvogue.com	Teen vogue magazine				English
www.cosmopolitan.fr	Magazine for women			40 000	French
www.plurielles.fr	Online magazine for Women		1500	6000	French
www.aufeminin.com	Generalist online magazine for women			900 000	French
www.1001modes.com	Magazine about fashion and design	2237	1046	2237	French
www.mode.fr	Website about fashion. fashion designers, online sales	10563	158	883	French
www.doctissimo.fr	Website about health, a part of the forum is dedicate to fashion			38 000	French
www.carolinedaily.com	Magazine about shopping and fashion	41 000	24649	972 272	French
www.madmoizelle.com	Lifestyle magazine for women		42110	1727892	French

Appendix C: Respondent Answers to Open Questions

Under which circumstances do you browse offline (in physical stores) and buy online?

In case the price is better (at least 10%)

Because it is cheaper

I would browse offline to try on the product (i.e. make sure it fits) and then buy online if the price is more competitive. This is often the case when buying branded jeans from American online stores.

I want to see the physical product. Thereafter I want the best price possible, which is often online.

If it is sold out, searching for another colour or size, better price.

Les prix sont meilleurs en ligne

Pour me faire une idée précise de l'article en question et poser éventuellement des questions à un vendeur.

When stores such as Amazon etc. will have the product cheaper.

Pour les prix plus attractifs

Parce que je le revois

Trying on sizes for apparel

Moins cher

In case I believe I can get it cheaper online

For convenience. When I want to buy a present for someone so there is no rush.

When shopping for clothes.

Il se peut que le produidt soit moin cher sur internet

Online is usually a cheaper option

Try it on offline, but better price online. If I get a special service offline to help me find the item, I think it is important to buy it there as well and not save the money online.

For perfume purchases

To try the clothes on or see what material a bag is made of

When I have picked and tried on then real stuff and I am not completely happy with the offered price, I try to find the same thing online.

Online has a better price

When there is some kind of sale or the price is lower online

When the product I like is not available in the size or color I want it, to when it is too expensive. In that case I wait

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Under which circumstances do you browse offline (in physical stores) and buy online?

until the product is on sale and buy it online.

When what I want is not available offline.

To see if I can buy it cheaper...

If the price is better online or if they do not have the correct size in store.

If I wasn't sure whether I wanted the product at the time, or my size was available. Possibly to search for a better price.

When it is cheaper

I try on the product in the store, generally I buy it there and when I want to re-new it, I do it online.

When I can get better prices

When I buying from over-sea official homepage, the market price was about half compare to the price I could get in my home country

Quando é um produto importado, que seria mais barato comprar pelo net-a-porter do que no Brasil

Under which circumstances do you browse online and buy offline? (ANSWERS FROM RESPONDENTS WHO BUY ONLINE)

Mostly to see if prices of offline stores are fair.

To save time

In such cases I would use the Internet to check price and then buy offline to get the entire shopping experience

E.g. Louis Vuitton, no online store available for Sweden, so I checked out the collection online and then bought the bag in a store

To buy Apparel

To find inspiration, find the right size and color

Facilité de transaction ou rapidité d'obtention

When I want the cheapest product and it's often faster

C'est souvent à cause du prix

Le luxe correspond plus à un achat en boutique que sur internet.

When I want to decide on which product to buy but then find it will be cheaper in a high-street store.

Je peux l'essayer

Conseil de vente par les vendeurs, produits en main propre directement, aucun delais d'attente avant livraison

Pour se promener dans la rue avec le sac !

Contact. Question/réponse immédiatement. Avoir le produit entre les mains avant de l'acheter.

When I am unsure of the looks or size, and if is something to wear.

I like to test it before I buy. I.e. perfume. I like to smell it if I haven't smelled it before.

Searching for a specific piece not available in the store where I looked first

Most of the times - don't have time going to all the stores usually, so I check out the collections online and then I go to test the wear in live.

I always like to see the product "live"

When I prefer to see products with my true eyes

To be aware of avaiable models

To purchase clothes. I want to see the physical look of an item

See the collection online, try it on offline -buy where the price and service is best.

To see what the prices are on the product online

Under which circumstances do you browse online and buy offline? (ANSWERS FROM RESPONDENTS WHO BUY ONLINE)

When the price online is equal to (or not cheaper than) the offline price, I prefer trying on the thing before buying :)

Browse online for inspiration, and buy in a store so I can try on the goods

To find inspiration and when possible to know the price before going to a shop

Online browsing to get a feel for current collections and buy offline to try on in store

When I want something specific in a short period of time, then it is better to search online the best price and then buy offline to be faster

When I am unsure whether I really like the product. Then I like to see it in person and then decide.

Whenever I want to go to the shop for the experience.

If need the product straight away, its faster to go purchase form the physical store. Or If I would like to take a look at the product personally before buying etc.

If I want to try it on first.

Browsing is just generally easier online as I don't have to go from store to store to see everything and choose what exactly it is that I want. I would buy it offline so I could own the product immediately and not have to wait for it to arrive.

It is easier to buy offline, if I'm in a hurry

Shipping prices are too high/store is really close to home

When I want to try on i.e. new cosmetic products etc.

For ready to wear. I save time online and then I can try on in stores.

I looked what the collection was, and went to the store to buy it.

When I'm going to travel.

It is more convenient to buy offline

Nearly all.. very expensive items is easy to check out online and the sores have better service.

Features of the product

When I'm not sure about the size, and if it fits my needs.

When the store is close to my house and I need that for today.

Quando possui o mesmo preço e a loja existe na minha cidade, pois posso olhar a peça ao vivo.

When buying bags

When I'm not sure about the quality of the product.

Under which circumstances do you browse online and buy offline? (ANSWERS FROM RESPONDENTS WHO BUY ONLINE)

Because I like to physically touch and feel the item

I browse online to get some basic information first, which could save some time.

For safety concern; want to have real experience with the product so as to help me decide whether to buy or not.

Just to collect some information.

Salespeople might oversell to make you interested in buying. online info is non bias. But I lack the touch and feel aspect.

In order to avoid to be swindled

Browsing prices and products like it, but I want to see and touch it before I buy it. Or when regarding clothing I only buy what I have tried on.

Because I do not have the time or patience for "real" window-shopping and prefer to do it at home in bed with a cup of coffee on Saturday morning

Because I can try the product before buying it

Because I don't lose time in searching in stores and go from mall to mall. I see what I like online, from the comfort of my house and then go to select places where I can see the product and try it on/test it,etc. To save time basically and be satisfied of my purchase before buying it.

I look at what different brands "have to offer" and I can compare their products better online.

Taxes are different online than in physical stores, especially in airports' duty free shops

When searching online you can never feel the product.

Browsing online is a efficient way to filter what you don't really want to buy and find what you like. Afterwards you can go to physical store and find the real product.

To have comparisons and then touch with my hands the product i choose

Books, basic clothes, not important stuffs I buy online.

Then I can take a look with time, then after i have set my mind i'll look for it physically

I get information first, than "live" the experience of buying in store

With Clothes, it's easier to try something on and not buy it then going to the hassel of returning it

When I still want more time to decide whether I should buy the item, and then happen to be at the store the next day

Contact avec le produit, achat direct, pas de délai d'attente d'envoi

Pour le voir en vrai ! je compare les prix avant en ligne

Under which circumstances do you browse online and buy offline? (ANSWERS FROM RESPONDENTS WHO BUY ONLINE)

Peut-être l'achat coup de coeur lorsqu'on voit touche vraiment le produit

Le voir en vrai

Compare price

The products sold online are out of stock

Pour le plaisir de l'avoir tout de suite "en main"

When I do not have enough time to go through the store I browse online, decide what I want and then go to the store.

Lors des soldes en magasin cela est plus interressant car pas de frais de port ect...

Curiosity, orienting before going shopping

When I want to get to know more about the product.

Finding the product online through a magazine, blog etc. but wish to purchase in in a store to see it in reality

I research what's available on the market and then may go check it out in the actual store to make sure I like it.

Possibilité d'essayer

I want to see new arrivals before going to a particular store

When I saw something in a magazine and find it interesting I might look it up on the internet later to see what else they have to offer and where they sell those kind of products, and then i'll go there to have a look and maybe buy it.

I do it often, especially when I want to find out more about the products before buying them

When I need something to try on, like sunglasses,etc.

Je ne me déplace que si je suis sûre qu'il pourra me plaire

When I travel and have a few times to search. Also when I want to know more about the product, its price, peoples opinion on it, etc.

When I want buy things like expensive bags, and I feel pressed if I go to a store

When I need something but I have no idea what it is like or when I'm not really sure about what I want so I browse to learn a little more about the product and maybe find something more interesting.

Products that I would like to try and check quality/body fit first

Look for the collection online and go try on cloth eg. offline.

Pour le service clientèle offert en magasin

Do you see any impediments to buying online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Colour might be different on the picture than in reality

La contrefaçon

Ne pas pouvoir essayer, attendre pour obtenir, peur de probleme avec paiement en ligne

You only get a picture - you don't know what kind of business they have

More time-consuming as have to wait for delivery.

La confiance dans le site ou la peur de la contrefaçon

Les contrefaçons

La boutique amène un cadre plus prestigieux que internet

Sizing

Le doute qu'il s'agisse d'une contrefaçon.

Le paiement

Unless I never bought that product before. I don't online shop unless I am completely sure of the product.

Shipping

Sometimes I can't understand if the product is original

Never know if it fits, and sometimes it can look very different irl

Security measures and originality of the offered products

Inability to try items on before buying. I am more likely to buy items I already know online than run the risk of buying something I may have to return

You can't try the product on, online must have an easy returns policy just in case the product doesn't meet expectations

Sometimes I can get kind of suspicious about the website.

Returning may be costly and troublesome

Having to wait for the product to arrive. Not being able to try things on, which is a problem because so many brands size things differently.

Not possible to try on

The way the products look online is often fooling you (material, colour etc is looks often different in real)

Lead time for delivery

Do you see any impediments to buying online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Fees in my country.

Confiança no site e na qualidade do produto que foi comprado (pode chegar danificado, com defeito, etc.)

Why would you not buy ready-to-wear apparel online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Want to try it.

Parce que l'on ne peut pas assayer

Unable to try product on first.

Parce que l'on ne peut pas essayer!

I want to try it on

I like to try things before I buy.

Would like to try

I need to try on

Fitting

Because I need to try them before buying

Because I want to try it on.

Concious about sizing, fitness

I need to try it on

Porque é preciso exerimentar a peça no corpo

Why would you not buy ready-to-wear apparel online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

I'm not sure I could send it back in case it doesn't fit
Not able to try it on...
Because i would want to try it on
Pas sur de la qualité des tissus
Pas d'essayage possible
Il faut essayer avant non ? Britney spears a besoin d'essayer ses vêtements par exemple, je pense
J'ai besoin d'essayer
Parce que je préfère essayer
I like to try it on to see if it fits
I am not sure of the size
Parce qu'il est impossible de l'essayer
I prefer to try
I need to try clothes before buying them
I would like to try before buying, and buy it online could be hard to do that
I worry what to do if the outfit does not fit me
I like to try them on before buying
I want to be sure of the size
I am afraid it would not fit.
I prefer to wear it before
I need to try them on
I like the process of trying on new things before the purchase
I need to try it first
I like to try it on
I would like to see it on.
Je préfère essayer le produit
It is a big investment, I need to try it on and see if it matches well with me and my body.

Why would you not buy ready-to-wear apparel online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Because I can not to try on the clothes
Because I need to try it on and see if I like it, if it fits good.
I like to prove it first.
you can't try it on online
I have to try them
I cannot try it

Why would you not buy leather goods online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Il vaut mieux pouvoir toucher le produit, être sur des couleurs, des détails. Les photos peuvent être trompeuses
No real interest in purchasing leather goods.
I want to try it on or have a feel of it
I like to see/try things before I buy online.
Because i would not be sure they are really leather goods
I need to try on
I need to be sure it's not fake.
Hard to asses size, etc.
I think that leather goods should be definitely tried on before buying, as these are premium foods and usually cost more than ordinary apparel-products (by apparel I do not consider evening dresses, etc.). Moreover, I try to escape buying leather goods, and i i do it I need to be sure that these are of a good quality.
Leather goods are not homogeneous products due to differences in the skin. I want to be able to choose the exact item that I want
It is too expensive to buy online

Why would you not buy leather goods online? (ANSWERS FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

I'd rather try them on before buying

I Would like to see the material before purchasing

Car ces produits ne m'intéressent pas.

I want to be sure of the quality

I prefer to touch it before buying it

I have no interest in it.

I don't consume leather goods.

I don't like leather goods

Pour pouvoir voir et sentir la qualité en magasin

I need to feel it

I prefer to buy them in brand stores

Because I would like to see them physically

Why would you never buy jewellery and watches online? (ANSWERS FROM RESPONDENTS WHO ARE BUY LUXURY ONLINE)

I consider the shopping experience to justify a part of the premium charged for such products

Peur de probleme de transport, vol, casse...

I want to see the product first.

Because I prefer having the original guarantee from the jewellery where I buy the good in case of any problem

These items would usually be very high value items, I don't want to risk loosing them in delivery, and I like having the relationship with shop

Because they are often too precious and I'm afraid something might haooen on the way.

I want to see the product before purchasing it

They are highly sophisticated products. I'd rather go to a store to buy.

They are too expensive and personal

I need to wear the item to be sure of my choice.

You don't buy watches the way you buy t-shirts- even expensive ones. I want to enjoy the experience.

They are too expensive to buy online, want to see the product and try it on.

I am more conscious about material, color, fitness

Why would you not buy jewellery and watches online? (ANSWERS FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

I would like to try it on first

Afraid it would be fake

Car je préfère les essayer, et en achète rarement de toutes façons.

I like to see them before I buy.

I don't trust the shipping and handling of these products

Pour l'essayer en vrai aussi

Pour voir la taille et les couleurs du produit

I've no idea how they'd look on a person

jJwellery and watches are technically less bulky than leather goods, for watches if purchased from the store itself you might be able to do adjustment cater to different wrist size.

Mainly because I feel that those products might be to valuable to send per mail.

S'i il ya un probleme avec 1 montre ou bien la taille de la baque mal taillé ...

They are more personalized & sophisticated products compared to others. They require face to face interaction & real life assistance from guided & seasoned watch sales consultant

Because I think that these products are the kind of products that need special care and handling when purchasing them. I do not trust shipping companies when it comes to these products, especially since these products are quite expensive.

I think fear

I want to see and touch in reality to have an idea of the quality, weight, etc.

Quality concern

I want to be sure of the quality

Je n'ai pas confiance

je trouve ca mieux en boutique et pas de peur de " perte de colis "

Not sure of the size

They are more costly item, I would like to try them and decide whether to buy or not

Because I'm afraid they could get lost or stolen.

These items are too expensive

Je préfère essayer le produit avant de l'acheter

Why would you not buy jewellery and watches online? (ANSWERS FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

I would be afraid someone would steal it or someone would not sell me the actual origianl

Because I'd like to see it before in its minimal details and maybe try it on

Because I need to see them in real life

Because I cannot see the real-life size and dimensions. E.g. how a necklace looks with a particular type of neckline.

Not as credible as stores

Too large of an investment

Why would you not buy skin care and cosmetics online? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE)

Risque de contrefaçon

Because I would not trust the ingredients written on the website description

I need to have tried it in a store, if it's a new brand.

I like going to the store and get recommendations.

Because I would want to try, feel and smell them.

I see no need, there are cosmetic stores everywhere and I get assistance when need something

I don't buy it at all.

Why would you not buy skin care and cosmetics online? (ANSWERS FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

I need assistance in the shop

Pas de test possible

The prices difference between a skincare product bought online and offline aren't that big, so why not buy it from the store itself and you can bring it home immediately?

Because I need to try them before buying

Car une très bonne connaissance polonaise me fournit des produits cosmétiques en grande quantité à des tarifs défiant toute concurrence.

I need to see them

I want to try on the skin first

I'd like to know better how they work from a seller.

Because I need to see and smell them in real life

Do you see other reasons why you would not purchase luxury goods online? (ANSWERS FROM RESPONDENTS WHO DO NOT WANT TO PURCHASE LUXURY ONLINE)

Returning the goods could be more difficult

Si déjà on dépense une somme importante autant que le service en magasin aille avec...

Simplement le plaisir d'entrer dans le magasin, et voir l'effet que ça peut faire d'en ressortir avec un sac sous le bras !

I do not like to wait for the delivery time when I paid for the luxury goods already. I want to use or wear them the moment I paid.

The genuineness of the product could be only found out in physical touch

The sizes are very different among the brands. So it's very important I try what I buy.

I don't know if the product really suit me

I dont have the habit

I am afraid of purchased product lost and or damaged.

if you want to return the item, it can sometimes be too troublesome and expensive to mail it back to the company.

It's the whole experience of buying luxury goods

I want to try the goods (especially clothes and shoes) and test them (cosmetics) before hand.

I like to try it

Too much risk in payment

I like to feel the environment, the energy.

I consider somehow luxury goods as experience goods

If you could recommend one improvement to luxury online shopping, what would it be? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE AND FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

To have more videos of people wearing the clothes in order to see the fall of clothes

Increase safety

No collection of personal data for marketing purposes.

Create chat forum, chat with a sales person, quality etc

Free shipping

Réduire les délais de livraison

Peut être plus de choix sur les nouvelles collections

Lack of interactivity with the product

Try to get the colours of the product as real time as possible

Lower delivery costs

More online stores should offer a video of the product (especially clothes) like asos does. This gives a better picture of the product.

Baisser les prix

More videos, especially with clothing. Often I cannot imagine how it would look on me

Free shipment

Free shipping worldwide

Well, I live in Brazil and the times I tried to buy some type of merchandise but there was a restriction on shipping, brands sometimes do not question for some countries to deliver, I think they ought to better assess the subject.

To have a collective website for luxury online shopping

Improve safety

More pictures for every product, lifestyle pictures for example, showing the product in action

Des plates-formes mêlant produit de grande consommation, semi-luxe et luxe proposant d'acheter du luxe à des personnes qui ne le recherait pas de prime abord.

Information, I am afraid of loosing my money in case something goes wrong. I only buy for an amount I can afford to loose

not all brands have well-developed online stores or sometimes sell different products lines via the internet than those sold in actual stores and not offer the collection items. Being able to purchase desirable items not only in real stores but online could increase convenience for customers.

If you could recommend one improvement to luxury online shopping, what would it be? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE AND FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

More order, chaotic at the moment.

Lowering shipment cost!

Good sizing information

Try to convince the user of authenticity

Make the company pay the freight cost!

Send free samples (skin products)

Better images of the product, images need to be considered as merchandising and treated as such

It could be more personalized

Luxury online shopping sites could provide an especially secure delivery method, as the products are worth more than "regular" items.

Maybe they could work on the pictures they provide of the product. They should find a way to make them look more like they actually do.

More competitive prices versus stores

Stock more of the in demand products

They pay for the return postage

Don't pretend that they have the stock but after you have ordered it, they said it is out of stock.

Augmented reality! It's not like trying on for real but it can still help!

Deliver where I want when I want...not 8 to 16 from Monday to Friday...

Packaging and website's interface design. Because those are the only touch point to experience the brand.

It could show more details of the products.

That you could easily return the product if it doesn't fit.

Improve return policy. Make costumers more used to it (online return policy)

Better prices

Harmonization of sizes across countries

3D show off of product

It should be a more luxurious experience

If you could recommend one improvement to luxury online shopping, what would it be? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE AND FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

More sophisticated websites

Which improvements to online luxury shopping would make you consider buying online? (ANSWERS FROM RESPONDENTS WHO DO NOT WANT TO PURCHASE LUXURY ONLINE)

Pourquoi pas si c'est directement sur le site officiel de la marque et/ou que ça permet de bénéficier de réductions intéressantes tout en ayant la garantie d'acheter un produit non contrefait + produit sous garantie dans les points de vente de la marque concernée comme si acheté en magasin

Le fait de pouvoir tester ou retourner le produit. L'achat d'un produit de luxe est une expérience sensorielle complète dont l'achat sur internet est dépourvu. Il faudrait des échantillons par ex de matière. De même l'achat sur internet est anonyme et dépersonnalisé alors quevle consommateur de luxe a besoin de faire de l'achat un moment spécial et important (pour la plupart).

Ce qui va avec le luxe c'est le luxe du service offert dans les boutiques

Réduire les délais

Aucune, je ne pense pas (si j'en ai un jour l'occasion) acheter un produit de luxe via le net.

Sites sûres ....problème de contrefçon beaucoup trop courant (expérience personnelle)

Safety, delivery time, thorough display of products, and reasonable discounts that are exclusive for online purchase

The practice in which you can get door service for checking.

Free shipping fee, or a free return policy.

Return policy in case of unsatisfactory.

Having unique, sort of official on-line stores for the particular brands

I think selling luxury goods online undermines the whole point of "luxury products"   :)

They pay for whatever it may cost you to return the item

I personally like the experience of buying products in store therefore online shopping can be no substitute.

Maybe the price

Detailed characteristics of them, usage of virtual fitting of clothes & accessories

More security- make sure I don't purchase a counterfeit item

More secure and on-time delivery

Providing more details on the products

Days to test the products

None, since the most important drawback to me is not seeing the product and having the special experience in the store.

Why do you think you will buy more luxury goods online in the future? (ANSWERS FROM RESPONDENTS WHO BUY LUXURY ONLINE AND FROM RESPONDENTS WHO ARE WILLING TO BUY LUXURY ONLINE)

It will hopefully be even easier and safer than now.

The selection is expanding and I expect the ease of making a purchase online (transaction, delivery time etc.) improve further.

More supply, better prices

It will be easier

Car il existe de plus en plus de sites au rabais

J'espere avoir un train de vie plus important

Time constraints, i.e. no time to go to the store during opening hours

Because I will be more able to buy online. I will know which are the products to trust or not.

I will trust online payments more.

Convenience and comparative shopping. Price

I think I will buy more luxury goods, in general! :)

Because I just got a new job, so I have more money ;-)

More opportunities and better technology

I expect better availability provided by the brands or trustworthy agents for the brands

Because each time internet gets more advanced, and people have less time to go to a physical store

It's easier

It is much more easy.

I'll have less spare time!

I'll get more money in the future

Appendix D: Overview of International Legal Frameworks
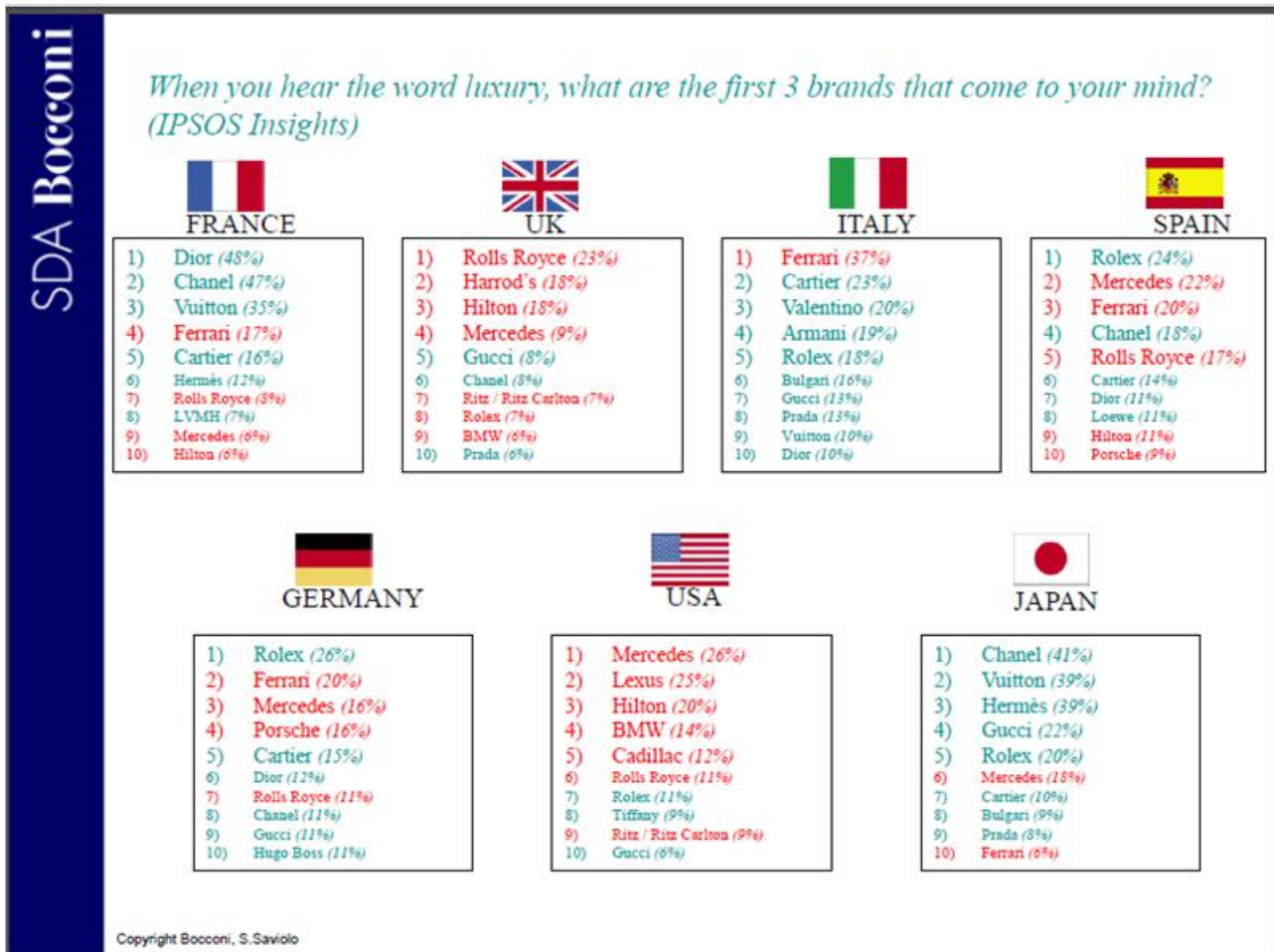
WTO Members' Mandatory Trade Agreement: TRIPs

As of July 2011, 150 countries are members of the WTO (World Trade Organization 2011). This has profound impact on international trade as the WTO agreements set a strong legal framework for national implementation. Intellectual property rights are founded on national legislation, not in international law (August, Mayer & Bixby 2009:453), but international law strongly guides the formation of national legislation. This implies that each individual jurisdiction may have different laws to address similar issues since international law does not specify *how* each member state implements the international law into the national legislation. The WTO counts numerous agreements outlining a common legal framework that must be accommodated by national legislation. One of those agreements is the TRIPS agreement which requires WTO members to address the most important provisions of several different conventions related to protection of intellectual property rights of different forms in national legislation (World Trade Organization 1994, TRIPS Art.41 §1). All WTO member states are automatically members of the TRIPS agreement (August, Mayer & Bixby 2009:486) wherefore this trade agreement outlines the minimum level of protection that should be offered in all 150 member states. The TRIPS agreement is thus an important foundation for the laws concerning intellectual property rights in all 150 member states.

Expanding the TRIPs Agreement with ACTA

Multilateral cooperation has become increasingly political which makes uniform enforcement all the more difficult. To accommodate for this, a group of predominantly developed countries have joined forces and created the Anti-Counterfeiting Trade Agreement (ACTA) (Schønning, Blomqvist 2011:35). The ACTA agreement concerns only immaterial rights and focuses more specifically on enforcement (Schønning, Blomqvist 2011:103). The agreement was signed on December 3rd 2010, but is not yet legally binding, as the agreement has yet to be ratified by enough of the nations that have already signed. Unlike TRIPs, the ACTA agreement is not a mandatory agreement for the WTO countries, but an agreement that countries can join voluntarily. The EU expects the EU member countries to sign the agreement during 2011, enabling the union to ratify the agreement jointly (European Commission 2011a:20). However, as stated in the provisions of the agreement "*each Party shall be free to determine the appropriate method of implementing the provisions of this Agreement within its own legal system and practice*" (ACTA Art.2 §1, in Schønning, Blomqvist

2011:471). Therefore, while the agreement greatly harmonises the provisions for *how* to efficiently enforce intellectual property rights and accounts for cross-border cases, the importance of the specific jurisdiction where the infringement takes place remains as not all members of the agreement necessarily integrate the agreement into national legislation in the same way.

Exhibit A: Overview of National Differences in Perception of Luxury

When you hear the word luxury, what are the first 3 brands that come to your mind? (IPSOS Insights)

FRANCE
1) Dior (48%)
2) Chanel (47%)
3) Vuitton (35%)
4) Ferrari (17%)
5) Cartier (16%)
6) Hermès (12%)
7) Rolls Royce (8%)
8) LVMH (7%)
9) Mercedes (6%)
10) Hilton (6%)

UK
1) Rolls Royce (23%)
2) Harrod's (18%)
3) Hilton (18%)
4) Mercedes (9%)
5) Gucci (8%)
6) Chanel (8%)
7) Ritz / Ritz Carlton (7%)
8) Rolex (7%)
9) BMW (6%)
10) Prada (6%)

ITALY
1) Ferrari (37%)
2) Cartier (23%)
3) Valentino (20%)
4) Armani (19%)
5) Rolex (18%)
6) Bulgari (16%)
7) Gucci (13%)
8) Prada (13%)
9) Vuitton (10%)
10) Dior (10%)

SPAIN
1) Rolex (24%)
2) Mercedes (22%)
3) Ferrari (20%)
4) Chanel (18%)
5) Rolls Royce (17%)
6) Cartier (14%)
7) Dior (11%)
8) Loewe (11%)
9) Hilton (11%)
10) Porsche (9%)

GERMANY
1) Rolex (26%)
2) Ferrari (20%)
3) Mercedes (16%)
4) Porsche (16%)
5) Cartier (15%)
6) Dior (12%)
7) Rolls Royce (11%)
8) Chanel (11%)
9) Gucci (11%)
10) Hugo Boss (11%)

USA
1) Mercedes (26%)
2) Lexus (25%)
3) Hilton (20%)
4) BMW (14%)
5) Cadillac (12%)
6) Rolls Royce (11%)
7) Rolex (11%)
8) Tiffany (9%)
9) Ritz / Ritz Carlton (9%)
10) Gucci (6%)

JAPAN
1) Chanel (41%)
2) Vuitton (39%)
3) Hermès (39%)
4) Gucci (22%)
5) Rolex (20%)
6) Mercedes (18%)
7) Cartier (10%)
8) Bulgari (9%)
9) Prada (8%)
10) Ferrari (6%)

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Exhibit B: Segmentation of Luxury Market