

**Co-Creating Strategy and Culture in New Technology Regimes on the Internet: How New
Digital Entrepreneurs affect Mature Incumbents in the Fashion Industry**

Iva Petkova

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ABSTRACT

Co-Creating Strategy and Culture in New Technology Regimes on the Internet: How New Digital Entrepreneurs affect Mature Incumbents in the Fashion Industry

Iva Petkova

One of the least understood aspects of knowledge management in organizations research and innovation is to explain how new technology paradigms facilitate the creation and adoption of new regimes and business practice of innovation by old and new firms. When innovation regimes are started up by cohesive communities of collaborators, born-online and born-global, the relationship is even less understood. My research explores how some of the largest fashion-technology start-ups on the Internet create and spread new technology and practice in digital marketing and e-commerce to vertically integrated, transnational fashion industry leaders. My dissertation bridges innovation and economic sociology with international business and strategic management to explain how Ron Burt's "good ideas" are actually generated and meaningfully reapplied by new entrants in the organizational practice of established incumbent fashion firms from Europe and the US. The fashion industry is an extreme case-study offering an ideal context to investigate these emergent processes, revealing the dynamic relationship between innovation and change. The research posits that executives in established organizations in this context can manage the tension between challenge and opportunity of adopting disruptive practice by learning to manage collaboratively the parts of their value chains that are most affected by the entrepreneurial creativity of new peers.

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PART I: THE WEB IS A COLLABORATIVE TIES VILLAGE—PRODUCTION OF CULTURAL KNOWLEDGE ON THE INTERNET.

Chapter 1: Introduction

“A fashion, once started,
marches relentlessly to its doom.”

Herbert Blumer (1969)

"More and more major businesses and industries are being run on software and delivered as online services—from movies to agriculture to national defense. Many of the winners are Silicon Valley-style entrepreneurial technology companies that are invading and overturning established industry structures. Over the next 10 years, I expect many more industries to be disrupted by software, with new world-beating Silicon Valley companies doing the disruption in more cases than not."

Mark Andreessen (co-founder of Netscape)

1.1 The Incumbent's Dilemma

One of the least understood aspects of knowledge management in the sociology of innovation, technology and innovation management, and international business is to explain how new technology paradigms transforming into behavior and the adoption of new business practice by new and old firms. When new innovation regimes are started up by cohesive communities of collaborators born-online *and* born-global with founders who share multiple points of access to technology and social capital with the teams of other emerging enterprises, the relationship between producing and disseminating knowledge and creativity inside and outside the burgeoning community is even less understood. This dissertation explores the creation and transfer of new business and cultural practice in the fashion industry— one of the oldest creative contexts on historical record where innovation and change are traditionally understood as

symbolic mechanisms and sociological categories of a functionalist order (Simmel 1904; Sapir, 1931; and Larig and Larig, 1961).

The fashion industry offers a unique context for the study of innovation and change. While the work on fashion done by early sociologists has increased our understanding of “human group life” (Blumer, but 1969: 275), the study of fashion as a phenomenon of fundamental sociological importance has not been advanced beyond the periphery of the “abnormal and irrational” (ibid: 275). Blumer (1969) was the first sociologist on record to propose that fashion holds significant import, because its consequences can influence the “central content of any field in which it operates” (ibid: 277). Blumer proposed that given this profound sociological consequence, Simmel’s (1904) mechanism of “trickle down” which proposes that fashion would diffuse from elites to lower classes by social “imitation”, should instead be conceptualized as a process of massive “collective selection”. The many linked actors constitutive of this process, wholesalers, publications, and buyers, are more likely to be guided by the “direction of modernity” (1969: 280) rather than by class distinction.

Simmel (1904) has suggested correctly that for many fashion organizations class distinction has had profound importance. Class distinction perpetuates the choices of fashion houses for extreme dependence on “outsider” elites. The culture and practice of clothiers in this industry, since the 1950s, is increasingly matched with established creative rules of institutional conduct that have emerged over much iteration between fashion organizations and their large vertically integrated institutional partners- merchants, such as Neiman Marcus, and paper publications, as Vogue Magazine. These institutions significantly influence the behavior of fashion organizations, without ever actually participating in the design, production, or branding of

apparel products. The direction of modernity for fashion firms has taken a course of dependence on ritualized rules of culture and practice.

Fashion firms are also the purveyors of what Ronald Burt and colleagues call a “strong culture” (1994). As creative organizations, fashion firms consistently require compliance from *outsider* communities to the creative process, in particular, the end-consumer. Further significance for the strength of incumbents’ organizational culture is the lack of Marketing Departments and the reliance on Communications Divisions on informing the public about new trends. This feature of their Simmelian desire for distinction allows fashion organizations to perceive their behavioral practice of cultural rigidity as bona fide resistance to other potential entrants, who may acquire legitimacy in the minds of their important institutional partners.

The commercial and brand-related dependence on wholesalers and fashion publications has become a powerful cultural deterrent to the adoption of new technology in fashion firms, along their entire value chains, including in such key areas as production, marketing, and distribution. Simmel is essentially correct that it is this particular path-dependence to preserve received social norms of elite demarcation that has guided producer firms in this industry to make amazingly identical choices with regard to design, marketing, distribution, and sales over the past 50 years. The documented propensity of fashion organizations to imitate each other’s choices propels even the latest research to study the collectively adhered to mechanisms for the development of particularized practice, such as adornment, “the making” of models and the production of “tastes” and “styles” as a homogenous response from a community of insider elites (Godart, 2012, Mears, 2010).

Social relationships between fashion brands and their largest clients – Neiman Marcus, Saks, Nordstrom, or La Rinascente - are deeply contextual and up to 80-95% of their annual revenue

comes from selling apparel to these retail partners. Fashion executives are cautious to depict their supply relationships with these enormous accounts as a form of routinized cultural dependency. Contrary to the Simmelian notion of reproduction of social elites in incumbent populations, fashion executives have reported that since the 1980s their organizations have attempted to mint a marketing culture of their own coupled with independent distribution structure.

The arrival of new distribution channels and marketing regimes on the Internet has further complicated the executive choices facing this industry. At the turn of the 21st century, the fashion industry got a “twin” sister in the emerging field of online fashion, which began to be populated with new, born-global, online fashion–technology start-ups. Journalistic accounts at the time suggested that these entrepreneurial ventures were veritable “gods-of-the-gaps” that emerged to “fill the void left by the big brands” (Walmsley, 2008). The fledgling young Internet entrepreneurs used online technology to start their own fashion-technology businesses, grappling with competing ideas of how to validate themselves as brand destinations and marketing channels without access to fashion organizations, publications, or retailers. These newcomers were not direct competitors to brick-and-mortar fashion firms. However, their executives were able to found a competitive advantage on a new cultural identity based on dual competency, both in fashion and technology.

The founders of these organizations frequently referred to their entrepreneurial creations as “the new fashion brands” and referred to their business as a *new generation* of fashion business. Executives in fashion technology startups on the Internet typically arrived from financial and investment banking backgrounds and frequently reported to have been culturally influenced by the early digital pioneers Amazon and eBay. The new firms were well positioned to explore the emerging intersection of Internet technologies in online retailing and online publishing. They

could deliver to consumers both a fashion product and an editorial about the product, combining the two ubiquitous institutional advantages of brick-and-mortar wholesalers and fashion magazines. Online fashion retailers (or, *e-tailers*) explored their newly minted dual cultural identity to acquire fashion product from fashion brands and to market and create their own brands in the process. Firms in this emerging space, online retailers, social – commerce publishers, bloggers, affiliates and curator platforms- argued that their unique positioning on the new channel permitted them to enable new sources of cultural value for brick-and-mortar fashion brands.

Simmel (1904) has argued that by virtue of their significant dependence on elite reproduction, incumbents in fashion organizations would not be dissuaded from maintaining their familiar cultural behavior to depend on trusted outsiders. Fashion organizations are believers in ritual. In fact, fashion incumbents would find the validity of arguments by outsiders, such as “fashion – technology” organizations, to be a fallacy of proposition.

An example of this culture is that fashion organizations lack explicit commitment to commercial results, and yet structure their operations to reflect extreme reliance on profit generation from their institutional allies. Wholesalers, such as Neiman Marcus, continue to be commercial lifelines for fashion brands and traditional paper glossies, such as Vogue, endure in their ability to introduce and endorse brands through advertising and editorials.

Ronald Burt and colleagues (1994) have argued that the value of a strong culture varies inversely with the level of competition in the external environment and that a strong culture would be most valuable in hypercompetitive environments, as the Internet. For fashion industry firms, however, maintaining a strong culture at the expense of flexibility would be an unsound recipe. The deterring aspects of strong culture in the fashion industry complicate the response of

incumbents to novelty. Potential change in the structure of competition, such as the emergence of new paradigms, industries, practices and firms, would not only be unacknowledged or ignored by fashion organizations (see, Christensen, 1997), but will be *vigorously opposed* by incumbents. When strong culture pairs up with what March (1991) has called “low aspirations for learning,” the opportunity to miss the value of new practice, advanced or embraced by competitors or peers, would be high.

The combination between strong culture and low aspirations for learning can have disadvantageous consequences to incumbents within creative industries and particularly staggering examples are developments across other creative industries, such as the publishing or music industry (Narasimhan and Peterson, 2000; Fitzpatrick, 2013). This creative tension at the intersection of novelty and resistance to change is superbly positioned to help understand under what circumstances incumbent organizations with strong culture come to accept business practices and knowledge from organizations outside of their institutional field of vision. The question can help revisit the Simmelian hypothesis that social reproduction of class distinction and trickle-down are the igniting forces responsible for the behavior of creative firms.

1.2 Culture, Competence and Organization: A Comparative Framework

This research studies the process and mechanism of organizing for online fashion entrepreneurs, and the impact of the emerging ecology on old, creative incumbent organizations in brick-and-mortar fashion industry. While similar comparative studies in innovation, such as Christensen (1997), Tushman and O’Reilly (1996) and Christensen and Raynor (2003) are interested in placing dissociative incumbent behavior and slowness to change in the context of maladaptive practice, I look at the intersection between two types of organizations born and

residing on different channels for value creation, but involved with essentially the same function, and the options for beneficial collaboration between them.

Brick-and-mortar fashion brands and fashion-technology entrepreneurs on the Internet represent a distinct case-study in which two fundamental theoretical assumptions can be combined. Simmel (1904) and Clayton Christensen (1997) lay out the first argument for cultural default of incumbent behavior. Existing players in an industry will indelibly fail to appreciate how novelty or disruption will affect them or understand how to adapt to it, due to particular ritual and business logics that inhere in these organizations. Newcomer firms are able to take advantage of the disruption by creating value in new cultural ways and by using new practice.

The second proposition is that technology-fashion enterprises are creators and enablers of beneficial practice in their new domains and can influence how established organizations with strong culture approach the online channel. Beneficial practice refers to the ability of creators and users of new technologies to “nurture” and educate potential adopters of the value of new practice (Shah and Tripsas, 2007; Garud and Karnøe, 2003). This dissertation proposes that due to their exclusive access to contextual knowledge of the new field, online organizations in the emerging field of digital fashion are uniquely culturally positioned to help co-create a new identity for incumbents. The actual behavior of organizations in industries held by powerful cultural and institutional constraints can break-up the Simmelian (1904) mechanism for collective legitimation through “imitation” and learning from outsiders to the incumbent community. This assertion supports Blumer’s (1969: 280) interpretation of modernity, according to which the fashion mechanism is “transcending and embracing the prestige of the elite group rather than stemming from that prestige”.

Online start-ups in the emerging field of digital fashion are not bound by institutional rules and companies within it can co-construct flexible routines that are contextually constrained only by their peers. This situation creates advantages for collaborators and allows establishing dominant position in interpreting the use of new technology as well as pitching it to outsiders to the community. If there is momentum for learning that takes place between incumbents and new technology-fashion organizations, the process requires of new elites to deliberately develop creative apparatus in e-commerce and marketing and translate it to old elites. This type of beneficial collaboration would be difficult to construct because it requires the kind of trust that the obscurantist ritual culture of fashion brands prohibits.

The “peer pack” approach to change in fashion incumbents informs us that only when actively guided, *could* traditional organizations here accept a proposition of cultural novelty in their behavior on a new domain (see, e.g., Cohen and Levinthal, 1990; Zuckerman, 1999). If key insiders in the community of digital fashion can successfully engage with fashion brands to embrace new cultural identity through the use of practices in digital commerce and marketing, these new entrepreneurs would enjoy a cultural and structural position of significant importance to the brick fashion industry. Vedres and Stark have pointed out how key members of business communities can be embedded in multiple cultural and business environments and that this structural position allows them to access and share contextual information from diverse organizational pools to which they have similar access (Vedres and Stark, 2010).

Deep investigative accounts of organizational change in online organizations and their intended collaborative maneuvers with established brick-and-mortar organizations are scarce. Researchers in entrepreneurship and innovation have documented that an Internet mode of organizing in “diverse communities” has inherent beneficial qualities, placing the new domain

for value creation on a cultural advantage from other fields (see, cf. Tripsas and Gavetti, 2000; Shah and Tripsas, 2007). The “beneficial” effects of learning and dissemination of innovation and new knowledge to other community members, including incumbents, are rarely investigated.

The two categories of business organizations in this dissertation are online technology fashion organizations and brick-and-mortar fashion brands. Online fashion retailers are technology-fashion firms that have designed key parts of their value-chain, such as commerce, marketing, and branding, exclusively for the digital channel. They develop proprietary technologies for the back and front end parts of their value chains and come up with creative ways to display and promote branded fashion merchandise from brick-and-mortar fashion brands.

Online retailers often collaborate with social-commerce publishers; a broad category that includes online blogs and bloggers (¹), online social-shopping destinations (ShopStyle, Polyvore), social networks (Facebook), and online magazines (Refinery 29.com, Nylon Magazine.com, Vogue.com, Elle.com, Style.com). These companies are enablers of beneficial innovations and consider themselves to be editorial platforms for the production and diffusion of fashion related content. The new entrepreneurs create new beneficial business practice, such as curation and community branding. The new practices extend beyond the traditional function of online retail into branding, product curation, and editorial content creation.

¹ A typical Top 10 blog listing of personal blogs includes in the community of digital fashion the following players: Jak & Jil (blogger: Tommy Ton), Hanneli (blogger: Hanbeli Mustaparta), Sea of Shoes (blogger: Jane Aldridge), The Man Repeller (blogger: Leandra Medine), Gala Darling (blogger: Gala Darling), Karla’s Closet (blogger: Karla Deras) The Selby (blogger: Todd Selby), B.Jones Style (blogger: Beth Jones), Trop Rouge (blogger: Christina Caradona, Natalie Off Duty (blogger: Natalie Suarez), Bleach Black (bloggers Kristin and Valerie), Fashion Toast (blogger: Rumi Neely). Later in the dissertation I will discuss how the importance of these blogs as conduits to the brand message is communicated.

1.3 Dissertation Questions and Research Outline

This dissertation research pairs Blumer's original hypothesis that fashion organizations participate in a collective selection process with James March's (1991) argument that openness to change in organizations is partly contingent on their aspirations for learning. In the case of "low aspiration" regimes, the ability of established organizations to learn is also contingent on the ability of outsider type newcomers to influence the adaptive choice of incumbents by virtue of their access to multiple contextual pools of knowledge (Vedres and Stark, 2010).

The analysis considers these contributions in light of Karl Weick and contributors submission in 2005, in which Weick argued for "restat[ing] sensemaking in ways that make it more future oriented, more action oriented, more macro, more closely tied to organizing, meshed more boldly with identity, more visible, more behaviorally defined, less sedentary and backward looking, more infused with emotion and with issues of sensegiving and persuasion" (Weick et. al., 2005: 409). The research uses an ethnography method and considers these hypotheses and contributions with the following questions:

- 1) How is cultural legitimacy constructed in the fashion industry as the primary contextual space where changes in product and culture impact the micro-sociology of any field in which social action is present?
- 2) Can creative organizations with low aspirations for learning be turned around by cultural "outsiders" to collaborate and learn about advances to their cultural identity and business practice from newcomers?
- 3) How can newcomers to creative industries build cultural legitimacy in established organizations, such as fashion, media, or retail? What repertoires of action are successful in

changing the practice of organizations representing entirely different systems of belief and business practice?

- 4) How are persuasion and evaluation accomplished when two groups are not assumed to share the same system of values and practice?

1.4 Dissertation Outline

Chapter 2 is a vignette and lays out major external institutional and internal cultural changes in the fashion industry that have surfaced in the last 25 years. The analysis shows an industry that represents an extreme case-study of adapting to innovation and change. The financial crisis in 2008 to 2010 had a powerful revealing effect to *outsiders* to the fashion community just how far the pendulum of cultural constraint could swing in these creative organizations, when even under extreme circumstances, fashion executives were pressed to respond to the destructive requests for more revenue and less apparel product of their powerful “insider” brand makers.

Hungered for revenue, between 2008 and 2010, the large institutional partners of fashion firms, Neiman and Saks, restructured their brand portfolios toward advancing and buying lesser known and cheaper brands. The rhetoric of large department stores was to require fashion houses substantially different designs; “[...] something that consumers can’t get anywhere else.” Price was dissociated from the construction of the “luxury” identity of the industry that Simmel long ago associated with the imitation advantage of fashion organizations. The ritual culture had its unintended consequences. Fashion firms eventually bounced back from being financed by their factor companies to being regularly paid by their wholesale accounts. However, the newly minted rhetoric of wholesalers invented during the crisis reliably damaged the treasured internal cultural division of labor in fashion firms, by demanding that Head Design teams –typically in

charge of design – would think of “wearable” and cheap production designs that came to be recommended by their financial planners.

Fashion shows are an important indicator of this dissociative behavior. Designed to obscure the commercial and cultural dependence of incumbents in this industry on their commercial lifelines, the wholesalers, fashion shows were and today remain the only element of practice that fashion brands can control. The “old” elites are afraid of depleting interest from their brand makers, the commodification of the fashion market, and the diminishing cultural and commercial returns of the old elite relationship.

Chapter 4 reveals the circumstances of emotionally infused sensemaking action, under which three distinct behavioral characteristics of the industry could be exposed. Executives in the three brands in the analysis, “A”, “B”, and “C” –distinct and valued representatives of the business – exhibit “indifference”, “fear”, and “excitement” faced with the discovery of a new digital channel that requires to follow rules of actual commercial significance without the treasured brand-wielding opinion of wholesalers and paper media.

The transition of fashion brands to an Internet culture engulfs a period that starts in the end of 2009 and continues to date. This period of creative vulnerability coincides with the rapid development of Internet technologies in e-commerce and online marketing and the emergence of new kinds of companies claiming to be technology *and* fashion brands; a distinction that did not exist prior to 2006. The historical path of the fashion industry to accepting new technology and culture was not one of least resistance. Executives very slowly changed their rhetoric and eventually approached the Internet as a new channel for commerce and branding. The cognitive realization for change led high-fashion incumbents featured in this analysis to take practical steps to adopt new organizational practice, which for the first time was *aligned with their rhetoric* by

looking out for clues from one very unlikely category of new partners: online technology-fashion entrepreneurs. This latter activity required that the creative firms open up to collaboration with new organizational entities, whose validity, as hypothesized, the former had originally discarded *en masse*.

Chapter 5 reveals the narrative of born-global startup fashion-technology entrepreneurs on the Internet. The analysis details the culturally significant evolution of fledgling entrepreneurial paths that for less than a decade have come to interpret the value of their firms as culturally equivalent or even superior to the contributions of traditional fashion partners, such as Vogue and Neiman Marcus. Ranging from 10 to 2-year old, the histories of these entrepreneurs show that the goals and the trajectory of their evolving beliefs were to create a new culture and practice intended for consumption by *new elites* - both consumers and established brands who switched to an Internet culture of distribution and marketing on the Internet. The narratives of executives in this direction have evolved in the direction of considering their own organizations as the new institutional partners of fashion firms.

Blumer was right in 1969. The cultural logic on which new players in digital fashion built their businesses between 2000 and 2012 was to impress upon a selective audience of old elites. The need to draft away apparel merchandise from the institutional accounts of wholesalers and into the online websites of e-tailers. New online fashion – technology businesses, asserted their founders, were the new institutional elites that surrounded fashion firms on the new channel. They argued to be *more selection oriented than fashion brands themselves*. ”We wanted to almost be *anti-selection*”, as the CEO of a US-born sample sales fashion retailer noted.

One of the collective advantages for online entrepreneurs in digital fashion was the realization that to be successful, they have to recombine their practices in marketing and

commerce with the rigid, old culture of their potential clients. The early fashion – technology players did not have access to other “born online” counterparts that would eventually coagulate into the nurturing community of practice in digital fashion after 2008. The culture and practice of the community developed organically and was shared through the “vines” of digital collaboration. The weaknesses in marketing and technology into e-commerce pioneers –Bluefly and eLuxury - evolved into explicit strengths of later social commerce and e-tail fashion-technology firms.

The deep contextual story of DigiVog in chapters 6 and 7 shows how the creative ignition and recombination of online technology allowed DigiVog’s founders to conceive of their brand as a new fashion brand that *happened* to be operating with the aid of e-commerce and e-marketing. DigiVog went culturally and organizationally ahead of fashion-technology peers. DigiVog’s founders conceived of their enterprise originally as an “incubator of ideas for the *transitioning of the culture* of fashion brands online”. The company founded its business as a creative pure play platform for developing competence that captured the intent of brick-and-mortar fashion firms to not only sell their merchandise online, but also *restructure their marketing and commerce operations for the Internet*.

Today, DigiVog is the only fashion – technology firm in online fashion that has been able to advance rhetoric and practice that incumbents consider to be beneficial for the future value of their brands. Aside from the originality of the construction of this proposition, DigiVog’s team offered new sources of digital marketing advantage to its fashion clients and has consistently reinterpreted Internet technology to its clients as it continued to discover new sources of value to fashion brands online.

The multi-disciplinary focus of the firm included value chain expansion into e-retail, e-marketing and e-publishing. In the emerging field of digital fashion these are key strengths that permitted DigiVog to co-participate in the creation of *community* competence for the emerging field. DigiVog is the ethnographic equivalent of the network concept of a “multiple insider”. The firm created an ingenious cultural infrastructure for its partner brands by tapping into contextual sources of value at the level of the community that translates to these established businesses the business and culture of fashion on the Internet.

Chapter 8 explains the mechanisms through which the sharing of tacit knowledge between social publishers and merchant brands has introduced long-term beneficial practices in the digital ecology. These new practices in curation and community branding are introducing fashion brands to the utility of methods they never would have approved had their routines not evolved beyond the Simmelian desire to reproduce for cultural distinction.

1.5 Research Contributions

This research confirms Weick et. al.’s proposal (2005) that sensemaking fills important gaps in organizational theory and presents evidence that a sensemaking process in which new and established participants engage in sharing of knowledge serves as a *springboard to organizational action*. The study strengthens the foundational argument to redefine sensemaking as a microsociological organizational practice to be studied in future industry-based investigations by using the heuristic elements of the sensemaking framework. The research corroborates to the following propositions:

(1) The governing principle of ecological organizing on the Internet is based on digital collectivities.

(1.1) Collaboration is a native feature of Internet born organizations.

(2) Online entrepreneurs in the emerging field of digital fashion organize into community of innovators that collaborate and use action-oriented sensemaking.

(2.1) In the absence of institutions governing the behavior of emerging startup fashion – technology enterprises on the Internet, orientation with regard to each other through knowledge sharing and collaboration is a necessary aspect for achieving viable cultural and commercial growth.

(3) The dual fashion-technology identity of creative organizations in the emerging field of digital fashion permits them to engage in two interrelated activities that stimulate the production of beneficial innovations:

(3.1) Internet start-ups in the emerging field of digital fashion create and enable practices in e-commerce and e-marketing technology to establish their own brands culturally and commercially.

(3.2) Internet start-ups in the emerging field of digital fashion assist other peers or fashion brands in interpreting and applying the repertoire of new practice associated with success online.

The transfer of culture to fashion brands in DigiVog follows a two-step process that starts from DigiVog's New York office, where the marketing and technology teams develop new e-commerce and digital marketing practice. The practice is shared and adopted by headquarters in Milan and transferred to fashion clients. The dual cultural identity of DigiVog is paired with its access to diverse resources at the level of the digital community of fashion. The contextual access allows the company to create *beneficial practice* for its fashion clients.

Beneficial digital practice is a set of online marketing and e-commerce campaigns and actions that are not immediately associated by the creator firm with the ability to generate commercial success. The opening of the technological boundary between content and commerce, in which the New York City-based team operated, helped the company to complicate the measures of success as a mix of commercial and non-commercial key performance indicators. Success was interpreted as an exercise in mobilizing diverse resources without immediately talking about the bottom line.

The unfolding of collaboration between players with complementary skills in the space and the ability to mobilize established brands is significant because it indicates the growing importance of business models with boundary-spanning functions in business and management research. Pure play fashion retailers and social-commerce publishers have used the boundary-spanning nature of their technology models creating a seamless way to help extend each other's audience and capability reach. Technology-fashion companies join forces to bridge their skills and open up opportunities as well as to reduce uncertainty inherent in operating under new technological regimes.

One significant conceptual finding emerging from this study is that *paradigm-shifting cultural change on the Internet materializes by small changes* at the level of individual organizations comprising the entrepreneurial community in online fashion. For incumbent firms the process of coming to terms with new identity was an exercise in selective experimentation. At the same time as brands attempted to use the latest advertizing tactics, such as showcasing runway shows on YouTube or announcing collections on Facebook, their executives explicitly denounced the acceptance of a new commercial culture. Curiosity was a common denominator of the deeply intense sensemaking process with which these companies had struggled for so long.

Collective sensemaking requires from peers in the emerging community to explore weak ties and convert them to multiple strong ties by tapping into insider sources of tacit knowledge on the level of the community. The research validates March and collaborators' (1991) proposition that in emerging industries where histories are short and the number of key insiders is small, small samples can be of significant import to discovering how aspirations to learn change in organizations during key periods in their history. In emerging industries where technology change is rapid, the experience of organizations can loosen the link between performance and outcomes and the definitions of success or failure depend on the aspiration level and on the sensemaking interpretations of community peers.

This research offers several solutions for executives willing to experiment with online practice. It is to learn to *manage collaboratively* the parts of their value chains that are most affected by seemingly persistent shifts in entrepreneurial creativity of new peers. To branch out conceptually from the grip of their ubiquitous brick intermediaries, fashion brands can engage in multi-stakeholder initiatives with technology-fashion firms. Those actors, executives, and companies in the fashion system, which understand that at the core of cultural sensemaking online is the pursuit of opportunity for growth achieved by the fostering of beneficial practice, would begin to interpret “success” as the willingness to collaborate with others and experiment in their cultural and business affairs.

Chapter 2: Culture and Ritual in Creative Organizations

2.1 Neither Branding, Nor Commerce: Fashion Shows as “Ritual” Technology

The fashion system was a cultural enterprise built around the themes of seasonality and trend. Trending was frequent and change of trends was initiated twice a year during the industry

Fashion Week that still takes place in the four major cultural centers of fashion, New York, Paris, London, and Milan. One of the reasons for frequent “trending” was and still continues to be the small scale production that luxury fashion firms retain, especially the European, Italian and French fashion houses.

A luxury fashion firm would locate its production in the country of origin, control smaller suppliers and perform quality checks of production samples. These activities require rigorous quality assurance, because of the growing demands by large buyers for particular garment design execution at the time when the purchase order (PO) leaves to the production facility overseas. Small-scale production is necessary to control for the ambiguities in the demand of large wholesalers, but it makes it difficult for fashion firms to sustain and increase their revenue streams.

The production of high-fashion garments also continues to be very labor-intensive, even after the reorganization of the fashion industry from artisanal affair to vertically integrated organization (visible specifically in US fashion firms, such as Polo Ralph Lauren). The rule of integrating status and craftsmanship has affected how firms in this creative field culturally react to the adoption of technical systems along their value chains. “Technically,” the Chief Information Officer (CIO) at a well-known luxury fashion firm from Italy said,

“we have a very limited, very high quality production and we don't want to be too pushy to our production facilities because they are not capable to see what really the production needs to be. In our example we are talking about 100,000 SKUs a year, so it is not a lot. So, we are able to control very, very well the production, [in which] all these processes, from the first idea to the first sample, are done most of the time, manually.”

Through the late 1970s to the mid-1990s, trends in the fashion industry were communicated *manually*. During that period, brands were extremely reliant on original design, and “original design” was communicated by their seasonal fashion shows. According to the received culture of

the day, original trends could not be done just by anybody. The entire population of fashion peers had to wait for the runways to see the future trends. By popular peer construction and critical opinion of fashion industry's two powerful intermediaries, wholesalers and fashion press, only one or two designers in the industry were considered to be capable of producing "original" trends.

The "guru" in the 1970s, for example, was the Japanese house of Kenzo, headed by the legendary Kenzo Takada. The Creative Director at a global fashion consulting firm in NYC and an internationally renowned expert on fashion trending, argued that the standing of the House of *Kenzo* in the 1970s had such a dramatic impact on the subsequent derivative styles produced by fashion companies, because Mr. Kenzo had the foresight to produce "a look that was so *definitive* each season that everyone in the industry could copy and did copy".

Photographers were hardly ever allowed on the shows, and trend experts attending the runway shows of Mr. Kenzo learned to scribble quick illustrations of his elaborate. After the copies have been produced, "[...] we would then slide the handwritten notes under the doors of designers that did not have the opportunity to attend the show. *This is how trending then was communicated*".

This example elucidates that firms in the fashion industry legitimated themselves by adopting, as dubbed by one fashion executive, a "peer pack" approach; or, using the lingo of the institutional perspective, an "isomorphic" approach to their legitimation of practice. To follow this approach of peer pack mentality was considered to be a gauge for originality. Of course, as the industry progressed in this creative pursuit, as one pundit in trending put it, this led to "a lock-in effect that for decades continued to feed the fashion industry only one lesson - the lesson of retro trending".

Today, seasonal fashion shows remain an artifact of this management myth. They are still the forums where retro trending is communicated. "There was actually a time when trends were new", lamented a fashion consultant at a global retail consulting firm in New York. "Fashion shows are entertainment today. They are creating brand awareness. From the runways, we don't even laugh at these unwearable creations."

The problem, according to this executive, is that to copy each other's designs cannot be used for collective legitimation today. The two most stylistic shows of 2010 can accommodate this claim. *Alexander McQueen's* was dwelling on the theme of prehistoric birds. *Karl Lagerfeld's* show in Paris was based on a fantasy Marie Antoinette had - to be a peasant girl. Both of these shows went as far as polar opposites could. Originality was now communicated by being as different as possible. There was a trend, the executive mused, to "make things as short as they can possibly go". But, even by discerning this trend, the fashion industry did not appear to offer "something definitive" – a style that was original and required to be followed by the "pack".

The myth of having to follow a leader in trending could no longer serve the purpose of legitimating collective behavior. As a result, the actual function of fashion shows has become more explicit. Fashion shows are, simply, the occasions for negotiating next season's commercial bottom line with wholesale clients. Seasonal Fashion Weeks always coincide with a highpoint in the year when samples of new collections are produced and ready to be shown backstage to fashion firms' largest clients – wholesale buyers, such as *Neiman Marcus*, *Saks*, *Nordstrom*, or the Italian *Rinascente*.

The Chief Information Officer (CIO) at a luxury Italian fashion label supported the argument. To showcase the post-runway samples is the most important commercial event in the season, he

said, because the production of merchandise begins right after the client issues a PO (purchase orders) backstage.

“After we present our collection to the customer during fashion shows [...], and once they select the product, we quickly place customer order in the system. Once we have customer orders, it takes some time, from three weeks to three months, depending on the vendor and selected design. So, immediately after we have customer orders, *we* begin to analyze the trends of sales, *we* begin to figure out..., so in this moment, production begins to buy all fabrics, they begin to allocate, capacity, what they're able to do. Of course, production needs to start a.s.a.p., to begin to purchase.”

In no other industry is the myth of creativity so ostensibly divorced from the actual reality of producing and selling with the desire to attain commercial viability. The product samples that a high-fashion label actually offers after the show to its wholesale clients differs substantially from what is shown on the runway. The Style Editor at the *Wall Street Journal* mused at a talk that "backstage with McQueen, the merchandise available for purchase and the styles available at wholesalers like Saks are not remotely the same thing". "You know how it works", a fashion consultant retorted, "there is craziness on the stage, but the retailer² walks into the fashion room and there is an entirely different range of sellable clothes."

A trend consultant voiced his disapproval of this decoupling of the myth of the construction of creativity in the fashion system. "One of the things that have changed the paradigm", he said, "[...] is that consumers now have access to these stupid fashion shows. They like what they see and they expect to find that. In the past, the consumer didn't see 'the who', only the trade side saw it, and the trade people understood what to ignore and what to put their faith in. But, now it has gotten crazy and the lunatics have taken over the asylum. [...] How confusing is that? We are supposed to be the authorities! People need to be told specifically and exactly what is presented to them. Designers are realizing that there is a problem with endless fashion shows“.

² Here used in the sense of a wholesaler client, such as Saks.

The point of decoupling is to disambiguate the ritualistic practice of continually sustained high marketing costs, required for nourishing the management myths. The main expenditures of high-fashion brands – *Gucci, Prada, Dolce & Gabbana, Versace, Thom Browne, or Karl Lagerfeld*- are their communications costs. As indicated by the CIO at one Italian brand, “[T]he costs are production costs - materials; marketing costs and distribution. Usually if you can reduce this cost as much as possible, is good. This is a major problem for high fashion firms because they *can't reduce the production costs or the marketing costs (publicity, advertizing follow some rules) [...]*”.

If fashion runways represent exaggerated performances obscuring behind-the-scenes practices that characterize the actual process of sensemaking that goes into creation of culture in fashion firms, then what practice do fashion firms explicitly advertise as a commercial practice? Executives in the fashion system know that commercial success for their firms is as important as sustaining the social and cultural reproduction of their brands. The problem is that everything related to experimenting with or creating new kinds of commercial practice in fashion firms has been obscured from view and is not considered to be a cultural exercise in originality. Large wholesalers are treated as brand-makers by the Communications divisions, while Financial Planners inside fashion firms have taken an increasing proportion of the role of Creative Design teams. The “lunatics” had, indeed, taken over the “asylum.”

2.2 Institutional Constraints

The reliance of high-fashion firms and the brick-and-mortar fashion industry on wholesalers has its roots in the 1950s, when old couturiers had to become ready-to-wear fashion houses (and make money). The fashion industry and its incumbent brands had practiced this ceremonial relationship with their clients since the 1960s. USA’s oldest department store Neiman Marcus,

having relied on couturiers before to make most of its own sales, had to re-interpret what ready-to-wear means to their own customers each time they bought new collections from designer labels. Wholesalers had the opportunity to partake in the creation of brand identity for fashion houses since the 1950s. Neiman Marcus and other large peers began, together with fashion publications with whose directors they have collaborated ever since, to navigate the space of high-fashion, attaining the cultural clout of assigning exclusivity and originality to fashion brands. Fashion firms were sensitive to equating price with originality and innovation, yet did not mind participating in this socially legitimated enterprise, because the “more original” they were considered to be, the more floor space they could receive.

The Director General of *Altagamma*, the Italian Luxury Firms Foundation, mused at the memory that

“When I started working in this area – 1966 – 99.99% of the products were channelized in the multi-brand stores.” Hardly any fashion brands at the time actually owned single branded stores. Particularly, these were jewelry stores: Bulgari, Cartier, Tiffany, Graaf, Asprey, etc. But, not so many. And, the other industry was leather bags: Louis Vuitton, Salvatore Ferragamo, Gucci, Prada, and Coach. But, apart from that, the majority of the goods were channelized through the multi-brands.”

In private talks, a mere two years after the onset of the financial crisis, some fashion executives became outspoken on their cultural dependence on wholesalers. One executive shared that "the fashion industry has become so consolidated today that analyzing the few department stores that are left is not appealing anymore." The Credit and Treasury Director at the NYC headquarters of a luxury Italian label, with operating revenue for 2010 of €1.4 billion, was similarly unenthusiastic about the cultural role of wholesalers in sustaining the businesses of fashion brands.

In the worst months of 2008, his brand had to wait up to 90 days to receive pending payments on their merchandise from Neiman Marcus, and its largest store – Saks 5th Avenue. Both of these clients had accumulated “bad credits” and the brand had difficulty to negotiate financing with the factor firm; the financial firm that typically backs credit lines for fashion brands necessary for their survival until they receive account payables by their large clients at the end of each season.

Not only did high-fashion brands have liquidity troubles under these circumstances; their Head Design teams now had to think out how to produce designs that were increasingly divergent from the rest of their peers. Said the Credit and Treasury Director of the Italian brand:

“During the recession it was tough, because the factor could also go down. For a while, we did not have a factor. We had to deal with the accounts receivables in-house. As of April 1 (2010), we have a new factor. Our factor company was able to reduce our surcharges because the risk was lower. In 2009, during the recession the aim was to create products that the customer is buying. And, for example, for March 2010, our retail sales were 1.6% higher.”

The wholesale advantage against fashion brands was clearly commercial. It placed fashion brands at imminent disadvantage and financial peril. The reliance of fashion brands on these large clients however soon also became related to maintaining the cultural legitimacy of their brands. The VP of a large retail consulting firm in New York pointed out in 2010 that this systemic direction was inevitable, because Neiman Marcus and Saks had the advantage to be “too big to fail and [...] Macy's and J.C. Penney are bigger than most of the brands that they have”.

The new social mechanism for cultural legitimation was embedded in the fashion brand wholesale relationship visible in the disproportionately higher ability of wholesalers “to issue a purchase order (PO) to a fashion brand, say, Gucci, and the latter has the responsibility to do *all the rest*; specify the product, acquire the materials, get it from source, to a central distribution

source, and eventually to Saks's premises". Wholesalers became regarded as brand-makers and arbiters in fashion, giving rise to the myth that separated their commercial 'obligation' from their newly invented branding role.

Twice in their history, at the end of 1980s and after 2008, fashion brands tried to have commercial clout over their own sales and brand positioning. Toward the end of the 1980s, large wholesalers began to adopt new technologies in their relations with fashion brands, such as Electronic Data Interchange (EDI).³ These new technologies allowed US-based wholesalers to optimize their own production streams and begin requiring from fashion clients to frequent changes in size, and even in design for the contracted merchandise.

EDI was a private standard developed to better control the purchase order (PO) transactions with fashion firms. Many high-fashion executives considered the practice to be a private governance mechanism and disagreed with its application. The CIO at an Italian high-fashion company explained that,

"[T]hey [wholesalers] decided that they need to have single standard format in order to receive information from all the different brands, and essentially for each brand to use this technology. In reality, and this is true for most of the other fashion brands, EDI is just a service to the main clients, Neiman Marcus and Saks, *in order to be able to work with them*. The fast response model works very well when you sell T-shirts, but doesn't work well when you sell fashion products. [Our products] *have a very short life... Usually, they are born and die in one season.*"

Some brands fathomed that their relationships with wholesalers had little to do with a legitimating process of "becoming" a brand. Save for shop-floor space negotiations and changes in demand, wholesalers had no engagement that offered nurturing branding practices for fashion

³ The transactions involved transmitting a standardized message from one computer to another before the Internet (Laudon & Laudon, 2004). EDI now involves using the Internet for transporting EDI messages. The using of Internet for mediating electronic transactions allows business partners to get rid of the added cost of paying for an EDI mailbox residing on an EDI VAN.

companies. Executives in high-fashion brands slowly realized that they needed more control over their branding and marketing operations. “A revolution took place in the early 80s,” recounts the Director of the Italian fashion association. “Fashion companies pushed a lot – and particularly, Italian, for the creation of single-branded stores, and they started opening single-branded stores, particularly in the US. And, when the department stores reacted, Versace, Armani, Ermenegildo Zegna, and Gucci proposed to the US department stores to open single-branded boutiques within their space. Immediately, on the same direction was Polo Ralph Lauren.”

By then, however, it was too late. Department stores reacted by proposing the “shop-within-shop” concept in order to avoid competing with the single-branded stores and European and US-born fashion brands increased their reliance on wholesalers over the years. The ability of fashion companies to run, create and culturally own their brands became increasingly limited. In the end of 1990s the average Italian brand would have commercial and brand-related overexposure in dealing with multiple brick-and-mortar distribution channels, such as multi-brand, single-brand, and shop-within-shop establishments, and relying on an increasing amount of sales with a decreasing number of large consolidated partners.

2.3 Routine-dependent Cultural Constraints

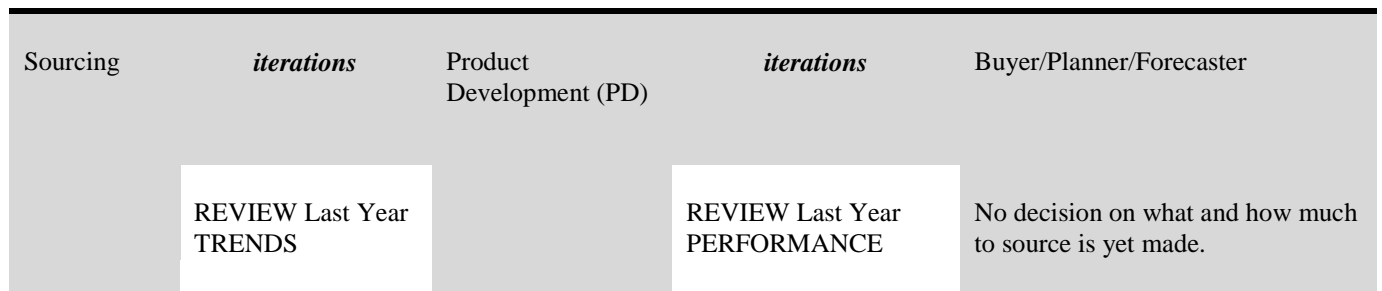
In the aftermath of the financial crisis in 2010, a problem of balance emerged between creative teams and commercial planners in fashion firms that were considered to be among the most design-driven fashion brands. This trend is best explained as another shift in legitimacy in decision-making in the most intangible element in the production of cultural value in fashion firms - design.

Fashion companies are known to be careful when internalizing new technology solutions, particularly when the advice of deploying these technologies is driven by commercial results.

Retail consulting firms have detected that apparel firms go through “a *lifecycle of functions* that emerge after a company is born.” A typical apparel fashion firm normally organizes around two functions – communications and design.

Fashion firms start off with very limited merchandising capability in inventory management. As the company grows, the number of its own stores would grow as well and the managing of purchase orders (PO) from production vendors to wholesale clients would increase in complexity. Table 1 presents a rough workflow of the cultural negotiations that occur long time before production or samples is conceived. These negotiations take place prior to any involvement from Communications; the other most important function in fashion firms.

The sketch confirms that the complexity of forecasting and planning technology has permitted financial functions in fashion firms, such as planning and merchandising, to have decision-making clout over the most subliminal functions in a fashion firm – the *definition* and *delimiting* of the seasonal *collection*. The kinds of questions that planners can influence here are absolutely essential to the final collection, because not only the quantities, but styles themselves are defined by these financial functions.



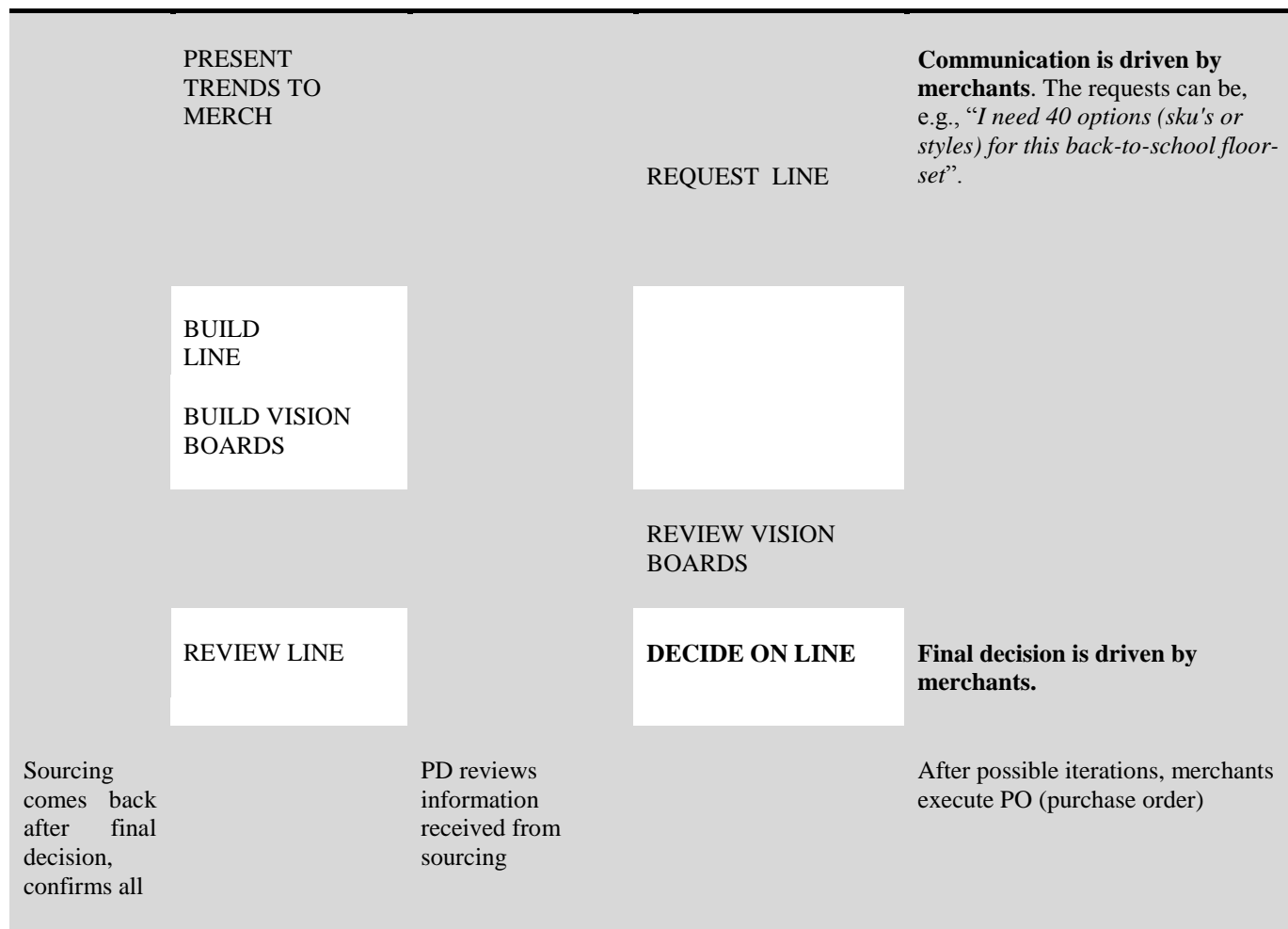


Table 1 Role Planning and Cultural Negotiations from Creation to Production in Fashion Firms

A Senior Buyer at one of USA's largest vertically integrated apparel firm argued that the Head Designer (also Chairman of the Board and CEO) was traditionally tackling "every financial decision". She noted the change:

"[...] Design has always been completely free in every decision. It was not merchandise-oriented at all. Lately, there has been some reshuffling in the company, for the economic downturn, and merchandise is more in charge. This is not easy, because we are such a design-driven company and the design team directly reports to [Head Designer] and [Head Designer] is still involved in every decision. It's a little bit like that -- merchandise telling design what they can do, how big the line can be, how many new models they can design, in how many colors they can do the line, because it is based on how much they can sell. Lately, it's still a little bit of a bad situation, since when the line designer can't do what he wants, he goes straight to [Head Designer], and says, 'the merchandiser doesn't want me to edit new order, but I think you should press them'. And, obviously [Head Designer] says, go for it. It's like endless [...] it's a constant back and forth meetings, back-to-back."

Supply-chain experts corroborated that financial planning, and not design, is taking the head position in fashion brands. “What usually happens”, the Senior Application Analyst at a global database consulting firm concluded, “is that a new season starts in fashion with financial planning.

“They first start with the merchandising plan, then assortment planning, promotions, that is the seasonality of the items. All this is driven by a demand forecast [...] driving the allocation based on the forecast. At the end of the season, how do I clear that merchandise, which is seasonal in nature, and I don't want to carry, and how do I get the highest margin I can? Then they make a budget and within that budget they say: ‘now, what assortment do I need to have to help me reach that financial goal?’ Now they're starting to look at colors, types, fabrics. They use historical sales information and forecasting to help them see where the market is moving. They maybe have to plan a year or more in advance of what's gonna be hot.”

The Creative Editor at the Wall Street Journal exclaimed in 2010 that "major merchandising decisions now take place at a level that is *so far* removed from the selling floor...that the tail is wagging the dog." The new division of labor gives occasion to executives with no decision-making power in the area of marketing or branding to offer precipitous advice on what their brand is about. For example, the Chief Information Officer (CIO) of a publicly traded retail company in the US with annual sales of \$2B and a market cap of \$4.06B in 2011 suggested that the prevailing cultural narrative in fashion brands is to have a "[...] *hard commitment to quantities and soft commitment to clothing lines.*" The CIO was enthusiastic to engage in a rhetoric which ascribed to the fashion brand whose information systems he managed, the attributes of a “[...] design-driven company, *because* the nature of our designs is very unique.”

This new way of ritual legitimization of the most important function in fashion firms is unintentionally designed to obscure the crisis of legitimacy suffered by the system as a whole. We now understand why fashion shows are a necessary cultural vehicle intended to help fashion

firms maintain the façade of myth and ritual pertaining to original design. Fashion shows are an important vehicle that supports the cultural rite of creativity.

2.4 New Institutional demands and the “Break-up” of Incumbent Technology and Practice

The financial crisis had the equivalent of a paradigm-shifting effect on the luxury segment of the fashion industry. In 2010, the CEO of fashion industry’s main client, Saks, reported some changes in the cultural practice of buying from fashion firms that his company was willing to support:

“ [...] The four components: the product itself, the selling environment; the selling and cost structure. Every one of them needs to be redefined. If you look at product – it's about value now. [...] consumers want luxury products, but luxury products are differentiated: they're exclusive, they have limited distribution; they're not widely available and that's what makes luxury special. But people want value. And value doesn't necessarily mean price. It could be price, but it's about quality, design, it's feeling that whatever they're buying is worth it. Tory's [Burch] brand is a luxury brand; it's not at the same price point as some of the younger brands, but this is why it sells so well, because if you buy designers brand, it's quality and its value for the consumer.”

This programmatic statement made it clear that the cultural tale of luxury would shift from the traditional association with “craftsmanship, timelessness, and heritage⁴” to luxury by “value” that is not defined by a (high) price. After the crisis, wholesalers had made their rhetorical stance as commercial partners and as makers of meaning for fashion brands. Hungered for revenue, between 2008 and 2010, Neiman and Saks, restructured their brand portfolios and employed this new cultural rhetoric to buy and advance lesser known, cheaper brands. The reinvented brand-maker rhetoric proposed that (having satiated the consumer with high-price, high-fashion brands) the large department stores should now be getting “[...] something that they [consumers] can't get anywhere else. I hope that we can focus on differentiation, 25-30% products you can't find

⁴ These three proxies were suggested by Fabio Leoncini, Managing Director of the luxury goods unit and member of the Board of Directors of Loro Piana, SPA - one of the world’s most renowned luxury garment firms, specializing in custom-made cashmere production; he called his company a “tiny global luxury retailer”.

anywhere else. Doesn't mean *brands* necessarily, but *products* you can't find anywhere else. And then, we are going to be marketing it in a totally different manner.”

Price and subsequent commercial results became further dissociated from the goals of high-fashion firms. With the crisis, the "best" price point at which a brand was considered to be eligible to qualify for a luxury proposition, changed. Steve Sadove, CEO of Saks, reported that “in the *new world*, you've seen changes. *You're seeing a bifurcation* – a lot of the entry level within some of the high-end brands and the very high end price points. *We talk about luxury – and luxury is at multiple price points.*”

The concept of differentiated luxury, according to which a “luxury” brand could now be placed at differentiated price points, was seen as a propeller of innovation. Sadove noted that “[...] in the fashion apparel market, *when there is differentiation, there is innovation*. We have a whole platter of brands that didn't exist a year ago, and that's really the future.” Although some representatives of high-fashion brands, such as the Managing Director of Loro Piana SpA, were certain that “the crisis help to draw a defining line between luxury and fashion,” other fashion pundits, as the Managing Partner of Elixir Advisors, suggested that “luxury became overused, overdesigned concept” that necessitated a new phase in the development of the fashion industry.

Other industry pundits soon joined the claim of department stores. Jean-Noel Capferer, an industry consultant, asserted that “[P]rice is not the point. People want experiences; people want to rise above and have fantastic experiences, which *happen* to be expensive.”

Price became a prejudice. The changes in culture were unilaterally imposed by wholesalers, because fashion firms had made their cultural routines dependent on the cultural legitimization of intermediaries, considered to be “insiders” to the industry. The final divorce of wholesalers and their transition from commercial to branding partners came with these claims.

Chapter 3: Theory and Method

“...the web isn’t like all the other things governments regulate.” Thus, reads the epigrammatic retort of Vint Cerf, Vice President and Chief Internet Evangelist at Google, offered by him to address the challenge of cultural interpretation of Internet organizations, in an email dated April 9th, 2012. “It’s not a system of roads, or a factory, or a farm, or a company”, he continues. “It’s an organic collection of diverse communities whose shared conversations are making the world a better place.”

This research studies the nature and impact of organizing for online entrepreneurs on the Internet. It uses the case of the fashion system and pairs up two very different kinds of players bearing dissimilar cultures, goals, and interpretations of commercial and cultural success. The two categories are online technology-fashion organizations that are born online and conduct their businesses in the emerging field of digital fashion, and brick-and-mortar fashion brands. The dissertation studies how online communities can influence the choice of practice and culture of mature firms entering the new domain for value creation by facilitating the development of *beneficial practice* that affects the behavior of incumbents. The research posits in the final that due to their exclusive access to contextual knowledge co-created by each community collaborator, online communities in the emerging field of digital fashion are uniquely culturally positioned to be the transporters of new identity for incumbents.

There are a number of questions relating to pragmatic inquiry in organizational sociology and management by answering which we can establish the nexus of thinking about evolution, survival, efficiency, and function of organizations on the Internet. For example, does the study of internet-only organizations offer specific results with regard to conceptualizing organizational formation and work practice on this channel? What prompts some Internet technology start-ups

to organize and collaborate in diverse communities, in which each partner contributes with a complementary skill? Why can online organizations in some industries change the culture and practice of incumbents that endeavor to position their brands and sell their products on the new channel? What part of the cognitive behavior and creative negotiation skillset of newcomers persuades incumbents to respond to novelty?

Vint Cerf's statement imputes that an Internet mode of organizing in "diverse communities" has inherent beneficial qualities that are difficult to define and that make the new domain for value creation culturally different and novel from other fields. It follows that to learn to use the channel for business and branding, incumbents from industries with modes of distribution and marketing that are created in a manufacturing context, should pay heed to contextual advice of these communities.

Firms born on the Internet and Internet communities of diverse organizations collaborating for a common goal have not been rigorously investigated in the organizational literature, nor has impact of these organizations been related to parallel brick-and-mortar industries. Scholars tend to squarely place online businesses as dichotomous conduits of information to larger publics or other businesses. In this capacity, online firms can mediate information ("infomediaries") or mediate innovation ("innomediaries") (Sawney et.al. 2003). Deep investigative accounts of organizational change in online organizations are scarce.

When scholars do study innovations in technology or business process done by online companies, the common suggestion has been that innovation online is the product of a "continually morphing" menu of capabilities in online firms (Rindova and Kotha, 2001; Hagel, 2002). Online entrepreneurs whose companies become engines for commercial growth are rarely investigated for sources of non-commercial value to partners or new entrants and some scholars

have recently argued that only quasi-entrepreneurial consumer communities can create innovations with “beneficial” effects that encompass learning and dissemination of these innovations to community members (Tripsas and Gavetti, 2000; Shah and Tripsas, 2007).

We know, on the other hand, that incumbents rarely trust newcomers and suffer from various ailments related to unhealthy attachment to their routines (Christensen, 1997; Christensen and Raynor, 2003; Tushman and O’Reilly, 1996). As a case in point, at the time that the online community around digital fashion began developing new practices, such as community branding in 2009-2010, brick-and-mortar fashion firms had no intention of accepting any of the tools, practice and culture of their Internet peers.

Fashion brands, in particular, can be a perfect case study for managerial default in the explicit terms that Christensen lays out in his analysis of dissociative incumbent behavior in 1997. These firms lack explicit commitment to commercial results, but have increasingly structured their operations to reflect extreme reliance on profit generation. Fashion firms do not collaborate with their peers and manage to live in this misconception by recruiting vast amounts of advertising dollars to their Communications Divisions and finances to their gatekeeper intermediaries, large wholesalers and fashion magazines. Wholesalers, such as Neiman Marcus, serve as commercial lifelines for fashion brands, even though brands frequently rely on factor companies to repay the vast outstanding debts of their gatekeepers. Fashion magazines, such as Vogue, can raise or reduce the awareness about a brand through editorials and advertising. These two types of intermediary are perceived in the retail industry to affect the standing of a brand much like analysts on Wall Street can cause tumult for firms wishing to diversify their brands to new areas of functional expertise (Zuckerman, 1999).

The reason for my choice of this emerging organizational field is both theoretical and pragmatic. Due to the problems of accessing elites, sociology has historically studied less successful and more marginalized market actors (e.g., collective movements). I, conversely, study the online practices and mechanisms for survival of old elites (i.e., luxury fashion houses), the cultural toolset of new elites (i.e., online entrepreneurs), and the clashes between the two categories.

If there is learning that takes place between incumbents and new technology-fashion organizations, the process would require of new elites to deliberately develop creative apparatus for old elites to learn about, interpret and accept the use of digital tools for e-commerce and marketing. This type of beneficial collaboration is very difficult to envisage in practice because it requires the kind of trust that the obscurantist ritual culture of fashion brands prohibits.

Meyer and Rowan have been helpful in explaining institutions as complexes of cultural rules (1977). They argued that organizations emerge as the rational outcome of cultural rules, which provide the basis for their construction (Scott, 2008). The argument from Meyer and Rowan is useful in so much as it helps explain the foundation for legitimating ceremoniality and myth in mature organizations as a form of legitimacy that reduces uncertainty. Recently, Scott (2008) has suggested that the three pillars that support the resilience of institutions – here applied as cultural rules that facilitate the emergence of common behaviors in the emerging field – should be studied in distinction. From this vantage point, studied could address independently the existence and emergence of cultural-cognitive elements of institutional domains, those “the shared conceptions that constitute the nature of social reality and the frames through which meaning is made.” (Scott, 2008: 57).

Scott's proposition for studying culture and cognition in organizations as an independent conception that gives rise to meaning fits nicely with Weick and collaborators' argument for studying sensemaking as a practice-oriented phenomenon "that make[s] it more future oriented, more action oriented, more macro, more closely tied to organizing, meshed more boldly with identity, more visible, more behaviorally defined, less sedentary and backward looking, more infused with emotion and with issues of sensegiving and persuasion" (Weick et. al., 2005:409).

This narrative integrates sensemaking and organizing approaches from Weick et al. (2005) and Scott (2008) in examining the momentum for collaboration between incumbent fashion firms and online entrepreneurs in the period between 2010 and 2012. The 2-year historical "moment" is infused with counteracting meaning for both categories, and yet, collaboration does occur and consistent behaviors do follow. The ritualistic beliefs of fashion incumbents described in Chapter 1 were hard to straddle to an entrepreneurial culture on the new channel. Despite their fear and taken for granted rules of conduct, fashion organizations gradually took liking for the entrepreneurial method of their new counterparts online.

3.1 What is New about Online Organizations?

Entrepreneurship research traditionally approaches the Internet as "a powerful platform for collaborating with customers on innovation" (Sawney et. al., 2003: 77). The speed of technology changes make the Internet a productive domain in which to study the unfolding of contextual practices between businesses. Researchers have recognized that the new channel presents an ideal-typical case for studying networked collaboration, *as it happens*.

Recent submissions by Sawney et. al. (2005) have also attempted to build taxonomy of online organizational forms, based on the capability of online organizations to transmit ever more complex information to consumers or other related firms. The authors look at the evolution

of online platforms created by established firms in order to facilitate the sharing of information with consumers of their products. The result is a taxonomy that includes two main new types of organizations on the Internet, info- and innomediaries. Infomediaries are "expert-meets-user" communities, such as CNET.com and Angieslist.com. They are perceived to be online-only ventures that "gather and organize information on products and services for individuals considering a purchase" (2003: 78).

The second category is the perceivably more robust and novel form of "innomediary". As in the infomediary case, this online organization is *created* by *established* brick-and-mortar firms, such as Eli Lilly's InnoCentive initiative offering intellectual collaboration to other established firms in pharma and biotechnology.

Taxonomy studies like these may be useful pointers to focusing the discussion on how the culture of new online companies created by "analog" firms differs from their parents' idea of success and novelty. However, innovation and entrepreneurship research needs to offer a common research agenda and framework for describing and explaining the emergence, capability development and the ability of online-only organizations to impact the culture and practice of established firms. One way to survey these phenomena inductively is by doing exploratory inductive research, and qualitative in-depth studies of a cross-section of a community that testify to common cultural characteristics in the community.

There is little research showing the interplay between variables, such as technology, organizational practice and goals for organizations and brands born on the Internet. There is also limited evidence about the *mechanisms* that firms online use to make sense of collaboration and how they conceptualize success. Entrepreneurship literature and the literature on the sociology of innovation need to offer an explanation of how companies on the Internet achieve success;

whether certain types of collaboration are preferred or can lead to “more” success; and, if collaboration with each other is, in itself, a metric for success.

In the absence of this pragmatic research agenda, when organization and innovation research attempt to build taxonomies of meta-organizational arrangements found in online organizations, the result is an incomplete kaleidoscope of organizational forms and insufficient understanding of their methods of becoming and thriving on this creative new channel.

Beneficial Innovations, Creators and Enablers

The online channel is a virtual ‘playground’. We need to know the underlying forces that ignite creativity in online businesses. E-collectivities on the Internet are both social and entrepreneurial formations. Entrepreneurial collectivities are interested in pursuing opportunities. Opportunities are pursued by a process of continual experimenting with new digital tools and practice. The virtual domain of branding on the Internet also contains new and existing players. These players comprise the inner structure of the emerging field, in this case, of digital fashion.

The two broad categories comprise the ecology in this dissertation: online-only companies and established fashion firms. If collaboration is a native feature of Internet-born organizations, companies born online will be engaged two interrelated functions. The first is positioning *themselves* as brands and establishing their businesses *culturally* and *commercially*. For online merchants, for example, this would include recruiting old brands into the digital domain by acquiring their merchandise, or selling commercial and digital marketing services to this category. The second is to help, facilitate or assist other peers or fashion brands in interpreting, using, and understanding digital technology for e-commerce and online marketing. This second function of an online community would be “beneficial” and the technologies and practice

developed with regard to facilitating the businesses of other peers can be conceptualized as beneficial technologies.

This proposition is put forward with substantial pragmatic reason. Beneficial or non-commercial determinants of growth have been conceptualized well by many start-up entrepreneurs, who have moved on to establish some of the most commercially successful organizations. In the “Pirates of Silicon Valley” documentary Steve Wozniak – the computer engineer, who co-founded Apple, explained that the risk of failure was worth a creative try because “at least, we could say that we owned a company.” In describing his own period of leaving Apple, Steve explained what seemed to be a critical component of Apple's problems; the lack of passion: "My passion has been to build an enduring company where people were motivated to make great products. The products, not the profits, were the motivation. Sculley flipped these priorities to where the goal was to make money. It's a subtle difference, but it ends up meaning everything."

While beneficial innovations are understandably more frequently cited in health or environmental research (Taylor et. al., 1978; Haider et. al., 2004), management and organizational sociology submissions have provided persuasive arguments as to the value of seeking and value creation that these approaches, technologies and practices develop and convey (Abrahamson, 1991; Benner and Tushman, 2003; Tripsas, 2009).

This dissertation categorizes online entrepreneurs in the emerging field of digital fashion into creators and enablers of *beneficial innovations* (Figure 1). Creators are online startup entrepreneurs creating and advancing business models, technology, and practice for the field and other peers to use. For example, Google can be characterized as a digital creator of the beneficial technology of search. Google has created a proprietary algorithm that decides which keywords

(and websites) are more relevant and highly ranked than others. When a party conducts search on a term that relates to, say, branded keyword on fashion merchandise, such as “Burberry Trench”, the implication is that the results displayed upon this search query will be highly *relevant* and play in the ability of a firm to be highly searchable online.

Enablers are companies advancing new cultural practices that expose the businesses of their partners to beneficial effects related to the exposure of their businesses to new audiences, marketing reach, and cultural pursuits.

Culture / practice	2.0 Enabling	2.0 Critical
<p>Creators. Create and advance business models and technology for new uses in branding/sales/marketing.</p> <p>Enablers. Advance new bricolage practices that help peers out with marketing and branding.</p>		<p>Google Inc. (1998)</p> <p>DigiVog Group (2000)</p> <p>DigiVog.com (2000)</p> <p>Meet.com (2006)</p> <p>Net-à-Porter (2000)</p> <p>ShopStyle (2006)</p> <p>Gilt Groupe (2007)</p> <p>Digi1 (2009)</p> <p>Polyvore (2009)</p> <p>Fashion Stake (est. 2010)</p> <p>SocialCom.com (2010)</p>

Figure 1 Ecological characteristics of the online digital fashion community

In the emerging digital field of fashion, online fashion retailers, for example, are technology-fashion firms that have designed key parts of their value-chain, such as commerce, marketing, and branding, exclusively for the digital channel. They typically own the back and front end technology solutions for their businesses and come up with creative ways to display and promote branded fashion merchandise from brick-and-mortar fashion brands. These players also create beneficial new business models and practices, such as community branding, extending beyond

the traditional function of selling into branding, product curation, and creation of editorial content.

These new fashion companies actively collaborate with the other part of the ecology, social-commerce publishers; a broad category that includes online blogs and bloggers (⁵), online social-shopping destinations (ShopStyle, Polyvore), social networks (Facebook), and online magazines (Refinery 29.com, Nylon Magazine.com, Vogue.com, Elle.com, Style.com). These companies are enablers of beneficial innovations and consider themselves culturally to serve as editorial platforms for the production and distributing of fashion related content.

3.2 Why Collaborate?

Together is better: Organizational Collectivities on the Internet

The appeal of examining what is now known as resource recombinations in firms originates in the work of Schumpeter who emphasized that "entrepreneurship" in the capitalist system can generate types of innovations that alter the rules of an industry (Schumpeter, 1942; Schumpeter, 1947). The concept of the Schumpeterian "creative destruction" comes from the ability of entrepreneurs to recognize value and recombine existing resources in a novel fashion. However, Schumpeter understood the defining characteristic of an entrepreneurial innovation that has the beneficial qualities of a new creative momentum as "*simply the doing of new things, or the doing of things that are already being done in a new way*". (1947: p., emphasis added.)

⁵ A typical Top 10 blog listing of personal blogs includes in the community of digital fashion the following players: Jak & Jil (blogger: Tommy Ton), Hanneli (blogger: Hanbeli Mustaparta), Sea of Shoes (blogger: Jane Aldridge), The Man Repeller (blogger: Leandra Medine), Gala Darling (blogger: Gala Darling), Karla's Closet (blogger: Karla Deras) The Selby (blogger: Todd Selby), B.Jones Style (blogger: Beth Jones), Trop Rouge (blogger: Christina Caradona, Natalie Off Duty (blogger: Natalie Suarez), Bleach Black (bloggers Kristin and Valerie), Fashion Toast (blogger: Rumi Neely).

An important precursor of “why collaborate” is the principle of ecological organizing between online organizations, based on *collectivities*. The key assumption in defining online start-ups in the emerging field of digital fashion as a *collectivity of innovators* is that their behavior is not bound by institutional rules. The digital community in the emerging field of fashion lacks attachment to any particular association or industry and contextual constraints can only come from their peers. Since the Internet is unregulated institutionally, the productivity and success of the community, such as access to creative digital resources, creates advantages for collaborators that allow establishing dominant position in interpreting the meaning for the use of new technology.

Google provides one example illustrating this principle of relative freedom in the pursuit of opportunity on the Internet⁶. The search services that Google provides to its clients are regulated by its own “Terms of Service.” This set of liability protection policies, including privacy policies protecting the company from third-party abuse in its main business area of Internet search, is subject to unilateral change at any time. The reason to guard this area of expertise is not to protect the proprietary knowledge over the technology, but to set private governance mechanisms that discourage other potential parties, directly infringing on Google’s boundaries of competence, to developing that knowledge⁷.

By contrast, organizations in stable domains can be also conceptualized as rules developed by institutions that participants internal to the rule-binding process do not understand (Mauris

⁶ <https://www.google.com/intl/en/policies/privacy/>

⁷ Curiously enough, a similar rule operates also in the fashion industry proper when it comes to protecting the intangible elements of the proprietary knowledge of incumbent brands. The Vice President of a retail management consultancy in New York noted in an interview, after being asked where the real value added in mass retailers, such as Zara. “Zara’s real advantage is not their supply chain (SC). Anybody could do what Zara does. Zara’s real advantage is their understanding of the consumer and their feedback connections that they have form that consumer that gets fed into the SC. *Anybody who has the appetite for risk and the capital to invest could have a SC that looks exactly like Zara’s.*”

and Sorge, 2000). The Internet is a *new* channel for value creation. Institutional fields here are in flux and businesses plot their strategies for survival against the backdrop of evolving technologies in e-commerce and digital marketing to ensure their commercial and brand-related success. Because technologies develop fast and their interpretations by actors differ in the evolving field, Internet businesses tend to guard their hard-earned competence by sharing it only with peers they interpret as "insiders".

Internet entrepreneurs in digital fashion are incentivized to collaborate due to their need to better control the ambiguity of their environment. In the absence of institutions that govern behavior, orientation with regard to each other does the job (White, 1981; 2002). Online brands would have the advantage of receiving feedback through their *own community* for which the technological innovation in digital marketing and branding is developed (see, observations about social entrepreneurship cases in Tripsas, 2009). In attempting to position themselves as brands and facilitate the access of other peers to contextually available resources, including incumbents, players comprising the new field are in a unique position to dictate the dominant uses of technology by collaborating to set a standard for their use.

Users of services and technologies tend to be exposed to asymmetries of information in economic exchange (Arrow, 1974). At the same time, insiders in a technological system of practice would have unique access to “sticky” information that is co-created at the level of the community and is costly to acquire, transfer, and use. (von Hippel, 1994). Access to “sticky” information by community members plays significant role in their adoption of beneficial practice in the emerging online field of digital fashion.

Organizational collectivities are *profoundly cultural things*. The collaborations outlined in this dissertation are examples of organic behavior unfolding in them. Organizational

collectivities are also powerful heuristic devices for explaining the evolution of culture and practice in emerging cultural fields.

I define entrepreneurial collectivities in the emerging digital field of fashion as a *collection of independent firms and practitioners who share an organic culture of collaboration for the discovery of entrepreneurial opportunities*. Weak ties play important role for making these organizational arrangements strong (Granovetter, 1985). Stronger ties in “analog” industries, as in the fashion industry, have ceased to kindle creativity, and means-ends relationships dominate the usually “alternative” forms of collaboration based on “simply doing new things” by experimenting and sharing new technology and practice. Weakly connected social collectivities of practice are better equipped with knowledge, skills, and technology to discern possibilities for resource recombinations, than are firms operating independently under conditions of arm’s length trading in what during the span of Schumpeter’s own life, could probably be conceptualized as the “analog machine”.

Sensemaking and the pursuit of entrepreneurial opportunity

The work on co-constructing the social and cultural boundaries of the new environment as a shared collaborative space between organization, technology, innovation, and practice is not an easy task for pure online brands. The players in this research are struggling with designing and interpreting performance metrics, or key performance indicators (KPIs), for measuring the success of building the commercial value of their digital brands, and measuring their social value necessary for the development of beneficial innovations.

Online organizations interpret the cultural meaning of emerging technology by a process involving repeated collective sensemaking (see, Weick, 1995). This process includes learning about a commercial or social technology, figuring out or interpreting its commercial and cultural

uses, and creating practices around its interpretation. Sensemaking is a necessary function for online entrepreneurs, because creators and enablers both use technologies in e-commerce, social media, and social commerce, in the pursuit of branding and commercial success. Collective sensemaking helps participants in the emerging field go about their businesses and share with peers in the community their *tacit cultural* understanding of how to use technology for branding and commercial success.

Sensemaking occurs in all dimensions of online collaboration in the digital collectivity. Pure online brands share proprietary data on their tactics of execution of promotions with smaller peers, such as bloggers. To communicate promotions on their e-commerce website, pure online brands also reach out to a significant peer audience that distributes the message for them. Online brands are frequently members of large aggregator communities, such as LinkShare. The individual partners that populate the aggregator communities - called “affiliates” - consist of tens of thousands of digital businesses, from mini personal blogs to large price-comparison engines. They make their bottom line by using their webfronts to promote and distribute digital content from large, pure retailers or fashion brands. Every time that information is passed for the delivery of an online promotion, there is knowledge shared between online technology firms creating the online promotion materials, such as editorials, newsletters, and banners, and thousands or dozens of affiliates who perform it.

Aggregators such as LinkShare help organize the competitive landscape for larger online brands and reinforce the standards of private compliance for smaller digital peers. These firms monitor if smaller businesses distribute the promotional material properly. This usually means that affiliates use the correct proprietary links and digital content, according to the terms of contract with the aggregator and the online retailer.

Another microsociological example that illustrates how this particular, affiliate, form, of marketing happens, is when LinkShare's account managers share contextual information with Marketing teams of technology-fashion brands, such as DigiVog. The sharing of contextual knowledge may concern revealing information about up-and-coming affiliates expected to contribute to commercial success and branding to DigiVog's or their fashion clients' business. Account managers scope daily applications from smaller players for interesting propositions for campaign promotions. Examples of affiliates, shown later in the dissertation, are social communities with a blog function, content curation websites, or even fashion savvy cash-starved start-up entrepreneurs in fashion who happen to stumble upon an intellectually stimulating idea for a specific promotion.

Online, indicators for success are typically referred to in the industry as Key Performance Indicators (KPI). KPI's help pure online brands gauge the cultural value of their proposition (i.e., how well is the brand known), and to figure out the commercial success of a campaign. KPIs can be spelled out as qualitative measures, such as "quality of engagement". Frequently, quantitative proxies, such as sales, number of newly registered customers, traffic, conversions, and average order value (AOV) would be used to gauge commercial success. Industry pundits such as Forrester Research, and Internet Retailer advocate broadly that explaining success with numbers is the least ambiguous way for measuring success. "It is important to let the numbers tell us what we should be doing; otherwise, *how* do you know that what you're doing is working?" (Hofer-Shall, 2012). A substantial collaborative sensemaking is required to interpret the results of campaigns that have many intangibles, which need qualitative interpreting.

From another vantage point, quantitative and qualitative measures of success both are in themselves *numerical expressions of profoundly cultural phenomena*. Furthermore,

entrepreneurial success for Internet brands is not confined to measures ubiquitous across other fields (e.g., sales). DigiVog's US Marketing Director explained, for instance, that "for brands born online the *only* channel for creativity *is* online". In other words, entrepreneurial ventures can measure the success from their birth onward by any measure of creativity that these entrepreneurs come up with, on their own or in collaboration. This dissertation interprets both quantitative and qualitative measures of success and survival, as they are understood by their creators and users in the community.

Collaboration as a Form of Innovative Intermediation

Recall that the second function organized by entrepreneurs in an online collectivity is to help, facilitate or assist peers or fashion brands in interpreting, using, and understanding digital technology for e-commerce and online marketing. Collaboration between firms from the emerging social collectivity online is one way in which these entrepreneurs can interpret or get hold of the contextual knowledge of *what to make of* emerging technology in order to use it for building a lasting and sustainable brand. This knowledge – whether it pertains to collaborative practices or use of social media for certain promotions –is proprietary and contextually specific and in the context of the community is only shared with other "insiders" in the collectivity.

The pursuit of opportunity as it relates to, for instance, developing an alternative use for digital technology, such as social media, is a powerful instiller of collaboration. For example, some technology-fashion retailers that share mutual interest in using Facebook for branding only may decide that the peer understanding of being present on Facebook as a cultural platform is to "*use Facebook for branding; do not try monetizing on it*", as one technology-fashion executive put it. Another variation of this new prescription, as expressed by an Executive Marketing Director at an online creator firm may be that "*young brands should use Facebook for*

awareness building, and older brands should use Facebook for monetizing.” Both of these interpretations are the result from collaboration scenarios that these entrepreneurs have designed in mind with developing beneficial practice for the community.

The interpretations of technology-fashion firms using Facebook can evolve and shift as new practice is introduced by creators in the community. For example, in 2011 Facebook native developers created a new practice, called “contextual advertising”. Besides having a “fan page” that worked on enhancing brand awareness, brands could now definitively use the platform to advertise their businesses and attempt to derive commercial revenue from driving traffic to their e-commerce websites.

The types of collaboration that can be fostered by the pursuit of beneficial practice are varied. An online technology-fashion firm, as DigiVog can partner up with a digital enabler, such as the online fashion magazine Refinery29 and subsequently develop a new beneficial contextual practice called “*community branding*”. This exercise involves actions from both companies that provide complementary strengths and contribute to the advancing of their brands. The practice of community branding itself may involve actions, such as, a) setting up an e-commerce page (called shoplet) by DigiVog to be hosted on Refinery29's website; b) product curation by DigiVog by populating the space with merchandise from fashion brands that both partners agree to promote, and c) content development and curation by Refinery29. The collaboration in this creative exchange helps both of these partners, other fashion brands whose content and product is selected, and myriads of affiliates that promote the partnership.

Online Collectivities and the transfer of Culture to Established Organizations

The “peer pack” approach to change in fashion incumbents tells us that only when actively guided, would these traditional organizations accept a proposition of cultural novelty in their

behavior on a new domain. In the first ten years on the new century, very few high-fashion firms had websites and *none* sold products online. One well-known marketing consultant called this behavior “a response out of apprehension and fear”. Another interpreted it as a cultural “tantrum” on the part of fashion firms indicating lack of preparedness, awareness and knowledge in accepting help.

Apart from being well documented in the behavior of fashion incumbents, the mentality of active opposition to change is anticipated in the organizational literature (see, e.g., Cohen and Levinthal, 1990). In 1999, while studying financial analysts, Ezra Zuckerman proposed that some companies are prone to accepting new behavior only after assessing how the value of their brands handles new situations and functions. For fashion brands it would be extremely difficult to assess the value of the online channel without a partner facilitating the access of incumbents to knowledge on beneficial aspects of experimenting with new tools on the Internet.

On the other hand, the literature has allowed for creators and users of new technologies to “nurture” and educate potential adopters of the value of new technology. In certain documented cases, this course has been observed in user entrepreneurial communities whose members decide to act on educating and facilitating the access of other members of the community as they themselves learn about these aspects first (Shah and Tripsas, 2007; Garud and Karnøe, 2003).

From this vantage point, technology-fashion creators and enablers of beneficial practice can influence how established brands approach the online channel. If key insiders to the community of digital fashion can successfully engage fashion brands to embrace a new understanding of the value of their brands through the use of new practices in digital marketing, their role in the community can be theorized close to Vedres and Stark’s observations of “‘almost’ a brokerage position” (2010: 215) that is enjoyed by key members in their network analysis.

One way to observe this active brokerage position is by studying the cultural practice with which online entrepreneurs engage in their dealings and negotiations with fashion brands. Because both types of players in this dissertation are conceptualized as cultural entities, the technologies and practices that they develop and use can respectively be conceptualized as *cultural objects* (see, Bandelj, 2008).

The cultural objects that online entrepreneurs use to nurture the acceptance of new technology by incumbents are native to an Internet mode of organization and business. These can be, for example, content produced by an organization, banner campaigns, the product listed on the webpage of a brand, or the creative elements of new practice, such as “community branding”. Cultural objects are embedded in social relationships between new and old players (Swidler, 1986: 277). Cultural objects and behaviors documented over the research period show how organizations in the emerging domain of digital fashion have a bearing on each other’s cultures (cf. Van Maanen, 2011).

Implications to Management Practice

This research will have certain implications to management practice, particularly in understanding new practices in creative industries. The study will explain how the use of social-commercial technologies, such as *microblogs* (e.g., twitter), *social sharing platforms* (e.g., Facebook), and *mashups* along the social-commercial spectrum (e.g., Kaboodle.com, ShopStyle.com), permits original business models to transform the archetypal ways in which content is created and consumed in a commercial context. Another related goal is to explain how thriving as a brand on the new channel can translate into sales and brand equity when the final result (i.e., assessing the social-digital value of the brand) is intangible.

In order to compete and survive organizationally on this new value creation channel, mature firms need to know how to apply innovative concepts and follow the technology leaders in order to survive. The research will describe the ways in which high-technology firms create a blueprint for using social commerce technologies. The research will also have advice for technology starters, who want to penetrate the space around branding. As new digital models evolve, they will continue to capture rents arising from the digitization of knowledge, but first-mover advantages will be very important to newcomers. Practitioners, managers and policymakers will be well-versed when taking decisions about the parameters of action planned for this domain.

3.3 Method and Data

I utilize both longitudinal ethnography and interviews. My choice of conducting extended ethnography and interviews with new online start-up entrepreneurs and established fashion brands is an original attempt to deconstruct the complexity of cultural response to the online channel. This research design allows me to gain unprecedented entrée to deciphering the cultural beliefs of executives in key digital start-ups and making sense of the resulting practices and interpretations for success in the emerging new organizational field.

New cultural practices emerge slowly on the Internet. The creation of tacit knowledge in this domain is shaped by learning-by-doing (LBD) practices. These practices are situationally embedded. When we study social collectivities on the Internet, the best way to approach them methodologically would be to sample the population to a relevant and manageable “population of social situations” (1998: 5), as per Burawoy’s instruction, rather than a population of predetermined players.

Each type of player, from online retailers to old fashion brands – however well tooled and aware – struggles with the interpretation of how to use technology for beneficial uses. Burawoy

gives us a nondeterministic approach to studying social collectivities on the Internet that is apt to situations where changes in behavior and changes in technology can co-evolve.

I sample the population to “a population of social situations” also because collaboration between peers on the Internet represents an elaborate social situation, in which both partners give up and gain contextual knowledge that serves them to deconstruct the cultural meaning of success and form new practices on the basis of this contextual learning-by-doing. In studying these phenomena, I was guided by the following empirical questions:

- What are the new practices in digital branding used by the new entrepreneurial ecologies in the emerging digital fashion field?
- What are the internal organizational processes that lead to the adoption of new technology for a particular new goal?
- What are the cultural beliefs and processes of thought and collaboration that lead to the use of a particular new practice in an incumbent fashion brand?
- Are there ideal-typical examples of changing cultural beliefs in fashion firms in relation to the Internet?
- Is there a collective interpretation of the cultural meaning of technology online?

This dissertation employs the following qualitative practices to study the population of social situations pertaining to the creation of capability and collaboration in the emerging field:

- (1) Extended 2-year ethnography in one of the largest technology-fashion entrepreneurs in digital fashion (referred to as DigiVog Group)

(1.1) Interviews with senior executives and mid-management operations specialists at DigiVog Group, in charge of online marketing, merchandising, operations, creative services, technology, and management.

(1.2) Internal documents from DigiVog Group, such as press releases, client presentations, commercial and customer plans; strategy plans; confidential agreements between DigiVog and fashion brands and/or publishers; media presentations and proposals by other parties to DigiVog.

(1.3) In-depth interviews with fashion brands.

(1.4) In-depth interviews with technology-fashion firms

(1.5) Historical analysis of primary and secondary data from

a) Retail consultancies

b) Digital media firms

c) Key opinion makers, associations, and foundations, representing the fashion industry proper.

(1.6) Participation and opinion tracking at industry conferences, forums and events.

Ethnography

The research takes an in-depth look into the cultural practices of branding of a key producer of cultural digital knowledge (DigiVog) and related peers in the community of practice around digital fashion. DigiVog is a high-technology, e-commerce firm born in 2001. The firm is also one of the largest worldwide online fashion retailers. DigiVog has enlarged its business practice

by signing exclusive online marketing agreements with more than two dozen international high-fashion brands, whose online cultural brand value it now manages.

A very useful conceptualization for DigiVog's role in the ecology can be gleaned from Stark and Vedres (2010), who note importantly that if one or more of the members of a network or a community of peers takes on multiple affiliations, these actors become "multiple insiders, facilitating familiar access to diverse resources". This conceptualization of DigiVog attests to the multiple capabilities of the firm as a "multiple insider" to a community with a sensemaking power that can influence the adoption of culture in the community and the outcomes from experimenting with a practice. DigiVog has adopted a culture of continual experimentation with testing new practice. This strategy helps the firm to gain validity among its peers and use this leverage, both socially and commercially, build best practices in digital marketing, and boost the position of its own brand and the brands of its collaborators.

My ethnography at DigiVog Group's offices in NYC started in November 2010 and was completed in March 2012. A total of 45 weeks of observational data were collected, for a total of 450 pages of observational transcript. Each week included 1 to 2 days of 8 hour observation, comprising a total of 360 hours. In addition to observation, I completed a total of 20 interviews with the Country Manager and the Marketing Manager of DigiVog in the US, for a total of 250 pages of interview transcript. In June 2010, I spent 3 weeks interviewing key functions (CEO, COO, CFO, Global Commercial Director and Global Marketing Director) at the headquarters of DigiVog Group in Milan, Italy for a total of 10 in-depth interviews. Thirty-one (31) additional interviews were carried out with executives from high-fashion companies (working with and unrelated to DigiVog), media agencies, social media firms, and peer collaborators to DigiVog for an additional 230 pages transcript.

The primary ethnography location in NYC is appropriate, because the US office at DigiVog has been invested by headquarters to be an incubator for experimentation with new marketing technologies and the building of practices around them. My primary change agents in the firm that supplied me with their evolving narratives regarding the role of digital technology in branding have been the US Country Manager and the now former US Marketing Manager⁸. In-depth interviews were also carried out with key functions in both offices, spanning those responsible for technology and marketing, such as CEO, Chief Marketing Officer, Mono-Brand Director, CTO, Senior Buyer, Web Editor, Merchandiser, etc. Careful longitudinal observations in the two contexts permit to also assess the internal brand identity that DigiVog holds with regard to its own practices and understand what external visions of identity this dominant player holds vis-à-vis other related high-technology firms, subject to this analysis.

The ethnography is carried out at a time that is especially crucial in the history of the digital fashion field. By the start of the research in May 2010, the competence of digital players under scrutiny in this dissertation was becoming more easily documented. The ecology of social situations that I studied were born out of the sense, expressed by media and industry talk at conferences, that some online players were explicitly associated with driving the narrative in the emerging field.

In-depth interviews with fashion brands

⁸ The US marketing manager left the company in September 2011. He was then succeeded by a new Marketing Manager, hired in July 2011. The new role is also responsible for organizing offline events and for the overall direction of the US marketing.

In-depth interviews were carried out over two periods, in 2010 and 2011 and followed a longitudinal method of observation of the situations pertaining to change of culture or adoption of technology in these organizations. During the year that I have given these executives a brief hiatus, their own appreciation of, interpretation and understanding of activities on the Internet had advanced with regard to the conceptual apparatus that they thought they should use with regard to the Internet. During the interviews, an in-depth orientation questionnaire was used that included chapters devoted to questions regarding:

- The history and evolution of organizational capability, as it relates to new organizational practices for using digital tools for social-digital branding and marketing.
- The internal team projections of the cultural relation of the firm to the emerging organizational field.

In-depth interviews with specific fashion firms are carried out. These players are established high-fashion brands. They are treated as incumbents with established cultural values moving from a traditional (e.g., “analog”, “brick-and-mortar”) to a new (e.g., “non-physical”, “online”) system for value creation. The goal for the move is to explicitly use emerging technologies for marketing and branding. For representatives of this population, establishing presence on the Internet is defined as an ownership of a corporate website, e-commerce website and the use of social commerce technologies for branding by way of establishing and maintaining direct relationships with dominant fashion-technology players.

The functions interviewed were selected to ideally reflect the existence of dual interpretation in the use of new technology. Where possible, with each of these firms, I have interviewed functions that represent the “old” offline worlds of Communications and Retail Commerce and contrasted it with Digital Commerce, Digital Media, Web Marketing, or a Social media team.

This has been a very useful approach indicating gaps in culture across the studied firms and their interpretation of the meaning of technologies for branding and commerce. For example, alongside the Internet Woolhunterer position at one of the firms, I interviewed also its Global Communications Director, who had pursued a more expectedly traditional line of cultural inquiry, but also surprised me with openness to some of the new players. At another, older Italian firm, the traditional story was provided by the firm's global CIO, whereas the e-commerce manager and the Creative Web Editor delivered a softer and Internet-friendly social media focus that they believed should be the centerpiece of their digital strategy.

At one of the oldest UK high-fashion brands, despite their very own, original approach to integrating both online and offline marketing in the same division, the traditional organizational culture surprisingly made the Global Vice President of Marketing unwilling to think of collaborating with publisher networks or of thinking of the placement of their merchandise into online channels as a marketing tactic.

This dual focus, when it was possible to obtain it, allows taking a look into the different cultural priorities and prerogatives regarding new technology that exist in traditional players. The approach also solidifies Burawoy's advice to sample curious and stimulating social situations, rather than populations, to elucidate data that are extremely difficult to capture otherwise.

In-depth Interviews with online technology-fashion firms

Conducting ethnography and interviews with the most active emerging players in a domain where managerial practice is contextually evolving and life histories are very short (in some cases, 2 years), is aptly done by documenting their current thought-provoking situational analysis of the emerging field. This approach is suitable exactly for cases when the new population is emergent and small in numbers. When a new organizational field appears,

technology change is rapid. The narratives that organizational actors create to explain the use of a technology for supporting a certain vital function (i.e., the brand) can differ during the period in which they must learn to practice the technology.

The few actors that are first-movers in the space also need to agree on a dominant interpretation of how to use technology for the support of new/improved organizational functions. Consequently, the knowledge that the researcher is attempting to discover about the organizational practices in the field can be highly situational and tacit. The ethnography and interviews allow aggregating knowledge into a social process and circumscribe the boundaries of the field as it evolves. A qualitative microsociological approach here explains and describes the formation of a brand as a collection of higher-level processes unfolding over time in organizations and mediated by technology, *as competition happens*.

The ethnography and in-depth interviews at DigiVog Group are complemented with interviews with other players in the new field. The semi-structured interview format combines sections on:

- History and evolution of organizational capability, as it relates to new organizational practices for using digital tools for social-digital branding and marketing.
- Internal projections of the cultural relation of the firm to the emerging organizational field.

Enabling-Critical Technology-Fashion Firms

For the purposes of this research, I look at enabling-critical players as 'users' (von Hippel, 1986). These players are digital firms whose impact on incumbents' capability to adapt to digital technology moves from enabling to critical, as they are able to focus on practices that

position them as strong players in the space. Consequently, more fashion brands would directly use their platform and more users would participate in the customer community that they serve. Directly means that the enabling players directly collaborate with fashion brands and use social community tools for talking about these brands to their community base. These players have emergent identities. The place of these stakeholders in the organizational field is analyzed from the vantage point of DigiVog as a dominant co-constructor of the digital space.

The concept of *critical-enabling player* is also an attempt of this research to bridge the gap between critical audiences (or, organizations) and the development of new industries. Enabling players would surface in digital/new technology spaces in which critical audiences are scarce or do not exist, as in digital fashion branding. Enabling-critical players are conceptualized as organizations that co-construct the new organizational field; build best practices around it and in doing so facilitate the transition of incumbents to using/adopting new cultural tools (digital practice) in figuring out the cultural competence on the channel (Figure 1).

Organizations in the new field can also play only a critical role to the industry. The critical capacity depends on the managerial intentionality in transferring competitive practice that is crucial to the survival of the organization to the incumbent population. By collaborating with other players and by continually developing proprietary knowledge, firms like DigiVog would actively co-construct the space around themselves. Consequently, the ability of players as DigiVog to discover and validate a practice that is going to be required of all future participants in the space, including incumbents, becomes critical. For example, DigiVog has developed over time a competence about how to do digital marketing that is proprietary and tacit in nature. This knowledge has been accumulated by learning-by-doing practices with the stakeholders in the vicinity of the firm.

When DigiVog signs a contract with a brand and develops its e-commerce website and digital marketing mix, the firm essentially transfers this “hard-learned” contextual competence to the incumbent. Initially, the kinds of competence that DigiVog developed for brands were basic help with search engine optimization (SEO). This service was shared with brands on a fixed fee basis. As DigiVog’s efforts to co-construct the digital space around fashion evolved, the company was able to first, adapt to its own brand the evolving digital technology and second, transfer learned practices to its fashion brands. DigiVog shares with its partner brands the tactics it uses for successfully positioning the social value of its own brand, and becomes a player of critical importance to incumbents. This is how the role of a critical player differs from the more positioning, marketing platform role of an enabling player.

When enabling players collaborate directly with fashion brands, they position the brand name and merchandise via the proprietary platform they have created (e.g., FashionStake, Moda Operandi), but do not intend to build the knowledge base of the fashion firms regarding *how* to use the digital channel. Some platforms/players such as Facebook are enabling-critical (although strategic brand executives told me that they see Facebook’s role in digital branding and marketing as purely critical). This high-technology firm has established a 'native' set of applications available to any brand that wishes to use the platform. At the same time, Facebook’s own social brand value is increasingly connected with practices that mix and match marketing and branding, such as ‘fan pages’ and contextual social advertising. The firm’s digital strategy team also helps actual organizations position their brands using the native applications of Facebook. The extent of help in some cases (offered to some of the largest corporate clients) include free of charge brainstorming on how to build the most innovative 'fan' page. Thus, the free use of the platform as a way of experimenting with brand message (enabling role) can be

supplemented with explicit transfer of e-branding capability from this player for select clients (critical role).

The way enabling-critical players are sampled is based on the fact that: a) DigiVog either collaborates with them actively or has explicitly singled them out as important partners/peers in the construction of the field; and b) the firms represent some new model that may not be necessarily of critical importance to DigiVog's stake in the fashion digital space, but is interesting to DigiVog as an "outlier" competence. In terms of firm history, the oldest among the new entrants are founded in 2000 and the youngest in 2010. These players are technology start-ups – i.e., they own the proprietary digital e-commerce / social media / social community technology. All firms are currently in business.

Players like Polyvore, ShopStyle, Facebook, Google, (via SocialCom.com) were suggested by DigiVog to play an active role in the firm's digital marketing strategy. DigiVog also collaborates with these firms. Polyvore, ShopStyle, and Boutiques are what the digital industry calls "publishers"; Facebook is a distributed social media platform. These players combine search technologies with social content from users in the form of community blogs around styles; user building of fashion sets, and fashion editorial content provided by consumers themselves or publisher's editorial team. These are the social commerce players that provide the backbone of DigiVog's digital branding partnerships.

Cases of interesting outlier models that DigiVog found particularly stimulating with regard to extending the boundary around the digital capabilities in the field, were, for example, Gilt Groupe (founded 2009), FashionStake (founded 2010), Moda Operandi (founded 2011). These players are the latest thought-provoking models that have organized around the idea of a marketing platform that helps young designers position themselves in the digital space.

Secondary data were also used in order to establish the evolution of these firms and their location in the organizational field.

Historical analysis of primary and secondary data

The digital marketing industry is an organizational field in the making. Knowledge is produced contextually on the Internet and the opinions of organizations, consultancies and digital media companies born on this channel are useful to monitor as they can advance contextual knowledge in narrative form. Online media companies typically specialize in developing narrative around new digital technologies and address the conversation around the intended goals of using web marketing technologies.

Media publishers whose discussion are followed in this dissertation are *adage.com*; *adweek.com*; *brandweek.com*; *hubspot.com*; *progressivemediaconcepts.com*; *socialmediaexaminer.com*; *tedtalks.com*; *wired.com*; *zeitgeist.com*, and *AMA.com*. I have also tried, where available, to check the opinions received during interviews with information from two specific sources: the American Marketing Association's (AMA) webcasts, and the webcasts provided by HubSpot.com. The reason to focus on these two channels was to contrast the self-reflective thought leadership of AMA with the cultural beliefs of smaller marketing opinion-makers. Media publications about organizations in the digital fashion space provide an important third-party check into the contextual events and competitive practices of different players as they relate to their cultural beliefs.

AMA, one of the largest marketing associations in the world, explains its role in three major components: "a) Connecting, as a conduit to foster knowledge sharing. B) Informing, or providing resources, education, career and professional development opportunities. c) Advancing, or promoting/supporting marketing practice and thought leadership." AMA defines

marketing as “[...] the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.⁹”

In contrast, HubSpot directs its conversational tools, such as webcasts, presentations and white papers to the needs of smaller online entrepreneurs. The main cultural belief of this media channel is the idea that smaller is better in online forms of organization and that “the internet disproportionately favors small businesses since it enables them to position their niche goods to people shopping for that particular niche good regardless of the numbers of degrees of separation from their rolodex.¹⁰”

In addition to these outlets, I have followed the formal opinions of opinion-makers in the luxury industry proper. Paying attention to the beliefs advanced by these organizations permits to track how they perceive the evolution in the behavior of fashion brands. Interviews have been carried out with independent industry experts (Burke & Associates, Doneger Group, e-Luxe Inc.), digital consulting firms (BitMama), luxury consultancies (Kurt Salmon & Associates, the Luxury Institute), and flagship luxury group associations (Fondazione Altagamma, Walpole, USDA).

Participation at industry events was also necessary in order to observe if during these events industry leaders, fashion incumbents and online technology-fashion firms that attended them can arrive at a mutual cultural interpretation of digital technology that redresses their original business goals.

⁹ Available at: <http://www.marketingpower.com/Pages/default.aspx> [Retrieved on 07/30/2013.]

¹⁰ Available at: <http://www.hubspot.com/internet-marketing-company/> [Retrieved on 07/30/2013.]

One event that includes key online “activists” and incumbent firms is the Luxury Interactive held each year in London and New York. Two other venues attended consistently include local conversational outlets, as Fashion 2.0 organized by the Style Coalition in New York’s Silicon Alley, and the annual meetings of the Luxury Club at Columbia Business School, NYU Stern School of Business, and Harvard Business School.

An important reason for attending these latter events held academic institutions was to observe the interpenetration of academic opinion regarding firm-level effects of digital marketing. Some of these events, in particular events related to conveying the interpretation of pundits regarding their understanding of new technology, were also attended by some of the peers from the online community studied in the dissertation.

Original involvement in triangulating the ethnographic data was also attempted. One example is the Fashion 2.0 meeting that took place on March 28, 2011 in New York titled “The future of online retail”. This was going to be a key conversation for the online community provoking questions from attending fashion brands. I noted the event to the former Marketing Manager at DigiVog US, who after some resolution on the disclosure of information regarding DigiVog’s new digital practices, decided to register and was promptly offered to speak by the organizers. Despite his general unwillingness to present for fear of disclosing information to outsiders, the executive agreed to be part of the panel and the information gathered during the event was vital to this research.

Some practical examples of the utility of the method

I look at the new social-digital technologies as beneficial innovations in practice and technology.

E-mail/Loyalty	Search Engine Marketing	Affiliate Marketing		Advertising/Branding
Loyalty Programs	Website/Landing page development	Co-marketing Partners	Social Marketing Partners	Verticals/Banners
	Algorithmic	Price-comparison engines (PCE)	Social Networks	Social Media Advertising
	PPC/Mobile Search		Social News/Bookmarks	Contextual Advertising
	Price-comparison engines		Photo/Videoshare	Instyle.com
			Pod/Videocasting	Vogue.com
				Elle.com
				Glamour.com
				Polyvore.com ShopStyle.com
				Facebook.com Refinery 29.com
				DenimDNA.com

Figure 2 Tools and channels of digital marketing

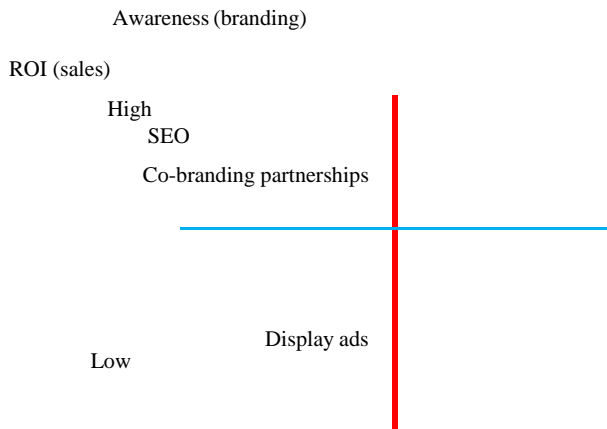


Figure 3 New practices as enablers of commercial and branding success.

Figure 2 and Figure 3 describe some digital marketing practices in DigiVog Group and partners with which these are associated. These depictions of behavior were produced in multiple discussions between me and DigiVog’s Marketing Director in the US. The goal of these ongoing conversations was to understand how the share of each of these new practices has evolved in the marketing budget during the last 5 years and how has the company’s position evolved in relating these practices to either commercial or branding goals (Fig. 3). Community branding

collaborations between DigiVog and multiple partners, for example, appear to be conceptualized as “grey” area that is still to be interpreted in iterations of collaborations with other partners.

Longitudinal Visual Ethnography

To better describe some of the elements of digital marketing I have collected and used, where appropriate, visual data. For example, one new tactic for digital branding developed during collaboration between DigiVog and peers is the so-called *community branding* practice. Based on the breakdown of technological boundaries between curation of content and curation of fashion merchandise, this practice is a powerful indicator of the seamlessness of cultural collaboration online.

In this practice, a technology-fashion firm partners up with an editorial publication or an online magazine. The magazine curates a theme and the retailer curates product from its own portfolio of brands. The curatorial selection is approved in conversation with the magazine and is posted online at a shoppable link that developed and powered by the retailer’s team.

Visual research is the only acceptable way in which this collaboration can be illustrated, documented and its evolution can be observed. Below is one example of a recent collaboration in 2010 between Vogue USA and an online retailer.

The choice of this set of qualitative data sources follows Glaser and Strauss (1967) advice to use different data sources in order to fully describe— in this case – the empirical phenomenon of interest. For example, selected press releases that DigiVog’s PR team has compiled since the inception of the firm show important events in the company’s history that mark the development of certain practice.

PART II: ONLINE ENTREPRENEURSHIP AND ITS FASHION DISCONTENTS

Chapter 4: The Fight for a New Cultural Identity in Fashion Firms

4.1 The Internet Challenge: New Partners, New Boundaries, New Culture

Luxury fashion executives had difficult time understanding technical tools, such as search engine optimization (SEO) or natural Google rankings or the input of entrepreneurs from digital agencies, who engaged in acculturating executives in their intended commercial consequences. For fashion firms these tools were invested with cultural meaning beyond their immediate business impact, such as providing a brand with visibility upon a search. At luxury fashion conferences during late 2010 and 2011, fashion executives listened little to the advice of digital entrepreneurs, and a lot to their digitally distressed peers. This practice was in keeping with the “insider”, “peer pack” culture, which required that for an existing cultural belief to dissipate, the peer group needs to show collaborative signs of validating new partners to the industry.

At a heated discussion on luxury and e-commerce in May 2010 in London, a well-known fashion communications consultant argued that before the Internet, “[T]he brands survived, because they were *different*... [Now], it's a jungle¹¹! When you search for Rolex, it's a Jungle! No, *we* have our own rules as luxury.” Few fashion consultants for the brick-and-mortar industry

¹¹ By “jungle”, the consultant was referring to the ostensible lack of organizing logic in Google-generated search results, which appear after a search phrase has been generated by the user. The discussion below shows how fundamentally necessary to an entrepreneurial culture (yet, simple to put together) the concept of Search Engine Optimization is. Simply put, SEO online is somewhat culturally similar to a collaboration between a fashion firm and a search engine; the latter being “enabling tools”. SEO makes it possible for fashion firms to be “found” in the “jungle” by optimizing their content to be searched by keyword on the largest search engines.

agreed that there may be a new paradigm emerging out of the digital channel and that there was potential for deriving new sources of brand value that could be harnessed through trial and error together with new peers who were born online and already had them figured out.

The former Digital Director and current VP Business Development for China at one of UK's most renowned fashion brands explained the merits of experimenting with new Internet culture for fashion brands:

“Regardless of the general knowledge the consumer has for the brand offline, online it’s a different game. It’s fast paced and you have to garner dynamic new capabilities as a brand – capabilities that are tailored exclusively to the digital domain in order to appear first in search engine rankings. It’s the search engine that ranks you to the audiences who search, not your offline store, or your offline advertisement, etc. So, instead of working with Elle or Vogue for making your audience aware of you, bidding with other brands for ad space. Google provides you with the platform and the rules for using the platform that are democratic – e.g., you use the platform yourself, you bid against other brands but you know this and everyone has a chance to win on bidding; you also collaborate with search engine players on testing new technologies to better position the outcomes from a search with regard to the brand. Anytime you see a sponsored link on Google, and it says “sponsored link”, each one of these companies has paid to appear there and they have paid money against that word that you’ve tapped into Google.”

For fashion brands and multi-brand luxury conglomerates who owned them, such as Richemont or PPR (previously known as Pinault-Printemps-Redoute and since April 2013 as Kering), it was difficult to understand why their boards of directors should invest in digital practice, like search. A Senior Project Manager for e-Commerce at a large fashion conglomerate, now Director of Global Digital Projects, kept asking executive management to invest in digital marketing and to attempt to “internalize this capability at a Group level from [our] digital agency.” The governing board was concerned as to how relevant new digital tools and practice were to the needs of 250 year-old brands. There was no clear answer or recipe for transition. In the meantime, many digital experts emerged, claiming that their experience with internet culture and practice should hold sway.

One of the executives in charge of such a discussion was the Director of Partner Division for DigiVog, the company in this research, who was responsible for managing relations with 24 high-fashion brands from Italy, France, Germany, the UK, and the US. He explained the cultural apparatus of online entrepreneurs by disconfirming the need for “insider”-type legitimation for incumbent fashion brands. His advice was practical, stating that fashion brands could, in fact, engage in Internet activities on their own, provided that they follow the contextual knowledge of the new channel imparted by other online-born “insiders” to the business of fashion online. These entrepreneurs were born online, engaged in selling fashion merchandise online and built their brands as fashion and technology brands. The implication was that to succeed online, fashion brands had to work hard and collaborate with qualitatively new types of legitimating partners.

“Do you have metrics behind your business?” asked the Partner Division Director. “When you look at sales, you can't really say, I spent 1% and 1% came back, but when you see the trend in sales, it should be at least the starting point for you to ask for more money”. “How do you run SEO campaigns?” asked one fashion executive. “Can I ask you, what do you mean by SEO?”, DigiVog’s executive countered. Unsure, the brick expert responded, “Search engine optimization...” DigiVog’s executive was persistent: “No, no... I mean, do you pay an agency to do *what exactly?*” The manager readily offered, “We pay an agency to do our web marketing and social media for us. They are testing..., moving keywords.”

It took a lot of persistence for DigiVog’s executive to negotiate a simple and clear picture for the fashion community at the table.

“We’re talking about a search engine, Google. Google needs content and this content has to be relevant. The SEO expert- she or he does what? Changes the content? *This doesn't make a lot of sense.* About SEO. Once you've done it; you've done it. You have to optimize your system so

that it produces intelligent URLs. *Period.* Names, Category, Product. *Period.* Then, you need text on your site, and the text needs to be seen by search engines. *When this is done, you don't need an SEO expert at all.*”

Fashion firms were culturally “insolvent” to accept straightforward propositions on the meaning of practices related to the new medium. Established fashion firms typically separated their operations in siloes, where the organization of e-commerce operations is functionally different from the unit that deals with the internet; commonly called the “digital team”. When fashion firms started opening up their boundaries to the Internet, executives initially placed the fledgling new units, social media and e-commerce, under commercial or communications operations. One Sicilian “haute hippy dom” brand, established by its two eponymous founders in 1987, had a team of 15 people in charge of digital media already in 2010. An executive at a peer brand called these arrangements “[...] very strange for the market, because it is very *peculiar*...”. The “peculiarity” was that there was a high degree of control from the top even on such simple tasks as interpreting media reports produced by digital agencies on the results from banner advertizing online. The Head Designers, who were also CEOs, had to be immediately informed of the weekly results. As many others, this brand suffered from an Internet identity crisis. The digital team was placed inside Offline Communications. The e-commerce division was similarly attached to brick Retail, and was viewed as “just another store”.

Traditional players in the industry, such as the Italian Altagamma Foundation, presumed that this siloed arrangement was the best fashion teams could do to nominally “waive off” the Internet as a new communications and commerce domain. The Director General of Altagamma saw the new organizational concept of “digital team” as an organizational irritation necessitated by new technology, but not new culture.

“No, for e-commerce, *it has to be under the Retail Division*. It is a single brand store. Gucci online store is part of single-branded retail; the technology is different. *But, anyway, it’s just retail*. I believe that the effect of having digital – *just the technology* – you don’t need to have corporate Communications dealing with all the traditional media and the digital team with all the new media. The Communications department *has to be* in a position of *managing all communication* by having the ability of using each of the technologies; the media.”

Communications divisions in fashion firms hold sway over the cultural meaning of branding. They are the focal points where the “reinventing of the brand” takes place during the two seasonal fashion shows. The former Director of Client Marketing for one of the oldest French *maisons* explained in 2010 that the flipside to attaching the Communication divisions to the Internet channel was likely to produce risks because “Communications activities on the Internet ...*misinterprets the meaning* of this channel, which has grown out of the communications stage and into the collaborative stage.” In his own brands of tenure, this executive had come to a new cultural understanding of the most crucial function in fashion firms. He had ventured to “bend” Communications to respond to the principles of the new cultural domain.

One example of the fight for a new identity is a major French fashion label, founded in 1946. The former Director of Client Marketing reported in late 2010 that he perceived the separation between e-commerce and the digital channel as a “*cultural prohibition*” by executive management. E-commerce was under the retail division and “Internet” was under marketing. The executive was frustrated with the situation and lobbied to experiment with the cultural logic of thinking about novelty in the firm. He pledged to the CEO of the fashion conglomerate that owns the brand to unite the two teams just as online pure play brands in the field of digital fashion would.

As a result of his consistent efforts, both functions were placed under a newly founded “Client Marketing” department. The Client Marketing department included customer

service and customer relationship management (CRM). The department was responsible to Communications.

Both the “Internet” team and the e-commerce team were placed under Client Marketing (Figure 4). The chain of functional command, however, indicated that the two new functions were conceptualized as auxiliary to customer care and not as new units that would engage with an entrepreneurially-driven domain. The two teams were also responsible for different things. The former Director of Client Marketing noted that “the Internet team creates content and the e-commerce team manages sales.” The challenges were clear, but the company had been successful to position e-commerce away from brick-and-mortar stores.

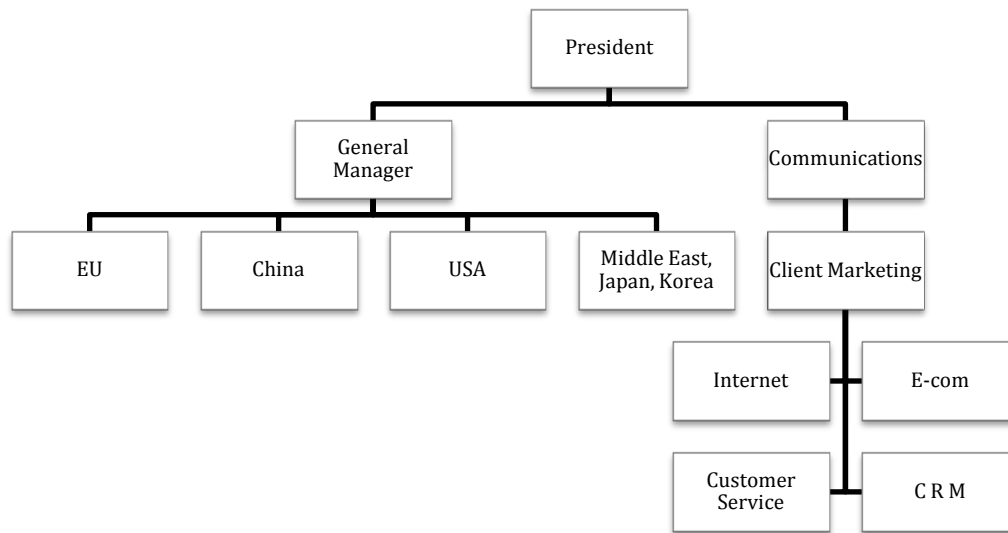


Figure 4 Organizational Chart at a High-Fashion Brand (France)

This example shows that established fashion brands with long histories of cultural predilection for brick-and-mortar dependence can pull through an organizational change related to reshuffling functions for the Internet. Brick-and-mortar executives were aware that this new domain for value creation calls for the adoption of entrepreneurial units with larger competencies than their predecessors in the brick and mortar world. The separation of the two units and their integration in a minor division, other than Communications, also shows that executives at this

brand considered this move to be an act of *experimentation*. The change is slow but sure. In 2010, some executives growing comfortable with the idea of integrating novelty in fashion rejected opportunities with other brands in which the two functions were separated.

4.2 The Plight of Digital Agencies for Intermediary Status in the Internet Transition

In late 2010, an executive in charge of Marketing at a high-fashion French *maison* was offered a newly created position related to e-commerce at LVMH. He refused the job for what he termed "ideological" reasons. The point of frustration was his lack of conviction that LVMH was going to change the existing culture in which both e-commerce and online marketing were separated.

“One person for Internet and one guy for Communications on the Internet, and it is not possible. In fact, in fashion companies, they *don't know* where to put us - the people of the Internet. Because, it's e-commerce, but, it's also bloggers - it's public relations. It's also technology. In US, it's more advanced; in France, Europe, it's really not advanced. They always put us either in Retail or in Communications and it never works. In fact, what is happening in the US, if you look at big website, big organization, you have the e- communications, marketing, store retail, and at the same level you have the Internet.”

Executives in the few fashion firms who knew the organizations of new entrepreneurs in digital fashion believed in mimicking their internet organization and practice and felt compelled to prescribe this cultural behavior to their bosses. As the example that follows indicates, executives at fashion firms that were willing to follow the cultural sensemaking of online entrepreneurs understood “success” to involve the willingness to adopt a new, entrepreneurial culture.

At a Swiss brand owner, financial conglomerate that owns Chloe, Azzedine Alaia, and Piaget, e-commerce and digital communications were also separated. The conglomerate ran each of its brands as independent entities, and the executive management explained that this approach “ensures that each *maison* remains unique”. The executive managed to persuade in a number of

conversations the president of the company to invest in search engine optimization and social media. The problem was that the investment did not go into integrated marketing and e-commerce initiatives, because the two teams were separated. In addition, outside digital agencies handled the planning and operation of social media and SEO campaigns. The executive noted that having to wait for the results from these campaigns to be presented by digital account executives felt like waiting for traditional paper advertizing agencies to report on the results from paper adverting campaigns.

“[W]e started to spend some money on the Internet. We spend money on communication, pay-per-click advertising, *but the e-business team is not aware of it. We don't know* the conversion rates, we spend money, but we don't know... We get a communication from the digital agency with whom we work *3 months after the campaign, just like a traditional paper ad.* What I am trying to do is..., we have 15 brands and, separately, we do not have enough power to produce the type of work that a digital agency can handle.”

Digital agencies gathered momentum after 2009 by starting to propose to brands to engage in a set of easy to follow prescriptions in social media, and less typically, SEO. Specialist digital agencies appealed to fashion executives because they offered specialist advice in areas, such as SEO, digital advertising, and social media that seemed to be the key to operating online, but unknown to brands. The operating procedures of digital agencies were friendly to brands and they were less costly than paper advertizing agencies. Furthermore, account executives demonstrated to clients a straightforward connection between performing a practice and getting a favorable result.

Digital account executives offered methodologies that differed across populations and geographical location of the brand, but typically their plan proposed to the brand to carry out a package of social media initiatives online. The goal would be to reach certain levels of

performance for a set of indicators called key performance indicators (KPIs) and commercial return on investment.

The Vice President for one of the largest digital agencies in the EU outlined the methodology that his firm used with fashion brands in four steps. The brands want a recipe for understanding how to engage with their audience using social media channels, such as Facebook, twitter, YouTube, or paying for keywords in search engine optimization. The first step for the agency is to understand where the brand wants to communicate in terms of social media channel. “A very important element is to evaluate what is available out there that people see about your product”, said the Vice President. “Here, you have to study the perceptions that users deliver on the web and maybe the company doesn’t know. Many firms don't know what media, websites consumers use to talk about their brand.”

The agency then evaluates the gap between what the brand wants to achieve and the actual sentiments of “fans” on desired social media channels. In a third step, the account executives draw a proposal for the tools and investments they want to use to address “the gap”. Finally, the agency delivers on these gaps and communicates the results to the brand with a focus on “improving communications about the brand”.

The cultural impact of working with digital agencies for fashion brands is to simplify the stress on cultural cognition associated with understanding various new KPI metrics. However, digital agencies do not do the kind of business fashion firms do in the brick-and-mortar domain and their scope of competence does not include owning digital properties in fashion or e-commerce. One consequence to proposing prescriptive plans to cultures digital agencies to not understand is the introduction of confusion in fashion executives who are hard pressed, but

unable to explain the cultural meaning of the prescribed metrics of success. The VP of Marketing in the entrepreneurial case study “C” is a good example.

“There are 3 classic metrics. Traffic, conversions, average transaction value. The three create the revenue (ROI). ... I mean, the traffic one, cannot only be driven by marketing expense, but it is really a reflection on ... if your brand is doing well; you're going to get an increased traffic. We get around 200,000 unique visitors a week in the US, the same for Europe and 80,000 in the rest of the world. The e-commerce traffic has increased by 100% in Europe in the past few years. 200% over two years.... As we shifted money into more digital media spend, obviously the opportunities for driving a digital traffic also increased. The conversion rate... the database actually demonstrates a lower rate than is actually achieved. The reality is that loyalty among customers of fashion brands is around 2-5%. What we're seeing is much more incremental growth stage level. What you're actually getting is much more occasional browsing, but that's fine, I mean, again..., *that's* what drives our business, so it's not much of a problem...”

The VP of Marketing was unsure of the cultural meaning of “traffic”, “conversion”, or “browsing”. He was certain that these were the appropriate KPI's with which to measure the *success* from e-commerce on the Internet. The VP gauged this success in a commercial form; as the ROI, or revenue brought by increased traffic that leads to conversion and sales. However, he then noted that the lower average ticket on the e-commerce website of the brand was around \$200, at least 3 times less the cost of the brand's most popular apparel product. This, meant, in turn that customers behave as “fans” and that e-commerce is a branding tool.

Some brands have tried to motivate their own teams to adapt recipes from their digital agencies in-house. The problem of going-it-alone is compounded when the brand has separated e-commerce and online marketing from each other. An e-commerce director at a UK luxury fashion brand indicated in mid-2010 that when she insisted not to use the services of digital agencies, senior brand executives hired a limited number of staff to deal with SEO and social media. The new hires were trained in SEO and in some aspects of digital advertizing, such as negotiating banner space. She reported that the separation of her team from the “Head of Digital”

tripled the time it took the new hires to respond to a problem. This undermined the effort of the brand to learn from the digital channel and react quickly.

“If the question is not specific enough, you have to brainstorm it with yourself. Once you have the information you want, it's too late. We all know that digital is too fast, and you cannot miss a step. When you think of building a team that works around digital... You really have to have someone to work on the specific brand, even if from Group Level. We probably need 15 - 16 in the team. Yes, you can touch the brand; yes, you can educate about the brand. [...] I think we need someone who is really like an editor, and gives a different voice [...] someone needs to be hired to bring *the level of the conversation on a whole other level.*”

As ritualistic organizations, fashion firms go to great lengths to obviate the necessity to adapt to this new culture of doing business. The former VP of Marketing at one of the largest UK high-fashion houses noted that as long as the culture of exclusivity continues in high-fashion brands, it would be difficult for change agents in them to attain internal support for accepting and working with the Internet by the “local” rules of the game.

“Traditional luxury behavior is outside democratic behavior. Digital language is an inclusive language. We needed to include digital in our DNA. Chanel or Dior – they are not *inclusive* brands. They are *exclusive* brands and that is how *they have built themselves*. It's very, very challenging to deliver inclusive experience online and that is a difficult position to be in and as a result they will probably find it more difficult to have a relevant brand online. I can think off the top of my head about activities they should engage in, but for them to respond to the digital would be difficult.”

4.3 Attitudes of Cultural Change: Three Case-Studies

Brand “A”: Indifference and Change

One typical example of indifference to the new channel is the response to the Internet from one of the largest international high-fashion brands whose revenue for 2011 reached €1.8 billion. The former supervisor of Retail and Promotions at the brand, currently Manager of Marketing and Events reported that his intent to “push digital” was not well taken by senior executives at the brand headquarters in Europe. His rationale for expanding the presence to the online channel was that even though “80% of the business is driven by 20% of the customers, it's important to

get the other 80% of customer base shopping. I guess the internet gives them this broad reach opportunity”. The brand’s PR Department which reported to Communications opened up a Facebook page in 2010 and considered that until further notice this was the absolute push for Internet outreach.

The manager of Marketing and Events was responsible in 2010 for maintaining relationships with two divisions – retail (own stores) and wholesale (the wholesale business of the brand with Neiman Marcus and Saks).

Practice	Content	Domain (online; offline)
1. Direct Mail	<ul style="list-style-type: none"> –catalogues –made-to-measure –National Promotions –Product specific collaterals –Local Projects –Market-specific events –Store opening/relocation/closing (communication). 	Offline.
2. E-mail	<ul style="list-style-type: none"> –collection announcements –sales –promotions –product-specific promotions (e.g., they send a link and client can watch runway shows streaming) –Joint projects (with DigiVog - direct emails for the runway). 	Online.
3. CRM	<ul style="list-style-type: none"> –database analytics and segmentation –RFM (ideal client shops twice a year, or maybe once) –behavioral tracking (offline) –marketing activity tracking (after receiving the e-mail, have you shopped –online/ offline) –customer retention (offline mainly) –List generation (online/offline). 	Offline/online
4. Events	<ul style="list-style-type: none"> –client focused events –fashion shows –cocktails –style presentations –notable guests –special new and limited editions promotions –sale –GWP –perceived value of gift –PWP 	Offline.

	<ul style="list-style-type: none"> -perceived value of offer -% of sales -sweepstakes, raffles, etc. 	
5. Partnerships	<ul style="list-style-type: none"> -business partners -licensees (A/X, L’Oreal, Fossil, Safilo) -partnerships with non-competitive luxe brands -hotels, jets, etc. -Magazines -NPO (non-profits) -BI services with AmEx 	Offline.

Table 2 The appeal of offline marketing: high-fashion brand (Italy), 2010-2011.

(Source: Internal reports, 2010.)

As Table 2 indicates, brand “A” used events and partnerships with magazines as the primary building blocks for branding. For example, “event management, one of the most important generators of business”, according to the executive, was a ceremonial practice maintained by strong personal relations between executives and wealthy individual buyers. Events were also brand status generators, because the largest area of competition between the brand and its luxury peers was to compete in planning and carrying out events.

Direct mail, CRM, and partnerships were also brick-and-mortar practices. Their goal was to acquire or retain existing customers. Customer relationship management was explained by this brand as the “most important practice in the lifetime of a fashion firm” aside from brick-and-mortar magazine ads. CRM in this brand, as was typical for fashion labels, was done in consultation with the Retail Division and new leads were generated via partnerships with magazines and licensees, in-store promotions, and “datamining” of contacts.

Despite the importance of CRM, executives at this brand could not outline in steps the process of designing and maintaining customer relations. This fact indicated that CRM is important as a ceremonial practice with clients. The Chief Commercial Officer (CCO) at DigiVog explained his perspective on ceremoniality and CRM in brand A.

“CRM is an absolutely unknown topic. I had a very close friend; a CRM Director in [brand A]. And, I mean, she was paid \$150,000, she had the best job ever, and she had nothing to do. You have store managers with a handwritten card with the name and the perceived age of the customer and maybe the address, which you’ve jotted down with a few typos and then transcribing onto another database with more typos, which doesn’t fit because it’s different from US to Italy. I am talking of Italian fashion firms and to an extent of French fashion firms. When they are interviewing for a store manager, do you know how you define the value of a store manager? All you’re asking for is the customer carnet with a handwritten name of all the customers this manager has. The more VIP names, the better! You observe how much in total the best customers spend, you cut that in half and based on that, you define store manager’s compensation. That is CRM in fashion companies.”

In 2009, brand “A” launched corporate informational website with information on the history and the whereabouts of its stores. People visiting the website were “corralled” into registering for e-mail updates and this online practice became the company’s digital CRM. The Director of Events explained that the goal of e-mail was to “balance[e] the frequency of reach, database growth, *and the message that is contained in the email.*” E-mail officially became the ceremonial extension of direct mail to the online channel.

Brand “B”: Distress and Change

Brand “B” is a high-fashion Italian label established in 1978 with € 340.2 million revenue in 2011. The brand suffered tremendous operating losses in 2009 and 2008. The supply-chain distribution of the company was heavily restructured for cost-saving and in 2010 the firm announced one of the worst years in its history, posting €22.3 million loss. In 2011, the brand still struggled with financial shortages, but reported no loss.

Brand “B” opened its first retail boutique of on *Via della Spiga* in Milan, in 1978. For comparison, “B” is similar organizationally to two other Italian brands – the privately owned Prada and the public Gucci, owned by the French PPR. The brand’s Internet saga started out with two challenges. The first was related to the lack of in-house knowledge on how to build an e-commerce website. The second was the fear of finding a partner- the company was looking at

DigiVog as a possibility- that would turn out to be much stronger in culture and competence than the brand. The implication was that a stronger partner that could help the brand transition online may force brand “B” into accepting a new cultural identity on the new channel.

Wither Collaboration Prospects

One of the significant problems of handling a transition online for the CIO and the Creative Director was the challenge to retain control of marketing and communications. In 2009, brand “B” started negotiations with DigiVog executives to have assistance with building an e-commerce website. In early 2010, the CIO was cautiously optimistic about the tenets of this possible partnership if DigiVog were to keep away from managing the brand’s marketing online.

“What I'm saying is, is that we are not going to do this project internally, because the cost and the complexity of making a distributional e-commerce site is not convenient. But we will outsource all the logistics function to somebody else, and keep all marketing in-house. In this way, we can keep the image and the size but do not make any big investments.”

In mid-2010, the CIO of brand “B” was in preliminary negotiations with the CCO and other executives at DigiVog on assessing the options for developing e-commerce. DigiVog was asking the brand to sign their contract for managing the e-commerce system, which also stipulated that DigiVog would plan some digital marketing campaigns for e-commerce, such as SEO. The brand executives wanted to retain the decision-making related to communications in the new space. This cultural approach made it necessary to keep any future partnership with DigiVog at the most basic level of technology provider. Said the CIO:

“Once we have control of marketing, and have control of the look and feel, we don’t have a problem to allow our *distribution service* to somebody else. The reality is that until 3 years ago, nobody had this capability in-house, so that's why nobody was doing this. [DigiVog] just in two years developed this capability and is able to offer it to the brands. And most of the brands don’t have the internal investment; we like to use [DigiVog] to do the job and we do all the marketing.”

As a co-creator of the new identity, DigiVog required as part of the standard contract to have decision-making and revenue stake in the online marketing campaigns of fashion brands whose e-commerce businesses the firm serviced. In 2006, DigiVog required as part of the standard contract to manage the brand's search engine optimization (SEO) program. This meant to optimize the e-commerce property for search to help bring in traffic and revenue.

The CIO was at a cultural crossroads. He understood that a partnership with DigiVog would require the brand to accept someone else's take on how to do marketing on the new channel. He reasoned as to why DigiVog could be the "right" partner for a fashion brand. It seemed that on the Internet, the brand would be giving up substantial part of its cultural identity.

"They are very good. They do everything. They design the website; they are in charge of the fulfillment and customer service. In some cases also they own the inventory and in others, we own it. Very good marketing ideas, but... *we don't want to give our brand image in the hands of someone else. Even if they are doing the website like we want it, even if we have complete control over the way the website is executed, at this stage we are not feeling confident to give our image to someone else. At the end they are in charge to speak to the customer, they are in charge to propose the product, to collect the money and at the end we get some partial commission... Depends which level of integration you want to have; depends which completeness of the process they want to own.*"

There were two possible business models between DigiVog and brand "B" at the signing of the e-commerce partnership. Brand "B" could sell its seasonal product in bulk to DigiVog or bill DigiVog at the end of each month (also called consignment) depending on how much fashion product was sold on brand "B"'s website each month. The brand did not want to carry the inventory risk with the latter option. The company was accustomed to selling apparel in bulk to its wholesale accounts and wanted to continue doing so on the new channel.

However, if the brand would succeed in negotiations and dispose of the risk to carry the merchandise by selling it in bulk to DigiVog, this came with the price tag of losing creative control over the displayed selection online. "If inventory risk is in our hands", the CIO said, "We

can have leverage. If inventory risk is in their hands, they get to decide. If we do sell them the product, they get to decide which product they want to put on the site. In the end, they *compromise* the image.”

The CIO was a cautious change agent. He assumed that the established culture of the firm in the brick-and-mortar domain was the only valid identity for the brand. He did not think that an Internet company would be capable of campaigning for the brand by curating fashion content with the highest sales potential for the brand’s website. The CIO summed up his conflicting prerogatives:

“If we sell it to you, you are in charge of what you want to buy. So, you say: red dresses we do not want to buy, because red dresses do not sell well, but black dresses we will. So, in some way they do compromise the image of the brand. [...] The idea is – to shift the attention from the product to the brand. You think about “B” first, and then, you approach the product. This of course, in some way, reduces the number of potential customers, but we want to go back to be an efficient company.”

In late 2010, the CIO became less committed to partnering with a pure play brand on tackling the e-commerce challenge. “What I’m saying is”, the change agent stated, “Is that we are not going to do this project internally, because the cost and the complexity of making an e-commerce site is not convenient. But we will outsource all the logistics function to somebody else and keep in-house all marketing. In this way, we can keep the image and the size but do not make any big investments.” The executive launched internal plans for limited experimenting with e-commerce as an internal project.

Ritual Experiment and e-Commerce

The brand’s initiation to the Internet as a commercial channel started with the decision to redevelop the corporate website by issuing a global tender to five web design companies. An experienced local media firm, DigiMedia, won the tender to redesign the corporate property

online. The reason for reshuffling content on the corporate website was the desire of management to introduce interactive content. This was a staple theme in the strategies of all brands in 2010. The corporate website was redesigned to offer a quick view of upcoming, past season, and this season's collections, which could be streamed as a runway video.

In 2009, executives at the brand announced the implementation stage of an internal initiative to test the Internet as a suitable e-commerce channel. The perception of the team was that the less risky product for introducing the brand to online commerce was the luxury "Home collection". The Home collection presented limited risk from competition with other online pure plays because the distribution of the line was confined to very limited number of brick-and-mortar locations.

The team hoped to proceed to a more "aggressive online distribution" after March 2010, following the testing of this first "prototype" for an e-commerce website. The redesigned corporate website was going to drive users to the Home Collection e-commerce property. The corporate website was optimized for search and the "Home Design" website was placed as a link on the front page of the updated corporate website.

The problem of this "doing-it-alone" experiment was that Home Collection's e-commerce website did not offer to customers the ability to order and purchase online any of the products displayed. This was an informational website masked as a test of a new entrepreneurial practice. The CIO argued that this ritualistic experience was essential to figuring out how many people would visit the website and then go to physical stores to buy items from the Home collection there instead. The experiment ran the other way around; it had nothing to do with understanding the meaning of internet distribution and marketing.

“We are collecting customers’ data in order to drive them to our own stores. We use data to drive to stores; we do not fulfill customer requests online. But, of course, the next step, once we understand very clearly who our customers are online, definitely online is one of the solutions. That’s for sure. But all these things have to make our customer *to access our own little stores first immediately after* other channels.”

The acceptance of the Internet was designed to be ceremonial. As corroborated by the CIO:

“... It is something that was unsuccessful from the start, meaning that the website was not advertised. There was no online/direct marketing that announced the website to the world; positioning on the search engine, not much of it. We wanted to use the available tools in-house and see how the market out there reacts to the product. Home is a very special product. *There wasn't much success because the customer did not know anything about it.*”

There was no awareness campaign to induce people to visit the website, such as buying popular Google search keywords or placing banners on content-heavy online magazine fronts. On the Home Design e-commerce, there was no registration necessary for the browsing few who ended up finding this Internet realty. No email marketing campaigns were ever developed, before 2009 and well into 2010, as part of an internal structure of an emerging online marketing department. The marketing team consistently avowed their confidence that "new" customers would somehow, without the website indexed on search engines, know exactly how to get to Home Collection online. The “experiment” ran its course with executives aware at the extremely low odds for potential customers to discover the Home Design website.

Why did brand executives “bother” investing in an e-commerce website at all, if the new practice was not advertised and had no built-in ability to allow users to purchase the product? The architect of the redesign experience, the CIO, argued that the main idea introduced by this experiment was to have full control of the experience. “To visit Home Design”, he said, “You need to run through the corporate website. There is no other entry point.” The CIO explained that the main goal of the experiment is to *control the digital distribution of the idea* of e-commerce.

“When we open the store, our own store or via wholesalers”, “we sign a contract that we do not allow anyone to open a similar store in a similar area in order to have full control of the distribution. At the moment that you allow an e-commerce site to distribute all over the country, because you cannot control if the product is in NYC or LA... We are extremely careful to move this way. The only possibility could be to sell a very different product. In this way you do not create distribution problems [...], in this way you don’t risk to have a sales price that is not comparable and you preserve your own identity to the customer.”

After the corporate website was redeveloped and more relevant searchable keyword content was introduced for easier pick-up by search engines, the brand’s corporate website began to be visited by more people. The CIO reported that “we began to see some results *not really in terms of sales value*, but on traffic; how many people that are passing the website. We have about 500,000 unique visitors per month to access the main site. Visiting the Home Design are 45,000 people out of these uniques.”

The CIO dismissed the conception that increased traffic to the corporate website would lead eventually to sales on the Home Design website, had it been designed with the appropriate tools for buying. He did not consider the concept of traffic as culturally meaningful to the brand. The term “traffic” was relevant only to the assigned meaning it already had in the brick-and-mortar world: the entry and exit of people into a store. “Our product is very peculiar, either you like it or not”, was the verdict. “You cannot just browse it like IKEA. [We have a] more specific type of customer with a specific taste.”

In 2011, after the formal conclusion of the Home Collection experiment, brand executives started thinking about a qualitatively new approach to executing the design of future Home Collection e-commerce website. The team working on the execution would be composed of people from a media agency and the brand. The CIO saw this as an “idea to do it internally or with a small media agency that will take charge of the production, the shooting, etc. *but based totally on our directions.*” The minimum engagement on the part of the brand was to have a

Creative Director talking to another Creative Director from the media agency. Upon the negotiation of the look and feel for a future website, further roles would eventually be hired to execute the project, such as copywriters, web editors, etc.

“If we are lucky to get enough money for this”, said the CIO, “there is somebody else besides the Creative Director, let’s call them a copywriter... this is a person who has full access to our content books and they pick the *right* information to put on the website, at the *right* moment, with the *right* content on the website.” Even though this rhetoric suggested there was a transformation of the brand’s culture toward accepting entrepreneurial opportunities, the persistence of fear as an unwelcome solicitor of entrepreneurial default was evident in the multiple hedges against risk which introduced a slow step-by-step procedure for the design of the e-commerce website.

The CIO continued to argue that to make a future e-commerce website highly searchable online is not part of the “core” cultural apparatus of the company.

“It is not that important to be searchable. No, not that important. If somebody wants our product, they can go to the brand page immediately; *they don't have to think of anything else*. Until now we do not present products but we present image. You find the image, runway show, but you don't see anywhere the cost of the dress, etc. because we wanted to capitalize on the image not on the product.”

In mid-2011, the corporate webpage ceased to link to Home Collection. The Home Collection was however remodeled and the Communications division agreed to free funds for investing in search engine optimization (SEO) to make it “searchable” to customers who did not hear of the brand or the line. The investment was small, and the fear of opportunity was still present. The CIO in charge argued that despite the continuing lack of e-commerce capability for the Home Collection website, it was sufficient to “communicate” the products via social media to the consumer.

There were clear *noncommercial* opportunities from integrating marketing activities and e-commerce on the Internet. Executives at brand “B” had figured out that e-commerce websites can be associated with new sources for brand value. They did not know how to derive this positive noncommercial, “welfare” effect. They were also in distress of losing any perceived control over the brand stemming from any promising collaboration with a new player online. The result was that executives at “B” associated the implementing of an e-commerce solution with a very high risk from revenue loss, resulting from not knowing how to manage noncommercial exigencies. This fact led executives to revert to old culture and place the future unit indefinitely under the retail division. Said the CIO:

“For the Italian shop, online retail is just another store. We never moved to the next level to think that the online store is something completely different. ... It is something broader; needs more.... more activities... different activities, than a regular store. If you keep it under retail, there is very clear ROI. If you put it here, because Communications, really, it is very difficult to measure... Even if you are the best in the world, the results from the communications campaign would come in a few months. If you put the store under retail, the departments under retail have to present results every month; they are more immediate; they are measured on what they are doing now.”

The CIO and the Creative Director were aware that Communications would only support a structure where e-commerce as a function is placed under the Retail division. “At the moment, the online is inside the retail division”, said one executive. “Even if in reality they can exchange ideas on product, customer, etc. they can meet together..., there is no link between Communications and retail.”

Ritual Experiment and Social Media

The biggest blow to the cultural confidence of brand “B” was the downsizing of its Communications division in 2009. There was at the time, only one person in Communications looking for opportunities in social media, who had left in 2010. Only three people were now in

charge of online content. The “Marketing group” – as the CIO referred to Communications pertaining to online activities – had three people and dealt with planning and executing digital tasks that were approved by the Communications division. The three people in the marketing team working on very basic editorial content were responsible to Communications division officer. The Communications division itself relied on press officers who would maintain contact with the general public, or in the words of one executive, “*control* the communications outside of our company”.

Communications hosted the PR office, the marketing team and was responsible for all content produced for the company. Marketing was not conceived as a function that had to shift to creating action plans for the new channel. Therefore, there was no team in place with a “marketing” intention in managing social media. The PR office, similarly, did not create content for “branding”. The CIO argued that the lack of a “formal unit that deals with these two channels [is] because we lack an e-commerce shop for the collection do drive the public inside”.

Most of the digital planning and execution for these “very, very limited” digital activities was outsourced to digital agencies. “We outsource most of these services”, pointed out the CIO. The decision was taken despite the concern of executives with surrendering the control to somebody else. Digital agencies were engaged in areas that were related to *managing* and *producing* content online. One agency planned and executed press releases; another helped with the content and frequency of content on social media channels (chiefly, Facebook and twitter); and the largest, DigiMedia, was in charge of “most of the content on the [corporate] website”. At the same time as this multitude of outside voices was managing the “soft” social media content for the brand, the importance of social media to executive management was placed by one senior executive at 1, the minimum on a scale between 1 and 5.

This pronounced democratic position for hiring a swarm of agencies was difficult to reconcile with the unwavering opinion of executives to control at all costs “all” brand-related content that was to be published anywhere online. The CIO could not even recall the name of the agency that published content on Facebook and twitter. “Yes”, he pointed out. “It is a firm in NYC, but I forgot the name. They are in charge for us to publish the content. They *propose* what to publish. We have a partnership with them. They are not completely independent.”

This limited understanding of opportunity and change was evident in how brand executives perceived the value of new modes of communication and brand culture online, such as social media. Executive at the brand said that the history of the engagement with Facebook began by the incidental knowledge of an employee that, “The Facebook page... there was somebody else that opened a webpage with our name. At that moment, we decided to take control of things. Facebook removed that page and gave it back to us. And, we took full control of the page.”

The social media strategy of the firm was considered to be a “softer” and easier to adopt and implement part of the new culture of the brand. Facebook and twitter were considered to be “a little bit more independent than any other marketing initiatives”. Executives did not think that allowing digital agencies to manage social media content was problematic “because, again, we just *communicate* with this medium, we don't do any *branding*, we don't do any *marketing*.” Said one executive:

“Facebook, twitter [...] we use them to *control* our audience. We do it with DigiMedia. It is important. We do not buy keywords on Google [...] *just preserve the name of the company* and buy all the possible words that are connected with the brand. *Not for marketing*, but to be sure that nobody else takes the name of our brand. There is web agency in the US that is in charge of buying for us all the possible keywords in all the markets worldwide. There is another firm called [X] in Japan. This brand office also makes sure than nobody else owns official web domains that carry the name.”

After the crisis in 2009, the brand's executive team decided to shift gear and change the main products with which brand "B" was associated in hopes of raising sales revenue. "Until a year ago", emphasized a senior executive, "we tried to emphasize accessories, now we want to go back to fashion. To do this, we need to remove from the customer the product association to the name, and then, to associate a specific product to the brand."

This problem could be solved faster and easier on the Internet than in the brick-and-mortar domain. The strategy would be to use search engine marketing and optimize keywords associated with product search. Instead of promoting the search combination "brand B and accessory type", the emphasis would be to pay for higher placement of combinations associated with "brand B and product type". These activities can be augmented with other online marketing activities to promote the new product identity of the brand, such as collaboration with affiliates, magazines, and co-branding.

The CIO knew that the communications division was epistemologically not ready to carry out or interpret online ad campaigns in this new manner. The CIO wanted to achieve a compromise and envisioned that in the future there would be a "dotted line between the department of marketing [under Communications] and the retail division. If we grow more, I can imagine that in the future marketing will be added at the retail division level to take care of e-commerce. It is more cost-effective to keep it under Communications."

Brand "C": Pro Amateur in Entrepreneurship and Change

One of the oldest high-fashion firms, established in 1856 in UK, represents one of the few cases of accidental entrepreneurial success on the Internet. This case-study runs contrary to the hypothesis that the age of an organization correlates with its exposure to a new culture. The Vice President of Marketing was an Internet enthusiast who came up with a new interpretation of the

meaning of cultural success online for fashion brands in the late 2000s. Since the beginning of 2009, the brand was also headed up by an enthusiastic CEO, who had been in a similar position for a very different US-born brand until that date.

The openness of this brand to new cultural practice was facilitated by the openness of its executives, such as the CEO, marketing and supply-chain, to discern broad patterns of change surrounding the organization on the Internet. The Vice President of Global Marketing narrated the shifts in communal practice on the Internet that prompted him to suggest to his superiors and peers in the firm the need to experiment with new interactive and collaborative tools for brand positioning.

“By this I mean the *broadened maturing of the function of the internet* moving into web 2.0 about four years ago. ... *Before 2.0 in my opinion, the Internet was a communications and commerce platform.* And then, with the advent of web 2.0 the desire to connect people much more, to develop a community behavior, what you moved towards was the development of an entertainment, interaction, collaboration base. [...] Not all our peers were engaging in this behavior, so the opportunity was there for us to grab. I have the extraordinary opportunity to advance thinking in a new way. So, the way you need to engage with that is what story you drive. As a result, when I started I hired a lot of new people and replaced old people.”

The VP of Global Marketing came from a consulting background and responded swiftly to what he perceived as the need to adapt to the new digital channel to reap new advantages for positioning of the brand. The shift in acknowledging the Internet as a collaborative channel implied for executives in brand “C” that its organizational structure and reporting arrangements have to change. The Internet became a challenge that ran parallel to large-scale structural shifts necessitated by increasing competition and pressures for improving performance in the brand. Core departments such as Marketing, IT, and Supply Chain were all centrally driven. From a regional federation, the executive management began the process of transitioning the brand to “a sectoral system, corporately run and driven with essentially, a state”.

The success of the project depended on hiring specialists with diverse backgrounds that had already served businesses known for their creativity in approaching problems. Said the VP of Marketing:

“I hired a guy from Xbox – on the marketing side; a guy from Nokia, a guy from an advertising agency. In the Media Department I created a Digital Media side and hired a specialist in search media, SEO. And, I spent time working with the PR team, make sure that they were engaging with the digital. In conjunction to that, the rest of the system was changing, so I found great partners in the IT team. As I joined [the brand], there were also people across [the firm] who were at that time trying to stimulate change.”

Prior to this reorganization, brand “C” was one of the first fashion industry movers that adopted e-commerce in 2006. The surprising approach of executives in this brand was that they had commercial expectations from e-commerce and saw it as a risky project with exploratory dimension. A senior executive argued that

“There was recognition within the firm that e-commerce was *part of the commercial future of the company*. The idea was to establish a presence, *learn from the behavior, and not wait* until you have the other brands collectively establish that e-commerce is something you should engage in. ‘Cause there is quite a movement towards collective collaboration in all sectors. Kind of follow the herd mentality. Brands gain confidence from other brands behavior. But, this doesn’t mean that the opportunity has been *positively explored*. It was seen as strategic commercial opportunity.”

Executives conceptualized that the risk of failure budgeted for e-commerce in the regional structure “[...] was similar to the risk you encounter at a normal retail level” and e-commerce was initially introduced as a supply-chain project, driven by the IT division. As the firm garnered experience with e-commerce as a commercial pursuit, they understood that new pure play peers on the Internet associate e-commerce with new sources of brand value that extend to their strategic identity. Online players looked at e-commerce both as a brand and commercial opportunity.

In 2006, there were no known providers that offered integrated competence in building an e-commerce website and running it like a new brand opportunity. DigiVog was just starting out its client expansion model. The brand executives decided to hire an e-commerce platform provider and look at the service at a “business level, [and] not on a brand level”, said the VP of Marketing.

Between 2007 and 2009, brand “C” was going through regional reconfiguration and the e-commerce project became interesting to regional management. E-commerce became perceived in the brand as a regional revenue opportunity. After 2009, the e-commerce opportunity finally became driven by marketing. Marketing executives observed that new capabilities, such as social media and social commerce were introduced online and emerging pure play retail fashion brands and social commerce firms were starting to integrate these capabilities on their e-commerce fronts.

The fact that helped discover opportunity where other brands saw hurdle, was the attention of the VP of Marketing, the Director of Media Planning and the Director of Social Media Marketing to contextual changes in the emerging digital field of fashion. Said the VP of Marketing:

“The reason we did it is, we wanted to play in the top-tier of brands [online]. You've got LVMH, Chanel, Gucci, Dior, Prada, and Polo Ralph Lauren. The reality is that we were the least well run and supported of all of those. We considered ourselves a top-tier brand, although at a smaller revenue level. *We wanted to create awareness. And since no brands were engaging digitally, we were in a position to engage with the consumer in a competent way.* It was that simple.”

Executives at “C” did not understand the utility of these new practices. However, the brand was moving away from the cultural identity of fashion brands associated with ceremonial practice by attempting to “think” like an online entrepreneur and discover the cultural

empiricism and relevance of new Internet tools for brand positioning by practicing them. The decision was made to enhance the value of e-commerce as a brand opportunity and experiment with new opportunities in technology and culture. “We are a luxury brand”, said the VP of Marketing, ”and it is not about embracing *all technologies at all times but use the right medium in the right way*. Digital is not a spooky thing; it should never be used in a spooky way.”

Prior to the structural reorganization in 2008 advertizing and marketing were siloed-away in the brand, similar to the existing cultural organization in other fashion brands. In 2010, the Global Marketing team discovered that most high-fashion European brands would have the digital side and the communications side of the firm handled separately, sometimes by different teams on different continents. The Communications team could be advertizing in Elle Magazine and the digital team could be advertizing on Elle.com. The Director of Marketing, Media Planning and Buying thought that it did not make sense to add on a team in an old organizational structure in which both the new team and the old division would be “spending another heap of cash and these two teams aren’t even talking to each other”.

After the marketing team shared these observations, in 2008 senior executives in the firm proposed to establish a digital advertizing structure that would be separated from offline and print advertizing. The retail department would still manage the e-commerce team and e-commerce would have a limited budget, consisting of search, content optimization and some advertizing campaigns. There was also a separate Marketing department whose goal was to work on branding by buying media space online. The brand executives considered that a viable way to coordinate offline and online practices of advertizing and communications was to establish boundaries between a new Marketing team and the existing Communications division.

Between 2009 and 2011, the Director of Media in the brand reported how observing pure play fashion retail brands made it possible to envision organizational changes that would integrate e-commerce “into *more marketing*”. The Marketing division of the brand became responsible for holding one single advertising budget fluid across digital and paper advertising mediums.

The brand was had its own in-house Creative Media, which helped create its own digital content, such as ads, digital videos, or behind-the-scenes videos. “Everything that we produce digitally is done here”, explained the Director of Media. “And that is a really big deal because not many houses have in-house creative teams. We can make content as soon as we need it, basically.”

While digital content was produced in-house, brand executives faced the challenge of working with multiple digital agencies on online campaigns. Partnerships with media agencies were short-term and did not involve complex activities for which tacit knowledge had to be accumulated or exchanged. Typical example is the brand’s ongoing contract with MediaCom. Exchange here involved developing media briefs for content buying. MediaCom prepared a proposal; the brand refined it and returned it to the agency. The agency executed a purchase for media space.

The VP of Marketing spearheaded a campaign to find a long-term partnership opportunity with a single agency that would have exclusive involvement in all digital campaigns, from banners on Vogue.com to SEO. Before the middle of 2010, when DigiVog established Pure Partner division, there were no specialist agencies of this kind. The Head of Media Buying summed up the risk the brand faced by involving multiple agencies to run campaigns on “face value” for which the brand did not have expert knowledge:

”increasingly, *you cannot find that degree of specialism in one agency*. If you have the quality in-house, [...] you can challenge and be productive with multiple agencies on a specialist level. We’ve got internal marketing expertise. But we work with agencies. We work with search engine marketing agencies. We work with our website partners on SEO. We segment our databases. We ... work with our digital agency on developing the advertising campaign.”

This conceptual discussion is important because independently of other high-fashion brands, executives at “C” were open to think of coming up with a new cultural understanding of the value of engaging with the Internet. This understanding read that if a fashion brand did *not* have in-house expertise in managing multiple campaigns online, the use of multiple specialist agencies was doomed to be an Internet misadventure. In the absence of in-house knowledge on what channels to experiment with and how, fashion brands needed a single specialist – a DigiVog - a consultant who does it all. Best as they could, executives at “C” invested time and resources in discovering how they could become their own agency.

Understanding Key Performance Indicators (KPIs)

Marketing department executives were hard-pressed by the Board of Directors to show that the participation of the brand on the Internet was successful in terms of return on investment in e-commerce and social media. Having done substantial work on optimizing their website for search with contract agencies, marketing executives at “C” knew that some factors leading to a commercial purchase could be quantified. For example, the “searchability” of an e-commerce website on major search engines correlated with online sales. The Head of Media Buying knew that search alone was responsible for “two-thirds [80%] of all traffic and revenue, so it’s the single most important factor in terms of driving revenue success”. Twenty percent of the revenue was driven by online advertising.

On the other hand, the brand’s average purchase value online was stagnating at \$200 and the share of online sales in total sales totaled 1.5%. Other high-fashion brands faced similar puzzling

results. The former senior marketing executive at Dior, for example, noted that “one percent is the typical conversion rate. If people say they do 10%, they are liars. They never do more than 2%.” It seemed that customers were essentially purchasing to experience the brand, rather than make a necessary purchase.

The Vice President of Marketing noticed that even when brands thought out far-reaching campaigns with the goal of gaining potential customers, such as by funding a YouTube video with a captivating brand story, screen played by popular personal style bloggers, the traffic achieved by viewing the video did not result in high conversion rates. He came to think that the *quality*, not the *level* of traffic was important for understanding the success of e-commerce. In this case, the quality of traffic on the e-commerce website of brand “C” was related to “occasional browsing” and *not* a purchase.

The development of social media and social commerce further validated the idea of non-commercial performance as a possible indicator of success. Marketing executives could not predict with certainty if investment in advertizing on Facebook resulted in traffic to e-commerce and conversion to sales. Experts from Internet research agencies, as Forrester Research, found it difficult to measure how commercial performance of a brand’s e-commerce website can be affected, if the fashion product featured is linked to content generated on social platforms, such as Facebook, blogs, or magazines.

The Director of Media at brand “C” indicated that investment on the new channel can be looked at as a commercial goal, related to sales, and a non-commercial goal, related to deriving new sources of brand value.

“All marketing activity is creating something with a *commercial opportunity* for a brand, but it's not necessarily about *direct purchase*. There are very, very few examples of Social Media behavior that leads to purchase, I mean, I can't think of any off the top of my head. I

mean, the Internet is less about *telling* consumer things and more about *brand behaving* in a way which is relevant to consumers and the consumer making the decision on how to engage with the brand. *And that's what drives all thought behind Social Media*".

The result from this internal collaboration in thought leadership was to foster a *noncommercial performance culture*, especially when it came to conceptualizing the value of social media. Said the VP of Marketing:

"You want me to quantify Social Media? That is a pretty impossible question to answer! Now, quantifying Social Media is difficult, because although the consumer engages in community behavior all the time, *community behavior hasn't led to commercial behavior historically*. Whether you're talking of MySpace, Facebook, twitter or YouTube, they're not really revenue generator. They're not really commercially viable behavioral types, what they do is that they are great brand engagement tools. So, what we realized was, SM was not going to disappear, it was only going to increase in importance. And, it wasn't about connecting "if I invest X in SM, I will get Y in revenue"; there was no way to throw that kind of relationship. But,...SM can have a very positive effect on our brand, and that would drive our brand momentum and value and that would result in traffic, whether that is online or offline."

Fashion brands typically thought of Facebook as an additional social tool for brand-related communications. In 2010, this brand made no exception and the Global Director of Social Media presented it as a "broadcast vehicle". The difference from other brands was that the Global Marketing team showed an understanding for the *collaborative* work that had started it. Unlike the "seizure" method of their fan-created Facebook page that brand "B" followed, executives at "C" took advantage of an already existing fan page on Facebook. In 2009, the marketing executives in London noticed that there was a brand-dedicated community on Facebook, operated by fans of the brand for the past few years. There were few followers and the community posted haphazard content around the brand. "And, we got in touch with the consumers who started the group and we worked with them", explained the current Director of Social Media Marketing. In 2010, the brand's Facebook community had 900,000 fans. In 2012

(July), the brand pumped up to 13,034,608 followers. The Global Director of Social Media reflected that the social membership in the Facebook page of the brand

“got to this number – a big enough audience with which we could behave in a *mass* way. Like, in a *broadcast type of behavior*. We thought about communications stories, brand stories you want to tell. We're quite simple-minded in the way we roll out our stories and our thinking. We use it as a broadcast vehicle and as you join in, you get to distribute the brand's content because the media channel [Facebook] allows this”.

This cultural acceptance of the beneficial innovative pursuit of the initial authors of the page is one example showing how learning from others is an expression of showing appreciation for noncommercial brand value in the emerging new institutional field of Internet fashion culture.

Entrepreneurial Inroads in integrating community and commerce

The VP of Marketing and his creative team learned from observing that in order for an entrepreneurial entity to be successful online, it needs to be good at adapting to the behaviors of other online peers and user firms. Apart from their Facebook page, the brand developed what the Global Director of Social Media dubbed “our own Facebook”. The VP of Marketing and the online media team were actively discussing the meaning of some emerging social practices, such as social or community blogs. The brand was continuing to show behavior in which executives would follow developments in the use of new Internet tools, and attempt to replicate the use on their own. The VP of Marketing confirmed the process:

“We were talking about the fact that Social Media wasn't going to go away. The type of experience that we wanted to create was a luxury experience which cannot be done on other people's platforms [Facebook]. Nor could we offer a social media experience on [our own website]. So, we created a stand-alone platform. [The website presents our] iconic product which most customers directly associate with the brand, and it became the obvious focus of the conversation. But, the important thing to do was not to make it about the [product], but about the consumer who wears [it]. We succeeded in providing the environment which leads to consumer engagement. We provided an *opportunity to demonstrate* that this is possible”.

This stand-alone website was the first instance in the corporate *haute couture* world when an incumbent of this caliber had demonstrated willingness to establish and support their own social community webpage whose goal was to foster engagement with the most well-known product of the brand. The photographer– blogger Scott Schulman took the first photographs of street fashion of people wearing the product. The brand’s Facebook fans were encouraged to share photographs of their favorite still shots of others or themselves wearing the brand on the website. The idea with introducing the community is to incite users to engage in publishing their own content. The global Director of Social Media interpreted the success of their social media engagement by non-commercial criteria of engagement per minute.

“One of the insights is to *inspire people to publish* – more about inspirational experience. 100,000 likes, we've had [Data at conception, May, 2010]. We have about 20,000 unique visitors, unique visitors a week. This is pretty significant for what it is! This is more than what a fashion website gets a week. The average engagement time is 6 minutes, which again, is amazing. Since the launch, there have been 6,000,000 unique visitors’ photos that have been viewed. This also resulted, although not directly, in double-digit growth in our sales.”

The VP of Marketing supported the non-commercial culture of assessing the success from the new community website. In his opinion, as a variable social engagement rendered a brand “more powerful because the consumer has decided to engage with [the website]. But, we have very quickly earned that. Because, all we've done is become more famous for what we do. We want to give the consumer the opportunity to engage and manipulate the brand much more, ‘cause the brand itself does not change.”

The story of the social engagement project evolved in 2010 when the CEO of the brand saw her children ordering Nike shoes on the Internet and tailoring the product to their own creative ambitions. A closed meeting with senior executives in the company was held in which the VP of Marketing was made responsible for the project. The new idea was to engage webpage users to

participate in social engagement by posting photos of themselves or others wearing the product and to elicit a buying a response from these users.

In a heated discussion on the future of the fashion industry and Internet entrepreneurship, the CEO asked the executives to analyze the options for mass-customization of the high-fashion product, for which the brand is known, to the public. Whereas Nike used its e-commerce website at Nike.com to offer customers to customize shoes, the CEO of “C” discussed a different type of creative approach in which *content* and *commerce* were to be looked at as an integrated experience. The integration would be achieved by linking the social community webpage of the brand with the mini e-commerce website that would tailor the product to customer specifications.

The most difficult aspect of negotiations in this discussion with senior executives was to justify that creating the options with overseas factories for tailoring the design and coloring of the product would not be too costly and would, in fact, produce demand. This concern was voiced by executives in production and supply chain operations, who themselves were pressured to deliver on commercial goals.

The initial discussion with executives from commercial departments ended with the agreement to introduce tailored production of the apparel product in small batches to experiment with the commercial aspect of this idea. It was decided to continue with the existing engagement message on the user generated website, but limit the custom tailored combinations of the product to five only, so as to not pressure production.

Executives in charge of production and supply chain continued to struggle to transform the content website from a space that deals with engagement to a space that primarily encourages and drives revenue. The CEO continued to show support for the hybrid goals of the enterprise, in which both commercial and noncommercial goals would be supported. The CEO reminded

executives that social community engagement was important in stressing the “heritage” of the company in creating the product and customer engagement was an important vehicle of commanding continual learning about the iconic status of that product.

In 2012, the idea of linking the community website with an e-commerce website dedicated to the ordering of a tailor-made product came to an end due to constraints at the executive level related to their still emerging understanding of integrating commerce with branding. When the mini – store was introduced in 2011, it was only accessible to users who would visit the e-commerce webpage of the brand. There was no direct link on the community page that pointed out to the commerce page. The creative idea of uniting content-heavy social community with tailor-made commercial proposition was lost.

The current configuration is that there is no link announcing on the community website celebrating the product that there is an option of creating your own product. This option is announced on the e-commerce website of the brand. The tailor-made initiative also has a new name. Despite its successful inroad to cultural adaptation and entrepreneurial experimentation on the Internet, brand “C” was lacking in confidence and preparation to follow through with this experimentation of integrating content and commerce in the way that was initially envisaged on the example of online companies in digital fashion.

Entrepreneurial Inroads in digital marketing

The all-under-one-roof organization of the structure of marketing in the firm made transition to the new institutional domain easier for this brand. The brand engaged in two types of online marketing activity: search engine marketing (SEM) and online advertizing. It is important to distinguish between the two types. The goal of search is to deliver sales revenue. Banner advertizing is used for branding and awareness.

SEM has two sides. The first type is to optimize the e-commerce website of a brand for search. This practice is also called natural search optimization. The process of optimizing e-commerce for search is necessary to improve the searchability of a commercial website in search engine results and boost traffic to the brand's e-commerce property. This activity is basic, but important and could be outsourced to an agency or performed in-house, provided that there is internal expertise on performing this function. Paid keyword search is a more advanced version of natural search. This practice is more labor-intensive and involves monitoring the performance of keywords associated with the brand's products and name on Google AdWords and bid against other firms for principal placement in Google search results. A fashion company would also outsource this activity to an outside agency. Brand "C" sourced out both natural and paid search to external agencies.

The second type of marketing activity for brand "C" was to advertise with fashion publications online. Online advertizing inherited its importance as a practice to this brand from the overwhelming reliance on brick-and-mortar advertizing in general. Even though search (natural and paid) generated two-thirds of sales revenue, the total investment in search, which for 2010 was 2.5 million pounds, was "a lot less", according to the Director of Media, than the annual spend on banner advertizing.

The brand used another media agency that helped pair advertising content with publications online. As this activity was outsourced, the Director of Media and Buying was able to put together a team to think of additional online marketing activities that may be used by the brand. In searching for these opportunities, the team was looking at the practices of online entrepreneurs in fashion. The discovery of an entrepreneurial opportunity came accidentally.

The Director of Media and Buying was serving as an informal business development manager for the online division. Part of his job in recent years had shifted from maintaining relationships with *magazines* to building relationships with online content creators, most importantly, with *search engines*, like Google. The reason was to enhance the support of search activities. In the past two years, between 2010 and 2012, fashion firms had generally undermined the importance of investing in search. Brand “C” was more adventurous. Executives in the marketing team knew that search was the primary revenue driver for the firm’s online operations. They understood the importance of this fact with regard to pursuing relevant relationships with the content creators that were instrumental to bringing revenue to the company.

Google had developed a new collaborative practice to test the usability of new search initiatives. Google offered to test *Beta* products to selected brands. Brand “C” wanted to take advantage of this relationship before other fashion peers in the industry. During the latest *Beta* test with Google, the Director of Media noticed that the brand could shift the use of search to be associated with a new cultural meaning gleaned from observations of pure play fashion firms. Search was widely used for generating sales revenue, but could also be used for attempting to gain non-commercial welfare effects, such as brand engagement. The Director of Media explained the shift:

“Traditionally, “we wanted to have relationships with publishers to make sure that when the animated advertizing side came up in a magazine, they would call us first before they called somebody else. We are now able to start thinking about how we can use search to – of course it will still be mainly about driving revenue – buying keywords to make us money— but also, to start using search more intelligently, to starting to use search more as a *branding* tool. In a funny way, we already do that. In certain markets, we don’t make any money from the [brand name]. And, this word is obviously at the heart of who we are as a brand. So, we always make sure that whenever someone types it into a search engine that we will appear at the top. And, *we will do that even if we lose money doing that*. So, you could argue in a really funny kind of way that that is actually branding. I mean, *it’s a long way from booking an ad in Vogue*. But, it helps us to be able to display out product better.”

The insight about shifting the cultural meaning of search changed how brand executives conceived of banner advertizing. The Director of Media realized that display advertizing online is driven by assumptions identical to those that executives have when buying print space in *Vogue*, – “we’re *guessing* that people are going to be right for the brand”. In print media, this “guessing game” epitomizes the culture of doing something for ceremonial gains. “Imagine when you’re buying pages in a magazine”, said the executive. “You get information obviously on what type of readers they have, but *generally you’re guessing, really, that those people are the right target for the campaign.*” The only departure from this guessing logic online was quantitative; the advertiser had access to data on how many unique visitors had looked at a single banner.

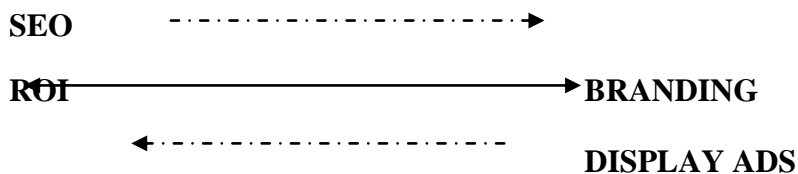


Figure 5 Moving along the scale of meaning in digital marketing practice

The Director of Media recognized that the brand did not make original use of Internet culture and proposed to shift the use of banner advertizing toward commercial goals (Figure 5).

“This is how we advertise traditionally on the Internet. We buy *hundreds of thousands* of banners and you hope that *one* or *two* of these people will click thru and blah-blah-blah. I think this is one of the reasons why click-thru is so low – the click-thru is 0.3 % for the industry. I think it’s because it’s hard to really know you are targeting the right person. However, if we want to think more about making money from banner ads, we can look at a completely different way of choosing how we advertise. *In the same way that I’ve talked about using SEO to do more branding stuff, we are now looking at ways in which we can use our display assets to actually drive ROI* for every \$ we make for this type of advertizing, we make 7\$ back.”

The goal of display advertising is typically to have as many impressions (clicks) from unique visitors, as possible. A digital team buys a certain amount of impressions on a web site. The website that hosts the banner then gets paid on a CPM basis (cost per million impressions), PPC basis (pay-per-click), or a combination thereof. The assumption in brand “C” was initially that because the brand produced creative media content in-house, the quality of banners was likely to lead to “a higher click-thru than a normal banner ad”. The banner displays were produced in a way that allowed “the ads escape the limitation” of “normal” technology. This meant to have adverts where the video would start playing in the banner with the added technology of, for instance, rain drops falling on the page.

Because of these assumptions, the brand continued to invest heavily in banner production and placement. What prompted brand executives to shift the cultural goal of banner ads to accommodate commercial goals was the decision in early 2009 to work with Vogue, GQ, and Elle on a more commercial basis online. The idea was very similar to the decision and practice DigiVog would pursue with large fashion publications between 2010 and 2012. In looking at the production of original culture in pure play peers online, brand “C” was close to shifting the production of its own culture.

It proved difficult to negotiate with these large publications on the proposed changes. The Director of Media surmised that executives in these fashion publications were unwilling to work with the brand on a more revenue-based collaboration because online ads were “[...] still not going to drive a click-thru which is going to make you money. That’s for branding. It’s about association.” DigiVog Group would later document that the difficulty to work on a revenue-basis with print publications gone online was their lack of enthusiasm for changing their culture.

The Media Buying team did not abandon the attempt to work with “more creative assets”. They decided to use “retargeting”- a new practice widely used by other, non-fashion businesses online. Luxury fashion brands do not use this practice because their executives perceive that its cultural appeal is “cheap”. To retarget means to track the path of a consumer who visits a website or clicks on a banner for up to 20 websites prior to and after the click had been made. A display ad from the brand’s e-commerce website would then appear as the customer clock-though pre-selected partner websites, looking for things other than a fashion product.

The Director of Media announced that retargeting is a prominent way to get revenue from previously non-revenue associated channels. Said he:

“Rather than buying 50,000 impressions on Vogue.com, we could actually buy the cookies of people who look very, very similar to the people who've been on [the brand’s website]. This is what we call “look-alike” advertizing. As they get on the internet, we can effectively retarget them with advertizing. This person is much more likely to respond to our adverts than a normal banner ad. This ad would have originally been designed as a branding piece for us; now we can use it to generate revenue as well.”

By using this logic, the brand was paving the way for other brick-and-mortar fashion peers to transform their online activities into branding opportunities with a commercial appeal, or what one could call “revenue-driven branding”.

**PART III: FROM CEREMONIAL TO COLLABORATIVE ORGANIZATION:
CULTURE AND IDENTITY IN AN EMERGING ORGANIZATIONAL FIELD**

**Chapter 5: The Genesis of Cultural Technology: Start-up Entrepreneurs in Digital
Fashion**

5.1 Early experiment, programmatic failures, and entrepreneurial default

Executives in companies born after the dotcom crisis tend to explain early experiments by digital fashion pioneers founded in the late 1990s as “failures in culture”. Leaders in some of the key fashion-technology firms today emphasize that the founders of early ventures in fashion approached the online channel with the “brusque” sensitivity of brick-and-mortar fashion companies and their intermediaries and that their cultural appreciation of the online channel was limited to how they thought fashion firms would behave in the brick world.

The early models did not have access to other “born online” counterparts that would eventually coagulate into the nurturing community of practice in digital fashion that emerged after 2008. On the other hand, early fashion start-ups were inspired and designed after technology pioneers, such as Amazon and eBay. The Director of the Partner Division at DigiGroup, charged with e-commerce and online marketing relations with high-fashion brands, in fact asserted that from a “cultural technology perspective, these [companies] are technology spillovers” forked in between an identity mindful of appreciating their online “roots” and petrified of experimenting with fashion outside of the cultural tenets of the mainstream paradigm.

Bluefly.com

Bluefly.com was founded as one of the first multi-brand retail websites online and its founding firm, Bluefly Inc. went public immediately after the launch of the venture in 2000. Bluefly's founders wanted to build a retail brand online that would be similar to a luxury department store, but with the caveat that it would “*selectively* acquire end-of-season and excess inventory of high-end designer fashion products and create a hybrid retail environment, that combines the best of the 3 traditional channels: full-price department stores, catalogs and traditional off-price stores.”¹²,

Bluefly's e-commerce platform was built by Blue Martini, a small and at the time independent software firm, with which the start-up signed a Software License Agreement in March 2002. Bluefly's e-retail team accorded substantial importance to the optimization of the commercial website. The company's 10-K in 2001 asserted that “with the assistance of consultants from Blue Martini, we plan to develop an improved version of our website based on Blue Martini software. Once launched, we expect that the upgraded website will provide us with better tools to create and manage on-site marketing promotions, more robust analytical tools to measure the performance of onsite promotions, greater site stability and a more efficient platform [...]”

Bluefly's team wanted to offer customers the advantages of technology, such as “personalized shopping environment”. The website was designed in mind with offering the customer to “come to Bluefly.com first for all of your fashion needs”, and announced the

¹² BFLY, 10-K, 2001.

acquisition of “top designer merchandise at a discount and outstanding customer service in a friendly, convenient, upscale environment”.

Bluefly was the first online born company that devised new slogans that helped to navigate the meaning of cultural success on the Internet. After the hard launch of www.bluefly.com, the company’s C-level management spelled out in its first SEC filing in 1998 what became known as the "eight future principal elements of success" for online fashion-technology firms. Four of these were linked to traditional practices maximized by brick-and-mortar fashion wholesalers. These elements were price, convenience, customer service, order delivery performance, and merchandise selection.

The other three elements, “brand recognition,” “website performance,” and “content,” were qualitatively new for a retail business. Bluefly gauged that the success of “content” depended on the popularity of the fashion brands present on its online commercial website. As one online executive noted, Bluefly derived this online measure of “success” from a culture “*rooted in the brands that they own.*” “Website performance,” and “brand recognition” were not explicitly defined as proxies. But, in spelling out these “factors of success”, the firm’s founders indicated that it was possible to navigate and create practices that would serve as a roadmap for future businesses in digital fashion.

In the years between 1997 and 2000, Bluefly’s online commercial strategy went through a cultural disconnect between its stated goals and actual practice. In the absence of advanced digital marketing, social media, and social commerce technologies and players who used them during that period, the emerging ecology of digital fashion entrepreneurs was a perfunctory channel for brands that had ambiguous meaning to both insider companies and outside users and served an unidentified consumer. The company noted these problems of interpretation of its

domain in two consecutive 10-K reports in 2001 and 2002 stating that “The Internet is a rapidly changing and highly competitive market and we *may not have adequate resources to compete successfully*. [...] It is characterized by a) rapid technological change; b) evolving user requirements; c) frequent new product, service and technology introductions; d) the emergence of new industry practices.”

The fledgling company had to interpret its own position with regard to the emerging new channel and spend resources on understanding its difference with regard to the embryonic ecology of digital fashion. In 2001 and 2002, Bluefly’s management included a wide array of players in its purview of cultural competition facing the company. One category consisted of established firms with existing land-based retailers, such as Neiman Marcus, Saks, The Gap, Nordstrom, and Macy’s. In the other group were traditional direct marketers such as J. Crew, television marketers, and land-based off-price retail stores. These brick fashion partners signified the ambiguity that Bluefly’s management felt with regard to its structural position in the digital space. The brick competitors were known partners with unknown future intentions. Bluefly’s management consistently grappled with the question if these firms “[...] may or may not use the Internet in the future to grow their customer base.”

Bluefly’s executive team likewise charted out another emerging category in the new space of “less established companies such as Ashford [in 10-K, 2002] and eLuxury [10-K, 2001]”. The firm’s management conceptualized the two categories as different. Brick-and-mortars deciding to step onto the Internet with e-commerce operations were conceptualized as brands that “us[e] the Internet to expand their channels of distribution”. Newborn technology-fashion brands such as Ashford and eLuxury were considered start-up companies “which are building their brands online”. Bluefly’s team expected many “additional competitors to emerge in the future.”

The management team at Bluefly's was resolute that the company sees the Internet as a quintessential commercial platform for the business. Bluefly's 2010 annual SEC report specified that the company, in fact, could *not* become the "Store of First Resort for Fashion" *without* using Internet as a platform. Bluefly interpreted its own identity as a radical game-changer online. Merchandisers in the online firm identified two additional elements re-inventing the premium distribution channel for fashion brands on the Internet. The first was to provide "consistency" in the brand proposition by selecting a premium matrix of brands. The other element was to offer brands with "scarce" distribution.

Executives from brick-and-mortar fashion firms remained traditionalist and chose not to collaborate with Bluefly. They also showed aversion to the eight cultural factors for competing successfully online that were developed initially by Bluefly's executive team. The CIO of Brand "B", for example, countered impatiently: "No, no. It's an online outlet; opposite *mentality!* Price and order delivery is important [...]." Another fashion brand consultant said that "Bluefly was an *experiment*; online outlet. Buying leftovers from fashion firms, very well done but very simple." The former CEO of one of the world's largest woman's apparel companies in the 1980s reinforced the failure argument— "They never made a dime", he said.

In retrospect, this had been the correct assessment. In December 2011, after fourteen years in training and experimenting with new e-commerce and marketing practice, Bluefly reported accumulated financial deficit of over \$147,468,000. The management team attributed the negative growth to "costs associated with *developing* and *marketing* our Web site and building our infrastructure" (10-K, 2011, my emphasis). Insufficient understanding of marketing and technology online were the two factors that flunked Bluefly as a successful online company.

Bluefly's executive team started out with good intentions. In the company's two first annual SEC statements, in 2001 and 2002, Bluefly reported that the merchandising strategy of the firm is to enter into direct purchasing agreements with fashion designers. The executive team asserted that their buyers have substantial merchandising knowledge gained from their former tenures with merchandisers, such as Saks, Bergdorf, and Henri Bendel. Despite this claim, Bluefly's management team conceded as early as 2001 to purchasing "merchandise both directly from brand owners and indirectly from retailers and third party distributors".

The ambiguity of the executive team on this question rendered suspect just how far fashion brands would go to endorse Bluefly with their merchandise. The firm was forced to disclose the intent to expand relationships with "suppliers of end-of-season and excess name brand apparel and fashion accessories. We may acquire certain goods on consignment, or leasing or partnering with strategic partners and distributors." (10-K 2002, p. 25). Bluefly's executives acknowledged that merchandise from third parties "increases the risk that we will mistakenly purchase and sell non-authentic or damaged goods" (10-K, 2002).

The other area of concern was the lack of in-house technology for building and maintaining the intended creative marketing and commercial appeal of Bluefly's online retail website. Internal development of the e-commerce solution would have allowed the firm to have its own contextual footprint in digital marketing and web design, instead of the heavy dependence on third parties in this area. The first two K-10 annual reports of the firm revealed how critical the impact of technology was to building the desired "brand recognition" online. Any failure to obtain the services of a third-party in web design, fulfillment or digital marketing – functions basic to the internal structure of current onliners in digital fashion - was a "material adverse impact on our business, prospects, financial condition and results of operations" (10-K, 2002).

The two 10-K reports in 2001 and 2002 also advised shareholders that “There is no assurance that our technology systems will be able to handle increased traffic. Transaction processing systems, network infrastructure, need to be expanded and upgraded; otherwise [this] could ‘adversely affect consumers’ perceptions of our *brand name*”.

After Bluefly’s unfortunate venture in the new space of digital fashion, ensuring the solicitation of established brands along with ownership of e-commerce and marketing technology became most critical measure for securing the intangibles of future success for fashion-technology start-ups. The knowledge of doing was attained by insiders in the ecology by sharing contextual information in the digital community.

eLuxury.com

eLuxury.com has a distinct experimental flavor among the pioneers in fashion commerce. The online e-commerce company was launched in 2000 by the luxury fashion conglomerate LVMH Moët Hennessy/Louis Vuitton S.A. This test of the channel was, because the main holding company of LVMH is Christian Dior, a high-fashion French *maison de mode* that owns 42.36% of LVMH’s shares and 59.01% of its voting rights. The goal of eLuxury was to become “the premier online destination for buying luxury handbags” (ref) The company represented one of the rare instances of ideal-typical emerging company in an emerging institutional field, because it wielded the direct support of high fashion designer houses in Europe to distribute their product.

Despite the vantage point, on Friday, June 26, 2009 eLuxury.com shut down its e-retail doors. Its mass email to the list of subscribers stated that “it is now moving to the next step of its evolution repositioning itself as a premier source of editorial content, information, and inspiration for luxury customers around the world.” The open community email stated that the

online retailer remained a “[...] pioneer in luxury e-commerce and served as the launching pad for many of the world's most famous luxury brands” (closure email, June 26, 2009). The result represented a paradox. During its relatively long-term tenure online, between 2000 and 2009, eLuxury was unable to total more than \$80 million per year in sales and trailed more than 50% behind the annual sales of Neiman Marcus' online arm, www.neimanmarcus.com.

Fashion consultants argued that the end of eLuxury pointed to a lack of *differentiation on product* in the fashion industry. The CEO of the New York-based Luxury Institute reflected in May 2010 that "there are dozens of luxury handbags and yes, there is hierarchy, but when we see the results of our surveys, few stand out, like Hermes and Chanel, and then there are 40 that are ranked almost identically by wealthy consumers." Other luxury industry experts agreed with the assessment consenting that when brick-and-mortar firms enter the online channel and attempt to do multi-brand retail, the traditional assumption is that they can establish the value of their brands on the Internet by using cultural logic identical to their ways of doing business offline.

DigiVog Group's Chief Commercial Officer (CCO), for example, argued that the closure of eLuxury was precipitated by the lack by the parent company of “the ability to *notice the opportunities*” that existed at the time in carving a niche for its own brand online. ELuxury.com was run by its executives just as Bluefly was; as an online equivalent of powerful wholesalers of the Neiman Marcus' caliber. Even Neiman Marcus' own chief executive appeared aware of the need to learn from other Internet-born firms on how to build a multi-brand business that is independent of brick-and-mortar logic of chasing after the same clients. Karen Katz, the CEO of Neiman Marcus Group shared in an interview in October 2011 that

“One of the important things we have to think about is... *what's happening to our brand with all these changes?* Where are the customers going; what is next in terms of change; and finally, where are we going to place our bets? We are a fashion merchandiser, and we buy merchandise,

and year by year and season by season, we have to think about where we will be placing our bets on merchandise, and where we would be placing our merchandise, once the season is over.”

After running deeply discounted prices on premier merchandise during its last few weeks online, eLuxury’s former executive team decided to segue the cultural idea of e-commerce into an online magazine that specialized in editorial content curation. On Tuesday, Dec 15, 2009, Nowness.com became the successor of eLuxury. The transformation of eLuxury.com to Nowness.com stripped the site of its original e-commerce orientation. Nowness is an editorialized content platform focusing on films, design shots, and content production from a variety of contributors, such as documentary filmmakers (Zoe Cassavetes), travel bloggers (Nicole Stich and Oliver Seidel at www.thedelicious.com), or fashion bloggers (Imran Amed of the www.BoF.com). The content is organized by “Daily Exclusives for You to Love”—a collection of fashion shoots, short films on architecture, design, and music that give the viewer the option to “vote” to either “love” or “don’t love” the content.

Nowness is built as a content production platform with a method of cultural execution similar to the intended goals of Brand C’s content delivery platform that features photos of the company’s most renowned product. The difference in the experiments is that while the UK “C” has created a community website for experimenting with content and commerce, Nowness.com seeks to *preserve* the cultural identity of the founding LVMH by sustaining a culture of no advertizing, no SEO investment, and no collaborations with other players online.

5.2 Demography of Culture in an emerging institutional field

At the turn of the 21st century, the digital space in online fashion retail began to be populated with new start-ups. Journalistic accounts at the time suggested that these entrepreneurial ventures were veritable “gods-of-the-gaps” that emerged to “fill the void left by the big brands”

(Walmsley, 2008). The players in Table 3 represent the most active firms in the entrepreneurial space of online fashion. These firms construct their advantage on a cultural identity with a dual focus: both in fashion and technology. Few of the models also enable new sources of cultural brand value for brick-and-mortar fashion brands.

Technology-fashion Firms	Year, founding	Cultural business practice at inception	Identity transitions/ownership	Evolution /spillovers	Cultural competence evolution
Google Inc. (SocialCom.com)	2010	Search		SocialCom.com (2010-2012) Like.com	Branding/marketing
DigiVog	2000	Online retailer	Publicly traded. IPO-12/01/2009.	Digi (est. 2010) Digi Y (est. 2012) DigiAgent (Y agency)(est. 2010)	E-commerce, marketing, branding
Gilt Group	2007	Online retailer (flash-sales)	Venture financed.	GiltNoir.com ParkandBond.com (folded in December 2012).	E-commerce, Marketing platform
eBay (Ruelala)	2008	Flash sales	2008 - Retail Convergence (e-commerce) raises \$25 million from General Catalyst Partners and Breakaway Partners. 2008 – GSI Commerce buys Retail Convergence for \$350 million. 2009 - eBay buys GSI Commerce.		

			2009 – eBay buys Rue La La for \$500 million in debt and equity financing. Retail Convergence is spun out.	
Ideeli.com	2007	Flash sales	2007 - \$3.8 million 1st round financing. 2008- \$20 million 2nd round. 2011, April - \$21 million 3rd round financing. Total funding \$64.8 million. (Next World Capital with Cue Ball Capital, StarVest Partners, Constellation Growth Capital and Kodiak Venture Partners).	
ShopStyle	2006	Price-Comparison engine	2007, 09/26 - Sugar Inc. acquires ShopStyle.com	Social-shopping. Marketing and branding
Net-à-Porter	2000	Online retailer	2010 – Richemont Group acquires Net-a-Porter.	
Polyvore	2009	Social-shopping engine	Venture financed.	Social-shopping. Marketing and branding
Fashion Stake	2010	New fashion designer/development	Venture financed.	Online retailer (Flash-sales)

		platform		
Bonobos.com	2010	Online retailer	Venture financed.	Expansion into multi-brand retail
Amazon.com				
ShopBop	2006	Online retailer	02/27/2006 – Amazon buys ShopBop. [Terms not disclosed.]	Diversification into multiple online fashion retail properties
Zappos	1999	Online retailer	\$60 million in 7 rounds of financing by Sequoia Capital and Venture Frogs. 08/22/2009 – Amazon buys Zappos for \$880 million.	
MyHabit	2011	Flash sales	05/03/2011 – founded as a non-branded Amazon property.	
Endless	2007	Online retailer	2007- Founded as a non-branded Amazon property. Folded 09/27/12 into Amazon.com/fashion.	

Table 3 Moving along the Evolution of Practice in online fashion, technology-fashion firms, 2000-2012.

In the e-commerce literature fashion retailers born online are sometimes called “pure play” brands. *Pure play* describes a company choosing to focus its business process and culture into a single channel; in this case, the Internet. This type of business is distinguished from the online divisions of established brick-and-mortar companies. In its December 2006 issue, the popular

Internet Retailer magazine first offered the term as a point of comparison. “Visits to *pure-play web retailers* in Nielsen/NetRatings Inc. Holiday eShopping index were 54% greater”, editors projected, “than visits to multi-channel retailers in the index.”¹³

The founders of pure play fashion retailers frequently report to have been culturally influenced by the early digital pioneers Amazon and eBay. Starting in 2006 with Amazon’s purchase of ShopBop, both Amazon and eBay launched an acquisition campaign of incorporation of pure play fashion retailers into their structure. The foray into acquiring other fledgling online retailers specializing in apparel and footwear was completed for diversification of the cultural heritage associated with the two online pioneers. Amazon and eBay left the partners they acquired to continue their businesses as non-branded properties.

Net-a-Porter is one of internet’s successful pure play fashion retailers. Established in the UK in 2000 and acquired by Richemont in 2010 at the peak of \$203 million in revenue, Net’s office is built on 44,000 square meters open space. The founder recounted that her inspiration for the setup was eBay's open communications space. The office is broken down into teams, starting with the Creative Team that edits the eponymous online weekly; the distribution center, where fresh fashion product arrives; the photography room, where samples are sent right away, and get styled into outfits the way that the consumer might wear it.

The founder of one of the pioneers of sample sales for high-fashion brands online likewise reported that she learned about the importance of the word-of-mouth as a marketing technique

¹³ <http://www.internetretailer.com/2006/12/27/pure-play-web-retailers-have-54-more-visits-than-multi-channel>.

from her former tenure with eBay. The company arrived in the space in late 2009, and Net-a-Porter was also investigated as an example of successful interior organization of work.

“I was part of the original team. I watched it scale from 40 to nearly 5000 when I left. The way this tenure influenced me when I moved to [the firm] was in the use and empowerment of viral marketing, helping develop and grow a brand; a consumer base quickly and cost-effectively. People look at their closet as a collection when shopping on [the site] in the same way I recognize this happened in terms of emotional connection on eBay. eBay was a good experience in being part of hyper growth and scale organization effectively. We didn’t look much to DigiVog although I’m very familiar with them. We did look at Net-a-Porter, because they were probably other than us, the other very successful businesses to create fashion business online but we didn’t want to create this idea of a magazine. We took from them [eBay] the immediacy of purchase.”

The sample sales model also borrowed from Amazon’s business practice by collecting cash for sales events before merchandise brand owners were paid. The transactional delay benefited the few firms in this segment to become cash-positive before they were able to generate income, just as Amazon did in its early history.

In distinction from the cultural business logic of eBay and Amazon, which are multi-product retailers, the founders of pure play fashion brands saw themselves as creators of *fashion* brands that *happened* to be operating with the aid of electronic commerce and e-marketing technology. “As we started to move to a more *established* marketing channel to effectively kind of communicate the brand and what it stood for, and translate it for a new online audience”, said the co-founder of one of the largest sample sales brands in US, “we recognized that people are starting to look at us as a lifestyle expert, a curator, *not like Amazon – everything for everyone -* but only the certain best selection of a collection”.

This insight deliberately contrasted with the undifferentiated propositions of Internet pioneers. The cultural logic on which new players in digital fashion built their businesses had to impress upon a selective and differentiated number of potential fashion clients that their

businesses were more selection oriented than fashion brands themselves. "We wanted to almost be *anti-selection*", noted the CEO of a US-born sample sales fashion retailer.

The new fashion entrepreneurs introduced two major departures from the business culture of earlier startups discussed here, Bluefly and eLuxury. First, pure play retailers focused on developing direct sourcing relationships with brand owners and on the subsequent merchandising of a consistent ecology of fashion brands. Second, the new fashion-technology players owned the technology of their e-commerce and marketing operations.

The stories of pure play founders are interspersed with candid depictions of the ambiguity of their cultural identity; one part technology start-up and one part, fashion company. For example, Net-a-Porter sees itself as "the world's premier online luxury fashion retailer"¹⁴. The company defines its cultural identity as "a *luxury brand*, with impeccable packaging and unrivalled customer care." At the same time, the CEO of Net-a-Porter has referred to the "technical" team in the company as the "brain hub of the business", noting that the strength of the technology team was not so much in propelling the latest "affiliate, SEO, and traditional PR" practice, but in materializing the *idea* of making Net-a-Porter editorially distinct in the new space.

Similarly, the executive team of a US sample sale retailer construed their firm as an enabling cultural space for experimenting with new technology and new practice in which "*technology* has been the underpinning. We've created more than 17 sales a day and turning inventory more than 70 times a week. We couldn't service 3 million members without technology. That is a sign of a very interesting business that can never exist offline. But, from the beginning, *we evolved from being a fashion branded shopping site to a marketing channel.*" The marketing channel

¹⁴ Available at <http://www.net-a-porter.com/About-Us/Our-Company> [Retrieved on 07/30/2013.]

identity relied on technology that facilitated a friendly approach offering customers immediacy and lower price for an editorially selected sample of fashion brands.

Since most pure play founders started out as technology entrepreneurs, the proposition of their teams to high-fashion owners to carry their merchandise had no legitimacy for brick fashion businesses. The new players had to use a different cultural rhetoric to develop their early cultural legitimacy than the one delivered by fashion brands' most important commercial partners, the wholesalers. To be sure, even Neiman Marcus' CEO recounted various difficulties in attracting high-fashion brands to their online business in 1999 when its digital arm, Neiman Marcus Direct, was launched:

“We were going around to our vendors with whom we do business offline and we were begging them to come to the online channel. I spent my first 12 months crawling and I have bruises on my knees to prove it! There is one story that characterizes the difficulty of getting brands on board. I walked into the president's office of a French fashion company. I showed him a little PowerPoint presentation and then he wanted to go to the Neiman Marcus website and see for himself. He goes into the search and types YSL (Yves Saint Laurent). And, of course, nothing was supposed to pop up! To my dismay, an YSL handbag pops up on the site. But we were not allowed to sell YSL handbags! As you can imagine, I turned bright red, I packed up my bags and left very quickly. A week later I received a fax, because in 2000, we were actually still receiving fax, and YSL signed on to be a partner with us on Neiman Marcus.com. They were the first true European luxury brand to come on the store online. As we say, the rest is history.”

Despite the mishap, mainstream brick wholesalers alluded to the longevity of their relationship with fashion firms as the reason why their clients followed them in the new channel. Their understanding of fashion merchandising that was supposed to be valuable on any channel. Neiman Marcus' CEO reported in 2011 that even though the team “[...] didn't fully understand the power of what we had in our hands [...] this has really become our core competency”.

The emergent cultural field of digital fashion represented a threat to the status-quo and was harshly criticized by global retail consultancy executives. Industry pundits, who consulted for wholesale conglomerates and vertically integrated fashion retailers, argued that regardless of the

distribution channel brick wholesalers are the legitimate partners of fashion brands. The Vice President of a NYC-based global retail management firm noted that many new entrepreneurial models, such as sample sales, were couched on the eve of the financial meltdown in 2008, and were supported by the excess inventory fashion houses encountered. Sample sales start-ups were particularly censured as a model that could not be tolerated by the industry:

“Those supply-chains *only* exist because brands and retailers made a mistake, ok? As a whole, they're not really viable, but more important, they're not solid. They can only exist at a certain time. You can never have [name of the firm] operating a 25 billion dollar company, ok? It has to be small. But, more importantly, I do not even look at those as supply-chains, even though they technically are. But, what they really are doing is that via a wholesaler they are buying goods directly that is delivered directly to them...”

Similar thoughts were provided by another senior retail management executive, who argued that sample sale Internet start-ups were “opportunistic” and,

“There’s no consistency in what to study. They would be doing whatever's available to them. So, one day they could be dealing with a closeout specialist; another day they could be dealing with the brand directly; another day they could be dealing with a retailer; another day with supplier. Most retailers are going to look at that as an outlet for closure. I think that a smaller company aggregating luxury goods has popped up a lot during many a years, but the real players that are able to survive are the likes of Saks and Neiman Marcus.”

Companies that started out the cultural model of sample sales between 2008 and 2009 did benefit from the outstanding inventory that plagued the fashion industry in that period. Only one year after the “hot” launch of its commercial website, the co-founder at a US sample sale startup reported that “in a recent week, the equivalent of 14 cargo containers loads filled with luxury goods arrived directly from designers. I have so many brands banging down our door that I have

to say no.”¹⁵ Early data for this company from Forbes and WSJ corroborated that the firm buys “directly from the fashion houses instead of buying from wholesalers, as most discounters do”¹⁶.

The success of the sample sale model can be gauged by the longevity of the businesses surviving the aftermath of the financial crisis. Only three sample sale firms that emerged between 2008 and 2009 in the US have survived to date. One is Ruelala, an independent sample sale retailer bought by GSI Commerce Inc. in 2008, and subsequently spun into eBay for \$500 million in debt and equity financing in 2009 (Table). The second is HauteLook. This firm was acquired by Amazon on May 3, 2011 as a non-branded Amazon property. This acquisition move from the two diversified online retail pioneers indicates that their business development teams were looking to validate the cultural model of online sample sales.

The co-founders of the first sample sale start-up in the US, the largest and most prominent in the sample sale segment of online fashion, referred to HauteLook and Ruelala as imitators. “Imitation is definitely flattery”, one co-founder said. “There are a lot of people outside trying to do the same thing, but we have a *value proposition*.”

Creating Signature Elements: The Value Proposition

New players in the digital space of fashion started out by attempting to achieve recognition from brick-and-mortar brands by buying merchandise directly from them. The success in the matter of merchandise acquisition depended on the cultural thought of their founders. The seemingly incongruous detail was that these ventures were founded by entrepreneurs with little

¹⁵ “Buyers Market: Will seasoned shoppers ever pay full price again?” Wall Street Journal Online, April 30, 2009, Vanessa O’Connell. [available at: [Http://magazine.wsj.com/features/shopping-revolution/buyers-market](http://magazine.wsj.com/features/shopping-revolution/buyers-market)].

¹⁶ “By Invitation Only”, Forbes Magazine, February 25, 2008, by Lauren Sherman. [Available at: <http://www.forbes.com/forbes/2008/0225/070.html>].

or no formal relationships in the fashion industry and superficial, if any, knowledge of fashion design, pricing, distribution, and operations.

DigiVog Group was founded by a financial consultant who happened to be consulting for a well-known Italian fashion house immediately before founding DigiVog. The US-based sample sales pioneer was started by an executive merchandiser for luxury brands together with one of the original team members that launched eBay. Net-a-Porter was started by a brick and mortar turned digital “intuitive luxury investor”, who was a self-employed brand buyer and retailer in her native Venezuela. She later served as an early venture capital investor and founded the online retailer in the UK together with the current CEO, Natalie Massenet.

The founders of online ventures compensated for the deficiencies in their knowledge of fashion firms by keeping an eye on early entrepreneurial opportunities in e-commerce, and in digital marketing technology that could be applied to fashion merchandising and branding. One of the collective advantages for online entrepreneurs in digital fashion became their early shared understanding that they have to recombine their own new practices in marketing and selling of fashion brands with the rigid, old culture of their potential clients. The challenge of recombination of culture and technology was well noted by the co-founder of the US sample sale start-up, who said “this is an industry that is very driven by relationships and trust and not necessarily beta products, which you find in technology, so we had to effectively bridge these two ways”.

The first and, for a while, the only job of new entrepreneurs became to “chase” fashion brands to acquire their exclusive merchandise online. One of the co-founders of the US sample sale start-up had previously worked as a merchandiser for luxury brands and spent 90% of her job finding the brands and talking to them. The first brands positioned for sample sale, according

to her, were based on “networks of friends that we had relationships with. These first brands were considered by the fashion public to be “highly coveted [and]... Those set the bar high and reflected on the kind of brand that we were developing”.

The primary job of Net-a-Porter’s founder was to ensure financial backing of the venture, and “back up the clientele service”, which meant getting high-fashion firms to accept that their merchandise will be sold on the Internet. The founder saw that fashion brands were more concerned with the commercial side of their presence, rather than with their positioning on these new cultural forums online. Financial merchandisers at fashion brands found it problematic to sell products against payment in six months. At the time, contract terms with delayed payment were only discussed with fashion brands’ long-term partners, such as Neiman Marcus.

In these early stages it was vital to use cultural narratives that established fashion brands saw fitting in exchange for agreeing to sell their merchandise. Peers in the ecology of digital fashion started to construct signature elements in their digital practice that they thought would help them achieve cultural acceptance by fashion brands. Their signature propositions differed, depending on the type of cultural involvement of fashion brands that their founders envisioned for the collaboration.

Net-a-Porter’s signature proposition was a “shoppable Vogue” space where content was integrated with commerce. The start-up developed shoppable style-books that run in 52 issues during the year. This signature element emerged organically, from an experiment ran by the founder who designed her house in Venezuela as a multi-brand space for top designers in 1990. She noticed that without the Internet, in the early 1990s wholesalers and small boutique retailers ordered merchandise by flipping through pages of content that merchandising teams in fashion firms had put into look-books before the start of the season. The time lag to order was significant

problem for boutiques buying merchandise directly from fashion brands. In this case, clients in Venezuela had limited options of viewing this or next year's trends in advance.

In order to be able to show clients look-books for the current season, she started to take pictures of clothes that came in from European fashion houses and send them to her clients in advance. She noted that "this was like 1993-1994. And, in 1997, *the Internet was possible* and I started as the co-founder of companies [in e-commerce]. The valuations were crazy. In 1999, the UK connection came to me as a contact via my then-boyfriend. It was my Christmas gift for 1999".

The US-based sample sales retailer created a private space reminiscent of the runway show exclusively shared between insider public, which was initially by invitation only, the fashion brand, and the creative team. The idea emerged as the two co-founders browsed brick-and-mortar sample sales in New York and talked about the possibility to offer high-fashion merchandise seamlessly for less.

The firm invented an ingenious cultural infrastructure to create demand. Only registered users can access the retailer's website. Regular search on search engines and price-comparison websites would not produce results related to the daily sales. The co-founders understood the opportunity once they had realized the cultural message that their practice could have for fashion brands.

The business model of this entrepreneur firm was simple. Each day at 12 pm the company starts an online sale of limited volume of merchandise with only a few brands. "We buy and we do consignment", says a member of the executive team. "We just take delivery about a month later. We know the amount of available inventory; we shop samples; we host the sale and then, once we know how much we sell, we say to our partner: okay, send us 1320 items of the product,

for example. We take the merchandise risk.” Using this method of acquisition and sales, in 2010 the firm hosted 17 sales daily, for 36 hours, and had a total of 750 brands serviced. This was a 100 brand increase from 2007.

On any given day, the sample sales business achieves 50 to 75% of daily margins in only one hour. In 2010, the e-commerce website was visited by more than 100,000 customers during sales. During the first two years of the firm, 92% of merchandise was sold out consistently and the user membership increased from zero in 2007 to 2,500,000 members in 2010. Over 50,000 brand items were moving out of distribution centers weekly. This represented a tremendous amount of throughput given the short time window during which sales were hosted.

The early message of sample sales was to focus on fashion firms that did not have liquidation strategies for their excess merchandise. However, the founders discovered relatively quickly that their cultural model apparently tapped into new sources of brand value for fashion brands. Despite the fact that this was a deeply discounted channel, established fashion brands began to warm up to the possibility of feature. According to the executive team, their positive response came with the understanding that fashion firms lacked young customer base for their future. “*We are reinterpreting these brands for a younger generation,*” one co-founder argued. The other co-founder, in charge of merchandising, explained how the start-up negotiated cultural acceptance with fashion brands:

“What we realized in 3-4 months in, is that most companies work with us not necessarily or exclusively by any stretch of imagination because they had inventory they had to clear; because they didn’t have outlets; because they did not have appropriate outlets, but they started working with us because they realized almost before we did, that this is an *effective marketing channel* to reach new customers”.

Zac Posen, the brand started by the eponymous US designer, was one of the first clients. Zac Posen’s brand was young and flexible and these characteristics helped make the sale proposition

work. The exposure was successful to the brand and in the 6-months period between Dec 1, 2009 and June 11, 2010, Zac Posen was featured three times: January 5th, April 3rd, and June 1st, 2009. Another brand featured early in the history of the sample sales entrepreneur is Michael Kors, whose eponymous KORS Ltd., launched in 2004, is known for its flexibility to channel collaboration.

Of the more than 100 brands featured in the first 6 months of the existence of the firm, only one-third were headquartered overseas. Merchandisers at the NYC-based retailer continued to pursue European high-fashion houses and present the advantages of using the platform as a marketing channel. Table 4 shows that in the few weeks remaining weeks of December 2009, from December 15 to December 22, US-born brands featured in daily sales became interspersed with European high-fashion brands that had finally responded to the narrative. CNC Costume National, Moschino, Ferre, Burberry (the lower priced Prorsum line), and Alberta Ferretti have all become sample sale regulars.

BRAND	BORN	HQ	PARENT	SN	ECOM
Jonathan Kelsey		2007 NYC			
KORS Michael Kors		2004 NYC			2009
Erin Fetherston		2005 NYC		Facebook	
Delman		NYC			
Melissa		1982			
Kate Spade New York		1993 NYC	Liz C	Facebook	2004
Tucker		2005 NYC			
Tocca		2006 NYC			
Bensoni		2007 NYC			
Furla		1928 Milan			2009
Jay Godfrey		2006 NYC			
Zero plus Maria Cornejo		1998 NYC			
Portolano		1985 NYC			2005
Tory Burch		2004 NYC		Facebook	2009
l'Autre Chose		1987 Milan	Calzaturificio Boccaccini spa		
Geren Ford		2002 NYC		Facebook	2009
Lisa Perry		2007 NYC			2009
Catherine Rapetti		2008 NYC			2009
Burberry		1856 UK	Burberry Group	Facebook	2004
Alice + Olivia		2002 NYC			
Christian Cota		2007 NYC		Facebook	2009
VBH		Rome	VBH		
Vera Wang Lavender Label		1990 NYC			2008
Kilci de Montparnasse		2005 NYC			2006
Lauren Merkin		2002 NYC			2008
Tretorn		2001 STHM	Puma AG Dassler Sport		2009
Otrera		2004 NYC			2007
Sir Alistair Ray		2006 LA			2007
Matthew Williamson		1997 London			2009
Judith Leiber		1967 NYC			
Rodarte		2005 LA			
Carolina Amato		1975		Facebook	
Leigh and Luca		2008 NYC			2009
Vera Wang Collection		199 NYC			2008
Tibi		NYC			
Katherine Kwei		2006 NYC			
Rachel Roy		2004 LA		Facebook	2009
MARC by Marc Jacobs		NYC	LVMH		
Thread Social		2006 NYC		Facebook	
Modern Vintage		2003			2009
Lorick		2007 NYC			
Marc Bouwer		2002 LA			
Bianca Nero		LA			
Sofia Cashmere		2006 NYC			2008
Yarnz		NYC			
Rebecca Minkoff		2001 NYC		Facebook	2009
Autumn Cashmere		1993 MI			
Girl 32		2003 NYC			
Jacadi		1991 NYC			2006
Helena de Natalio		2009 CA			
Hickey Freeman		1899 NYC	Hartmarx Corporation		2009
Miguelina					
Stephanie Johnson		200 NYC			2009
Malo					
Synthia Steffe		1989 NYC		Facebook	
Cole Haan		NYC	Nike		2009
Lerario Beatriz					
J Brand		2005 LA			2009
Just Cavalli		ITA			200
Magaschoni		1989 NYC		Facebook	
Haniil Y					
Jil Sander		1989 Berlin	Sander AG	Facebook	2009
White + Warren		1995 NYC			
Botkier		2003 NYC			2003
Trovata		2002 LA			
Alexander Wang		NYC			2009
Sergio Rossi		ITA			
Vena Cava		2003 NYC			
Stuart Weitzman		1986 NYC			2002
Badgley Mischka		1993	Iconix Brand Group		
All Ro		2007 LA			
Poleci		1994			
Saurette		2009 Chi			2009
Hat Attack		1997			
Generic Man		2006 LA			
Brooks Brothers Black Fleece		1818	Brooks Brothers Inc		
Calvin Klein Collection		1967 NYC	Phillips Van Heussen		2008
Carolina Herrera		NYC			
PRPS		2003 NYC			
ShIPLEY and HALMOS		2008 FLA			
Versace Cares		1978 ITA			
Burberry Prorsum		1856 UK			
William Rast		2005 LA	People's Liberation inc		2006
Guillame Hinfrey		2002 ITA			
Trina Turk		1997 LA			2009
Elisabeth & James		2007			
Philosophy di Alberta Ferretti		ITA	Aeffe Spa		
MOSCHINO Cheap and Chic		1983 ITA	Aeffe Spa		2006
Gryson		NYC	Joy Gryson		
Armand Diradourian		2009 NYC			
Nanette Lepore		1992 NYC		Facebook	2009
Jenni Kayne		2003 LA			
Ports 1961		2004 NYC			
CNC Costume National		1986 ITA			2010
MOSCHINO Love		1983 ITA	Aeffe Spa		2010
GF Ferre		1978 ITA	IT Holdings SpA		
The Art of Elyseum		1997 NYC			

Table 4 Brands and sample sales, US sample sale retailer, December 2010, personal data.

In those companies where founders had already secured the trust of fashion brands, an added signature element was to present oneself as an established cultural arbiter to the industry. Net-a-Porter's CEO put it this way— "young brands are very keen on getting on Net-a-Porter. We get hundreds of emails from new brands. Use a catchy subject phrase and attach a great picture presentation of your product". Net-a-Porter doesn't have set rules on what brands are going to be part of its content and product portfolio. "The young brand has to tell us how it is different than the other brands", an executive said, "because we are always interested in telling the story of the brand. *In a way, think about how you would pitch to a magazine.*"

The US sample sale brand was a newcomer to the digital space of fashion and since the company was a discounted marketing channel, the team was willing to pay a cultural difference premium to fashion brands to solicit their participation in the experiment. "Organically, from the beginning, our culture emerged," said one of the co-founders. "we firmly believed in brand building with them. I felt kind of like together building brand equity". The founder explained that they were able to get fashion brands interested to sell their product when they decided to offer "full creative control" over the sale to them. This meant that the design, photography, models, make-up, and editorials would be made with the explicit agreement of the brand, and the start-up would pick up the check.

This was the "cultural difference premium" the firm paid in its pursuit to guide fashion brands in adopting a new culture. This proposition was also a signature element that emerged organically in the capability of the firm. Fashion brands appreciated the advertising gesture, in so much as, as per one of the co-founders, "ad costs are a big issue; we spend a lot on real model photography". Another signature element the firm was willing to pay for is, per one co-founder,

“aggressive PR. We had a little blurb in InStyle.com that brought 5,000 clients; and, this is all we really need.” A final signature proposition for brands was the intimacy and exclusivity of the presentation. According to one executive,

“Our brand partners work with us because ... They love the way we are featuring their brand; investing in photography; keeping *true to their image* and they don't want this to be necessarily all over the place or showing up in all search results. They love the fact that it is a private area for a members-only audience. We just had our first sale with Alexander Wang, and when it's over, nobody can know what merchandise was on the site, how much of it was sold, etc. The site doesn't say – and that is by design, exactly how many [pieces] are currently available for purchase or what season it was designed for¹⁷”.

Creative infrastructure in pure play retailers relies heavily on merchandisers who go after brand owners and present the strengths of the cultural model. Merchandisers formed significant part of the 450 employees that the US pure play retailer hired in just 30 months after its launch. The buying team at Net-a-Porter is also the largest in that firm, growing from two people in 2000. The team currently buys 400 brands across all categories 6 times a year.

At both of these firms, the merchandising teams can now cut in at the beginning of a product cycle and request to buy seasonal merchandise from brands. Net-a-Porter sells it at the beginning of the season, and the US sample sale entrepreneur does at the end of the season. Only 3 years after its launch, the sample sale start-up was capable to place orders alongside department stores and other distribution channels. For both firms, this is an important cultural step in continuing to garner validity as a partner and a cultural arbiter online.

Limits to the Evolution of Cultural Competence

The evolution of the cultural competence of pure play retailers has been to extend their businesses *laterally* by specializing in more product lines, similarly to how fashion firms build more brand lines. The founders of pure play firms considered lateral expansion to be an

¹⁷ Ibid, Wall Street Journal Online, April 30, 2009, Vanessa O'Connell.

“organic” form of evolution in their cultural competence. As pure play retailers formed new and longer term relationships with fashion brands, their merchandise portfolios grew, creating an impetus to finance new commercial lines. Net-a-Porter Ltd., for instance, extended its business by opening a discounted online retail website, TheOutnet.com in 2010 and an exclusive web store for men, MrPorter.com in 2011.

Online retailers that specialize in the multi-brand model of selling fashion brands of other company owners find it demanding to expand their business vertically. The barriers to transition into other cultural models, say, from sample sales to a full retail website, are high. Most pure play firms legitimate their culture by specializing in a *particular* practice. For example, Net-a-Porter.com was thought out as a digital shoppable editorial and the bulk of early cultural resource was directed at uniting content and commerce and creating, says the CEO of Net, a highly curated “shoppable magazine”. “I definitely think of myself as an editor”, she continued, offering a recipe for success for others. ”A *successful* retailer should *think as an editor*. Content and commerce are now fused together. It would take you a good afternoon to go and check out a department store. So, editing is perhaps the most important thing you can do. Execution is the key and this is our competitive advantage.”

In the sample sale space, growth comes from the high volume of demand that is cleared in hours during each sale. In 2010, the US sample sale pioneer had cleared \$500,000 in only 6 hours of sale. The challenge for this cultural model is the increased need for inventory and more sales to finance organic growth. One way of expansion is to expand laterally and develop product lines based on the same cultural practice of sample sales.

Most of the cultural capital at the US sample sale retailer was invested in mastering the original idea of sample sales. Through this work the firm gained long-term support from a

growing list of high-fashion brands. The team eventually decided to extend sample sales to “curating” products across lines, related to customer lifestyles, such as “city”, “travel”, and others. In 2011 the firm also attempted to diversify *vertically* and founded a full-priced fashion retail website for men. The co-founder of the US sample sale firm shared the difficulties in a conversation about the transition in mid-2010:

“We have discovered that email marketing and viral marketing are vital. Less effective for us are SEO, because we are a closed site and we cannot be found through the usual SEO tools. And, SEM, keyword marketing, is incredibly expensive and is best suited to the person who is in search mode and knows they are looking specifically for Dsquared jeans at a particular site. We cannot offer this degree of information about the product because we are impulse-driven and our sales last for no more than 1 day. We want a repeat customer who wants to get in the mode of shopping that we offer and become loyal to us”.

The expansion into a full-price retailer was difficult and the sample sale firm announced in December 2012 the full-price men’s retailer it had started a year ago, would be shut down. A full retail business required specialization in all above mentioned marketing practice, including online advertizing and the mastery of new emerging techniques co-developed after 2010 by partners in the space. For the executive team it proved challenging to multitask in the full-priced domain and the model remains centered on improving the sample sale experience for brands and customers.

5.3 Creating New Culture for New Elites

During 2011 and well into 2012, brick-and-mortar brands were still ambiguous about the place of pure play fashion companies in the business of fashion. Some brands moved on to consider the new fashion entrepreneurs as competitors. The VP of e-Commerce and Online Marketing at a label, whose CEO is a Vice President at CFDA, noted that “as global as the brand is, I have many competitors that I deal with – Saks, Neiman, Net-a-Porter.”

Other brands look at pure plays as they would look at traditional wholesalers. The former VP of Marketing (now, VP Business Development for the Chinese market) at brand “C” asserted that “we leave the wholesale team at our brand to deal with where our merchandise is placed – online or offline. For us, Net-a-Porter is *just another wholesaler that operates online.*” One C-level executive, who worked for Hermes, Lancôme and Christian Dior, noted that because fashion brands harbor ambivalent feelings about their long-term wholesale partners, they may associate the culture created by pure play firms with the culture of their old partners:

“Dior is also in Harrods, Saks, etc. but Dior prefers to be direct with the client. Each time you have someone in the distribution, [there is] a step between the client and the brand. So, Net-a-Porter ... It's good for little brands, but after... when you are big... Harrods – for example, *you* need to sell in Harrods; they *don't need* to have you. The brands – luxury ones – who do not have currently a website and after they get one, have to compete with all the multibrand retailers online, how much are they missing out? How much brand identity are they out to lose by not exploring the internet as a branding channel and could they regain it once they are in? I think they move a lot.”

Pure play startups continued to build rapport with fashion brands and soon their founders began making formal statements in the media and during industry meetings on the importance of their contribution to the world of fashion. The co-founder in charge of merchandising at the US sample sale retailer noted: “if you go to a department store, you will see their selection for the fall. It is now July and nobody wants to buy a cashmere sweater. They want to buy something out of a box and they throw on immediately. So, we are selling Spring-Summer merchandise, which to a shopper is current; Department store is one season old.” The CEO of Net-a-Porter offered an identical value statement, “you go at a department store right now and what is available is mohair sweater. You go in September and there is huge consumer frenzy on the Internet but none of the product is available for the next 6 months.”

It is culturally significant that for less than a decade founders in some of the most active pure play fashion-technology retailers have interpreted the value of their firms to be culturally

equivalent or even superior to the contributions of traditional fashion partners, such as Vogue and Neiman Marcus. Ten years after the founding of Net-a-Porter, in 2010, the CEO Massenet stated that fashion brands had “lost exclusivity” that can be reenacted by skipping one fashion season. This new cultural statement recognizes the fashion show as a live commercial lookbook announcing the arrival of future collections.

“We skip a season. It will give all designers a break and next September, instead of spring shows, the designers show the fall shows and get the products to stores few years later. And, then, the buyers and the editors, *we* just do our jobs and go behind and procure the stuff. *We are all very capable to say what is new and important without the wait.* We don't need to see the show.”

The Internet narrative communicates to the industry that the objective of new entrepreneurs is to create new elites on the new channel. Narratives in this direction compete to “give brands visibility and credibility”, and the job of fashion brands is to “keep their brand really hot.” Personal stories become important in promoting the clout of the new fashion industry partners. The mother of the CEO of Net-a-Porter had at one point, for example, suggested contracting Balmain, one of France’s oldest luxury fashion brands. The merchandising team, however, decided that they “did not think that the brand was actually right for Net-a-Porter.” Balmain merchandise was actually acquired a few months later, indicating the rhetorical value of these legitimacy statements.

Narratives are important in establishing the new elite culture for the fashion industry online. The new players are unencumbered by historic cultural rites of conduct laid out by older “critical” brand-making audiences of the recent past. They attempt to understand and interpret the role of novelty in digital technology from scratch. “I am not sure that any of the rules have been written yet,” says the CEO of Net-a-Porter. “We are unpredictable and change our minds all the time. It would have been very dangerous for us when we started back the UK online retailer

in the online world then, *which was* Yahoo! And Amazon and said: OK, that is the way we need to build a fashion business.”

The Global Communications Director at an Italian fashion brand sums up her conceptualization for the importance of emerging players as new cultural spaces for “branding” elites.

“The old audiences were OK because you only gave them the clothes that you produced. These guys *want and require something special*. I certainly would love to engage with all of these but I think we can only go to these channels, if we have something special to offer them and their clients. I don't think we can go to them with the regular collection which you can find in any other store or a multi-brand store, such as Neiman Marcus”.

The importance of the new entrepreneur is further validated by recent moves from multi-brand conglomerates, such as the acquisition of Net-a-Porter by Richemont Group in 2010. Richemont owns 18 luxury brands, the oldest of which, Vacheron Constantin, was established in 1755. The holding is not exclusively composed of fashion brands; in fact, the only other two fashion brands Chloe (1952) and Azzedine Alaia (1983). In Richemont’s portfolio, Net-a-Porter is presented as the youngest *brand*.

The acquisition has raised questions about the likely control by the Group of Net-a-Porter independent editorial voice and merchandise selection. The CEO of Net was aware of these assumptions and reinforced the firm’s independent brand acquisition culture. “It’s nice that Richemont are there as a very prestigious group. But, we will live and die on our selection”, she said. “I made clear that we have to be independent. The buying team buys what they like, and we are working very closely with Gucci, Prada, LVMH, Aeffe Group and we are entirely independent. [...] Nothing's really changed; we're going on.”

The Director General of Altgamma, normally very critical about the online pure play industry, thought that the acquisition was interesting in so much as Net-a-Porter was a suitable distribution channel for the luxury portfolio of brands at Richemont:

“The fact that Richemont invested in them is an explanation that this online retailer is *not harmful* at all. It is just a matter of cherry-picking. A luxury company has to be in a position to choose the best retail channel in the both – bricks-and-mortar and the click space. If they have developed the ability to say if in NYC it is good to sell on 5th Av and to sell to Neiman but not Bloomingdale’s, they would have the ability to choose between UK online retailer and Gilt. Companies will be in the position of having; if they want to, they could tell Harrods to put a number of styles also in the online store. A brand owner has to be open in applying their own criteria for selective distribution.”

Richemont’s Global Brand Director was ambivalent about the impact the buy-out would have for the digital operations of Richemont’s other fashion brands, Chloe and Alaia, which had steered clear of internet presence prior to the acquisition of Net-a-Porter (Figure 6). Since the buy-out, Richemont’s brand portfolio website carries the notice that “for safely shopping authentic Chloe products on the Internet, we recommend these fine online retailers”.

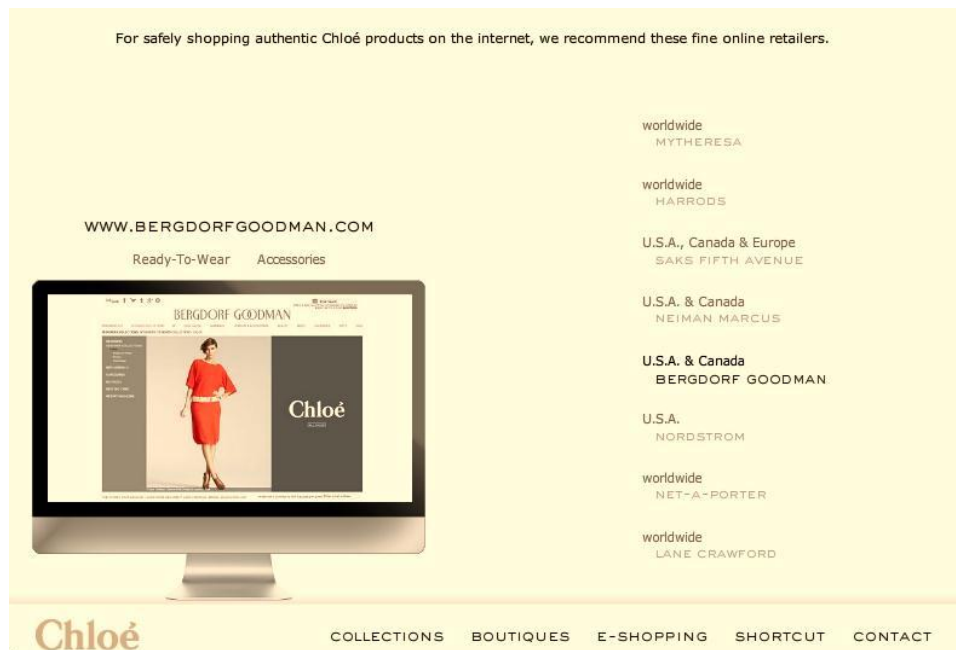


Figure 6 Chloé – indirectly online.

The marketing distribution of the brand is available only at Net-a-Porter and another pure play brand, MyTheresa.com. This fact lends validity to the argument that Richemont is culturally accommodating to the idea of online marketing for its brands as long as it owns the new marketing platform of choice, Net-a-Porter. The cultural approach used here is to make use of Net-a-Porter both as an e-commerce and a marketing platform for fashion brands that are less open to a culture of accepting digital experimentation.

Figure 7 is an example of editorial and product collaboration between Net-a-Porter and Chloe. The page, "101 Trends," consists of pages of video content and curated looks that are "edited" together by Net's merchandising team and Chloe's creative team.

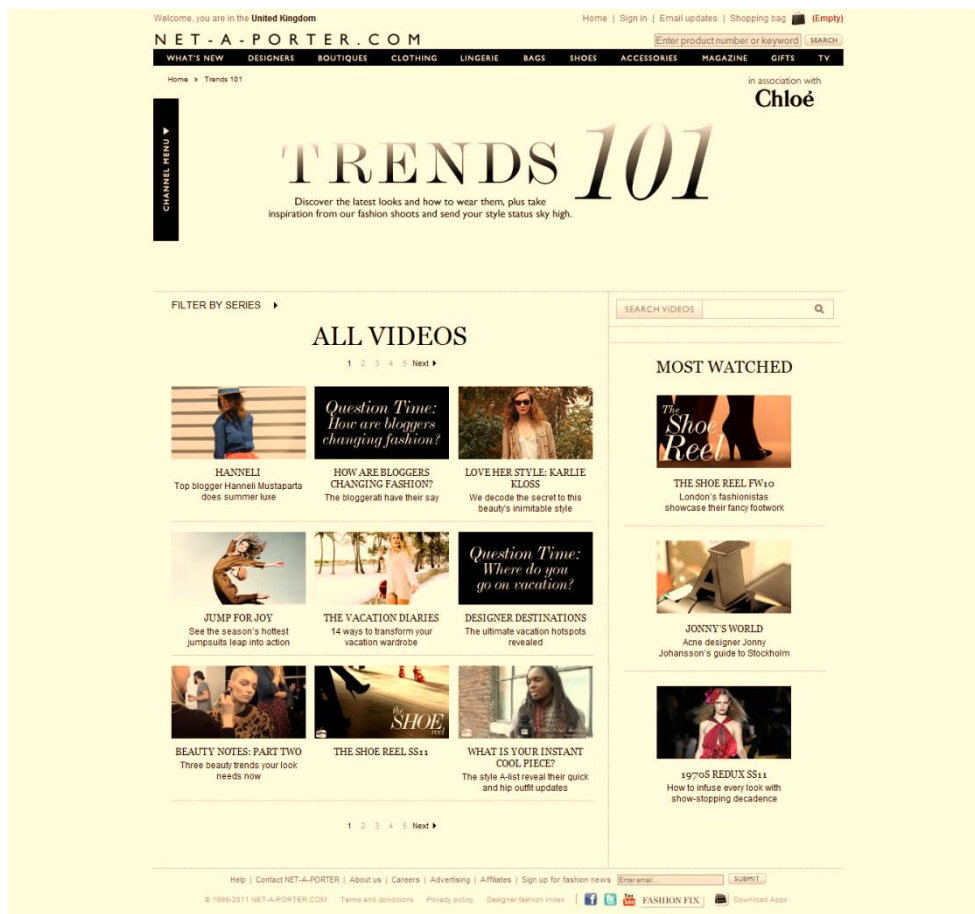


Figure 7 Editorial Collaboration– Net-a-Porter and Chloe, 6-09-2011.

For Chloe, this approach is also cheaper in relation to the high costs associated with opening a brand-specific e-commerce presence. The other advantage is to rely on the clout of the host platform, net-a-Porter, as a prominent actor in the digital ecology space of fashion. The CEO of Net puts it succinctly: "I say to the team all the time: *the website is to e-tailing what the store was to retailing 10 years ago*. Your own website is the most powerful communication tool you can have to the global consumer".

5.4 Quick Learners: Pure Play Apparel Fashion Brands

After 2008, the fashion industry also saw the emergence of pure play apparel fashion companies. These start-ups used physical facilities to produce fashion product but their only marketing and branding channel was the Internet. Firms, such as Company of We, an Internet apparel fashion firm born in 2010, and Bonobos, born in 2007 in Palo Alto, were among the pioneers of technology-fashion apparel firms.

The start-ups understandably did not have marketing revenue for media advertising with traditional publications, such as Vogue. They did not have any relationships with brick-and-mortar distribution intermediaries. The newborn brands had to rely on their own website, e-commerce page, blog, or Facebook page to drive initial awareness. Costs were a major reason for the decision of their founders to use pure online advertising and marketing approach.

Online apparel brands recognized that it is crucial to attain cultural validity on the channel of their birth and their founders learned that making a story around the product they sell is important. The founders of Bonobos, for example, created the company "to solve a simple problem: men's pants just don't fit well. They're either too tight to be comfortable or too baggy

to look good. But by innovating in a few key areas, we've developed a fit that actually looks and feels great for a wide variety of men.”¹⁸

Online apparel brands were also more likely to collaborate with peers in the digital field of fashion. They were culturally closer to peers online than to offline intermediaries. The new entrepreneurs quickly learned the tools-of-the-trade for advertising their Internet identity. They became aware that if their digital media team could produce rich content, this would boost up their ranking on Google-generated search results. The CEO at a beauty brand born in 2010, for example, emphasized the importance of using social community in constructing the identity of the brand as an editorial story. “When we were thinking of building a beauty company brand online, we *knew that the community would be part of building the brand*,” she said. “We very quickly built a content team around social and around blogging and around editorial. We did this, so that the company could navigate customers but also that the customers could navigate us”. She explained that the source of brand value depends on the *quality and density of content* provided to an online audience.

“Social is huge for us”, noted another CEO at a growing online-born apparel brand. “Around 20% of our traffic comes from social. [We] *do not do any paid advertizing* at this point. It’s about asking the community and giving via content the community the chance to talk. Traffic comes from products that we're finding and stories that we're writing. The growth in social is even higher in terms of increase on our site than search.”

Age plays a role in the exposure of fashion labels to Internet mode of marketing and distribution, in general. Younger and stylistically more contemporary brick-and-mortar brands

¹⁸ Available at <http://www.bonobos.com/about>. [Retrieved 01/09/13].

are more interested to be featured on, say, Net-a-Porter. The Head of Communications for one of Italy's privately held hip lifestyle brands opined that "I definitely think that some of these retailers have become key point of reference for decision-makers. I definitely think it's a problem if you are not there". She agreed with founders of pure apparel firms that fashion brands should use new channels to achieve not only sales but brand awareness.

"We still look at this as a *business opportunity*. It is a very old way of looking at it. But, let's look at Colette [pure play fashion retailer]. Technically, it is a store, so it should be handled by the wholesale department, but in reality it is a window and it should somehow be looked at in a coordinated way with marketing. Technically, I will not make money in that channel, but for the purpose of the image of the brand, I am willing to be there; I am even willing to pay to be there."

Executives at apparel fashion brands born online are sometimes not aware of the potential of their digital peers to help them co-create their identity online. They are however curious and open to learning more. The CEO of the first Internet-born apparel fashion brand, which sold out its first collection online in the spring of 2010, corroborated to the argument:

"No, we haven't spoken to Net-a-Porter. I wish we could speak to everybody that was sending an invitation to us. We were looking into doing these relationships as far as the *nurturing* of the brand. Online, our presence is limited to our own e-commerce website and Saks.com. And we have Gilt Groupe. And at this point we have also been contacted by- what was that thing? www.RevolveClothing.com?"

The openness to developing a relationship with an online peer to "nurture the brand" shows that pure apparel brands first think about developing favorable relationship with online collaborators, before they plan to achieve any commercial gain.

PART IV: DIGIVOG: FASHION 2.0

Chapter 6: Historical Narrative on the Emergence and Evolution of Cultural Identity at DigiVog

“DigiVog developed skills that are quite unique, because traditionally, the world of fashion has not been investing in the digital channel; they have a different marketing approach. The fashion brands are moving from an offline to an online property situation as a strategy. Now they understand the Internet more because Internet is big. Some of them are thinking even investing all online; some of them never thought they'd go online and now they are heading that way. So, that is *their* story. *Our* story is that we have *always* been online.”

CEO, DigiVog USA

"DigiVog was conceived to be global from a geographical standpoint and from a service standpoint. To be global; to supply its clients with the ability to sell the product anywhere— we wanted to *set up a company that is able to evolve in a way that, at a certain stage in time, no matter what, it was able to succeed.*"

CCO, DigiGroup

The discussion has so far focused on cultural models that have transformed the traditional idea of brick-and-mortar fashion by accommodating the ability to sell for the online channel. DigiVog Group was launched as a pure play fashion retailer, but the cultural goal of the enterprise was much larger. DigiVog's founders conceived of their enterprise originally as an “incubator of ideas for the *transitioning of the culture* of fashion brands online”. The company founded its business as a creative pure play platform for developing competence that captured the intent of brick-and-mortar fashion firms to not only sell their merchandise online, but also *restructure their marketing and commerce operations for the Internet.*

The cultural history of DigiVog, as narrated by the firm's second in command Chief Commercial Officer (COO), was initiated by "20 people in a basement with very limited connection to the fashion system and with an idea." The line is intensely similar to the stories of Internet pioneers, whose founders started in "garages" (Amazon, Google), "dorm rooms" (Facebook), and "living rooms" (eBay) before eventually becoming household brand names. A

top executive at DigiVog who had been with the firm since its inception in 2000 explained that at the outset, DigiVog was conceived as "a *global* internet provider [...] and a type of retail firm that is *different than mainstream retail*". Achieving distinction from other online and brick-and-mortar models was emphasized in the early discussions of the three founders as an important future cultural competence.

The deeply transformative cultural investment of the founders motivated the development of the business competence of the firm in the emerging digital fashion space as a non-mainstream entrepreneurial company. DigiVog was conceived both as a fashion company and a pure e-commerce firm, but did not have Net-a-Porter's reach and knowledge of the brick fashion industry. The CEO was neither a fashion, nor a technical expert. Having graduated in finance, he was a consultant for Bain and Company before calling it quits in 2000. "He dealt with a lot of fashion projects and is very fond of technology", the CCO noted, "but is fond of technology as a user. He was *outside of the fashion world*."

DigiVog's founding team embraced their outsider status. The key idea the founder imparted was that "we need to be aware of the fact that the Internet might be a game changer. [...] We were not exactly generating the change, because the change was generated by market effects and technology. But, *maybe the possibility was there to helping the change to become real*. So, we set out to help fashion companies understand that change is occurring and how to face it. So, *the point is not so much how to replicate on the web what you already have. The point is to being the global internet partner for these firms*."

The cultural identity of DigiVog as an entrepreneur was focused on many areas instead of the usual few typical to other online peers. The CEO of the US office explained the reasons why the

team decided to develop only in-house functions that the company deemed important to its cultural identity:

“Net-a-Porter [for example] only sells women's clothes, apart from the launch of Mr. Porter, or theOutnet.com, which is only an outlet. So, in this particular situation we could actually refer to Net-a-Porter as a digital or virtual wholesaler/magazine? They are also launching some white label stuff, like Jimmy Choo, but it's really small. And we are vast and complicated. And then TC.com is this other brand, DigiVog.com is another brand... They are both organized and served by different principles. And then we have 27 partner brands, etc.”

The functions across company teams were associated with entrepreneurial experiment and many of the accomplishments of the firm with various ventures in fashion are not the result of deliberately designed success story, but the product of intense internal evolution in competence and culture. The Director of Global Marketing explained that “in 2000, when we started talking about digital marketing, we were talking about *digital marketing*. We never had an agency; we always created our main functions ourselves.” This realization of the contextual meaning and importance of technology for commercial and branding success spurred the company into assembling a strong digital marketing team and its primary role was to figure out how to use technology for both commercial and marketing success.

As a result of this multi-disciplinary focus, DigiVog has participated in the co-creation of competence for the emerging field of online fashion (Figure 8). In the same year that Net-a-Porter was launched, DigiVog Group founded its first pure play fashion retail brand, DigiVog.com. DigiVog.com started out as a discounted retailer and its primary role was to acquire, market, and sell fashion merchandise. The brand became the launchpad for getting a foot in the door of the elusive high-fashion brands of Europe. In 2006, two years after the launch of CreateTheGroup, a digital web agency recognized with pioneering of the category of “digital luxury”, DigiVog expanded vertically into e-commerce design and consulting for high-fashion

brands and has since launched the online businesses of more than 27 high-fashion brands from Europe and US.

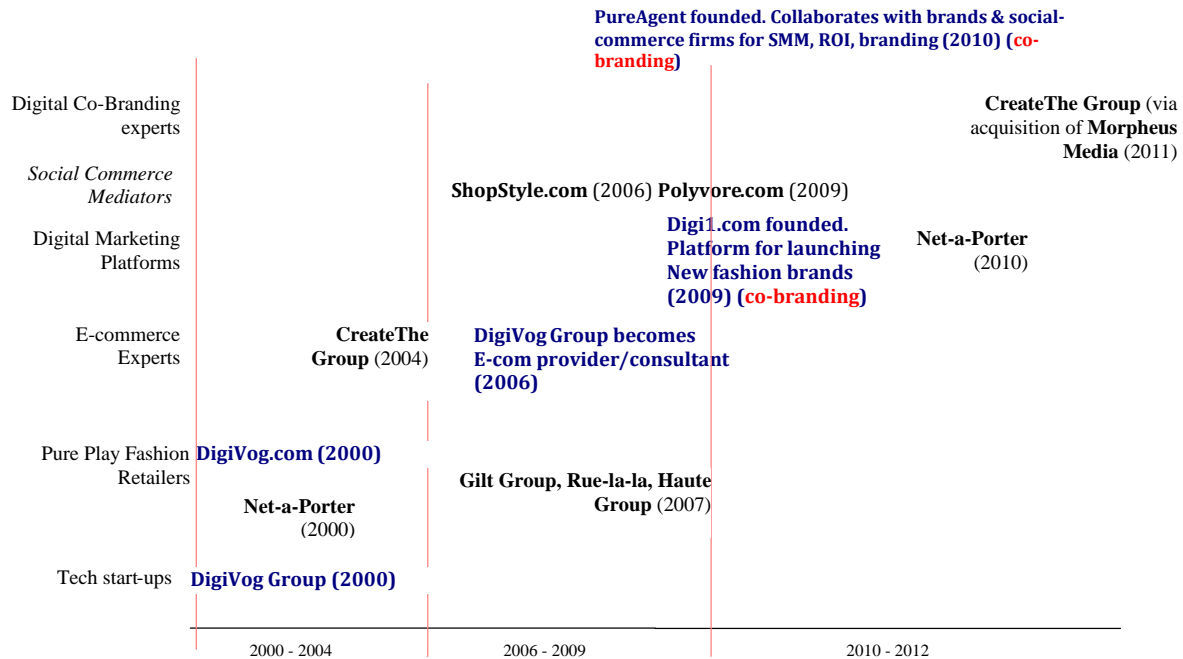


Figure 8 DigiVog Group: Capability Development vis-à-vis peers (2000-2012).

In 2009, DigiVog Group opened a full-price pure retail brand, Digi1.com. Digi1.com features full-price, curated pieces from current collections of emerging fashion designers. While DigiVog.com is a traditional type pure play retailer, Digi1.com is an experimental marketing platform. The idea is to select emerging designers with high brand and commercial impact in the future, and “nurture” their collections online by testing and experimenting with multiple digital marketing tools to see whether the brands can achieve a following and commercial ascent to warrant development of an e-commerce website.

In 2010, DigiVog completed the final iteration in its cultural competence by starting Pure Agent Unit. The role of the unit is to persuade fashion brands for which the company already

builds e-commerce businesses to invest the Group with exclusive responsibility for managing their digital marketing operations.

6.1 Building Credibility through Distinction

Despite the rich fabric of ideas for changing the fashion field to an online mode of organizational adaptation, DigiVog went through challenges that were similar to those faced by other entrepreneurial start-ups. Financial investment was one. DigiVog started out with very restricted financial assets and two rounds of financing, each totaling \$10 million. The two consecutive rounds were used to create DigiVog.com, the firm's first pure play retail brand.

The idea to start with an off-price business arose as an experiment. The founders anticipated that if the fledgling start-up was able to acquire substantial quantity of product from high-fashion brands, DigiVog.com can become an entry point to the communications and marketing departments of high-fashion brands. The executive team was going to use the new pure play business as a platform useful to build a competence in running a fashion brand online. The Director of the Partner Division explained this thought process:

“Our initial idea was compounded by our next idea: to build the shopping mono-brand web presence for them. Then, let's make them *evolve in the direction of perceiving* that their main asset is the content they generate and this asset can be easily transferred to the Internet. This asset is also visual and this in addition makes it easily transferable. The content that they generate online made them solve the issue with the final customer”.

The CCO narrated the difficulty of these first steps in gaining credibility in the brick industry. "We could not just go to people like Armani and say; Mr. Armani, here is the money and this is the product we offer. If we did it, by the way, we would not have sold it. And, if we bought it, we would not have sold it, because we did not have a customer".

The common problem of earlier models, like Bluefly, was lack of credibility with designers. DigiVog's executive board decided that an “easier access point” into the high-fashion houses of

Europe was to begin by buying luxury branded apparel from top-end brick retailers that traded directly with designer brands and sold their excess inventory.

DigiVog was incorporated in Italy, one of the largest markets for sourcing of fashion merchandise. The domain of origin was a sourcing advantage to the firm, and a cultural advantage to earlier models, such as Bluefly, and contemporary peers. "We had an advantage", a co-founder said, "because we started off in Italy, which is the Mecca of designer clothing. There are a lot of quality brands there that you don't necessarily find in the US", noted the chief executive officer at DigiVog US. "[...] probably of the 100 biggest retailers in the world, 20 or 30 are based in Italy. It is a highly fragmented market."

Another early advantage for founders was their decision to create a pure play fashion brand that made a clean break with the culture of off-price fashion department stores which bought from each other at the end of season, instead from fashion brands. "If you do the wholesalers," said DigiVog's US CEO, "you do not get the same quality of the final product. We did have one wholesaler, who helped us start out, but again, it was a high quality partner in which one of the oldest high-fashion firms in Italy had a major stake."

Acquiring the right assortment from the 'right' partner was a critical first step for the fledgling firm. "Fashion retailers in Italy are *shopkeepers*", a senior officer in charge of merchandising at DigiVog Group explained. "In Italy we did not have, like in France or the US, the department store culture. You have probably more shopkeepers in Milan than in the whole USA." Unlike the US-born Bluefly, whose management relied on standard purchasing agreements with off-price wholesalers, DigiVog's buying team understood the future value of curated merchandise selection and approached smaller boutiques that had "*already done the selection and you did not have to select anymore*".

After two seasons, equivalent to one brick fashion year, DigiVog gained access to the merchandising departments of fashion brands and started negotiating with their teams to acquire fashion merchandise *directly* from the brands. The product was sourced from a combination of partners; smaller high-end retailers, fashion boutiques, and few wholesale accounts. In 2001, DigiVog had bought fashion merchandise totaling over 200,000 individual brand items. The speed of reaching this acquisition competence is similar to Net-a-Porter's with its added knowledge of fashion industry insiders.

DigiVog's founders thought that the point of entry in the fashion industry would be to persuade fashion firms to sell their last season merchandise online. The founder insisted that during this entry experiment, the culture of the pure play brand should be distinct from the acquisition tactics of department stores.

"The idea was, *high-fashion never dies*. [...] I do not want to set up an outlet. We did not feature in our store online the original price point at which the product was sold in the stores. You are buying a dress from Alexander McQueen which is *not* seasonal. Let's transmit to the final customer that when they are buying something which is 1 season old, you are buying *something which has a lot of content within it*. This helped fashion companies to be less afraid to sell us end of season merchandise."

The "fashion as an art form" proposition from the founding team represented a new cultural reinterpretation of the meaning of commercial fashion. Contemporary peers, like Bluefly, according to one of the co-founders, were "never able to buy anything from fashion companies directly because they were too aggressive". One method used by Bluefly in imparting this "aggressive" cultural model was to show the price at which the merchandise was sold vis-à-vis the original retail price. DigiVog displayed a creatively constructed 'DigiVog price' and never showed an item at the "discounted price".

6.2 The New Hierarchy of Cultural Distinction

DigiVog's founders thought that the presidents of high-fashion firms in Europe, typically also serving as their designers, would appreciate the value of the "fashion as art" proposition. The proposition could communicate to fashion brands that Internet method of distribution and marketing could create new sources of brand value to established firms. This was a markedly different practice of securing commercial access through creative proposition from the earlier models of Bluefly and eLuxury. "Bluefly said," one founder recalled, " *we will give you money for your product. We said, we will give you value.*"

Aside from the originality of the price construction, DigiVog's team deliberated that it was important to continually reinterpret Internet technology in the process of discovering new sources of value to fashion brands online. The lack of support to experimenting with technology in eLuxury and Bluefly reinforced behaviors of complacency similar to those exhibited by manufacturers in brick-and-mortar contexts. "They did not spend the money well on technology" said one co-founder. "Instead of making an additional effort in strengthening the assortment, they invested a lot in advertising the poor assortment. When you address a fashion audience, you basically have to get the right assortment". Conversely, eLuxury was an example of a pure play retailer with superb assortment derived from direct relationships with LVMH's brands, but poor communications. It "needed more *personality* and more character," the CCO of DigiVog Group said. "*You need to build content around what you sell.*"

DigiVog's Chief Commercial Officer recalled in 2010 that after the financial crisis hit in 2008, major fashion firms were selling their excess inventory because "they are in need". DigiVog's team thought that sample sale retail models were culturally beneficial to fashion firms only when they offered opportunities for these firms to experiment with new technology and practice.

One executive suggested that in some cases the approach that sample sale retailers have to acquiring fashion merchandise is unfavorable to fashion brands and is similar to that of mainstream brick-and-mortar wholesalers, such as Wal-Mart. “The price positioning of Levi's in the US is half what it is in Europe”, said he. “Why? It is because Levi's had left the arena of quality. In a different way, on the Internet, this could happen to fashion. If things go wrong, the Internet is highly-competitive, customer-driven, price-comparison. These guys may be trickling down status. These things take out of exclusivity. And, *exclusivity* is why the fashion system works.”

DigiVog's founders exhibited unusual maturity and depth in the knowledge they imparted regarding the brick fashion system. According to executives, the first comparative problem introduced by the Internet mode of marketing and distribution was that it was difficult to measure competitiveness online. Unlike competitiveness in the brick-and-mortar fashion industry which was related to the average ticket or, the average purchase value of a store, taking comparable assortments, online, there was another component to establishing cultural value that made comparisons between different players more complex. “What in the physical world is location”, one executive said, “in the online world is traffic and the type of traffic you generate, is the type of location you will have”.

DigiVog Group's CCO explained that the commercial team mapped out as relevant only these online peers that exhibit understanding of fashion industry culture that is similar to DigiVog's. Typically, the largest profit generators online were other multi-brand retailers, like Neiman Marcus or Saks. The remainder was populated with smaller multi-brand retailers with specific “appeal”, according to the executive.

DigiVog's commercial thought that for high-fashion firms the key to operating in a technology-enabled environment was to integrate "the right" assortment with the appropriate content. Executives at DigiVog believed that some pure play peers *understood the cultural significance of communicating and content creation*, offering new sources of brand value to the fashion industry, while others did not. Successful peers developed a lot of content around the product introduced on their website.

While the CCO of the Group criticized the mainstream commercial approach of Vente Privee, pioneer of the sample sale model that launched in France in 2001, he also thought that the Gilt Groupe—the largest competitor inspired by Privés model, was culturally beneficial to the fashion industry. Vente Privee conceives of itself as a "members-only online shopping destination that offers premium brands at fantastic prices every day". However, the company offered selection that apart from fashion items also included daily sales of appliances, electronics, and household items.

Gilt Groupe identified Vente Privee as their mainstream competitor. Executives at DigiVog went a step further. The merchandising team did not consider the spread of mass retailers as Vente Privee to be a beneficial development for fashion firms. Said the CCO:

"If the model spreads, fashion will disappear as a concept. I think that [the US sample sale retailer] was a bit inspired by Vente Privee – a huge company. Vente Privee is much bigger than [the firm]. They sell anything from refrigerators to Bottega Veneta, to Peugeot cars. *With the Vente-Privee model the fashion will disappear, because they are making fashion a commodity.*"

Gilt Groupe, conversely, offered a number of beneficial advantages for fashion brands. The US Director of Marketing at DigiVog agreed with the CCO in Milan that Gilt was able to create at the core of its brand a proposition that offered a way in which brands could enhance their social value on the new channel in the future. Gilt's proposition combined superiority in brand

offering with exclusivity of proposition. The high-fashion orientation of the firm created visible recognition for brand and it was easier to validate this player as a culturally beneficial new entrepreneurial partner for fashion firms. Because of the unusual understanding the two competitors DigiVog.com and Gilt Groupe shared about culture in the fashion industry, their original business models were validated by fashion brands despite the focus on selling heavily discounted product.

DigiVog's executives liked Gilt. The definition of beneficial competence of this peer was conceptualized in the ability of the model to "give the customer and the market very strongly the message that they are very good at what they do. There is the perception that they are telling a very nice story, a fairytale."

DigiVog's team was at the same time critical to other pure play peers. The CCO of DigiVog Group argued that Net-a-Porter, for example, deliberately tried to mimic the behavior of large department stores and this problem occurred because the founder of Net-a-Porter was locked-in, or, "*entrenched* in a way of conceiving fashion and the internet in my personal perception, as conservative. I might be wrong, of course: the establishment conveys the idea that if things have been going this way for the last 50 years, maybe this is the way they should go. So, maybe she is completely right. But, what she has done on the web is in my personal perception, mainstream."

For DigiVog's executives the appeal of their pure play peers to fashion brands finally depended on the cultural reasons why the consumer visits any particular online retailer. Said the Director of Marketing:

"If you take our customer and you compare it with Saks and Net-a-Porter, you may find similarity and overlap, but the reasons for which customers go to each channel is different. DigiVog.com – you are looking for assortment 60% of the time and for price point -40%. Buying on Valentino.com, you are doing it even if you are the same person – for a different reason. If you buy, even Valentino, on Net, you are doing it for selection, editorial, brand positioning. On

Valentino.com, you are buying just because you want to have the contact with the brand; something that Net will never give you. From an objective standpoint, we are competing in the same arena, but we are fulfilling different needs of maybe sometimes the same customer”.

A Strategy of Acquisition: Balancing Between Commerce and Exclusivity

The first brands that agreed to sell their product to DigiVog.com are two well-known high-fashion houses, with very different bottom lines. One of the brands made \$50 million and the other had \$1 billion in annual sales for 2011. These first buys were intentionally designed to be contracted against cash payment. DigiVog's founding team did not want to push consignment on their first clients. This was a key decision in building trust with merchandising executives at the brands.

The push of department stores for consignment agreements in the 1980s transferred the merchandise risk to fashion brands. The Buying Director in the US office and former Head of Buying for the headquarters in Italy observed that brands had a hard time trusting DigiVog with commercial results, but with each ensuing season executives would observe the benefits of a consignment deal in place of a regular sales agreement and "*realize* that they would do more money with a consignment agreement. It's worse for them in terms of cash-flow, but it is actually better for them in terms of the return on the wholesale price. [...] Basically, our suppliers prefer the consignment when they *realize* that we are indeed going to sell very well," she said.

After two to three regular fashion seasons, DigiVog's first partners opened up to exclusive renegotiation of the terms to consignment. The former Global Head of Buying referred to this period of a year and a half as "a crucial period in which we *consolidate* the relationship". During this period the relationship is nurtured by delivering on the commercial promise of performance by DigiVog.com and continuing to negotiate increasing quantities of product flow on consignment.

This lifecycle of merchandise acquisition can be contrasted with the US, where the company established presence in 2007. In Italy, the firm has long-term buying and concession contracts for quantities with fashion firms by merchandise, and the approach to buying in that context has become more routinized and quantitative over the years. "In Italy", says the former Buying Director, "we have a 10 year experience, so we have much bigger volumes, more numbers". Buying officers also generally need only approach the Logistics or Warehouse manager; the issue never gets passed to Commercial or Marketing departments, as it did in the beginning of DigiVog's tenure with fashion brands.

In the US, despite the fact that the market is more open to the adoption of new technological practice, DigiVog does not yet have consignment agreements with fashion designers. The relationships are nurtured directly with marketing and design teams at the brands and the approach to the acquisition of merchandise is more *qualitative* in the sense that buying specialists are only looking for "specific brands".

Due to the differences in the trust component with brands, the organizational structure of DigiVog at headquarters also differs from the one in the US. In Italy, there is a division between business development and buying. In the US, both teams are integrated. DigiVog buyers approach a brand's Sales Manager and, in rare occasions, the Marketing Manager. The contact is established by attending trade shows, or hiring fashion consultants with access to fashion brands. "Once I have the appointment", said the former head of buying, "I try to *convince* them that we are the best. [...] we preserve the image of the brand, we never slash prices. We never scream the brand name; it's a much softer process."

DigiVog established commercial presence in 2007 in the US, and by the time it entered the online fashion space, fashion brands here were already approached by multiple pure play

retailers for merchandise acquisition. DigiVog was well known in Europe, but less so in the US. Just as they did earlier in the European context, DigiVog's buyers in US had to persuade fashion clients that commercial results will "kick in" in no less than 2 seasons for sell-thru to improve.

New Kind of Merchandiser: the Eyeballing Rule in buying fashion in the us

A quick look at the acquisition and pricing of US-born brands at DigiVog's New York office allows a glimpse into the cultural capabilities developed by DigiVog in the process of acquisition of brands thirteen years ago, when it was a fledgling new company. The approach to pricing of merchandise from acquired brands in the US office is painstaking, artisanal, and driven by assumptions of quality and brand awareness.

“We were the only people doing buying back then. There are a lot more now,” says the Chief Executive Officer in the US. When DigiVog Group opened its US office in 2007, the company was competing in a context ripe with rivals. When local brands from the US were introduced as part of the DigiVog.com portfolio, the team experienced the problem of having to build their brand in yet another fashion context. The sell-thru of new brands remained historically low for at least 3 to 4 seasons. The US CEO remarked that “the problem is not in the brand, but in DigiVog's brand”, particularly because the type of marketing strategy the company practiced, did not at all involve “banner-based push marketing.”

DigiVog's team started to experiment with online placement of fashion product purchased with fashion clients in the US. The idea remained that to develop a strong relationship with a fashion brand, the team had to cherry-pick merchandise from the fashion client and assess the possibility for moving into deeper engagement to design the brand's e-commerce business property, and manage the future marketing strategy for them.

DigiVog's merchandising team in the US was invested to carry out the policy with US fashion brands in terms of negotiations and with the responsibility of having to carefully picking merchandise. This task was not always easy and there were no guarantees that in 2 or 3 years the consignment agreement would lead to commercial success for DigiVog, or the brand. It came down to trying and trust.

"For very local brands, I have to *try*; I am not sure that it will sell, but if I see that it is very well distributed around; if I read Women's Wear Daily and see many pics with the brand's clothes... of course, you have to try... it is also a matter of *sensibility*", says the Global Head of Buying at DigiVog Group. The Global Head of Buying stressed how with each of these brands the approach in terms of cultivating trust and, in the process, affecting their online culture is different.

"Catherine Malandrino, Halston, Philip Lim, Proenza Schouler. [...] Sometimes, we need to work on developing the relationship. Some of them just have a lot of stocks and they say-we'll give it to you. Others, like [mentions a well-known US fashion designer], we worked with them for two years for Digi1.com. This brand is a small brand, but it is well distributed. I asked them for two years to sell me the stock, but they always said that they cannot since they have exclusivity agreement with other competitor, blah, blah. In the end, fifteen days ago, they sold it to me."

Selection of items and pricing are both qualitative, artisanal processes. Pricing is a laborious process for the merchandiser. Going through the list of brands with which recent merchandise acquisition contracts have been signed takes eight hours and is done on an item-by-item basis. When items are bought directly from brands, the process of pricing includes cataloging of orders at the warehouse level, reviewing merchandise codes, and setting pre-markdown DigiVog prices.

The minute attention to cherry picking of US-born brands was evident in how the buying and merchandising teams in the US curated each new item from a brand, placing it under a relevant category on DigiVog.com, and figuring out the content for the item.

With long-standing partner brands pricing is made on the basis of the personal curation preference of the merchandiser. A senior merchandiser explained that sometimes the team would "boot an item to a random price". This meant that the merchandiser will look at a picture of the product - just like the buyer would before deciding what brand to buy - and decide that, "if it is expensive, but looks 'naah', I will put a lower DigiVog price on it."

One example of this rule of thumb referred to by DigiVog's executives as "eyeballing" is how the team balances between commercial appeal and exclusivity when setting prices and discounting on very expensive brands. If very expensive brands, well-known or not, had low sell-thru, merchandisers suggested the markdown on the basis of their own feelings about what price would make the brand sell.

Senior merchandiser disclosed that a low sell-thru for the generally more contemporary brands in the US may be due to promotional factors. "Maybe the brand wasn't promoted enough, problem of selection, problem of pricing," she noted. The fuzziness here necessitated reporting the problem to both the buyers and the marketing team. Possible responses to the situation would be further experimenting. Buying of this particular brand may stop or different promotional campaign would be introduced by the marketing division.

One example for the application of this rule-of-thumb is an ad-hoc eyeballing of cashmere products by two merchandisers. Among the brands with a low sell-thru are well-known European and US fashion brands, such as Marc Jacobs, Thomas Meyer, Maison Martin Margiela, Mizrahi, Tom Ford, Jil Sander, Malandrino, CNC Costume National, Robert Rodriguez, and Just Cavalli.

Because these brands are very well known, the executives decide to keep them at a very low markdown.

The ad hoc meeting then proceeds with eyeballing individual brands “just to double-check if the rate of markdown is perhaps really applicable to all”. This ostensibly simple operation takes no more than twenty minutes, yet every piece of merchandise from a particular brand that may or may not have a high sell-thru and may or may not be associated with a recent collection hit, is carefully examined on a spreadsheet. The senior merchandiser suggests that, “at this time, let's not have a target. Right now we want to up the sell-thru.” The junior merchandiser asks: “Is there normally a target?” The senior colleague suggests that the targeted price for a brand, including the markdown on that price follows only one rule. “Once you reach a critical mass, we have to pay much closer attention to the markdowns we apply”. The example shows that the percentage of a markdown on a brand is flexibly defined by the executives.

This level of detail was an important ingredient in cementing the relationship with the firm's first clients in Europe. The attention to detail in brand acquisition and pricing in the US allowed DigiVog to achieve more trusted relationships with brands and generate a momentum for advancing the partnership to the level after finding out if the brand can generate e-commerce revenue.

Chapter 7: Evolution of Cultural Intermediation on the Internet: Teaching Fashion Brands to Manage a New Identity

7.1 Rhetoric and Signature Elements

"So, for me e-commerce is everything;
the buying, the selling, the web marketing and the tech."
CEO, DigiVog USA

When DigiVog executives describe how they were able to launch 27 e-commerce businesses for 27 high-fashion partners, they often say that fashion brands “permitted” the company to go

ahead. The marketing team in the US, for example, explains the cultural capability behind the process of partnering with high-fashion brands as “help”. “What I know for sure”, an executive explained, “Is that this business depends on the client; *whether they want more or less help* with managing the store. We provide them with a set of tools that allow them to be independent. But, *they are not experts in e-commerce and we devise together a strategy for best managing the online store*”. The Group Marketing Officer added a commercial distinction, “We are offering to *help* the brands, as stipulated in the contract that we are signing, basically a percentage of sales generated online.”

To “help” became an important rhetorical tool utilized by DigiVog when the business development team asked during those first discussions with a fashion brand, why would a well-known fashion company in this creative cultural field choose to have an e-commerce store and engage in digital marketing? “It’s a good question”, explained the director of Partner Division responsible for putting more brands on-board. He explained that there are two goals with creating an e-commerce property for fashion firms. The first goal has to do with revenue and commerce. A positive response to the question reflects that a fashion firm is willing to engage in a conversation with DigiVog executives to open up to accepting a new cultural dimension in its creative practice in which there is a marked significance of being commercially viable as an entrepreneur in the new space. Commercial viability had to be understood in a similar way that executives in brand “C” looked at electronic commerce; as a straightforward goal of making money online. “They [the brands] have seen the *numbers. It’s that simple,*” the CEO of DigiVog USA noted.

A second goal of proposing e-commerce to fashion brands was to improve the knowledge of brands regarding the positive impact from an e-commerce website on brand awareness and

marketing. Fashion firms had been struggling to manage these value added activities away from brick-and-mortar wholesale and publisher partners. The Internet was presented by DigiVog executives as a new platform for “liberation of content” for fashion brands. DigiVog’s founders, led by the CCO of DigiVog Group explained to their first partners in 2006 that the fashion industry is “by definition a content creator. Fashion firms are like media companies”.

Part of the policy of pricing in fashion brands was related to charging high margins for their product to offset the extremely high costs of marketing. High margins charged for intangible assets related to history, heritage, quality, and craftsmanship that went into the creation of the appeal of the final merchandise. DigiVog’s executives hoped that they could help brands understand the new cultural value coming from reduced marketing costs of publishing and sharing high-quality content on the Internet as part of their new marketing culture. The CCO of DigiVog explained that digital web design appeals to the artisanal roots of the industry leaders.

“The upside is exploiting and enabling content for your final customer in a way in which this final customer can understand. Like in any other industry, knowledge is the main way to better understand the value of what you are buying. For the fashion *industry, knowledge is transmitted through content*. Put the creator, the designer in contact with the final customer via this new channel. You have the unbelievable opportunity of buying a piece of art and dress up with it.”

In 2006, the fashion industry had already been exposed to the concept of the “corporate website”. Corporate websites served as a prime real estate online for informing the public about the history of a brand and the reasons why it titles itself as “exclusive”. After social media became the channel most frequently associated with vast social reach that warranted it legitimacy, notoriously distressed members of the French *maison* community, including Hermes and Christian Dior, gradually discovered that good things came from becoming owners of a Facebook page or running a runway collection linked to their social media page via YouTube.

Dior, in fact, created one of the first YouTube fashion virals, produced by bloggers. A former executive in charge of e-marketing at Dior discussed the merits of the idea with Dior's CEO Arnault. He boldly argued in the meeting that the idea of using the new medium was "to create a buzz. And to create a buzz, you need to engage bloggers. If you do other things, like *classical* media, it's different. Online, bloggers are the key. And the way we did it, we invited personally 15 bloggers from US, China, France. They came to Paris. The *most important* Paris blogger – she came. We had a lot of things to explain about the Maison Dior, to create a new type of link. We spent 2 days with them."

Once traditional players such as Dior were "sold", social media technologies became considered "harmless", as one Hermes executive put it. Louis Vuitton and Burberry's marketing team quickly followed suit, starting YouTube and Facebook projects. This swift change of heart did not occur with e-commerce. Creating an e-commerce page was an unknown, complicated ordeal and no fashion house wanted to do it first. For fashion firms to accept having e-commerce page, *a lot* of them had to do it.

The Director of Partner Division explained that by knowing the degree to which fashion brands fought to be independent from the wholesalers in the 1980s, DigiVog created a successful pitch that over the years inspired many brands to follow suit:

"The first and only reason is— everybody is doing it. In the fashion business, this is the herd mentality. The second is, what do you want to deliver in terms of product image? A department store is by definition a wholesaler with its own buying team defining what they want to buy. Online store is of course managed by the brands; it is they who decide what pieces they should put in the e-shop. They know that out of one particular exclusive dress, they may only sell 1 piece, but it is a way to convey a brand image."

The founding team explained in their pitch to fashion brands that as social media and social commerce technologies continue to evolve, their corporate website would be able to contribute to

only 20% of the brand value (Figure 9). An e-commerce website is better positioned to help in the branding process. It contains an updated datafeed of product that can be made searchable on the largest web engines. The product along with the editorial content can be incorporated into marketing campaigns promoted on social media and social commerce websites. The evolution of these digital technologies creates a possibility for broadening distribution of the marketing and brand related message of fashion firms.

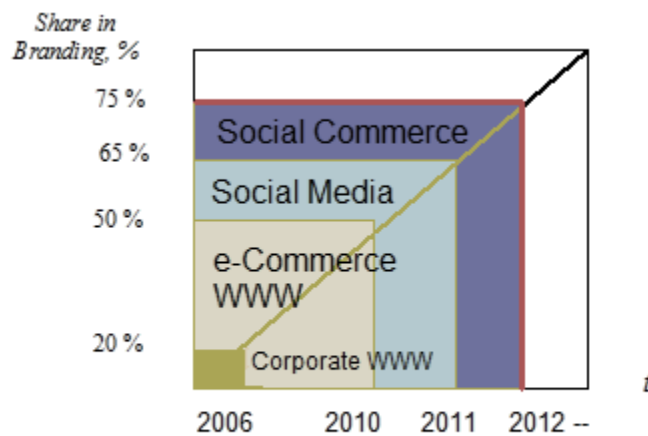


Figure 9 Interpretations on New Practice as Beneficial Innovation.

Fashion firms would enable new sources of brand value by developing their own digital promotional campaigns and decorating them with their own content as it applies to their seasonal product. “Fashion firms were, in fact, able to understand the market beyond marketing”, said the CCO. What they had forgotten, added the CEO of DigiVog USA, was that their real audiences were “customers [who] judged the quality of their product every season” and that one of the roles of e-commerce was to remind brands of that advocacy.

7.2 The Launch of Collaboration

DigiVog had to make certain choices regarding which brands to approach. Generally, the executive team listed two main problems that would inhibit their future partners from signing a partnership deal with the firm. The first challenge was to make fashion brands think operationally and in terms of commercial decisions that would bring commercial success. “Despite the fact that you are very visionary company and a very visionary designer”, noted the CCO, “the Internet would expose you to the customer in a way that you’ve never experienced before; much more deeply than a store or an advertising campaign, which is always, always, always executed with *no* clear achievement offline”. The Director of Partner Division at DigiVog explained this problem:

“The point is, the fashion system works with an advertising budget which is set up to work with very high mark-ups and margins. The unsold products sold at a lower mark-up can easily cannibalize the brand perception and your ability to mark-up your product for lifetime. The fashion houses were very careful not to lose brand equity. This was the swift way for us to do it. We had to find an easy touch point between Internet and fashion. There was a way to selling fashion online which actually protected the brand and protected the merchandise.”

The other problem was the existence of long-standing, siloed separation of culture between marketing and e-commerce, in those occasional cases where fashion companies actually *had* marketing or online commerce departments. The Chief Commercial Officer at DigiVog Group explained this challenge:

“If you look at it from an organizational chart perspective of a fashion house in Italy, above certain percent, you will find that there are no Marketing Directors around: in Armani or Gucci. It’s something I could never believe once I’d seen it. Marketing direction of Dolce & Gabbana is basically in charge of identifying the price point of products of comparable brands. Everything for Gucci, Armani, Dolce & Gabbana – what a company would call Marketing, they call Communications. I’m Gianni Versace. I never actually care if you prefer white dress or a black dress, because I am the maker of the dress. But, why should I hire a Marketing Director? I just need to hire someone to communicate you my vision of things. That is the way they see it.”

In order to show to fashion firms that DigiVog understood their operational context and rules of engagement, in the early stages of the development of its e-commerce capability, the company

had to establish its own PR and Communications team. The PR and Communications manager was based in Italy along with eight other line managers located in Europe, China, Japan and the US. The allocation of this unit to the organizational structure allowed the company to achieve status that was perceived as “similar” to the identity of high-fashion European firms.

This is how The Director General of Altgamma validated DigiVog’s enabling role for fashion brands, alluding to the similar “thinking” of two unlikely categories of partners:

“The founder and his crew share the same culture of the luxury company. I believe that to meet the need of a high-fashion firm, you need to be part of the same culture. They are not people dealing with just logistics and just with IT. They have the ability of defining the technical solution, but on top of that they share the vision and fully understand the needs of the fashion company, in terms of quality and service that has to be provided.”

Early on, before the Partner Division was created to work on negotiating the technical characteristics of future e-commerce properties for partners, the founding team decided that the developing capability in “eyeballing” product that sells warranted leaving the decision for the selection of fashion product to DigiVog merchandisers. This particular cultural approach left the possibility for a backlash from future partners. Merchandising divisions at fashion labels could argue that only certain products should be put online, because they represented the highlight of the season.

“So they would be affected”, said the US CEO, recounting his answer to internal discussions in DigiVog where founders wondered how to go about negotiations, if their future partners pushed for less commerce, and more ritual presentation of their product. The US CEO had developed an answer:

“The biggest challenge was to let people understand that the online store was another sales channel and it was not going to cannibalize their product in other channels.... the beauty of being online is that you only see one article; you never see racks of things. Buying 100,000 pieces of a t-shirt that the designer thinks is ugly does not tantamount to putting them all on a

rack. Further, we can complement the item with other, more popular pieces from the collection; like, a \$10,000 dress that the designer loves, but we'll only stock 2 pieces of it. So, that resolves the problems that could be had in a physical store.”

Knowing the shortcomings in the behavior of these creative organizations actually facilitated the partnership choices DigiVog executives made. DigiVog’s Chief Executive in charge of brand relations investigated the pyramid of turnover generated by fashion firms and observed that it was very flat (Figure 10). The number of fashion firms that operated in the \$ 1 billion segment of the pyramid was less than 20. Gucci, Christian Dior, Vacheron Constantine, Chloe, Louis Vuitton, and Hermes were some of these brands. They tended to be publicly listed, and owned by diversified holding Groups. One example is PPR, a French multinational holding firm that has substantial shares in fashion luxury brands such as Brioni (100%), Gucci (100%), Yves Saint Laurent (100%), Sergio Rossi (100%), Boucheron (100%), Bottega Veneta (100%), and Alexander McQueen (51%).

The CCO observed that when fashion brands were positioned at the lower tier of the pyramid, with annual revenue of less than \$500 million, they tended to be privately owned and bolder in their choices. When fashion firms got to the midpoint of the revenue segment, they also tended to have a Marketing Director. Fashion brands positioned at the lower point typically did not have Marketing direction. These were crucial cultural data for DigiVog.

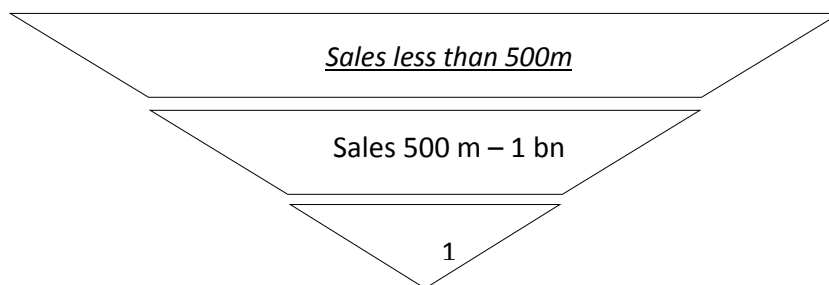


Figure 10 “Openness to Creativity” Pyramid

The CCO sketched out an inverted relationship between turnover in fashion brands and their openness to taking new strategic decisions:

“Once in a while, you trim your distribution; you want the highest quality, most exclusive distribution. This is necessary, but it cuts your revenue. So, what do you say to your shareholders? Well, the designer thought that adding the product in this direction is not so nice to the brand, but the shareholder says: fire the designer. If you are Burberry, you are not anymore in the position of being pure. You need to make compromises. I am sure that in the head of Christopher Bailey or the Marketing Director there is something saying: would be nice to have the product just presented the way I want. But, how do I explain this to the analyst? If you are on the top, you already will have too much to compromise and this will reflect your internet strategy.”

The CCO would eventually posit to the executive team that smaller high-fashion brands which tended not to have marketing divisions could learn faster that there were advantages to organizing as Internet retailers did; by integrating e-commerce with online marketing operations.

The goal was to find a representative sample of high-fashion firms bold enough in their decisions and with little, if any, experience in digital operations. Firms that did not have a Marketing Director were interesting to DigiVog because their founders tended to micromanage their operations, but were forthcoming generally and “tended to sort of tell you what you want to know”. The CCO suggested starting selecting brands from the \$500 million sales bracket for introducing e-commerce capabilities. The expectation was that if a certain critical mass of smaller fashion brands decided to collaborate with DigiVog, this would incite reaction from large established firms and trigger positive peer response.

From 2006 to 2012 DigiVog has focused on developing collaborations with fashion firms positioned at the bottom of the inverted pyramid of less than \$500 million revenue. The majority of these firms were the prêt-a-porter fashion houses of Italy. They tended to be tightly knit in localized associations and it was easier to establish positive word-of-mouth with them. DigiVog’s first e-commerce client was a high-fashion Italian brand which did not have a

marketing director and the owner was controlling closely the entire process of developing the digital identity of the website, including choosing and updating the merchandise.

When DigiVog entered the US market in 2007, the company was able to capitalize on its European reputation by gaining the trust of three US high-fashion brands that had won Vogue's and CFDA's designer of the year awards in 2010 and 2011. In 2012, DigiVog also achieved an important milestone. The Group launched a Joint Venture partnership with PPR dedicated to designing and managing the e-commerce and digital marketing practices of several PPR luxury brands, the first of which is fully owned by the conglomerate. The peer behavior of fashion brands in adapting to changes en masse had finally paid off.

7.3 Requirements for Collaboration with Fashion Brands

Before DigiVog launched negotiations with high-fashion brands, there were a few “minimum requirements” a potential client had to meet. Unlike other companies that provided e-commerce building services for luxury brands, such as CreateTheGroup or GSI Commerce, which required from their clients yearly fee designed as a percentage of online revenue, DigiVog Group did not use this principle in working with clients. The CEO of the US office explained that this decision was incorporated in the contractual agreement because the cultural goal of DigiVog Group is to achieve long-term, *branding* benefits for both partners.

“I will be your partner for the online store but if you do not reach some pre-specified minimum level of turnover which justifies for me the percentage of revenue share, I will charge you anyway a min amount of money on a yearly basis to justify my revenue share with you. We don't do this. When we define a brand not strong enough in terms of potential annual sales online, we do *not* go ahead with business plans.”

The first step in investigating the potential of the partnership is a qualitative analysis of the “message” and the “image” of the brand. These two variables relate to the distribution channels in which the brand is present and the marketing approaches and campaigns that are implemented

by their Communications divisions. The analysis takes into consideration if the brand has a corporate website and how it is used. If the brand already does some online campaigns, as digital runway shows, or supports social media activities on Facebook or with bloggers, the relationship increases in importance, because the brand appears to be open to the digital channel by way of experimenting.

The other step in the analysis is to measure the average ticket, or the average purchase value made in the physical stores where the brand is sold and the variation of the average ticket across markets. This quantitative exercise allows forecasting the expected average ticket value online. Even though the merchandise may be very expensive, the average ticket is an important measure, because as the CEO of the US office noted, “the average ticket will tell you what sort of merchandise assortment the client actually buys. When you get the information about average ticket, you already know what the brand stands for in terms of proposition; *what is the value of the brand.*”

In 2006, one of Europe’s most coveted high-fashion brands, established in 1994, signed an agreement with DigiVog for the development of their first online store. In 2007, a prêt-a-porter clothier agreed to be the second to have an e-commerce website created by DigiVog. This brand is to date one of the largest clients of DigiVog, totaling sales of \$1.3 billion in 2011.

After reaching a decision on the similarity of brand culture and the practical issue of money making online, the next step would be to sign a long-term contract in which the brand agreed to adopt DigiVog’s own proprietary e-commerce technology model. DigiVog’s Chief Technology Officer and Global Technology Evangelist in the US office recounted why this internal cultural acceptance was key for the relationship:

“We focused on internal development of the platform and we have developed our platform ourselves. We always saw a business as complex as DigiVog, in terms of inventory management, flexibility in the management of pricing, different markets, different payment options, is something that is not easily found in e-commerce platforms, meaning that you cannot find it in as flexible form as you may wish for a business as DigiVog. *Something that changed the field completely* is when we extended the platform to take care of the rest of the e-shops under us in a completely separated way in a logical sense, but using the same platform.”

DigiVog.com was developed as an online store around which the technology team built an infrastructure consisting of internally managed warehouse, fulfillment and delivery services. The CTO explained that DigiVog.com, “[our] biggest brand” is treated, culturally and in terms of business process, like “any other site.” This cultural perspective is how DigiVog discusses the e-commerce properties of client businesses. The Chief Technology Evangelist explained that DigiVog sees the e-commerce businesses of its clients as *products* and *divisions*. “What we call product is our websites,” he said, “and divisions are basically the online stores that we have”. DigiVog’s executives culturally associate their high-fashion partner businesses as *proprietary* internal divisions of DigiVog.

Prior to starting fashion client projects, DigiVog’s founding team discussed the prerequisites. An in-house technology team was created whose role was to continually acquire core digital technology skills. The founders planned that this internal team would grow organically with developments in e-commerce technology and leverage external force to keep up with subsequent demand from fashion firms.

Planning ahead of developing a particular cultural competence was a typical approach for DigiVog. A senior executive at the US office explained that “planning ahead” was a form of hedging against uncertainty. Planning ahead was done only after the founding team closely examined emerging online cultural technologies and was “very strongly internally convinced” to invest in developing tools, solutions, platforms, or collaborations.

DigiVog's marketing and merchandising team always learned from extensive analysis of contextual trends, situations and proposals. The internal vision had to be aligned with experiences from learning. An example of this selective experimentation is an episode from the US office in 2011 in which DigiVog's marketing executives turned down a proposition from a startup with an impressive list of online retail clients to survey a random sample of Internet users on the user-friendliness of pure play retailers' shopping fronts. Despite the very high customer retention rate (99%) that other online retailers were able to achieve by doing the survey, DigiVog's marketing team considered the offer from the perspective of long-term impact on the brand.

The Marketing Manager noted that even though "mega brands like Nordstrom have more resources to free for such an instrument, they would have no time to reflect on the *consequences* of carrying out this instrument and also on the possibility of designing the instrument on their own." It was decided that the \$18,000 that DigiVog would have to pay for this survey could be used for testing more "innovative instruments", such as collaboration with social-commerce players.

7.4 Transfer of New Culture to Fashion Brands 1.0: The Partner Division

When the first e-commerce properties for fashion firms were developed, DigiVog Group decided that the future will deliver enough fashion business to warrant the building of a new organizational unit to deal with the evolving expertise. Because a lot of work on the creation of the e-commerce website involved web design, the founders regarded the new e-commerce expertise as a *creative* enterprise in learning.

For DigiVog the work on building e-commerce properties for fashion brands was both a commercial project, and an "art design" project. The founders assembled a team to creatively

design, logistically implement and technologically maintain this new division, which became the Partner Division. The Chief Technology Evangelist (CTE), among the founding members in 2001, recalled the role of creative recombination in opening the division— “we took something from business development, project management, and technology and that provided the focus that was needed to make this project start.”

In 2006, DigiVog's technology team began to conceptualize the cultural business model for the partnership division. The first challenge was to use their limited headcount and build the e-commerce property of their first high-fashion client by relying exclusively on the in-house expertise of only three persons. One was in charge of technology and, says the CTE, “[...] there were two more developers, the broad skilled ones. By the end of the project, it was four people.” In 2006, the small team decided on changing the name to “Platform Support Division. That was a concept that was not present before, and we had to change things in order to *add the concept of division,*” says the CTO.

The launch of the first partner e-commerce website in 2006 required DigiVog's development team to regroup, recoup and re-consider what will be the appropriate organizational support to future partner brands. The team was facing a very unusual situation.

In 2006, there were only a handful of high-fashion brands with e-business operations. DigiVog's Platform Support Division had to create a technology that fitted the internal organization of firms with much smaller operations and catalogs than DigiVog.com, the Group's first pure play brand. The team also did not know what goals fashion executives would find relevant in managing their future e-commerce property.

The challenge of the small Platform Support Division was to translate what e-commerce means to their high-profile clients and align the concept with existing cultural expectations of

fashion executives on the Internet as a commercial and marketing channel. DigiVog's CTO recalled that “we had tools, but they were not relevant to be used for different stores and by people who did not have knowledge of internal rules in DigiVog. They [the tools] had to be smoothed around the edges before we could expose them to the client.” Among the main concerns of fashion directors was “dilution” of their brands online. The immediate focus therefore became “focusing on the art of the website.”

The difference of cultural goals between fashion brands and their future turn-key agent, DigiVog, prepared the Platform Support Division to work as an organizational intermediary that tests, experiments, and, possibly, collaborates with fashion brands. Today, this mini-division has grown to be the largest organizational unit in DigiVog. The unit is called “Partner Division.”



Figure 11 Partner Division

(Source: Internal documents)

The Partner Division (Figure 11) is the main organizational unit in DigiVog that gets to mediate new culture to brands and direct the relationship with fashion brands. The division has three distinct areas of expertise: merchandising, editorial, and partner management. Merchandise planners at the Partner Division have the rare opportunity to select the actual items for the client’s e-commerce website. In 2011, the unit consisted of three merchandisers who were “eyeballing” items to choose across the portfolio of 27 brands.

The editorial content unit includes eight people collaborating on creating, designing, and sharing editorial content for the e-commerce website. Content is shared by sending regular and promotional newsletters to registered email users of the brand website. Newsletters typically promote new collections or special community branding campaigns. Finally, eighteen partner managers operate and analyze the day-to-day performance of e-commerce operations of the partner.

The process of building the e-commerce website as a creative asset is kicked off by high-level negotiations between DigiVog and the brand. The early phase of the negotiation includes DigiVog's Chief Commercial Director and Group Business Development Director and the CEO or the General Manager of the fashion brand. The organizational roles that the parties choose to kick off the negotiations for the creation of this digital asset reveal how important it is for fashion brands to enter the new channel.

The CCO of DigiVog emphasized why the Group wants the project to be launched on such a high executive level. "The project is not generated by the CIO", he said. "Sometimes you've got a Commercial Director, and sometimes, people from Marketing. This varies a lot."

The contract signed subsequently between DigiVog and the client invests DigiVog with the responsibility to create, design, run, and maintain an e-commerce website for a fashion brand. Upon creating the property, DigiVog assumes responsibility to perform operations related to the technical aspects related to running campaigns for improving the visibility of the brand online, such as Search Engine Optimization (SEO) and Search Engine Marketing (SEM).

The fashion brand further agreed to reinvest a share of their annual sales revenue from e-commerce for refinancing costs associated with running SEM *and to potentially finance other, new marketing activities that DigiVog may stipulate at a later time.* The contract dictates that a

“partner manager” in charge of e-commerce will be provided by DigiVog, *if* the partner wishes so, or by the partner. Experience with most partners indicated, said the US CEO, that even though the contract terms called for the recipient firm to “have to hire an e-commerce manager if an e-commerce manager is absent, this function is fulfilled by an *internal partner manager* at DigiVog”.

Between 2006 and 2012, the roles that eventually became appointed as e-commerce managers by General Managers or CEOs at fashion firms, were amazingly varied. Across the board, anyone short of being a General Manager or CEO, Business Development Manager, Brand Director, Owner, Commercial Director, and even Creative Director, were initially appointed by the brand as managers of their future online business. The company roles of these appointees indicate that these people are chosen to lead a brand-related function and have *ritual* responsibility for e-commerce and no operational involvement in any commercial or marketing activity related to running the new business online.

The idea to have two levers in the partnership, one represented by the Account Manager at DigiVog and one by an e-commerce director in the brand emerged when the former Director of Brand Management understood during the negotiations stage that:

“We can't really figure out a way in which we can understand each other in terms of what exactly a partner manager does. Basically, DigiVog Group and the brand should do the things that they are individually best at doing. They [Partner managers] tendentiously do the buying, and should be guided by the brand. They [the brand] know what they sell [best]. ...they consistently liaise with our Partner manager in order to get the creative, such as banners and newsletters done by us.”

To mitigate the problem of understanding each other, the Partner manager at DigiVog Group figures out the product assortment *jointly* with the merchandising or, in the rare cases when it existed, e-commerce director of the brand. The idea is to choose assortment that will work

online and produce positive sales results. The Partner manager at DigiVog acts more like a *retail* manager rather than a *digital marketing* manager in this setup. At the same time, part of the organizational responsibility of the DigiVog Partner Manager is to produce *creative assets* for the partner, such as e-newsletters.

It took many hours of handcrafted labor to create and editorialize the weekly newsletters for the 23 brands in 2011. Each brand typically sends out 1 to 2 newsletters each week. The localization of these 30 newsletters into seven languages came up to 210 electronic newsletters a week. This was a large scale operation in content creation and the content of promotions and product of course had to be differentiated by brand. The creative process for the production of promotional electronic newsletters for brands was differed significantly from the routinized, quantitatively driven, SEM activity which was typically handled by no more than two people.

Electronic newsletters were important first part of the relationship with a brand partner. In DigiVog.com experience, brand related newsletter campaigns contributed anywhere from 10 to 30% of sales. “It is insane not to use them”, explained one executive the rationale for adding this activity with brands on top of SEM. DigiVog insisted that each brand in the portfolio should approve a copy of the proposed newsletter. One executive explained that some division of labor between DigiVog and the brand was necessary ”because newsletters are *vehicles* for the brands in the end. They approve all of them and in some cases, they make them themselves.”

The problem was that most partner brands from Europe had a setup where digital activities were either nonexistent between 2010 and 2011, or else, larger firms, sometimes had Creative Services Divisions, which approved all content related to both channels; paper and digital. Negotiations with the brand prior to e-commerce creation were a critical informational interview where DigiVog learned about these contextual specifics.

The CEO of the US office perceived the Partner Division as the “*most relational* department that we have aside from the buying department. The partner managers are skilled with processes and external relations”. A partner manager at DigiVog was broadly skilled and could propose commercial plans to the partners. They coordinated deliveries to local warehouses from fashion brands. Partner managers also acted as fashion merchandisers by taking prime responsibility for placing merchandise on the partner’s website and updating sizes, styles, and content.

Partner managers at DigiVog also had to behave as brick merchandisers in fashion firms and propose the product to be placed on the website. “Obviously,” said a senior executive who once took charge of store management for the US office, “you can’t tell your partner, as a traditional merchandiser in a fashion company, would, ‘hey, next season buy a little bit more than the last season’. The job of merchandisers here is to propose sales budget, markdowns, and plan assortment on the web.” The partner manager had evolved into a novel kind of Merchandiser who had the ability to control and curate fashion product directly on the fashion brand’s e-commerce website for the year in question. The role of partner managers at DigiVog was explained by another senior executive as:

“*relationship management: internally and externally.* They are the point of the brand entrance; like account managers. This seems like a structure that is fairly unorganized, because we can see that every Partner manager has unequal amount of people underneath [e.g., some have more than one Jr. Partner Manager reporting to them]. But, this is an example of how we’ve *organically* evolved to build the company around people, as opposed to vice-versa. The most that we do is having 2 people per website. We have done that when the brands are part of the same family. *It is important to get one person that is the one that our partner trusts.* They do not do store management on a daily basis. They rather coordinate the details for new features on the clients’ websites and the commercial calendar.”

Other ways of expressing the importance of the partner manager was provided by the CEO of DigiVog US, who once held that role at headquarters.

“One of the reasons why there should be only one partner manager per client is because the partner manager, in a sense, kind of becomes the brand; becomes the brand ambassador. That is even reflected in the way they dress. They instinctively know what the brand likes. There is of course a dialogue and they translate the outcomes from this discussion as a request to the content teams and the producers.”

Despite the rapid processes of learning-by-doing to which DigiVog’s Partner Managers were accustomed when working with brands on SEM and newsletters, the cultural acceptance of the Internet as a novel commercial and marketing channel arrived exceptionally slow in the minds of their fashion partners. In 2010, DigiVog had created flagship e-commerce properties for more than 20 brands. The Partner Division Director noticed that he did not understand “*exactly what do the 23 e-commerce persons from the brand do on the other side?*” The executive noted that the majority of fashion partners which had appointed internal digital managers showed only normative support of the Internet idea. When senior partner managers in the Partner Division presented data to newly hired e-commerce managers in fashion brands showing problems with conversion or traffic, these executives rarely had an enthusiastic response assigning or coming up with a course of action to remedy these problems.

The executives at headquarters understood that their preference for partners with little or no knowledge of e-commerce and online marketing may have backfired and their ideal partners had to be at least conversant with these approaches. The latter case was difficult to come by in inexperienced fashion brands whose executives had just barely accepted an outsider to show them how to run their business. In 2010 and 2011, fashion brand executives still tended to appoint people from the retail side of the company, thinking that they would have no problem running an Internet business. The situation was not ideal for DigiVog’s Partner Division, because a brand representative from brick retail would seldom have ideas aligned with digital marketing and e-commerce. As DigiVog executives discussed the problem of commercial

online performance, consensus emerged at headquarters that “in the ideal case, this person ... knows the right people to talk to about marketing budget and merchandising products. They have understanding of the product and the marketing side and are internally well-connected.”

In May 2010, group executives began discussing the possibility of offering partner brands an increasingly specialized and tailored menu of options for managing the online channel. Along with the work on SEM, the Partner Division managers began considering new elements in the marketing mix with brands that were already experimented with at the Group’s two other brands, DigiVog.com and Digi1.com. These new activities were related to promoting affiliate programs to fashion partners, web campaign development, and more creative involvement in curation services with publishers, editorials and banners.

Another discussion emerged around probing limited social media outreach for Partner brands. The CCO recalled discussing with DigiVog’s founder ways in which to point to their partner brands the need for integrated managing of social media channels, such as Facebook, and offer social media advice in future agreements. “I didn't want to discard Facebook entirely in terms of things we want to cover”, said the CCO, “because in time we may offer the possibility for brands to have a shopping page directly on Facebook.”

In proposing new sources of cultural value to their partner brands, DigiVog executives were drawing from their own experiences with integrating campaigns involving different creative assets for their two main brands, DigiVog.com and Digi1.com. When Partner Manager Executives proposed to link the shopping page of a high-fashion brand to DigiVog’s own Facebook page in 2010, they thought deeply about the brand-related consequences this decision would have for the client. The idea was to see whether fans of the brand that were fans of

DigiVog on Facebook would be inspired to visit the brand's page by clicking on the link from Facebook, and if this kind of "curiosity" brand traffic would result in a purchase.

Partner Division Executives argued for more vigorous, on-the-go advising with partner brands. They wanted the speed of action required from their counterpart e-commerce managers on the other side to influence them in changing the setup of their organizational structures to more culturally sensitive to the Internet. The Partner Division Director became certain that advising brands on SEM would not be *culturally appropriate* anymore, because DigiVog Group had developed considerable contextual knowledge in more qualitatively-driven aspects of digital operations, such as marketing and branding.

"They need to establish a seamless online reporting structure", said the Director. "This reporting structure should have an online PR team; a person from their PR department. It could be 2 people – for Facebook and twitter. And at the same time someone in charge of the dialogue with bloggers".

The problem with the idea of offering even more value-added activities to nurture creative expression with brands was twofold. First, fledgling brand managers would be overwhelmed by the changes. Second, the Partner Division was built in mind with a limited digital marketing competence. The Partner Division Director and the Director of Global Marketing discussed the options for replicating digital marketing functions already supported on Group marketing level and transfer them to Partner Division.

No other "2.0" technology company on the Internet in the emerging cultural field of fashion had ever attempted to develop turnkey solution based on its own experience and offer it to social entities that were intrinsically indifferent or scared of adopting a cultural identity that divorced them from their place of brick-and-mortar comfort. The Partner Division was about to

decide to offer fashion brands two ways to manage their cultural identity online - in online marketing and in e-commerce.

Given the lack of knowledge or desire for understanding on the part of fashion brand appointees about running digital marketing campaigns, DigiVog executives decided to replicate at the Partner Division level digital marketing functions related to producing editorial content, electronic newsletters, and social media campaigns, instead of automatic transferring of future task requests to the global marketing department at DigiVog. “The Partner Division is becoming its own company”, a senior executive said.

DigiVog had launched Partner Division in mind with transferring to European and US-born fashion brands the ability and the knowledge to create and run “big, virtual, and imaginary” new messages online. The renegotiation of the cultural mediating role of DigiVog now took a step into the direction of a two year reorganization of the Marketing Department on a group level which eventually spun out in two experimental teams working seamlessly to contextualize the marketing expertise of the company to fashion brands.

7.5 The Emergence of the Editorial Role in DigiVog: Special Brand Agency (SBA)

In mid-2010, the complex organizational structure of DigiVog Group expanded with the addition of “Special Brand Agency” (SBA). SBA (Figure 12) was constructed as an independent unit in the direct purview of the Global Director of Marketing and was first located under Group Marketing. In order to expedite the testing of new ideas, SBA built on the contextual competence of functional expertise in the firm. SBA had six distinct areas of competence. All six areas were new to the area of collaboration with fashion brands. These competencies extended beyond search engine optimization (SEO) and search engine marketing (SEM) to areas distinctly associated with *editorial* and *publishing* competence.



Figure 12 Special Brand Agency
 (Source: Internal documents; approximation.)

For the first time in the existence of the new cultural field, an online fashion retailer was offering its partner brands, for which it also happened to produce and run e-commerce business, an added area of responsibility related to creating, running, and managing social media editorials, style editorials, and fashion editorials. The main proponent for extending the competence of DigiVog group to the publishing industry was the CEO of DigiVog USA. He indicated that DigiVog would be launching SBA as a new mechanism for editorial mediation for fashion firms in the digital space of fashion. He considered that the long-held practice of buying print advertising with traditional publications served to fashion brands as a form of cultural support. This form of cultural mediation was, in his mind, dated, expensive, impractical, and would lead to no measurable results with the advent of Internet technologies.

“The reason why we do marketing this way is because it is more cost-effective than traditional marketing methods. First, the conversion rate (CR) we get from a website form of marketing is much better. It is one thing to be on a website, where the product is really *relevant* to this channel. Strategic branding has become a much more *relevant form of marketing*, rather than putting a banner on some random website.”

The experimental unit had three employees in 2010 and its success depended on the ability of its executives to find special projects for fashion brands. Editors in the SBA unit covered fashion, style editing, and social media. The CEO of the US office explained the role of the fashion editor in the context of SBA, as the expected multitasking of more than one functional

area of expertise; a fusion of “...more than a copywriter and more than a stylist, but kind of these both things at the same time. She is a really fashion person who knows how to write.”

Editorial content coordinators also specialized in producing conceptual specials on trends. Content coordinators and the fashion editor were frequently contracted out internally by the Commercial Department to do trend research. The content coordinator was in addition responsible for producing content related to special projects exclusively for the online blog on DigiVog.com. The Special Projects Coordinator rounded the small group. He came up with ideas for developing relationships with fashion brands for projects involving exclusive production of merchandise items for DigiVog.com, capsule, and vintage collections.

One of the “special” creative projects that led to the formation of SBA was with a new fashion label, born in Manhattan’s fashion district in 2010. The project emerged as an experiment for conceiving of new sources of brand value on the Internet and was realized on an impromptu basis; because the CEO of the US office was fan of the designs himself. Negotiations with the brand started when the CEO’s own professional interest sparked after observing the runway show of the brand in 2010. “They’re fairly unknown”, he said of the opportunity,

“and they wanted to grow their business and become more internationally well-known. What can they do? They are a company that makes \$5 million a year. They were tiny company and they could never take hundred thousand dollars and spend it on a page in Vogue, which is basically what a page in Vogue costs. What they can do is for \$25,000 in this case, sell their product on DigiVog and use its global customer base. In this case, we did them a favor, because I kind of like them. Honestly. So, they gave us \$25,000 and we bought product worth \$25,000. So, they gave us the product and we gave them the exposure.”

With this first special project of the new SBA unit, DigiVog Group developed an array of dedicated value-added options that later expanded with the addition of other partner brands. The young label received an editorial mention in the online blog on DigiVog.com and the creative

photography for all product merchandise online was paid by DigiVog Group. The collaboration included a dedicated interview that was accessible on the front page of DigiVog.com and led to the mini-page of the brand. The brand's merchandise could be purchased on a dedicated mini-shoplet designed temporarily and exclusively for the brand by the Partner Division.

When coming up with plans for creating special projects with particular brands SBA's first decision had to be that the fashion brand had a cultural identity that was "relevant" to the cultural identity of DigiVog Group. This decision was tendentiously the decision of the Head of the SBA. These first negotiations also established the critical mediating role of DigiVog as a source of brand value for fashion brands. The SBA team was aware that brands promoted with a mini-shoplet on DigiVog.com were exposed to more visibility than would have otherwise been possible had they approached digital communications independently.

"They would not even know *who* to contact in the first place", said plainly the US CEO. "And, if they knew, they would not get the same rates or the same added value." As a show of success of this practice in the process of deepening collaborative relationships with fashion brands, in 2011, SBA started to privately advise young and older fashion partners on how to spend their entire budget earmarked for online marketing with the help of DigiVog Group. Special Projects were, shortly, brewed as a potent channel that DigiVog Group could use to communicate its fashion authority in the new cultural space and offline.

Another example that corroborates to these developments was a special project between the US office and a contemporary US fashion designer. The origins of this collaboration were similarly conceived as a local experiment by the US CEO and the Director of US Marketing, who both happened to be fervent buyers of the brand. The designer himself was considered to be "part of the family" in the US office. Collaboration with the label started already in 2004,

when he designed a special jewelry collection for DigiVog.com. The collection was well received and the most expensive piece of jewelry sold for \$6,000. The relationship with the designer was considered “special” also because one of the former PR Directors at DigiVog group became PR Director for the designer in mid-2003. The new collection was an exciting undertaking also because the idea for the jewelry theme emerged after an informal chat between executives and the US office and the designer himself.

This collaborative deal included a number of feature elements. The exclusive collection by the designer featured t-shirts that were considered by the US executives to be “basic”, but the underlying message of the campaign was crafted as a statement against consumerism; representing what the designer considered to be his own fight for a balanced “Social Media and Social Network” era. The designer was responsible only for the feature logo design of the project. The production of limited edition T-shirts took place in Italy and was contracted out by DigiVog. The designer also requested that his socialite friends model for the outfits that were going to be put on the promo webpage.

The testing of new practices for these new kinds of special projects was an exciting new project for the company. The process involved a constant back and forth between a designer and the Marketing Director and the CEO of the US office. The Marketing Director kept a log of creative marketing solutions proposed to the fashion brand during negotiations. From this log later emerged the ongoing practice in the Marketing Department in the US office to obsessively document their trial and error campaigns with fashion brands. This was also one of the first projects that involved cross-fertilization of marketing practice between the online and the brick channel and as a consequence, recalled the CEO of the US office,

“there were a few things that did not quite work well. First, was a logistical issue related to lead production times. The samples did not come on time; in fact, only 10-15 samples made it to his friends. The second, is a technological preference that we had with regard to the Facebook application that to be developed to link to the collection. [We] proposed to make the product such that it becomes a virtual wearable product. However, the designer did not like this idea. This was too bad, because the technological solution was cool.”

The experiment with the jewelry designer, for example, envisaged many details that the US CEO considered to be new and “cool”. The project ran as an independent shoplet accessible via the front page of DigiVog.com. The mini-shop was accessible to registered users of DigiVog.com for six months. The front page banner that heralded the arrival of the campaign was going to run for a month. The brick and mortar part of the event stipulated that on February 10, 2011, the designer would introduce the special collection by holding an event on which a comprehensive list of designers, models, socialites, and editors of publications were invited. The day was picked to coincide with the first day of Fashion Week NYC. DigiVog’s US office paid for the event and collaborated with a local PR agency for party invitations to be sent out.

Publicity costs for the brick-and-mortar event as well as the online organization of the event, the mini-website design, the upload of merchandise, and the newsletter were also covered by DigiVog’s US office. The risk undertaken with the creation of this event was many times higher than the actual financial costs for both brick, and online presentation. The CEO of the US office made a point about this dimension of collaboration, “\$50,000 is the cost of half a page in Vogue, as a point of comparison.” As with most special projects between DigiVog and fashion brands, the relationship was based on a revenue share.

This event was designed to be a high risk event, in spite of the fact that the fashion designer in question was personally acquainted with executives in the US office. The CEO of the US office was concerned that other parties will want to invite a very similar sample of participants

for day one of Spring/Summer Fashion Week 2011 and, as a consequence, not all socialite participants or editors would show up.

DigiVog's US executives were confident in their ability to achieve one overarching goal: widening the coverage in the local press about the capabilities of DigiVog US in designing special projects for fashion brands. Coverage from personal style bloggers and online fashion publications was the principal avenue for extending the visibility of the DigiVog brand. In retrospect, by covering creative costs for the events, the US office was paying a 'cultural difference premium' that served, as the CEO of the US office explained, as "first steps into the direction of strategic branding with fashion labels and nice side project[s] that keep people interested and add color to [DigiVog]."

7.6 Here comes a new marketing platform: Digi1.com

The successful development of relationships between SBA and young brands convinced US marketing executives to push headquarters to put a "face" to a new capability in the company focused on emerging fashion brands. The result was the founding of a dedicated cultural platform for collaborating with young brands, Digi1.com. Digi1.com was founded in November 2009 as a full-price pure play fashion retailer.

The development of this capability suggests a glimpse into the progression in the evolution of DigiVog as a technology-fashion company. Culturally and operationally, the new brand Digi1.com relied on global merchandising, buying, marketing, and technology teams at DigiVog Group. Whereas DigiVog.com was established in 2000 as a multi-brand discounted fashion retailer, Digi1.com was a full-price fashion retailer that picked up only *highly curated* product from emerging designers and served as a launchpad awareness and brand platform for the opening up of these designers' future e-commerce businesses.

The Director of Digi1.com described the new company in 2010 as DigiVog.com's "child". A defining characteristic of Digi1.com is the focus of the executives in this start-up on close cooperation with the brand in producing content. Content, such as video, photographs, and even interviews with brand designers and owners were always co-produced with brands. The production and placement of publishing content online was conceived as an added dimension in DigiVog's cultural toolset that reflected the growing importance of editorial production as a source of new brand value online. The Director of Digi1.com explained how she sees the role of Digi1.com as a marketing springboard platform for young and emerging brands:

"Let's say that DigiVog.com is the place of huge variety of a lot of merchandise that is not in the stores at the moment. So, let's say, vintage selection or end-of-season. Digi1.com is in competition with all the boutiques out there that may have certain items from the selection. Here we compete on customized content. We give every brand featured on Digi1.com an opportunity to transmit the value of the brand through the content that is built in. In other words, use the Internet to transmit the value of the brand. We also offer an integrated approach in which we have a section for video, etc. and use the internet technologies to build the brand."

Digi1.com started out, per one executive, as an "experiment in the making". The company was started only *after* DigiVog's executives in the US, the company's innovation hub, gained more expertise with in-house marketing and branding by running campaigns for DigiVog.com. Digi1.com represented an evolution in business competence for DigiVog and delivers on two major goals outside of DigiVog.com's original cultural model. The first goal is to acquire brands for full-price distribution. To achieve this goal required a different set of buying and merchandise skills and attention to brand value. The second goal is to market new fashion brands to younger Internet-oriented audiences and achieve brand loyalty and commercial results.

The popular GQ Trends explained the cultural identity of Digi1.com as “a more exclusive enclave with niche brands and labels at the higher end of the fashion spectrum.¹⁹” The cultural identity of this new launchpad for experimentation was thought out as a virtual space that presents “a selection of artisans and cutting edge brands for men and women with dedicated mini stores”. Executives at DigiVog also announced to the industry that Digi1.com “is the only place on the Internet where one meets *craft and experimentation*”.

Digi1.com was conceptualized by marketing executives at DigiVog as an ‘incubator’ for brands. The incubation period is the time it takes for the merchandising and marketing team to assess the sales potential of young labels to have an individual e-commerce site. Digi1.com uses the digital branding and marketing competence of its parent, including the ability to sign deals with publishers and online magazines for powering community branding initiatives for designers. Group Marketing helps with planning and execution of both online and offline marketing campaigns for designers. The Marketing Department helps in carrying out special projects. DigiVog Group’s Press Office was contracted internally to support offline PR projects.

As with any new venture at DigiVog, the functions that were perceived to be crucial to the development of a venture, such as Buying and General Merchandising, were under the direct purview of the change agent coming up with the idea for the venture. In this case, this role was carried by Digi1’s Brand Director. Serving also as one of the founders for the Group, the Brand Director played an important role in realizing the potential of younger brands since 2003, when DigiGroup acquired its very first e-commerce partner. She realized that big brands had enough critical volume to sustain their own e-commerce business, “but we decided at that time that there

¹⁹ Internal company data, 2011.

was room for buying in-season merchandise from even a smaller brand and even niche brand in this case the brand needs to be *supported* in terms of creating the traffic”.

On the Internet, Digi1.com is the first e-commerce brand platform that was created as a one-stop-shop for a full branding and marketing service for emerging fashion designers. The launch of Digi1.com can be conceptualized as a cultural validation of DigiVog’s growing contextual expertise in digital fashion. This time the venture would have its focus on branding and marketing. The added capability is part enabling and part critical – Digi1.com’s buying and merchandising team chooses the designers it wishes to promote and delivers their individual brand message by using online marketing tools learned by the company over the years in building its own brand in the digital fashion system.

The idea of “helping” brands continued to be an important narrative in the development of relationships with fashion labels. One key concept that DigiVog executives wanted to develop culturally with the launch of Digi1.com was “curation.” When brands were selected for online collaboration, their commercial and design teams were offered the opportunity to become part of a four-tier system of collaboration in which their branding and commercial experiences would be “curated” by DigiVog executives (Figure 13).

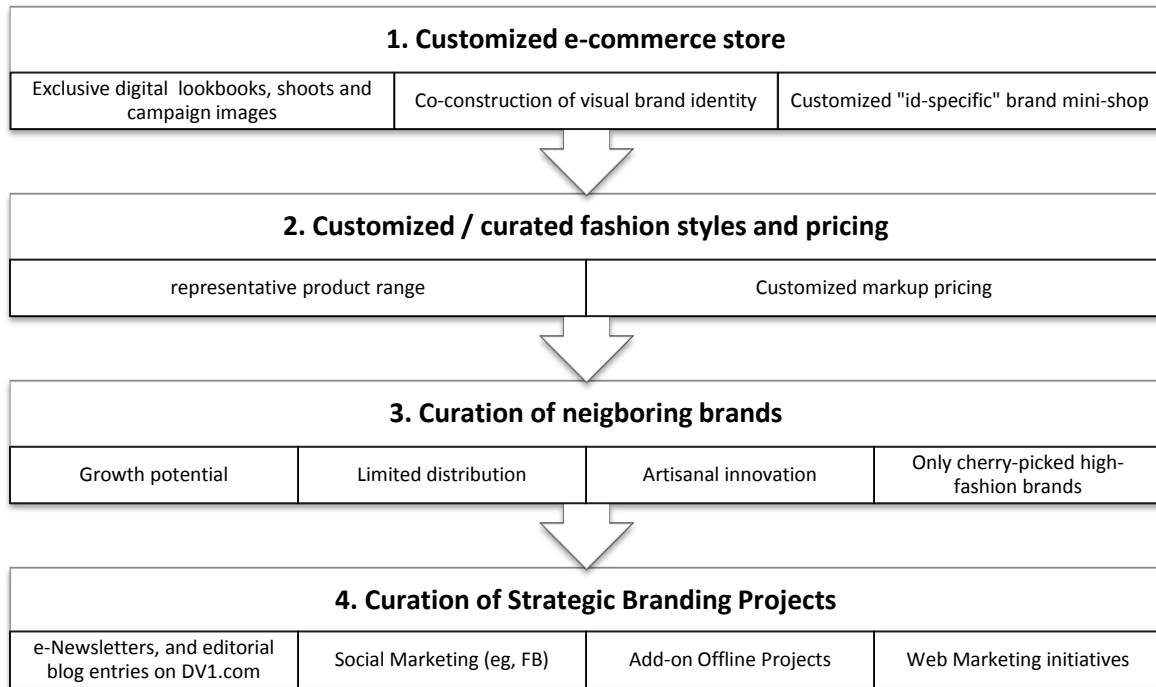


Figure 13 Collaboration in beneficial practice between Digi1.com and Fashion Brands.

The first step in the system was to develop a customized e-commerce shoplet for a brand. Each collaborating brand became digital “owner” of a shoplet, accessible to consumers via Digi1.com. The visual areas in the brand e-commerce page were created in close collaboration with brand executives. Consumers could peruse digital lookbooks and campaign images developed by Digi1’s marketing team. DigiVog Group selected and acquired the product inventory from the brand’s seasonal collection. The brand was guaranteed by contract to receive coverage of what executives at DigiVog referred to as “complete and representative” product range of the brand with the idea to elicit commercial and a brand awareness appeal.

An important aspect of the commercial relationship at this stage was that the ownership of the merchandise was retained by the brand, but the *selection* of merchandise was decided on, or “curated”, by DigiVog’s merchandising. The aspect of “helping” the brand out came into view when the buying team decided to purchase merchandise from smaller brands upfront, because

they were, as the Brand Director put it, “cash hungry”. When acquiring young brands, it was important to know the vulnerability of the fashion system in the aftermath of the financial crisis in 2009 and be able to offer “help”. In negotiations with young fashion labels, Digi1’s Brand Director frequently substantiated her analysis of the fashion industry by narrating her knowledge that

“small brands have a problem which is compounded in economic crises, as retailers try to reduce the inventory from less known brands. Internet is a way to remain in the distribution. ...When we find a new brand, we try to read if there is the right commercial value. 1) The right price range, 2) content in terms of wearability, 3) interest from press; the brand needs to be a press darling”.

As a matter of proposition, the third tier of collaboration guaranteed to young brands that Digi1.com would include only of a limited number of high-end brands sharing similar cultural and marketing positioning. Part of selection process was for brands to present data showing that they had invested in “innovative or artisanal” production and had limited brick-and-mortar and online distribution. The perspective of the Brand Director was that instead of supporting a wide selection, as DigiVog.com or Net-a-Porter.com would, Digi1 featured a deeper selection from each of the brands, in a boutique-like fashion.

Selection of merchandise was frequently done spontaneously by the small team of 10 buyers located in local offices in Spain, France, Japan, and the US. Editorial staff in DigiVog US, for example, would read a fashion magazine and find a new brand, whose look they found fresh and suggested to Digi1 buyers. When the Digi1’s Brand Director herself attended fashion shows, she was sometimes taken with certain new trends and brands; “we are very open to include new brands in DigiVog.com”, she explained, “because variety is our value”.

This marketing model made it a prerequisite for selected brands to have very limited distribution online. If the brand was “hip, high-fashion and new”, but already was featured

profusely on other fashion retailers, it was difficult for commercial executives at the brand to prove their point of being selected to Digi1's executives. "We are very interested in Alexander Wang for example", said the Director of Digi1.com."But, he is well spread online right now, which makes it more complicated to put it on Digi1.com, let's put it this way". These tactics of selection and cultural positioning in the space made it possible for DigiVog to gain exclusive online distribution of the brand and be able to regulate and control the marketing message.

The fourth tier in this social-marketing partnership specified the "communications" dimension of the collaboration. The experience gained by DigiVog Group with developing special projects with brands, as part of SBA unit mission, permitted Digi1 to offer many options for designing brand specific web marketing campaigns. The campaigns would not only run on Digi1.com's "Magazine X" blog, but would be distributed through multi-partner strategic campaigns between DigiVog and publishers in the online ecology.

Online marketing initiatives in Digi1's portfolio were, as per the Brand Director, "A mix of everything". DigiVog Group had grown to routinize certain baseline tasks that were necessary for increasing traffic to the new retailer property. "Newslettering" was one initiative most faithfully embraced by the Group in keeping regular contact with customers. This type of online communications was produced *together* with the brand. Digi1's team imparted to young brands that when designing online communications it was necessary to mix content and commercial proposal in customer newsletters.

One example is the process in which Digi1's buyers selected runway snapshots from Undercover, a young high-fashion brand. Digi1's Director explained the importance of this cultural tactic for the marketing message imparted by the brand: "We organized the video from the catwalk online. Next year, we plan the same for Jil Sander for women and Aider Ackerman

for men. This is a mix between product and content. *Both journalists and customers find content for their use* at these projects.”

Alexander Wang eventually joined the other young brands with own e-commerce shop on Digi1.com. Digi1’s marketing team featured a similar video adaptation of the runway for the brand in February 2012 (Figure 14). For customers this time, however, the option had expanded to “reserving” products from the collection on their wishlists.

FIRST LOOKS: ALEXANDER WANG
Get an inside look at Alexander Wang's Fall/Winter 2012 collection. Be the first to reserve your favorite looks now - exclusively at

DISCOVER THE FALL/WINTER 2012 WOMEN'S COLLECTION

WATCH THE RUNWAY SHOW NOW
▶ PLAY VIDEO

RESERVE YOUR LOOK NOW
ALEXANDER WANG: FALL/WINTER 2012 COLLECTION
RESERVE NOW

Figure 14 Alexander Wang- Digital Branding on Digi1.com

The Director of Digi1 considered that the customer base of the new retailer was a more specialized offshoot of DigiVog.com. It was inevitable; to gain validity in the online marketplace of fashion, the new fashion brand had to advertise DigiVog.com’s cultural heritage in the background. “From our customer perspective”, she pointed out, “we know that the value that the final customer sees in [our first brand] DigiVog.com is the variety of brands – from very

large to very niche brands. It's a kind of a 'bible' of so many brands and we know that our customers recognize us for this.”

At the same time, Digi1.com was different from the Group’s first retailer online in that its executives started extensive professional relationships with industry leaders in the brick-and-mortar space, such as the Italian Alta Roma and the British Council. These collaborations represented another important dimension in DigiVog’s goal of gaining legitimacy in the fashion industry proper.

Chapter 8: Collaboration and Experiment: two sides of Innovative Intermediation

8.1 The Shift to Marketing by Participation

“Marketing as a whole is more of an art than a science. Logos for example are art, they're not a science. The Apple logo is art. There is no formula that says that a logo should feature fruits, because then a company would be successful.”

CEO, DigiVog, US Office.

By 2010, the digital ecology of fashion had changed profoundly. New start-ups were created with the ability not only to sell fashion products, but also to aggregate merchandise from other online fashion-technology firms and to curate looks editorially by collaborating with fashion-technology merchants. These newly founded firms became known as social-commerce publishers. They had developed a set of tailored *cultural services* able to integrate the fashion product of players, such as DigiVog with their own editorial content and package it into digital marketing campaigns.

Publishers in the digital space of fashion can be distilled in two categories – brick-and-mortar magazines that have migrated online by founding digital divisions (Vogue.com, Elle.com, MarieClaire.com, or InStyle.com) and pure play publishers, born online. Pure play publishers are also of two types. The first one is represented by independently held online forums that create and develop purely editorial content around fashion. Online magazines, such as Refinery29.com or Nylon.com, are examples this category of online-born publishers.

The second kind of pure play publishers are firms such as DesignerApparel.com, ShopStyle.com, Polyvore.com, and the now-defunct SocialCom.com, founded by Google. They combine two functions. The first is to provide a focused search around a fashion category, brand, or style. The second role is to independently curate fashion product picked by their own fashion editors - a function that was recently started out in social commerce firms.

Culturally, the role of social-commercial publishing on the Internet has evolved from the cultural roots of price-comparison engine (PCEs) business models. In late 1990s, PCEs were the places where shoppers went to learn about the options of finding products as diverse as fragrance, flowers, or computers searching for the lowest price on the Internet. Price-comparison engines crawled the Internet for relevant results presenting the searcher with a list of retailers or independent brands online that sold the product ranking retailers them in order of pricing.

Because of the ambiguity of their earlier function, fashion firms have found it difficult to accept these players as content editors. As the CEO of a pure play fashion retailer born in 2010 explained, fashion firms did not understand that online technology has expanded the social function of the Internet, opening space to

“...move the point of purchase and align it with the point of advertizing. Before, you had advertizing on TV, radio, whatever, and there would be a separate place that you'd go and purchase the items. Online, you have a really good opportunity to align those things and have them in one place. Here is an editorial, advertorial and advertisement for a product and click, and buy it.”

Very few fashion firms were early adopters of social-commerce. One of them, Marketing Director for a large European-born fashion brand, considered that the pairing of content and product would be an important cultural tool for fashion brands in the future and would change the way a fashion brand perceived the sources of its own brand value.

“[It is] valuable to communicate with people through content; building community thru the content. There is a lot of value of driving this activity off-site (meaning where the community is) and drive them to the website, as opposed to try to make everybody to come to an e-commerce site to partake. So we try to get people from Facebook or twitter or ShopStyle where they already are, to come to our website.”

In their current business model interpretation, social-commerce startups in fashion combine the business model of price-comparison engines with a proprietary search algorithm that filters the latest “hip” styles in fashion and visualizes the results by “marrying” a fashion product with

editorial content (F. show visual). Social-commerce publishers have not only expanded the search logic behind their search algorithm that is the main source of their commercial revenue, but have also developed new collaborative practices with pure play fashion retailers.

Asked about his interpretation of the cultural identity of the model, the founder of the world's largest social commerce firm, ShopStyle.com, explained that "ShopStyle is a *fashion search engine*. We are the largest fashion search engine globally: US, UK, Germany, and France; we recently launched in Japan. We have about 7 million monthly unique users and we actually drive traffic to retailers and brands. The transaction itself happens on the retailer site. Think of it as *Google for fashion*". Social-commerce publishers, as ShopStyle prefer to focus on the search-related aspect of their cultural identity.

ShopStyle alone drives \$300 million a year to its pure play fashion-technology partners by generating web traffic for them through search. Social commerce players ignite large audiences that visit their content related pages, as look books, trend reports, blogs, and Facebook fan pages. The community participates in reading about and sharing the content created by the online editors of the firm and by individual consumers. ShopStyle consistently ranks as the second and third largest source of traffic for its retail partners. During its lifetime, starting in 2004, ShopStyle has established long-term relationships with pure play fashion brands, brick-and-mortar department stores with digital divisions, and even with established fashion brands.

ShopStyle is the first social commerce player that introduced social community as part of its business model by linking users, pure play retailers and fashion brands in a curated ecology where users can create community looks, as well as participate in brand contests. "I think we were pretty early in the social media space", says the founder, "when we launched in 2004, we

came in together with *both social commerce and search*. [We] are a content and commerce company. The goal is to curate content such that it is more findable.”

There are also examples of social commerce firms that prefer to focus on the social component of their business model. Polyvore is a community-centered social commerce website that empowers users to build “sets” by pairing brands they like into outfits and aggregating similar sets into style galleries. Users discover styles and brands by tapping into Polyvore’s extensive product range acquired by the firm by signing datafeed agreements with online merchants. In addition to this “pure” affiliation identity, Polyvore’s executive team developed a brand-centered collaborative program, called “contest” campaign. Pure-play merchants and fashion brands pay to Polyvore a pre-negotiated lump sum for the design and delivery of a tailored brand awareness campaign.

The typical source of revenue for social commerce firms is to sign commission-based agreements with pure play fashion retailers. These agreements stipulate that a social commerce publisher can “pull” the full catalog feed from a retailer’s website (called a datafeed) and rank and display the product in search results for a commission. When users search for a product or brand on ShopStyle.com, the results are displayed in a vertical line, consisting of product description, brand name, price, and name of the pure play retailer that carries the desired product and brand.

The commission rate is negotiated as a share of the monthly sales generated in the process of referring potential browsers/clients to a specific retailer. Because the revenue received by the publisher partially determines the ranking of a product of an online retailer, social publishers are incentivized to perform commercially. The embeddedness of social publishers in the ecology in digital fashion sometimes allows particularly important partners, such as DigiVog, to be able to

call up their account executive and incentivize them to agree to “bump up” -as one social executive put it- the results in exchange for increasing the commission on a brand or product.

The social embeddedness in this example is important because consumers often choose to click on the top results displayed in the product gallery which forwards the consumer to the online fashion retailer that appears in search results. Social commerce firms differ from their price comparison predecessors, because they *choose* to display *their preferred* places to shop, based on the depth of their collaboration with online fashion-technology retailers. Price is no longer the selective filter in generating results. The algorithm designed by social commerce engineers also takes other selective variables into consideration, such as *relevance* of the brand, style, or product, and name of brand and the retailer. This new selective role of online publishers makes them an important link in the collaborative chain of the ecology of digital fashion.

The continuing importance of social publishers as curators of fashion search, led to the introduction of new revenue streams by some of the key firms in the ecology. The online editorial team at ShopStyle, for example, expanded investment in producing magazine-like content by starting the “Style Guide” issue that goes live twice a season and frequently has bonus material with fashion product for curated galleries, such as “Holiday Trends”, “NYFW Trends,” and “Back to School Trends”.

In 2010, the social startup Polyvore introduced marketing campaigns that combine search with community shopping. A version of this online community was later emulated by ShopStyle which titled its user-operated community page “Looks,” where users would cherry-pick products and brands from online fashion retailers with which the company collaborates. Polyvore’s original idea explored the identical idea of creating a space where users could search and pull up fashion styles they liked from retailers with commission agreements in place (Figure 15). While

commercial search traditionally is motivated by revenue, this new type of *social search* was more likely to lead to designing new sources for value creation to brands and online fashion retailers that agreed their product to be available for user sets. The sets can be perused by other users, who could emulate them or purchase them.

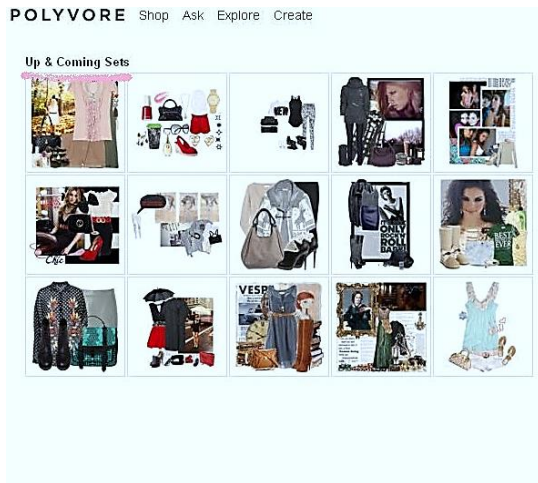


Figure 15 Polyvore – the integration of community shopping and search.

8.2 Transfer of new culture to fashion brands 2.0: Pure Partner Unit

The emergence of social commerce publishers motivated DigiVog Group to create the newest externalization in its competence with regard to fashion brands. Pure Partner unit was created in 2010 with the goal of affecting the cultural architectures of established brands. DigiVog Group wanted to leverage new types of value-added partnerships that were in the making at the time with social publishers. The scope of these activities ranged from simple advertising deals with publishers that could be handled in bulk, such as pricing on banner space, to running the online marketing and brand-related campaigns of fashion brands, alongside running their digital commerce operations.

The soft launch of Pure Partner team was scheduled for May 2010 and after two months during which executives probed new areas of consulting for their fashion clients, such as

affiliate and community branding, the Group Marketing Director decided to house the team permanently under the Partner Division. The process for this latest involvement with changing the culture of established brands was gradual. The CEO of the US office explained that “because most of the brands are still “children” Pure Partner is starting out slowly”. The partner brands did not have fully developed digital teams and DigiVog’s business development and online marketing team had to persuade each e-commerce partner of the usefulness of adding more digital activities on top of the contractually covered SEO and SEM.

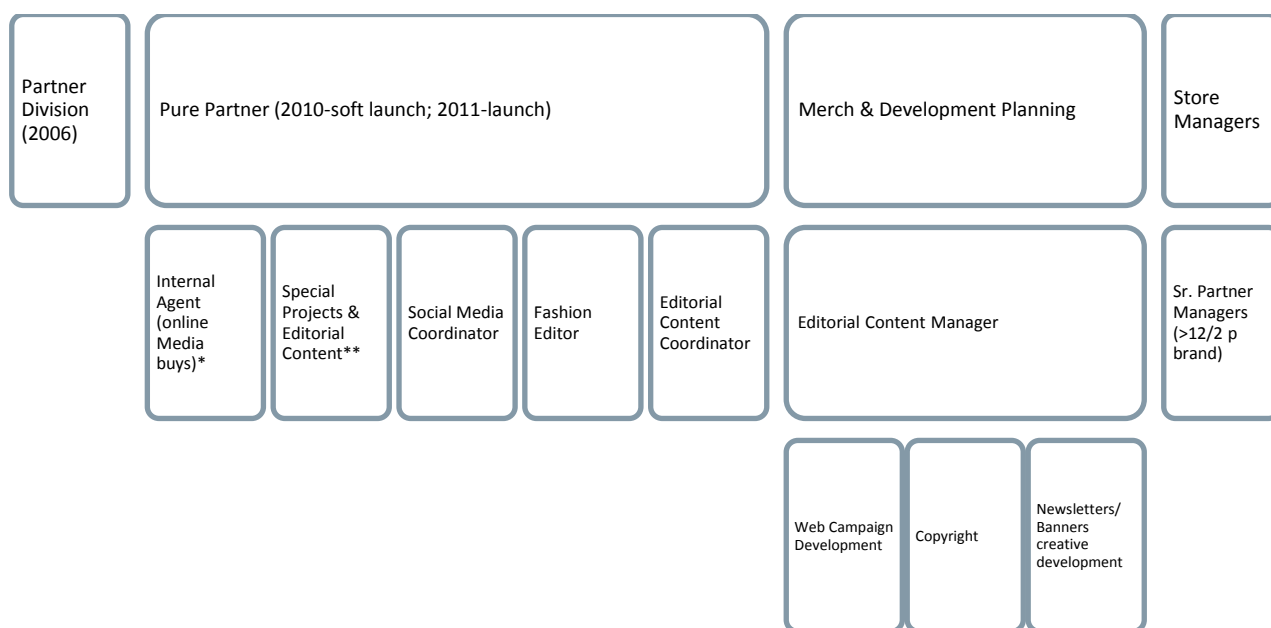


Figure 16 Partner Division with Pure Partner team included.

Source: Internal documents. Legend: */** : Internal agent and Special Projects and Editorial Content were transplanted from Group Marketing.

The Director of Partner Division identified the role of Pure Partner team as a “one-stop-shop for everything digital” for fashion brands. This new founded creative function considerably differs from the slogan by Bluefly in 1996, per which the then-pioneering firm was to become the “one-stop-shop for fashion”. The new unit gave a “facelift” to Partner Division. A couple of

new teams, such as Internal Agent and Special Projects and Editorial Content, were replicated into Pure Partner from Group Marketing (Figure 16). The role of executives in these two teams was crucial. They had to negotiate and start partnerships with a large number of cherry-picked online publishers, because individual fashion brands needed far greater presence in online media and editorial space of publishers such as InStyle.com and WWD.com than they had ever planned for. The head of Pure Partner team was also going to assume responsibility for media buys in the traditional sense of online advertising for banner space.

The core message imparted by Pure Partner team to fashion brands was to curb their use of a proliferating number of digital agencies and the Director of the Partner Division noted in negotiations the importance for developing a cultural perspective to the online channel that was identical for the both types of partner:

“Fundamentally, your digital strategy should not be ... one agency doing affiliate, another doing SEM, and another doing social, YouTube videos.... it's a mess. Rather than that, it would be appropriate to say, OK, on the 17th of Sept, we will be launching the new collection. What can we do with that? OK, social, affiliate, SEM, YouTube, twitter. For social we can say, OK, on Facebook we have more fans than in our online store and perhaps we can leverage that to even try to drive traffic to our site. Let's first talk about this event on Facebook, an hour later, let's tweet about it, and 3hrs later, let's send an email to the registered users of the e-site, because the hope is that as the time passes between the one channel and the other, people would have generated traffic to our site and registered themselves to receive email. Ideally, we need a 360 degree servicing and view. This *is* what Pure Partner team wants to do.”

For a larger part of 2010 and 2011, Pure Partner became an ideational exercise. High-fashion brand partners had multiple agencies in charge of their social media activities and their brick-and-mortar PR teams had accustomed to treat Facebook as their personal press release platform. Involvement with fashion partners about new types of social and commercial marketing, as per the Manager of DigiVog's Web Marketing and CRM team, was harder to accomplish, because:

“...social has gotten completely out of our control and is handled by the brands' Press. In an ideal world, there needs to be 360 degrees approach. There may be a fashion company that actually does a 360 strategic plan, if it internalizes the whole process of organizing SEM, web marketing and social media together. But, there is no way for these firms to get a foothold in the digital branding domain independently as the major retailers [e.g., Neiman Marcus].”

In creating and developing this new area of expertise, DigiVog relied on two approaches. Both delved into collaboration and trust. The first approach was to develop and put in place mutual collaboration agreements with social-commerce publishers that offered those partners the ability to retain high-fashion brands and curate editorials for them. The second goal was to approach fashion brands by the tried and tested method of leveraging on existing trust and e-commerce partnerships with them. The US CEO explained the approach:

“We would rather leverage on these existing competencies across the organization, rather than take the web marketing and CRM and rip it apart. We use the negotiating power of DigiVog Group in order to obtain lucrative or better placements with magazines or online publishers for advertising at prices that are a lot better for fashion brands. Due to the leveraging power of DigiVog, the brand will be better off, instead of trying to negotiate this price by themselves.”

In time, DigiVog's Partner Division manager hoped to lift the climate of digital distrust by showing fashion executives how successful co-branding projects have been for the company's two pure brands.

8.3 DigiVog: A multiple insider.

Collaboration between DigiVog and social-commerce publishers came naturally to DigiVog executives. DigiGroup is among the first fashion-technology firms that fired up collaborative agreements with social commerce firms. The idea to work with LinkShare, ShopStyle, Polyvore, and other magazines and blogs originates in the contextual awareness of DigiGroup's founders that a culturally significant “niche” had to be constructed for fashion online. The goals of collaboration were to carve out this new cultural space by using the overlapping competencies that were explicitly created in both kinds of start-ups.

When social commerce publishers arrived, DigiVog executives were prescient to argue that the boundaries between publisher and retailer and between editorial and commercial roles will soon be blurred on the Internet. “We do see that when it comes to retailers”, offered ShopStyle’s CEO,” some of them are very good editorially and in terms of the content they provide. Net-a-Porter, one of their core principles is to unite the two functions of magazine and shopping. You see high conversions from retailers doing just that”.

The emergence of these new partners offered the US office as a cultural innovation hub to minimize the ambiguity from having to approach fashion brands for turn-key solutions on its own. The US Marketing Director noted how product alone, the specialization of fashion retailers, could not create social value for brands online because,

“In the end of the day, a brand needs to give a little bit more than just its product [...]. Content becomes essential because the only way for us to reinstate or reinforce the *idea of the brand* to your fan or to your audience - whether it is a video, whether it's behind the scenes, whether it's interview – you are constantly reinstating, you're constantly telling a story, you're constantly branding. How much content is needed? It depends on the brand. If it is a (pure play) multi-brand, it will primarily rely on the kind of story you *want* to tell about yourself.”

For DigiVog, the decision to collaborate with social commercial publishers was an opportunity to expose their fashion clients to a novel approach to advertising and marketing. This opportunity was layered with a substantial rejection risk. DigiVog’s Marketing Director noted the unwillingness of fashion brands to engage with new types of publisher mediators.

“Fashion brands are not exposed to this form of collaboration because they *hate* publishers. As a partner, my perception is that some of our brands are forward thinking and they are not afraid to take radical steps... brands like this, which have this built into their culture, it would be very easy to work with them and for them to be receptive to these ideas.”

To confront this problem of trust, the Marketing Director in the US office requested that the company’s main mediator for establishing collaborative relationships, LinkShare, should include a new column in its monthly specifications of affiliates for DigiGroup. This dimension would

involve selecting affiliate partners that were cleared as “appropriate” for high-fashion brands. Executives from both partner firms deliberated that the status of “brand-appropriate” would mean that an affiliate should not only generate sales, but is also proficient in writing fashion editorials and product related content. For LinkShare, this unusual request meant to start introducing more qualitative editorial outlets, such as blogs, forums, and social networks.

Before marketing executives at DigiGroup embarked on a collaborative experiment or included a publisher into their affiliate network, they directed an informal discussion with the publisher “cleared” by LinkShare to incite the other side to disclose data on key aspects of their cultural business model. This discussion was centered on five orientation questions (Table 5):

Social	Commercial
1. Why did you start the business and what do you expect to achieve from it?	2. What makes you and your model profitable and unique – technology, community features?
3. Why would consumers visit your page and not any other publisher’s?	4. What is your revenue model and 4.1. What are the streams from which you derive most revenue?
5. What is likely to become the most sustainable and sought after revenue model in the future?	

Table 5 Sensemaking in Collaboration – Orientation Matrix developed by DigiVog in collaboration decisions.

“Only after establishing these questions can I ask more *quantitative stuff* such as revenue, unique visitors, community members, conversion rates”, remarked the US Marketing Director at DigiGroup. One aspect that the executive got from this conversation is to figure out the balance that the publisher had constructed between social and commercial goals. A prospective affiliate had a chance of being included as a “brand appropriate” if they had built an integrated creative approach to publishing that included multiple revenue streams combining advertizing with

production of fashion content from page banners; email banners; blog and community activity; technical agility, such as powering the online shopping sections of other pure publishers; and creation of value-added services, such as contests.

The fashion brand that first decided on the exposure to a social publishing marketing strategy was DigiVog's first e-commerce partner. With this decision by an established fashion partner, DigiVog was the first online fashion firm that created an exclusive private affiliation project via LinkShare. Part of the enticement package by DigiVog was to present the brand the advantages of being an insider to the online digital ecology in fashion. If the brand were to go through LinkShare on its own and ask for a similar service level agreement, only the account management fee for servicing the agreement would be in excess of \$10,000. DigiGroup had presented the terms of its original agreement to the brand with a lower ballpark. At the same time, the marketing team convinced account executives at LinkShare for an integrated deal for three additional high-fashion clients at a similar partner-specific fee. This was the first partnership in which a high-fashion brand had agreed to collaborate in online marketing initiatives guided by online born digital experts.

The list of affiliates for the private label program included some 50 channels. The strategy behind this is to diversify the exposure to risk associated with the performance of "appropriate" affiliates. Only around 15% of the "brand appropriate" affiliates were expected to generate sales. Since the partnership was focused on introducing new sources of cultural marketing value to fashion brands, since the practice of using affiliate networks was new to the brand, DigiGroup's marketing team decided that a combination of commercial and brand awareness campaigns would be appropriate for this first partnership. Another important part of the acquisition pitch was the comparative presentation of the advantages of using the private label program for other

high-visibility brands, which were considered luxury in their respective segments. DigiGroup's Marketing Director presented to the brand a comparative case study focusing on to three similarly positioned fashion brands. The executive also added 3 technology-fashion retailers as well as 3 high-tech companies, including Apple and Google. In this comparative pitch, the change agent showed how these firms are using affiliate for sales *and* for brand visibility.

With this combination of goals, DigiVog's Marketing Director hoped to set a standard of experiment that would achieve a variety of goals for the client brand and expose the incumbent to the new culture of 'learning by playing' that underpinned the cultural business strategies for growth of new entrepreneurs. During the first year of the affiliate program in 2011, the cumulative commercial results achieved via the various placement channels exceeded a little over \$10 million. This was a measurable success for the brand given the small size of the affiliate partner sample in the experiment.

The results during this first test-drive year of the private affiliate program were communicated internally to the Group Manager for Pure Brand, who in turn, convinced the US-based e-commerce manager at the brand's office in New York that the positive commercial results are beneficial for the brand enough to continue investing in private affiliation. Based on forecasting the likely commercial outcome for year 2012, the US marketing team redrafted the terms of the agreement with a guaranteed ROI for the brand of 3,5% and "guaranteed" sales contribution from affiliates of 7,5%.

8.4 Collaborations between social commerce start-ups and technology-fashion companies

The CEO of ShopStyle conceptualized that collaboration between social commerce firms and online fashion retailers was the key ingredient to discovering new sources of cultural value for

fashion brands. The executive noted that collaborating with peers was actually *as important as trying to sign on individual fashion labels*.

“One of the things that we found effective is collaborating with others. Or maybe someone has audience that doesn't know [us] or people were using [us] do not know the partners brand very well. So we're doing contests and collaborations. One of the recent contest and collaborations we did with Diane Von Furstenberg, Tablet Hotels and [us]. So we brought these three groups of fans together. Let everybody sort of touch each other and bring everybody together”.

This quote explains why integrating the cultural goal of two different types of organizations becomes more important as the cultural field evolves. For social commerce players, negotiating with pure play fashion brands online allows to acquire contextual knowledge about the partners and expand their cultural and business proposition.

Contests are one recent example of extending the reach of online brands by tapping into the vast user groups on social commerce publishers, such as the 17 million unique monthly users on Polyvore. In July 2011, Polyvore held a campaign with Levi's that encouraged users to create and publish “sets” featuring the brand's latest design “Levi's *CurveID*”. Polyvore announced the contest on its homepage for users and supported it with in-site advertisements (Figure 17).

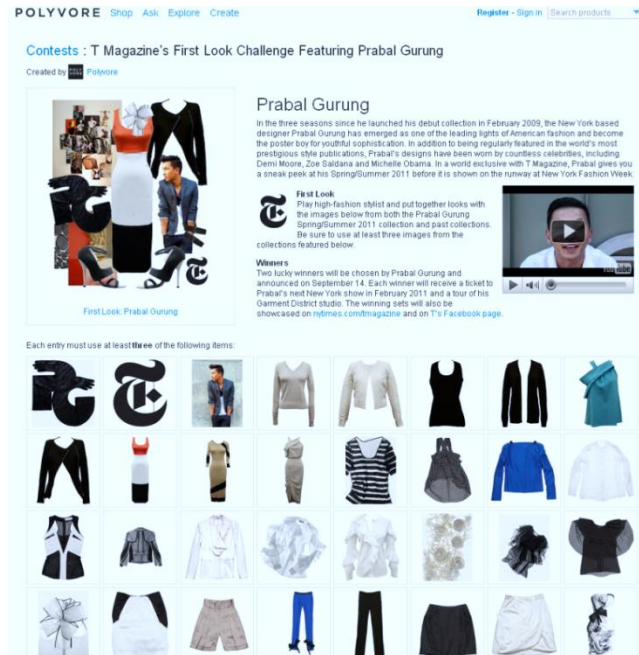
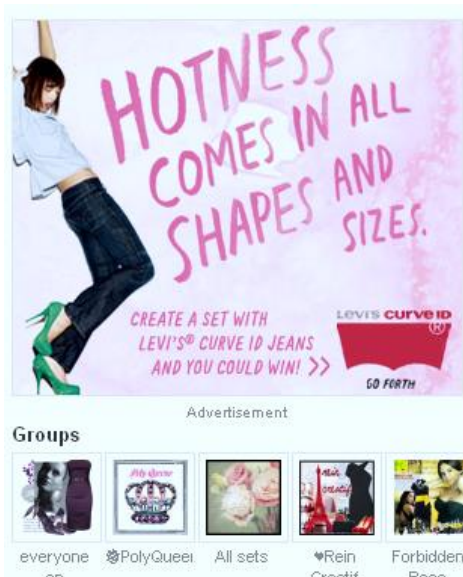


Figure 17 Polyvore – community branding with Levi’s and with Prabal Gurung.

With *Prabal Gurung*, contemporary lifestyle brand, Polyvore designed an awareness campaign that included other online partners of the firm, New York Times Magazine at NYTimes.com/magazine, and “T” Magazine. Unlike brick-and-mortar advertizing, where partners turn to relations of pure display advertizing, social commerce firms partake in a new form of *marketing by involvement* with their partners.

Polyvore’s contest page for Prabal Gurung contained an editorial with a short introduction by the designer via video in which Mr. Gurung walked the audience through the challenge. The editorial challenged Polyvore users to “play high fashion stylist and put together images below from both the Prabal Gurung spring/summer 2011 collection” and directed them to “Be sure to use the least three images from the collections featured above”. Social involvement was spurred by the idea that users would compete against each other’s sets to culminate with Gurung’s choice of two winners with a ticket to his February 2011, fashion week show.

Commercial partnership agreements between social commerce firms and online technology-fashion start-ups are typically mediated by an online marketing platform that introduces one partner, say DigiGroup, to a large prospective pool of publishers, ranging “from well-known destination[s] that offer consumers a range of shopping opportunities to a blogger that’s just beginning to attract an audience”. LinkShare.com is one of the leading affiliate marketing mediators online. The firm connects publishers, as ShopStyle, with online fashion-technology retailers, as DigiVog.

LinkShare is DigiGroup’s most important platform partner for affiliate marketing. DigiGroup is a premium account holder at LinkShare. Two account managers, one Creative Services specialist, an analyst, and a legal team from LinkShare handle affiliate relationships for DigiGroup. LinkShare picks up an account management fee for recurrent services, such as weekly sales analysis of marketing affiliates to DigiVog’s US marketing team. As a premium account holder, DigiGroup has more than a thousand affiliate partners, from small personal style blogs to magazines. Each affiliate has access to banners, text links, product placements and promotions by DigiGroup and drives a portion of online sales for the Group.

“In order to converse about your expertise”, explained the meaning of collaboration with publishers through LinkShare the US CEO, “you have to use the help of someone who *has authority in many different fields*”. For DigiGroup’s Marketing team, LinkShare facilitates the time to decision on commission negotiations and provides a representative sample of the Internet’s most commercially successful publishers. The partners can direct probing queries to each other for selective disclosure of tacit information related to service level agreements that LinkShare has with other online peers. To maximize the sharing of contextual information in the

space, this type of disclosure is available *only* to pure play peers holding a “premium account” status.

Part of the recurring conversation between the two players is constructed to occasion a mutual importance between the two partners and communicate the key position of each in the ecology. The Marketing expert in the US office would frequently reiterate to LinkShare account managers that “As you know, we are a luxury brand and we'd like to keep an eye on how we're presented in each channel.” DigiVog's marketing team members also like to go over DigiVog's technical expertise. “We are also finalizing our promotional engine”, explains one marketing executive at the US office to LinkShare's account team. “The idea of the promotional engine is to come up with a list of promotions that we could then tailor to each of our affiliates. For [one of our brands] for example, this would be a great conversation. How do we boost their ROI by AOV promotions, given that they are available in so many other merchants?”

8.5 Why Experiments in Digital Fashion Work only when directed by Insiders to the cultural field

The digital field of fashion is a nascent entrepreneurial community-based domain of online practice. Newcomers to this field are expected by the online community to understand the *cultural* meaning of the entrepreneurial practices they advance, even if these start-ups are launched by powerful brick intermediaries in fashion, or online pioneers, such as Google. Frequently, experiments started by such well-known cultural business models, fail to attract the interest of fashion brands and the support of insiders from the community. There is something special about being part of the online ecology of fashion that stirs the development of competence for its individual members.

Brick-and-Mortar Media Publishers and Digital Fashion: Time Inc. and StyleFind.com

On a morning in December 2010, a lively discussion started between the head of merchandising, the director of marketing and the local CEO at DigiVog. New developments in which old media companies on the web purchased social and commercial start-ups had prompted the US executives to make sense of possible commercial and marketing related scenarios from these acquisitions to the online fashion ecology. On January 19th 2010, Time Inc. had announced that InStyle.com, one of its largest fashion publications online, had acquired StyleFeeder, a personal shopping engine. The media firm had disclosed that the acquisition went forward because the startup specialized in new developments in “pattern recognition technology” which improved the existing algorithms for recommendations on clothing, shoes and accessories from thousands of online retailers (PRNewswire, 2010). The three executives however thought that the main reason for acquiring StyleFeeder was to use its knowledge of e-commerce in order to “power shopping on InStyle.com”.

In November 2010, using the pattern recognition technology of the acquiree, Time Inc. launched a social-shopping website, StyleFind.com and media channels online described this new property as the “first stand-alone shopping site” (Adage, 2010, <http://adage.com/article/media/time-folding-stylefind-people-instyle-sites/231580/>) launched by a traditional media publishing conglomerate on the Internet.

The US executives were curious to investigate the cultural background behind the recently launched custom curation by StyleFind to customers in the US. The three executives compared how curation was executed in comparison with how online-born pioneers in the space, as ShopStyle, were doing it. The Marketing Director found StyleFind.com to be “overcurated”. He asserted that this was a cultural legacy inherited from InStyle.com, its parent brick-and-mortar company.

InStyle.com had been, “*schooled* around curation and creating awareness for the content that it curates”, he said, ”This is one of the *basic and most fundamental functions* of a publication”. The director of merchandising pointed out that ShopStyle and Polyvore, have a more “democratized” approach to featuring brands and allow retailers and consumers to 'discover' each other by trusting that they would deliver search results based on relevancy. The collaborative philosophy of publishers bred by brick media, thought the executives, was to place the brand choice on the online editor first and only then turn to design a search system giving some measure of preference to the choices of their online retail partners regarding which products and brands to advance in search queries. This behavior contradicted the basic cultural logic on which online fashion entrepreneurship was founded.

“In terms of the overall strategy—push or pull —”, said the Marketing Director, “this is not our gist; nor does it work to collaborate this way”. The marketing team at DigiVog had painstakingly documented the reasons for collaborating with other peers online. Beginning with the desire to be found, the quest for partnering with other similar organizations in the emergent space was always focused on the *desire for beneficial help*. The Marketing Director recounted,

“For multi-brand retailers ... it is like a food chain. If you are searching for DigiVog, you can find it in two ways: one, you search for a brand; or two, you search for DigiVog. Google's algorithm has become more complex, with intelligent crawlers; you have relevance that comes into play. And, once you've seen the actual offering you have been looking for... then, the question of credibility and dialogue starts. So, your affiliates now have to say:

DigiVog- your number one source for fashion! Once you come here, you get to DigiVog.com!

...It is a continuous improvement. It is an evolution. The way Google runs and improves the algorithm is changing, too; they keep getting more and more advanced to avoid fraudulent rankings by people who mentioned us thousand times in their pages. So, as Google keeps evolving, even we need to keep evolving.”

In contrast to the self-run strategies of StyleFind peers, explained the Marketing Director,

“ShopStyle is more social plus shopping. So, there is social, there is content, and there is shopping (product). The “holy trinity” of digital branding, I might add. But, if we go to StyleFind, it has an element of pure editorial, where fashion editors say, these are the bags of 2011. They for example, talk about chunky platforms and then they say “shop all”, and would have the editors pick “all”. I remember, when StyleFind was launching, they were supposed to have 50% product and 50% content.”

Social commerce pioneers were born with the idea of exploring the two dimensions of entrepreneurship online, creating brand and commercial value for their clients and themselves. Over time, this cultural goal evolved into creating product editorials for their merchant partners, fashion-technology retailers, in order to increase awareness and experiment with revenue gain. As a new member of the online ecology, StyleFind.com had to drive revenue online. “Curating content to the max such as presenting expensive merchandise from individual brands that happens to be this or that blogger’s favorite”, exclaimed the merchandising director, “is unlikely to drive revenue, and unless the shopping site that is supposed to sell this curated content also happens to be a well-known brand”.

The clients of the new player were traditional brick-and-mortar retailers, such as Nordstrom, Saks Fifth Avenue, TopShop and Kmart. At their brainstorming session in December, the marketing executives at DigiVog predicted that without openness to collaboration with the members of the digital domain, StyleFind would fail to attract unique monthly traffic to its 150 merchant partners.

The collective prediction was confirmed. In the remaining year before Time Inc. folded StyleFind’s operations, most of the traffic to StyleFind.com originated from fashion readers of InStyle.com and People.com, the two largest Time Inc. publications online. The curator site attracted 722,000 unique visitors in December 2010 and a slightly smaller unique population of 498,000 in September 2011. These numbers were but a modest representation of InStyle’s visitor

traffic, which for only November 2011 had registered 1.4 million visitors (ComScore.com, 2011; Adage, 2011).

The reliance on a fashion editor's judgment reduced the likelihood that merchandisers and online marketing experts at StyleFind.com would seek relationships with online publishers, bloggers, and central technology-fashion merchants, like DigiVog or Net-a-Porter. The lack of sustained relationships in the digital space of fashion minimized the exposure of newcomers as StyleFind to accessing the tacit rules of conduct fashioned by insiders. ShopStyle's online editors, for example, would frequently "check in" on DigiVog's marketing team in New York to see what picks in the online portfolio have surfaced as "hot" during the week and showcase the selected styles and brands on its editorials.

StyleFind's editors would sometimes send generic emails to the Director of Marketing saying asking if he agreed that a product or a brand from DigiVog's online collection could be featured as an "editorial pick of the week". DigiVog's Marketing Director did not think that this very limited relationship with online merchants would be helpful to StyleFind's longevity in the digital space of fashion:

"They can promote whatever product they want. This is at Net-a-Porter, this is at DKNY. When we click on this dress, this shows us the link to the page that is actually linked to LinkShare; their site id. This is a fairly decent model, because they are using the datafeed from NEP, DKNY, from DigiVog.com, and they are choosing the products and displaying them. But, again, I don't think that NEP has anything to do with the selection, because our products for example have been chosen by editor's picks quite a few times. I just get an email saying: 'hi, how are you? We'd like to publish this product on our website as an editor's pick'."

The lack of direct contact between the merchandising and marketing team at StyleFind with large brand-bearers, as DigiVog, presented the business with an organizational deficiency not envisioned as a problem by their teams at the launch of the creative online venture. Because there was no established contact with fashion-technology merchants that carried a brand,

StyleFind's customers frequently encountered a "sold out" message at the other side of an editorial link. "If the editor would have called us", said a merchandising executive at DigiVog, "we would have said that the product is out of stock or whatever."

DigiVog executives reflected on the frequent crisis of availability of a product as a factor limiting revenue options for new publishers that contributed to a crisis of legitimacy for their online brands. DigiVog's Marketing Director insisted that if StyleFind was embedded in an ongoing revenue-share with DigiVog, this crisis of legitimacy for the publisher would be averted because DigiVog's technology was designed to suggest other similar products. "What you see here", the executive said,

"is a classic example of one person trying to do everything. The editor has put together the product, has written the content, maybe the designer has put together the page, but there is no interaction between her and the merchant. If she would have picked up the phone and said, hey, I want to choose this product or something. That obviously is going to be a pain in the ass; every day if you want to change the look on the website can be a problem because you will have to talk to the actual retailer. We know our products really well. You power the content and we power the product. "

Publishers that transferred their brick-and-mortar perspective of "going-it-alone" on the Internet were not successful because they did not speak with brands or fashion merchants online, and their executives were unaware this behavior would have implications to their business. DigiVog's marketing team saw the seamless technological opportunities provided by the Internet as favorable to nurturing and experimenting with *relationships* with other peers, on top of running branding and marketing campaigns. Doing it alone, as one executives in the digital domain said, was "not in the DNA" of peers populating the space of digital fashion.

Online Technology Pioneers and Digital Fashion: Google Inc. and SocialCom.com

Online pioneers with core cultural businesses outside of fashion were not impervious to the failures of old brick-and-mortar publishers. In 2011, the world's largest search engine company,

Google Inc., announced that it is launching a new social commerce publisher, SocialCom.com. Apparel had been the fastest growing segment in digital commerce for the three preceding years, and executives at fashion-technology brands and social commerce speculated that the decision of the company to go forward with a fashion venture that explored the latest online commercial technology was motivated by a need to diversify its revenue stream. One social commerce executive thought that the simplest explanation for founding Boutiques was for the new social-commerce player “to become the starting point where people look for fashion”.

SocialCom.com was founded as a fashion search engine and was perceived by its team members as a “personalized *visual* fashion shopping engine.” This self-identification stemmed from the cultural logic of visual search on the basis of which SocialCom.com was founded. The start-up was launched in November 2010 by Google after the parent company acquired Like.com in August 2010. Like.com was launched as a visual search engine for products in 2006, after years of efforts by its parent company Riya to monetize on facial search recognition. Like.com experimented with other curation-oriented product sites for fashion, eventually acquiring, opening, and then, folding shopping personalization engine Covet.com; street style social network Weardrobe; and, visual styling tool Couturious. The acquisitions allowed Google to redistribute natural search traffic related to fashion away from other social commerce players and claim validity in online fashion as a curator and editor.

DigiGroup’s Marketing Director disagreed with the explanations for the launch of Boutiques offered by other peers online. He conceptualized SocialCom.com as an *experiment*. He asserted that the launch was done not for commercial diversification on part of the parent group, but for “checking in” with the rest of the digital community in fashion.

“Fashion is going to be decimal point of what the total turnover of Google is, simply because there is only so much volume that you could drive through women's fashion. But, what Google.com is for search they want to make SocialCom.com for fashion. Once you search over there, you can shop by designers, bloggers' favorite items. We are now trying to put more brands onto SocialCom.com, because knowing that this is Google, it will become popular very, very soon.”

In essence, the goals on which SocialCom.com was founded disagreed with the intentions that StyleFind's executives had in mind when launching their venture. While StyleFind was created to start-up a new slice in Time Inc.'s involvement in Internet-based ventures, SocialCom.com was an experiment in translating the legitimacy of the parent company, Google, as a search innovator into the domain of digital fashion.

SocialCom.com's business development executives quickly established commission contracts with fashion retailers and qualitative criteria in approaching them. True to its data collection culture, the team was aggressive about signing in retailers with access to top-dollar fashion brands and was quick to develop a qualitative scale on which DigiGroup scored 9 out of 10 points as a datafeed share partner. An executive called this

“a retailer screening process. It is quite qualitative, actually. As a department store may or may not feature certain brands, we have a team of editors, fashion editors, if you will, who decide what retailer we should feature. They have very fashionable product and they carry a lot of it. We would like to have certain products that these affiliates have.”

Boutiques achieved this bargaining power after just one month online. SocialCom.com was important to the online ecology, because due to the scope of its operations, success or failure was going to have repercussions to the entire digital community. In fact, when Google decided to fold the venture after six months, the Director of Marketing at DigiVog was unenthusiastic about the long-term effects on the entire organizational ecology in online fashion. “The demise of SocialCom.com”, he said, “will lead to lower overall commissions to affiliates, but also to lower sales.”

Six months past the dismantling of the start-up, the marketing team at DigiVog assembled to reflect on the reasons for the fold of Boutiques. The team in New York did not think that closing off SocialCom.com was a failure. The previous assumption that this was an experiment, asserted DigiVog's executives, was in fact bolstered by Google's decision to close the digital doors of the venture.

The Director of Marketing argued that the parent firm envisioned testing new avenues for improving on their core area of cultural competence, *search*. "...A browser, a search engine, and an operating system – this is what Google is", he said. "It is not a fashion search engine or a premium content aggregator. It is, simply, the three things above. And, whatever they create or build to mimic the fancy social media fad of the moment, they will ultimately use it to improve the areas that they are most competent on."

The wide-ranging impact from the six-month operations of Boutiques spurred social commerce publishers and merchants to search for and discover gray areas in the practice of the start-up. Whatever the problem preceding the closure of SocialCom.com was, it seemed to dovetail notably with limitations in the practice of StyleFind.com. One executive at the US office asserted that the start-up had practiced "inconsistency of designer presentation". SocialCom.com had featured three separate parts on its website devoted to designers. One was a niche featuring "Designers;" the second was a niche devoted to "Designer Boutiques;" and the third part consisted of items "Inspired" by high-fashion designers and brands.

Executives at SocialCom.com maintained that "Designer Boutiques" was explicitly sanctioned to display the curated fashion product by the fashion brands whose product had been featured. The "Designer" area, on the other hand, consisted of an alphabetic designer list, which just as in StyleFind's case, was taken from the datafeed of pure play fashion retailers to which

SocialCom.com had access on LinkShare. SocialCom.com's business development staff did not ask for explicit permission from these merchants. The "Inspired by Brand X" section of the website consisted of a selection of fashion products that were "hand-picked", as per one executive, by Boutiques' online merchandisers. The logic of curation here depended on the tastes of merchandisers at Boutiques.

Visually, the "Inspired By" section was compelling. Upon triggering the mouse over a product from an inspirational brand, the customer saw few other brands which were pre-determined to be culturally similar in quality, price, and design with the brand in question. Frequently, however, brands put to the consumer's attention were at a much lower price point, questioning the assertion for brand-related cultural "affinity". Brands hand-picked by merchandisers in this section were also not aware that the products of other brands are listed on Boutiques' front as "inspired" by them.

SocialCom.com placed great importance on the names of the designers to which its results pointed out. The logic of "personalized" search of this fashion search engine was not clear-cut, as pointed out in the cases of other social-commerce players. According to one executive, this was "part of the secret that we have. We do try to show the most relevant product based on what we think should be relevant to a given search."

While the "inspired" aspect of the system could be pointed out to be "democratizing" the access to fashion representation of other brands, the three categories of "creative" designer representation were designed as a mechanism for bypassing negotiations with fashion brands and pure online retailers that carried selections from these brands or had exclusive online distribution with them. DigiVog had been successful in part because the company understood the tacit rules

of conduct for fashion brands in their brick domains of incumbency and adapted them to the online domain. More technology was not solving the problem of relevancy of search.

“The unique value proposition for the digital publishing industry today”, DigiGroup’s US Marketing Director explained,” comes from making choices for customers and merchants easier and more relevant based on *curation*”. Even though the technology of price comparison search had enabled the business model of social commerce to gain traction in the digital marketplace, it was the human commitment to handpicking excellent editorial content, selecting appropriate designers, and negotiating brands to be featured in a curation, that the online pure play community in social commerce collectively decided to use as a validating factor on their cultural success.

SocialCom.com had been in business for only six months when it folded its operations. Shortly after the demise of Boutiques, Burak Gokturk, the co-founder of Like.com, reflected on Google Commerce Blog that the idea for developing SocialCom.com was indirectly related to enhancing the shopping experience on Google Shopping. Like.com’s team proceeded to incorporate the visual search features for which Like.com was unique into Google Product Search “to inspire and facilitate easy, enjoyable browsing and shopping. As we continue to integrate technology and lessons learned from SocialCom.com into Google Product Search”, the co-founder explained, “we will be redirecting shoppers from SocialCom.com to Google Product Search. The former Like.com team, alongside the Google Product Search team, will drive new ideas for apparel shopping through one unified product.” (Figure 18)

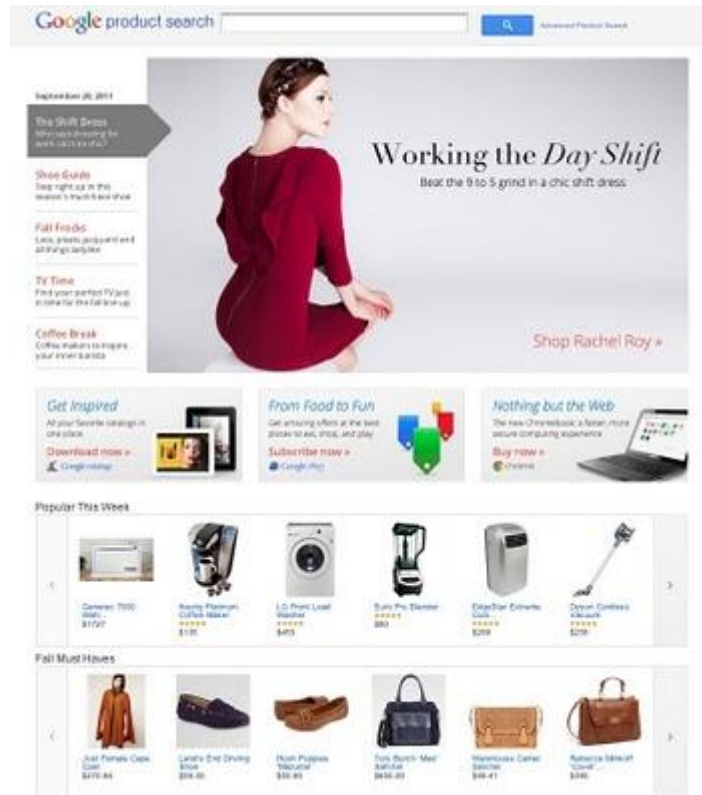


Figure 18 Google Shopping – the result from the SocialCom.com experiment.

Prescient about the future, a few months before SocialCom.com folded, the Marketing Director of DigiVog’s New York office, decided to help out a launch project with a startup entrepreneur, who he thought, “is proposing to do what SocialCom.com should have been”. The nascent entrepreneur at that start-up had sourced 30 well-known retailers and 10 individual designers to personally curate their individual webpages. A publisher online, whose business is essentially built on search and affiliate fees, had never before been launched to engage on a purely collaborative basis with fashion brands. Even though the start-up ended up folding its business operations, the conclusion from the ensuing developments in online fashion retail suggested that collaboration between community members was a crucial aspect in promoting survival and success of entrepreneurs.

8.6 “The 2.0 stuff²⁰”: Community branding (CoBRA)

Both SocialCom.com and StyleFind.com were able to get access to the datafeeds of online fashion retailers through their paid access with LinkShare. The newcomers took advantage by linking to, displaying and featuring search results for brands and products without the need to ask brand owners or online technology-fashion brands that carried them for access. Insiders to the ecology were prompted to quickly consider new “in-house” practices to be shared only between co-contributors to constructing the meaning of digital fashion.

In early 2011, a designated team at the US office, consisting of the Director of Marketing, the Special Projects Manager, the Director of Merchandising, and the CEO, initiated a search for new partnership ideas with social-commerce publishers. DigiGroup was about to expand direction as “*the global internet company* for the leading fashion and design brands” and the US office decided to position its team at the forefront of initiatives that would graduate the company from spending only the technical portion of its clients’ digital budgets to coordinating the entire online marketing budget of their fashion partners.

The idea that emerged in meetings with publishers was that any new types of partnerships had to translate into practice that only fashion-technology insiders would be willing to experiment with entrepreneurially. The Marketing Director explained that he sees new types of partnerships as “more integrated”, or featuring more high-value activities and with a longer, 6-month, duration period extending gradually to over 1-year partnerships. Collaborating entrepreneurs in the ecology expected that after they establish the cultural value of the new practices in the ecology, traditional publishers in the industry would open up for collaboration in

²⁰ CEO of DigiVog US when asked about new practices in beneficial branding in the community.

the long-run and rethink their culture with regard to how they understood branding of their long-term fashion brand clients.

“Our unique proposition is the following”, said the Special Projects Director in the US office. “You have great content, but we have a great product. The successful idea is to match both”. The new practice was presented in early 2011 to headquarters in Milan and was titled “co-marketing” by the team. Community branding was launched as an emergent practice in online fashion. The idea was that community branding campaigns would be executed collaboratively between online entrepreneurs with *complementary* skills in product and content creation and delivery.

The Director of Special Projects at DigiVog defined community branding as a distributed social practice in which

“a product [is] integrated editorially with a shopping area that becomes a *communal dedicated space* with products powered by DigiVog.com. It is usually a section that is editorially curated. The partnership always involves an editorial component. We usually try to involve the editors of the magazine or community. This would be anyone involved in fashion content or lifestyle content on this magazine or site to collaborate with us.”

The partners met up to discuss collaboration themes, remuneration and design. These meetings were followed by preparation of the theme for the campaigns, for example, “hot neon picks.” The role of social publishers, such as blogs, social commerce start-ups, and magazines, was to serve as content curators in the collaboration. Pure-play technology-fashion firms, as DigiVog, were product and brand curators. Editors from the publisher’s side created the content for the theme. Merchandisers from DigiVog chose the fashion product, style, and brand and integrated it with the editorial content.

Each community branding relationship is designed to be singularly specific to the individual partner. The curated shopping page is culturally significant to each partnership and showcases

the strengths of each partner visually. These are called “community branding pages”. The unique e-commerce design expertise of DigiVog also allowed building a dedicated, exclusive web space on which content and product would be integrated for the duration of the campaign.

Community branding is designed as a departure from traditional affiliation programs. It introduces a non-commercial, editorial component to a conventionally commercial relationship where one partner, the publisher, is paid by the merchant to promote a brand or a product. Affiliation is a key part of the "food chain" in online fashion, because by promoting somebody else's product thousands of smaller web advertisers were able to earn commission. “Affiliation works as revenue-share”, explained the Director of Special Projects,

“But, the minute the fashion editor in Polyvore or ShopStyle decide to create a customized page picking products from us, this can be something in-between affiliation and community branding. The community branding partnerships create a situation in which there is an exchange of visibility between DigiVog.com or any of our client stores and the partner; magazine, any affiliate that would like to start such partnership. We decided to create this dedicated page hosted on the partner's site. This is a way to get awareness from the readers of the magazine. We also give visibility to this partner on DigiVog.com.”

One of the inherent challenges of community branding was that its intended design made it harder for established brick brands to understand the marketing value of a "community branding page" curated by two online-born partners. The 4-person team believed that even though DigiVog's fashion partners were moving investment into the digital channel, the cultural policy of their e-commerce teams was not yet aligned with embracing these new sources of value for their brands.

“We do hold our clients' ad money. What we would like [is] to play an even more significant role in the budget. Most of this goes to technical channels, but we can push through consulting role into other channels.” the CEO in the US observed. DigiVog's marketing executives were certain that a large part of negotiating with the creative e-commerce directors in fashion

partner firms would involve changing this culture. To get fashion brands to consent on refocusing large part of their digital budget online would be unprecedented in the history of this creative industry and mean that new culture can be co-developed between new and old creative ventures.

In order to persuade brands to take on these “alternative” forms of collaboration with online publishers, the US team asked Pure Brand division to solicit interest from at least one DigiVog partner brand. In 2010, one of the oldest Italian high-fashion brands in the Group had requested more information about new types of online marketing, but after a series of short conversations “the insight was lost” as one executive put it. The US office insisted that when approaching fashion brands, Pure Brand team had to persuade fashion owners to see new digital partners as a distinct and important new social group vis-a-vis established magazine intermediaries in the industry.

Pure Brand approached two brands that had been with the firm since the launch of its e-commerce consulting operations in 2006. One of the main challenges during negotiations was to solicit the consent of these brands to allow DigiVog’s merchandisers to pick and place fashion product from their e-commerce datafeed on the community campaign page with a social-commerce publisher. DigiVog’s team had exclusive access to the product feed of its partner brands. Proprietary arrangements between the brand and the group specified that DigiVog’s internal account management team had full access to curating and updating the brand’s online fashion product.

To get the two brands to agree to taking a product out of their online datafeed took long hours of phone negotiations between merchandisers from the New York office, Milan, Pure Brand account managers and the online store manager of the brand. The US office obtained the

support of the two brands by pitching to their merchandising executives that disclosing information about their e-commerce datafeed would result in creating new sources of brand value that are created in the online ecology of entrepreneurs in fashion and are unique to an Internet-specific advantage.

Pure Partner Unit and PaperMag

The earliest community branding campaigns signed with online fashion magazines featured niche fashionista publishers Tablet, BlackBook, PaperMag, and GenArt. These campaigns started for the US marketing team as experiments “on a very, very small scale and with little money,” as one executive put it. The goal of the projects was for both partners entering into a relationship by community branding to achieve brand awareness, broader target audience, and cost savings.

The directions for collaboration with PaperMag and other online players developed organically in discussion between the two marketing teams. DigiVog’s marketing team made sure that in this creative exchange its fashion merchandisers would have decision-making power over what fashion styles to feature for an editorial “look” and how many fashion brands to display. “We pick up four looks from the magazine; no more”, said the Director of Special Projects. “They send us the four looks. They then ask us: ‘can you curate a look-event whereby you pick from your designer collection pieces that complete and most closely correspond to this palette and link it with e-commerce for people to shop?’”.

As negotiations for contract extension went forward in late 2010, the US marketing team proposed to PaperMag to host a “look of the week”. The “look” was a theme suggested by the magazine and the fashion product was curated by DigiVog’s merchandisers who changed fashion product according to the overarching theme of the week. The partners agreed to the selection of

fashion styles limited. This was a vital prerequisite for the community branding relationship with PaperMag and smaller online publishers, because having to choose among fewer brands calibrated the browsing behavior of customers, introducing them to specific partner fashion brands at DigiVog (Figure 19). DigiVog’s US merchandisers mixed up the selection, showcasing new styles from the fashion portfolio of its two largest brands, DigiGroup.com and Digi1.com. Negotiations were starting at headquarters to get exclusive consent of all 27 brand partners for their inclusion into “community branding” campaigns with other online entrepreneurs.

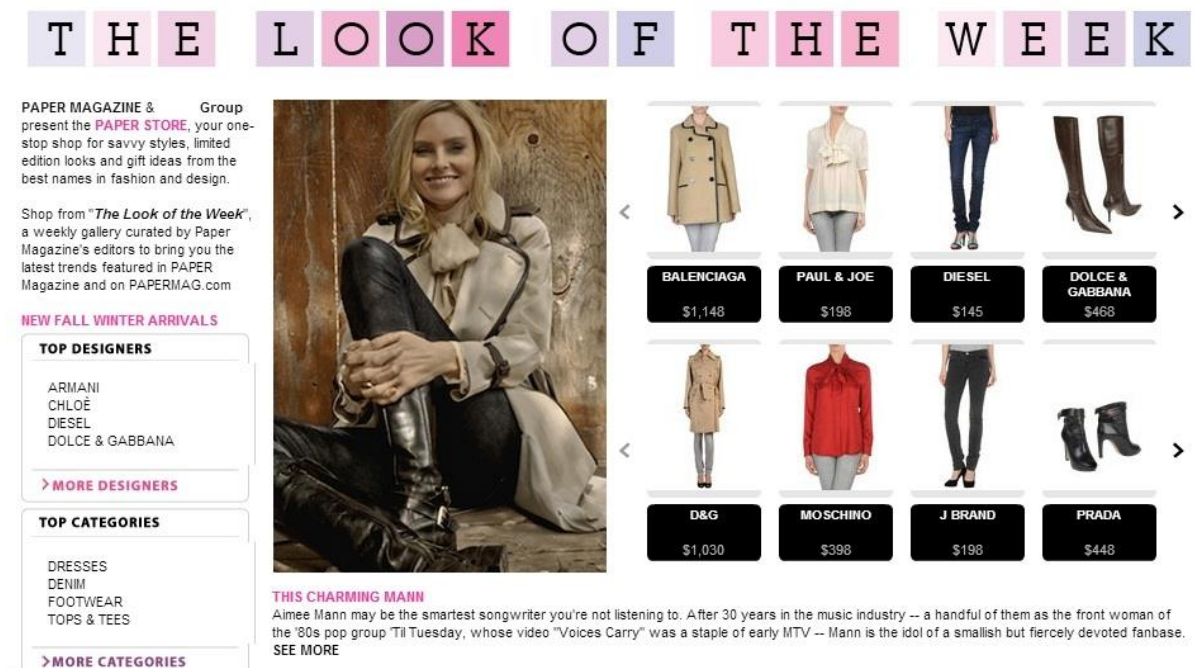


Figure 19 Collaboration in community branding between DigiGroup and PaperMag.

“Now, this is the most beautifully executed community branding campaign”, said the Director of Marketing of the campaign with PaperMag.

“In the beginning of each month, they choose the looks that they want us to curate the selection around. They say: ‘you guys know best what items you have online as long as you make sure you align with the look.’ They will send us the scan of the desired looks and we will go out and look for products that are exactly similar to the ones desired. And, we will publish that on the paperstore.com. So, if you go to this co-branded page, you will see various products that you can shop. This mini-shoplet was also designed by us. This widget is not only created but

controlled by us, so from an editor's point of view, she doesn't have to worry about anything. What she does is: if this looks sells out next week, it will automatically be changed by another product with a similar look, which we've already chosen to put in the system."

Fashion editors at PaperMag returned the sentiment by indicating that the longevity of the relationship was determined by the ability of DigiVog to surprise them with styles on each weekly occasion throughout the year: "We always try to stump them; one week we gave them a still from The African Queen, but sure enough they supplied us with lots of Victorian lace collar shirts and khaki button downs. They've got everything!"

DigiVog offered three types of brand contribution to a community branding partnership. All of these include design and building of a mini-shoplet hosted by the publisher; an editorial about the partnership on DigiVog's internal blog; exposure through banner ads on selected online retail properties of the Group; and a newsletter coverage of the partnership. The marketing team also specified the number of weeks during the one-year period, during which PaperMag was allowed to display special promotional offers on behalf of DigiVog, such as up to 10% sales on new collections. These offers were available to customers exclusively on the mini-shoplet on paperstore.com.

At an added cost to online publishers, the marketing team offered help with social network marketing for the community campaign. These services required negotiating complex web marketing media buys and placement of banner ads on select fashion portals (e.g., style.com, elle.com). In cases where the partner, here PaperMag, was unable to pay for the added benefit of auxiliary online marketing channels for promotion of the partnership, DigiVog's team required that an extra "featurette" was placed on PaperMag.com. Clicking on any particular category takes the user to the curated shoplet, connecting both partners seamlessly (Figure 20).



Figure 20 Community branding: content development and curation by PaperMag for DigiVog.com.

At the end of each collaboration period, the partners extended the terms of the experiment in community branding for another year in advance. In this particular year, the Director of Marketing in the US decided to augment the existing offer to PaperMag by increasing the percentage of revenue share during informal renegotiation talks. It was important to tease out these new forms of community collaboration. The idea was for both partners to play with as many components of the relationship, as possible. “We keep the relationship, as this evolution is taking place, even though it does not generate much in sales”, the executive offered, “because it does not cost us much. We could tell PaperMag that if it is a highly sought after partnership, maybe we would have a minimum commitment where we would pay them, say, \$5,000 / month to sponsor such a display regularly.”

In addition, the Director of Marketing offered that keeping the partner happy allows DigiVog to assume the leading role in construing the mix of creative assets in a campaign. “I know for a fact,” he said, “that the amount of visitors that PaperMag gets and the amount of sales we will get is not as important as PaperMag being powered with this e-commerce /fashion /editorial and shopping functionality. If it is like that, then the terms could be in my favor.” With this implied positioning, the two parties are able to arrive at a situation of interdependence that exhausts the

likely potential of exit by any one of them and, at the same time, fosters the search for discovery and sharing of new practices and creative assets.

8.7 Changing the culture of old fashion intermediaries

The Challenge

During 2011, the second experimental year of community partnerships, DigiVog's US team recognized that there is another untapped opportunity to discover in entrepreneurial collaboration in community branding. The team would apply their unique contextual experience in social affiliation, pair it up with their skills in e-commerce and online marketing and promote the beneficial results of community branding collaboration to established fashion publishers. The US team lobbied headquarters to commit to an increasing share of revenue to brand awareness actions online with focus on convincing brick publishers gone online of the importance of community branding to aspects of brand awareness and commercial growth. The recently founded Partner Division and Pure Brand Agent were already in talks with established fashion partners that were likely to accept community branding. DigiVog's US marketing team launched talks with large fashion magazines, such as Marie Claire, Elle, and Vogue.

The growth envisaged for these collaborations was planned as a yearly increase in excess of 1 million Euros. "We need to start working with Vogue", explained the rationale the Marketing Director in during the short brainstorming meeting with his team, "but not only to do banner campaigns. Instead, do an integrated partnership in which every 3 months, for example, Vogue will choose one look and DigiVog.com's merchandisers will put out merchandise for this look".

The problem was that at the time there was no precedent for a traditional fashion publisher to consider a partnership with an online technology company "posturing" as a knowledgeable fashion retailer in which the latter curates fashion product on publisher's own website and for

publisher’s own editorial campaigns. The brunt of work in initial community branding experiments with established publishers was incurred exclusively by online peers. In January 2010, Gilt Groupe struck a deal with Vogue USA to host a sale of selected items from the January issue of Vogue and covered the larger share of campaign costs. Vogue US was the passive decision-maker; it had limited financial engagement and substantial clout in the partnership. Vogue editors got access to Gilt’s online inventory and chose the fashion products for the campaign (Figure 21) Gilt Groupe was responsible for investing in creative digital material, as links and banners, and for promoting the collaboration The start-up also paid for outsourcing the job to www.lookbooksapp.com, a “pro digital studio” that hosted the “marriage” of product from Gilt.com with editorial picks from the January issue of Vogue.

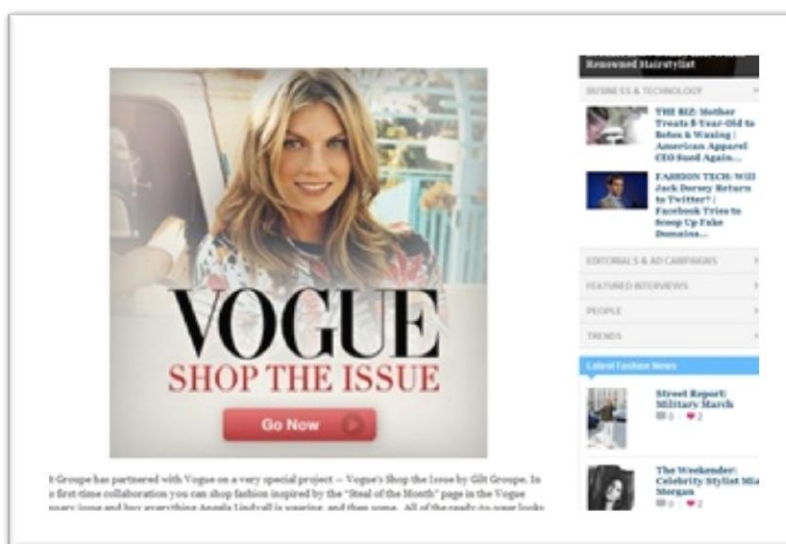


Figure 21 Community branding: Collaboration between Gilt Groupe and Vogue.²¹

²¹ Caption: the caption below the product page says: “Gilt Groupe has partnered with Vogue on a very special project – Vogue’s “shop the issue” by Gilt Groupe. In this first-time collaboration you can shop for fashion inspired by the “Steal of the Month” page in the Vogue January issue and buy everything Angela Lindvall is wearing, and then some. All of the ready-to-wear looks are all under \$500. ”

DigiVog's US team pushed for editorial and product-related clout in partnering with InStyle, Elle, or Vogue. The team was frustrated with the fact that banner advertizing was the preferred online marketing practice of brick publishers. To make up for industry-wide dwindling print advertising budgets after 2008, banner advertising took over as legitimating vehicle for fashion brands in launching their Internet identity and continued to be major stronghold in the advertising budgets of established publishers on the Internet.

"Even though our company now harbors access and manages the online marketing for some of the most coveted brands in the world", repeated the Director of Marketing in meetings with his 4-person change team, "traditional editorials do not want to accept the behavior of their online social commerce counterparts. Publishing firms think; what is the cost of that and how much can be charge for it? Media industry has started to realize that it is productive to link product and content. But, they will never change, however they progress, *unless DigiVog tells them how it works*".

Fashion brands preferred to spend money on banners. The practice was part of their online heritage of placing adverts in the paper editions of their intermediaries. The lower costs of placing adverts with their publishers on the Internet made the old practice stick. Giorgio Armani, for example, spent more than \$3 million a year for buying dedicated advertizing space in every paper issue of Vogue. In comparison, a basic banner with Style.com in 2011 cost the Communications Division 10 times less. With the recession, Communications executives were ready to spend a lot less online.

Online technology firms in fashion did not favor the use of banner display campaigns in their own marketing campaigns. The gap between online ad spending and consumption of digital media hovered around \$20 billion a year and banners were considered "bad for branding and for

business”. DigiVog’s Marketing Director team in New York, a critical change agent in guiding DigiGroup’s collaborative approach with traditional publishers, was frustrated when headquarters frequently approached the US team with requests from fashion brands for banner advertising costs. “We have decided – the Director of Marketing said - “display ads are obtrusive”.

“It's uncalled for... even if technology has changed, at the end of the day it is still the most offensive way of advertising. You go to NYT.com and suddenly you get this stupid car in your face. I don't want to see that! It is better to spend money on awareness but not purely of the banner ad form. We could do some banner ads in the future, but accounting for the total outgoings thru revenue share... like buying a page in a magazine and linking it online. Something that is more integrated. Let's do something that is more *meaningful* than just a stupid ad.”

The US team approached the challenge head-on. The Marketing Director’s expectation was that old intermediaries “are accustomed to dictate the rules of the game for branding by selling exceptionally expensive ad space and treat it like Manhattan real estate. So, when [DigiGroup] approaches Elle and asks to do a 10% revenue share, Elle does not know what the shopping section will result and asks “Who is DigiGroup? How dare you tell me this?”

“So, when you are trying to offer something that is an integrated solution with the end consumer in mind”, countered the Director of Special Projects,

“each department in Vogue needs to internally justify how the offer is good for them. The Editorial Director needs to figure out how the offer is going to be justified editorially. Business Development needs to know; OK, is this is a new partner that we are adding? Sales need to know – well, they are going to have 10 thousand impressions on my site, but are they going to pay me so much money? So, to be honest, these discussions can go on for 6 months easily without any problem.”

The Director of Special Projects saw future collaboration with brick fashion publishers as a special case of community branding, in which the need to change the culture of old intermediaries was more essential than any short-term acquisition of implied or perceived “privileges” from them, such as special rates on advertising space. The team decided that the

terms of collaboration would be designed as revenue-share agreements. This was going to be the first time that an online fashion start-up would charge publishers for their performance. “We can give you this much money”, discussed the Marketing Director in brainstorming meetings.

”The revenue depends on you and your content. You *need to work for your revenue*. We need to wake them up to the fact that \$ 1 million imposes a ceiling. If banners are thought out as a purely short-term thing, then having this practice is okay. But, there is no sustainability in this approach. This is partly why we need more sustainable practices. When there is a curated shopping section, people understand that there is product proposal built around content, which is also sponsored by the magazine. We will never leave our idea of community branding or editorial integration. We would rather combine it with display.”

The 4-person change team pushed for integrating negotiations between the often siloed editorial, sales and business development divisions in brick publishers. The Director of Special Projects advised traditional publishers that their success online depended on their ability to source product from high-fashion brands present on the channel, as opposed to creating content. The vantage point of the industry had shifted to collaboration between publishing and merchant brands, said the Marketing Director’s in talks with the business development and editorial teams of established publishers. He frequently pointed out internally “the magazines should be happy that *they are given the opportunity* to work with brands. The fashion partners in our portfolio will increase from 24 to 40 in only three years. And, if we see that this type of project works for a multi-brand store, like ourselves, we'd be the first to propose you to our brands”.

The second element in the negotiations was to spell out to traditional publishers that a growing number of DigiVog’s fashion partners were on board for community collaboration with smaller online-born publishers. The gist in these negotiations was to explain to senior editors that a ‘go-it-alone’ approach would expose them to traction problems in the online ecology, similar to those experienced by Time Inc.’s StyleFind, due to their lack of contextual knowledge. Here the point was to define the capabilities of online specialization of DigiVog:

“Publishers such as, say, Marie Claire, can either choose someone like stylefind.com to collaborate with on finding styles and eventually linking to a third-party retailer, or can directly work with an individual brand or a retailer. We have the widest, deepest selection on the net. By going to us, you do not need to go to the aggregators. We have to be the one-stop-shop for all your needs”.

The collaboration proposal set performance-based commission rates for publishers determined by the total traffic from a banner to a partner website. The CEO of the US office argued that in the event that a publisher was unable to guarantee the payment of the designated commission due to poor performance of the campaign, its online team would have to carry the burden of proof “to work harder so that our brands can jump on the wagon.” The proposal also specified that community collaboration with brick publishers should be initiated and sought by DigiVog only in those special one-time cases when a new fashion partner launched e-commerce with DigiVog. The campaign would introduce the new e-commerce website by showcasing selected fashion product by the brand in question, and matching the product to an editorial copy produced by the magazine’s editorial team.

During the initial stages of community branding negotiations with publishers in 2010 and 2011, established publishers were reluctant to discuss terms of digital engagement that exposed them to the expected risks of commercial performance. The real problem in this proposition, according to one executive, was that publisher’s executives were accustomed to collecting the money from an advertizing deal, rather than earning it. “The publisher has never had to earn advertizing dollars”, he said. “The publisher has created so much content in their lifetime that they can now say, OK, \$10,000 or \$50,000 for a full-page ad”. The Director of Marketing supported this group think:

“If I want to do a community branding partnership with all the magazines, it's not a problem at all! If a new partner, comes to the editors of Vogue and says: ‘I want to power your shopping section and all the products that your editors curate; I am going to send my merchandise to you;

you can put it up, so people can shop them. And I am going to give you \$1,000,000 in fees'. You are not going to tell me no! The problem is *not whether the concept is being accepted or not*; the problem is that the whole concept is that we want to work with a partner who is not – like we feel – taking our advertizing money and saying, now I've got nothing else to do with you. This is the traditional behavior that they have.”

An established publisher would typically agree to terms of service with an advertiser on the basis of cost per impression (CPM). This metric refers to the rate that an advertiser, say DigiVog, agrees to pay per 1,000 views of an advertisement regardless of any sales that viewing the banner generates. Each appearance of the image in front of a user counts as one impression. In a CPM deal, the hosting website, typically a publisher such as Vogue.com displays the banner against payment for total amount of impressions.

Online publishers preferred to collaborate on cost-per-click (CPC)- the amount paid by an advertiser to an Internet publisher each time that a viewer clicked on a link in an advertisement. A click transferred the viewer to the advertiser's website. This type of contract is also known as pay-for-performance advertising, whereby the payment is triggered by a mutually agreed upon activity, such as a click-through, registration, or sale.

“Vogue US does not want to engage in a more meaningful *collaboration*,” one online executive considered. CPM was a one-way deal in which the publisher does not take any responsibility for the marketing or sales performance to an advertiser. In contrast, in a CPC agreement, the “payment is triggered by a mutually agreed upon action” that presumes that value is sought by both partners. The attempt to develop mutually collaborative relationship with traditional publishers was difficult more than the negotiations DigiVog held with established brands. The team had to persuade traditional publishers to change their cultural approach to the digital space by relenting on their most fundamental behavior of doing business.

Brick publishers were unaccustomed to the metrics of success presented by DigiVog's team. The team was flustered by the results. Every other online publisher, they asserted, would have happily accepted a 10% commission that included the free of charge delivery of high-value components, such as marketing contests; help with building a social; and, advertising the results on social media.

"Our immediate reaction after the campaign is to measure the results of the campaign", the Director of Special Projects explained to executives at one publisher. "When there is an online component of a mini-shop it is easier to measure the results of the campaign. We usually do that on a revenue-share basis. This means that the partner gets money for every sale generated". "However", she continued, "They rarely accept such a position."

"I of course knew, what the issue was about", the Director of Marketing offered,

"It is the disconnect in the thinking between how a retailer thinks and how a publisher thinks. When this person [the publisher] hears of 10% commission, all they can think about is CPM. And, I'm like, dude, if you push it, you can earn money thru commissions. And, that person thinks, if I push it, and there are 100,000 impressions, I will earn \$200. The issue is, that even though they do think of all these factors, you just look at a retailer with a \$ sign. Unfortunately, they don't think about the editorial and marketing spillovers to their own brand and business."

The team decided that to compensate for the disconnect in the behavior and thinking of large publishers, DigiVog would agree to pay them a two-, three-, or six- month flat fee to ascertain their buy-in to accepting the new cultural prerogative of community branding. The change team thought that this was an acceptable middle-of-the-road decision until publishers were incited to play. "I think the best is to get a big player", explained one team member. "I don't mind paying 50K to Elle, even though this is not going to be the perfect thing for me. But, if we strike this deal, then all the smaller guys, who are playing little rascals, will be persuaded to work with us and we can then leverage."

The lump-sum that the US marketing team offered to supplement the income of a publisher from revenue share was a forward-looking guarantee on the part of the publisher on their future adoption of an entrepreneurial approach. The flat fee payment was a *cultural difference premium* that DigiVog was willing to pay as a co-inventor of the new culture, until traditional publishers learned to make money by using digital media as a booster of commercial value.

Pure Partner Unit and Vogue Italy

Vogue Italy is sometimes referred to as “the world's most influential fashion magazine” and is, incidentally, considered to be the least commercial of Condé Nast’s publications (Angeletti, Oliva, and Wintour, 2012). The partnership between DigiVog and Vogue Italy was conceived by the proposing side, DigiGroup, as a long-term community branding collaboration, the first of its kind between a publisher and a technology-fashion firm. The 4-person change team pursued two interrelated goals with the publisher. The executives needed to showcase the ability of DigiVog to continue acquiring high value assets, aside from its portfolio of more than 20 of the world’s most renowned fashion brands. The Group would as well encourage and nurture a long-term change in the culture of brick-and-mortar publishers to accept editorial help from online players.

The Special Projects Director had to start from scratch in explaining to Vogue’s team the rules of engagement of the online channel. She noted that Vogue’s fashion editors would have to check in with DigiVog merchandisers each time that they decided to feature a particular item from any of the Group’s client sites during the collaboration period.

“The products that we curate with you can be taken out of DigiVog.com; Digi1.com; or, any of the clients we have. Vogue does not have the datafeed, and the consumer goes directly to shop on the retailer's front. It is something that fashion editors from online social shopping partners do directly on our site; picking independently products to feature editorially on their fronts. So, obviously, if Polyvore or ShopStyle decided to do the same [partnership] as Vogue,

since we already have partnership with them through LinkShare, and we provide them with our datafeed, their editors would select this product directly from the datafeed.”

Vogue Italy accepted to receive a flat fee for publishing banners related to the community branding campaign and signed a revenue share agreement for serving as a marketing collaborator to DigiVog. DigiVog’s team in Italy created a mini shoplet hosted by www.Vogue.it; Vogue's main digital property of Vogue in EU. DigiGroup also negotiated with fashion partners that fashion products featured in the co-marketed shopping section would lead to the respective brand e-commerce website that has the product in question. The technical toolset employed in the partnership was an expression of openness to change signaled by this traditional organization.

The collaboration between DigiGroup and Vogue Italy lasted for more than two years, between 2010 and 2012. New initiatives were subsequently developed in 2012 and proposed by DigiGroup with the idea of extending the comfort zone of Vogue Italy in dealing with online technologies and practice. Aside from being responsible for producing the commercial space inside Vogue.it and populating it with products from its online brands and fashion partners, DigiVog negotiated to a social process of *augmenting its own editorial role* in the partnership by taking the lead on creating online editorials for the rotating “look of the week”.

“The idea is that there is an editorial component in the collaboration”, said the CEO of DigiVog in Milan headquarters. “We totally have their input re: what trends to feature.” The CEO of DigiGroup US, among the first proponents of community branding, explained that the main driver of the collaboration between these two different types of player “honestly, is awareness. You go to Vogue to look at pictures, not to shop. But, the awareness part should not be underestimated, because awareness creates future sales. It's a mutual thing. *They provide the content; we have the product*”.

This type of collaboration has no precedent in online retail, because it requires that both partners have identical interpretation on how to use their complementary capabilities to engender integration between product and content. Vogue Italy had understood the cultural opportunity of connecting with more and varied types of readers and making both money and awareness in the process. The cultural aspect of change for Vogue Europe was its long-term agreement to embed new textual links on its front page menu entitled “E-VogueShopping” (Figure 22). This was a cultural practice that also was title was the first time that a brick-and-mortar publisher had agreed to place a commercial digital asset on its own property.

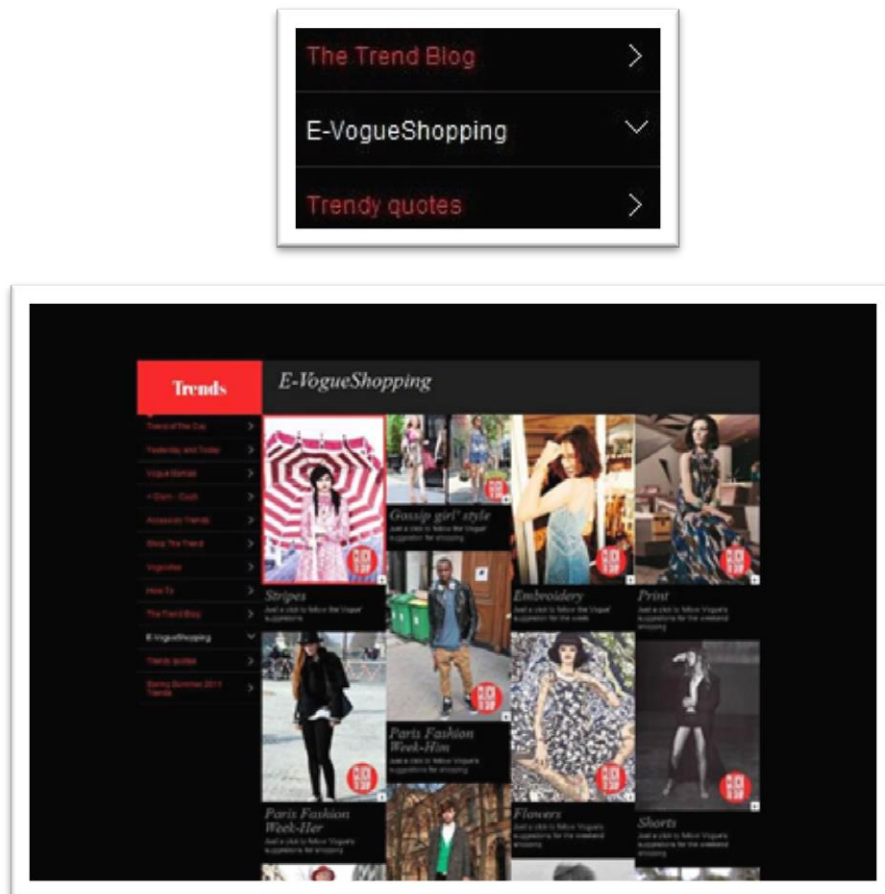


Figure 22 Community branding: Collaboration DigiGroup and Vogue Italia (2011-2012).

“No one has done it with Vogue Italy” the CEO of DigiGroup US noted. “We tried with the American Vogue, but the publishing industry in Italy is much more developed than the US. They can see the value of novelty. The Americans are just after the money.”

The collaboration between the two players continued in 2012 and focused on particular brands that the two partners decided to promote. Vogue Italy supported a campaign for Pink Tartan featuring creative online assets designed and sent by DigiVog.com's email system to registered users of DigiVog two online fashion brands- DigiVog.com and Digi1.com (Figure 23). The newsletter included photo-shoots and creative content designed by merchandisers at the US office with some engagement from Vogue Italy. The models, the digital print and the fashion products curated by DigiVog’s online merchandisers and editors were designed by Pink Tartan. The banner embedded in the email led to e-VogueShopping.it.

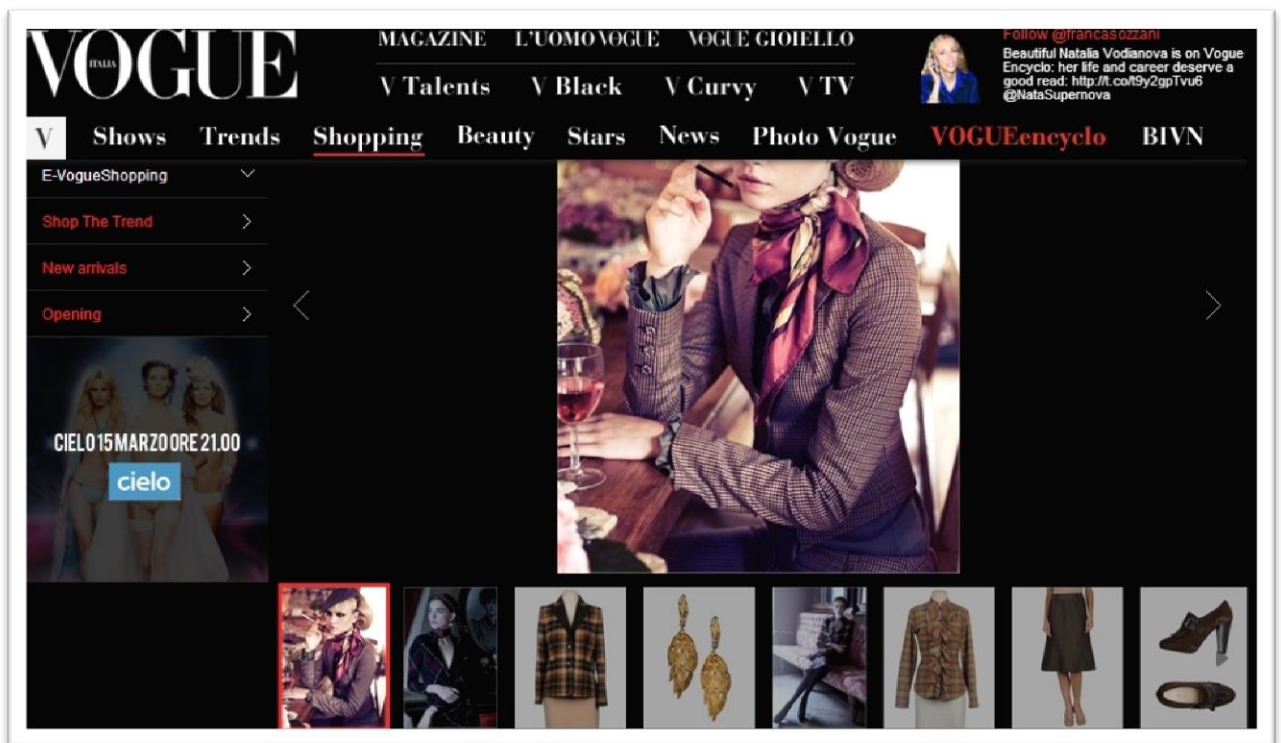


Figure 23 Community branding: Digi1 and Vogue present Pink Tartan Campaign

By March 2012, Vogue Italy was the partner of choice for DigiVog Group when the Group announced the opening of new retail businesses and opportunities. The group, for instance, launched its first footwear brand online in spring 2012 and the inauguration of this new retailer was broadcasted with a special collaboration between Vogue Italy and DigiGroup via Facebook (Figure 24). The campaign was created with creative lead from DigiVog’s online merchandisers and editors. The Facebook page of the new footwear retailer highlighted daily footwear product galleries in a series introducing the new online company. Each look in the product gallery was curated by a “stylist of the week” picked by DigiVog's merchandisers in collaboration with Vogue Italy. A click on the gallery presented on Facebook led users to e-VogueShopping.it, where the product could be reviewed and purchased.

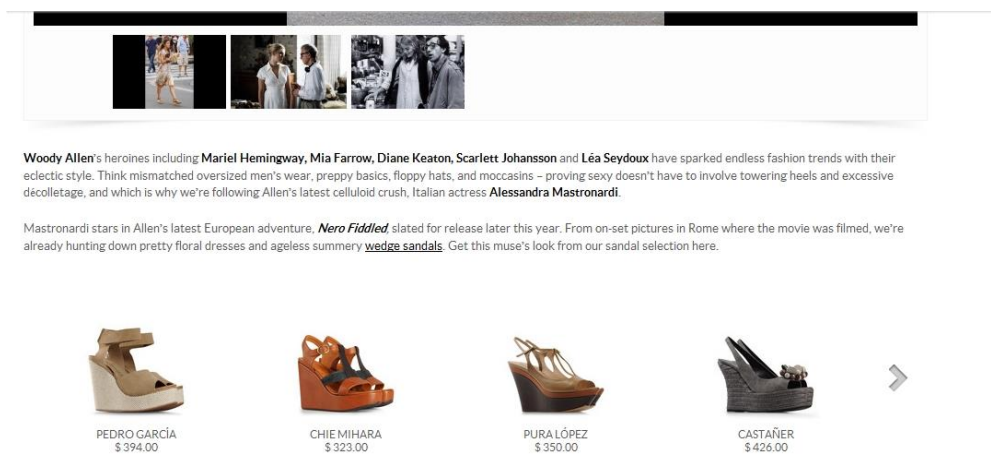


Photo credits: Olycom SPA/Rex Features | SNAP/Rex Features | Dreamworks/Everett/Rex Features

Figure 24 Community branding: Vogue Italy presents DigiVog’s newest brand along with product curation.

In addition to having an editorial lead on choosing weekly stylist picks, DigiVog’s online marketing team designed a separate Facebook blog in link that led to “Ms. Suzie”, online personal footwear assistant, hosted on www.Vogue.it’s webfront (Figure 25).

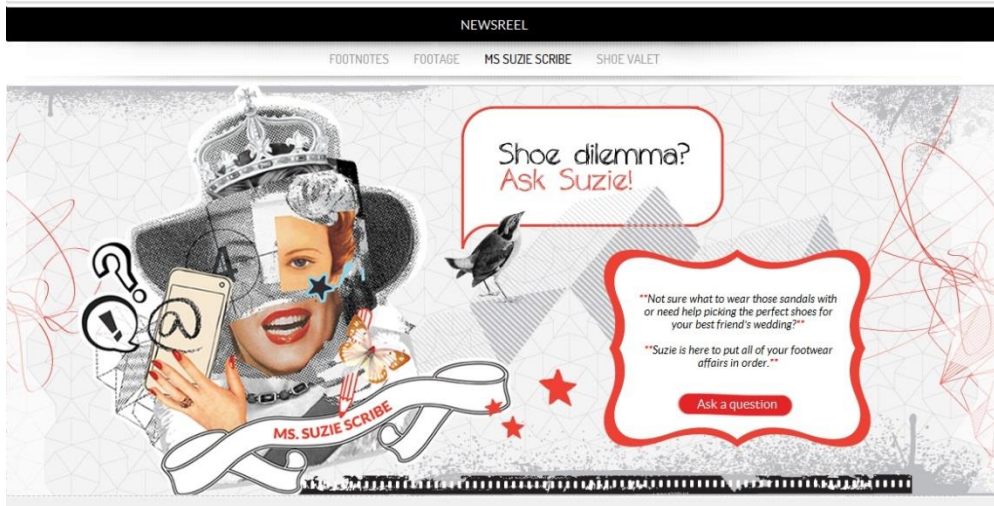


Figure 25 Community branding: Vogue Italy advises on product curation for DigiVog.

The increasing openness of Vogue Italy to integrating digital assets in their practice is a case in point showcasing that the consistent communication of new goals and practice between two very different partners can result in the nurturing of *esprit de corps* between them.

Pure Partner Unit and Women's Wear Daily (WWD)

During the first trimester of 2011, executives at the US office reported on a positive “conversation” with Women’s Wear Daily (WWD), one of the most visited publications in the fashion industry online, for closing a “CPI type” (cost per impression) deal. The campaign was scheduled to coincide with Fashion Week in Italy and trigger traffic from WWD’s home page to individual brands from Digi1.com, DigiGroup’s youngest brand. On Monday, Sept. 26th, 2011, the home page of WWD was “overtaken” with the creative color background, links to brands, and editorial campaign text from Digi1.com. The background displayed a series of dynamic images that incited the viewer to visit Digi1.com, view a fashion video by a celebrated photographer, and mouse-hover over links leading to the collections of select designers at Digi1.com that had given their permission to be featured in the awareness campaign.

The technology solution for this deal dispensed with the idea of single banner display and instead DigiVog worked with the concept of floating background and text superimposed on the background of the other partner. The term called this form of creative brand awareness product “overtaking” the background of the partner (Figure 26).

The campaign was a distinct instance of recombination in cultural goals, financial deliverables, and technology. It allowed DigiGroup to use old-style brick-and-mortar advertising deal with WWD based on cost per impression and, simultaneously, incites the partner to ‘defect’ to a culturally novel way of community collaboration.



Figure 26 WWD “Overtake” by Digi1.com

As a brick-and-mortar convert online, WWD required that the deal is signed on a CPI basis. DigiVog’s US team had no interest in creating brand awareness for Digi1.com by paying a significant lump sum to the collaborating party in addition to financing the technical solution for the community branding community page. The European headquarters were not happy to give a go-ahead to the deal, because this entrepreneurial opportunity would register as a financial loss

to DigiVog. US executives however argued that they were willing to pay a “cultural difference premium” to WWD in exchange for showcasing the practice as an example of the willingness of this traditional content mediator to accepting a new culture of collaboration. The acceptance of financial loss by the marketing team at DigiVog US, the innovation lab of the firm, denoted the willingness of Internet brands to engage in exploration of the impact that this deal would have on the future behavior of traditional industry intermediaries.

In return for this high-risk enterprise, DigiVog’s marketing team signaled to WWD executives that they wanted to establish full creative *directional* control for designing the “overtake” solution in this collaboration. The marketing team in the US office reasoned cautiously about the impact of the overtake on WWDs culture:

"Well, the new site format of WWD is much better. If nothing, it will give us visibility... Before, it had a click-thru of 1.5%; now, the banner click-thru has jumped to 2.8%. It is good that the campaign also coincides with the Fashion Week in Italy. The campaign is both about traffic, and more cultural awareness about the brands on Digi1.com. "

During the months that led to the display of the deliverable online, one episode between the partners showed how far DigiGroup’s team was prepared to go to explore the "overtake” solution as an exercise of introducing a new culture into the toolset of an old publication.

On a Friday in September 2011 before the “overtake”, the US Marketing Director was informed that WWD had contracted an outside vendor to handle the placement of dynamic text links and images for the campaign. The text links were easy to code, but the acceptance of having this outsourced to an outside firm held significant importance to DigiVog's creative brand 'ownership' in the partnership. During overtake the background text links placed on WWD had to link to fashion partners placed on Digi1.com. Placing links for the overtake campaign on

WWD's website involved granting temporary access to proprietary API codes of Digi1.com to outsider developers.

The Marketing Director at the US office requested help from the HQ Marketing Division with the issue. "They requested an outside vendor", she explained to her colleagues, "because they say their site is very Rich Media and they need special help with that for the dynamic placement of the brands." The new Marketing Director in US had held the position for a few months and had noticed that DigiVog group typically "owned" the creative process of developing a deliverable in their online partner collaborations. The request by WWD was unusual. She needed a "translation" from the online marketing team. By relating the request, she was acknowledging that the delivery of creative components in community branding projects has a tacit dimension of leverage in negotiating the terms between partners.

DigiGroup executives preferred to be responsible for the structural development of deliverables on projects dealing with changing the culture of publishers, for two reasons. The first was to signal to partners the knowledge of the firm in the substantive area in digital fashion. The second was that US executives placed importance on increasing the social reputation of the firm with other peers in the space.

DigiVog Group wished to be perceived by peers and brick-and-mortar intermediaries in the industry as a new expert in the fashion industry. WWD was a well-known fashion mediator in the brick fashion world, and this strategic branding project had to be executed to the level of cultural specification that DigiVog Group required. The ability for the Group to get to do this collaborative project with WWD would be a great step forward to attesting to the distinct cultural identity of DigiGroup as a *technology-fashion* brand. This position in the cultural field

would be important when the firm collaborated with other partners from the online ecology on interpreting the industry-wide meaning of a particular new practice.

At DigiGroup US prospective governance problems in online collaboration were handled by the online marketing team. The team communicated the boundaries of responsibility with WWD during a highly technical call between their e-commerce teams. “Will you serve the images as a tag or a static image?”, the online web expert at the magazine asked the marketing team on Friday. “We will serve the images as a URL,” responded the expert from DigiVog’s online marketing team. WWD’s e-commerce person revealed that the links to fashion brands “have to be served by a rich media vendor. Do you do this usually?”

The DigiVog marketing expert was surprised at this request, “No, we usually do not work with vendors when we serve *our own site*.” WWD’s team then clarified that “Because our website is so rich in flash media, an outside rich media vendor *can know how to create* the type very quickly.”

The implication was that DigiVog’s team did not need to have expertise in producing rich media content. Far in the game, WWD’s digital team had gauged this capability by asking: “*Do you do this usually?*” If WWD’s experts had requested from DigiVog’s online team to produce rich media links at the start of the collaboration, the US team would have displayed a degree of affront by being perceived by collaborators as a pure technology expert. At headquarters, the Global Marketing Director was clear on this point.

“We never promote DigiVog as a service provider. We are not GSI Commerce²². In other words, we could probably better use WWD for promoting campaigns of our fashion partners

²² GSI Commerce Inc., owned since 2011 by eBay is one of the world’s largest e-commerce contractors.

that Digi1.com hosts.” The reluctance of DigiVog’s founding team to associate the Group with an e-commerce agency articulates the history of the company’s tremendous evolution from a discounted retailer and-commerce service provider to a technology-fashion group with a founding competence in distributed marketing.

The online expert at the US office clarified to MediaMind, the vendor chosen by WWD that "this is the first time we are working with someone else. *We usually manage our own campaigns*". To make the team at MediaMind work faster on the weekend, the expert spent time to leverage DigiGroup’s cultural place in the online fashion ecology. During the call with the vendor, DigiVog’s marketing team learned that "WWD is not in the business of overdrawing their own tech resources for someone else's banner hosting". By outsourcing the ad format to MediaMind, instead of allowing DigiVog access to the format for hosting their own creative links, WWD maintained its own cultural specifications with regard to the collaboration.

This was a critical piece of contextual information for the marketing team. It signaled that the brick-and-mortar WWD desired a level of control over the deliverables of online projects to the extent of outsourcing them to third parties over sharing them with a community branding partner. Vogue Italy and Women’s Wear Daily were two very different partners and they were open to different kinds of collaboration. The challenge to change the culture of this fashion publishing magazine continued in the days ahead. The marketing team could now generalize that depending on the domain of their birth, different publishers had contrasting approaches and degrees of openness to collaboration with pure technology-fashion companies.

Pure Partner Unit and Global Media Publisher

In the end of 2010, DigiVog USA was approached one of the largest diversified media publishing companies in the US for a long-term collaboration proposal in community branding.

The media conglomerate owned magazines, newspapers and business publishing assets in numerous domains that included four of USA's largest monthly fashion publications. The marketing team and the US CEO met with high-ranking executives of the digital arm of the publishing corporation, that included the proposed Project Management Leader, the editors of two of the company's largest fashion magazines, and the Chief Revenue Officer.

DigiVog's team was partial to the idea of collaboration with this publisher, because the media firm was actively experimenting with the online channel and had acquired one of the top-10 online social shopping pioneers. DigiVog's team picked the media publisher as well to find out how large media firms explored a different new business model. Discussions between the four-person change management team in the US with the executive team of the digital arm of the media firm revealed the openness of executives to explore DigiVog's idea of community branding.

The key aspects of the negotiations were to align the vision of both sides regarding the components of a potential shoplet to be designed and populated with products on the publisher's two main fashion magazines' online properties. As in other collaborations, DigiVog's online marketing team expected to have relative autonomy in selecting the editorial themes and pairing them with fashion product.

Executives at the US office were impressed with the quality of the collaboration proposal. The US Marketing Director concluded that the media conglomerate was looking to "impress" DigiVog's marketing team by coming up with a diverse set of action items for the partnership. The conglomerate had partnered in 2011 with two highly visible online startups with an area of competency that was similar to DigiVog's in-house capability in creating shoplets for community branding campaigns. The solution developed by these Google Ventures-backed

startups allowed visitors to find information and make purchases online from images displayed next to editorial content.

The media company proposed a mix of collaboration ideas, such as "daily deals"; "look of the week"; and, "shop the video". The preliminary proposal specified that DigiVog would provide clickable fashion product for the media firm's seasonal Fashion Guide. Another suggestion was to develop an image-based e-commerce solution that allowed visitors to browse editorial content and "click to purchase" similar items available on DigiVog's brand websites.

While the idea of the partnership was appealing technologically to DigiVog's team, its scope did not envisage long-term commitment from the publisher. Another area of discomfort for the marketing team was that DigiVog was only going to be one of many retailers sharing space on pages with shoppable product placement on publisher's online glossies. DigiVog's team wanted to be the primary partner on this deal. The team also wished to be the only executor putting together, developing, editing, and curating an integrated set of digital marketing assets - newsletters, homepage banners and social media with an integrated shopping section. An executive summarized it,

“[The two magazines] get approximately 2.5 million per month traffic. And, this traffic comes from fashion-sensitive shoppers. So, this is a brand-building initiative for us. I realize that most of this will be browsing, but when you read about fashion on any of these magazines [online] and you can buy it immediately, it's an added bonus. DigiVog wants all that is proposed by [the partner] to be *shoppable*.”

Some aspects of the proposal were regarded positively by the team. The “custom video trunk show”, for example, was a new method for delivery of a marketing message and DigiVog executives themselves advocated for using shoppable video content with other online peers. “We agree to this; it's part of our strategy,” said the Marketing Director. These similarities in thinking

made it difficult to reject the proposal. One executive reported that this media publisher's team was in fact "currently the only people that *DigiVog* has felt they share the same language with."

The deal-breaker in the proposal however was the media firm's request that DigiVog should pay \$1 million for six months' worth of impressions based on a CPI-deal. DigiVog's Marketing Director began suspecting that behind the sophisticated façade of the proposal the cultural approach of traditional advertisers to look at advertising deals as collaborative partnerships, still held a rule of thumb status. "Their proposal still looked like an advertizing pitch, rather than a genuine understanding or focus on e-commerce. Structurally, they still act as a publisher. Which is what is wrong with it", he concluded.

The proposal was rejected by DigiVog after 2-month deliberation on the count that, as one executive said, it was "piecemeal and did not have the full array of integrated ideas that we would be comfortable with responding to." One example was the exposure to Facebook. This component of the relationship was designed for one of the largest fashion glossies of the media firm, which had aggregated 32,000 fans on Facebook. The proposal specified that DigiVog should partner for a summer campaign with the magazine through Facebook, in mind with increasing the online fan base of the fashion magazine. The problem for DigiVog's team was that future shoppers would have access to purchasing DigiVog-curated products, only if they were "fans" of the magazine on Facebook. This indicated to the team that the publishing firm had designed the proposal in mind with gaining legitimacy for its business online by hoarding traffic from DigiVog as a recognized fashion player online.

This was certainly not the manner in which DigiVog evaluated or treated its long-term partner opportunities. Community branding negotiations outlined terms of collaboration that were for both partners value-enhancing in equal measure. This was how the Marketing Director

envisaged the “one big project”; with a powerful fashion intermediary, ready to accept the rules of engagement in the online fashion community, and the long-term collaboration priorities shared by peers in the online space.

“Having the brands gives us a lot of power when we deal with the magazines. When editors give us something in terms of content, we give them something in terms of product. Obviously, after 6 years of partnerships, we are able to tell them, OK let's do these types of campaigns. We have 6-year partnerships with Vogue. We are now in a position to tell our brands: look, we now have long-term partnerships with these publishers, and work like an agency. So, if you're interested in having a digital partnership with them, you can pass through us instead of going directly to them. This is a good position for us. We can say to them (publishers) in return; when you make the partnership with us, you actually make it with the rest of our 21 brands. These brands will always be interested in making campaigns with you.”

In the two months during which DigiVog's marketing team discussed the question of engagement with the publishers, the four-person change team expressed concern that in the long-run, large consolidated publishing media firms would end up managing the online marketing operations of their fashion magazines as cookie-cutter operations. Magazines held by one publishing group typically functioned as independent profit centers and their corporate owner preferred to cap on established revenue sources from banner advertizing. Fashion glossies gone online under the umbrella of large publishers would become indistinguishable from one another. DigiVog's executives were wary of engaging with a publisher that did “not want to experiment too much” with the new players online.

DigiVog's chief branding consultant, a long-term fashion editor and industry insider, summed up her concerns regarding the impact of the proposed relationship on DigiVog's partner brands. “We don't want to Nietzsche-fy all of our brands into one property. This is my biggest concern”. If signed, the deal with the media conglomerate would have been first of its kind negotiated between a brick publisher and a born online fashion-technology company. Negotiations were stalled until mid-2011, when DigiVog US experimented with signing an

independent marketing agreement with the largest fashion magazine of the publisher. The experiment was short. DigiVog's executives proposed that the community branding deal is shortened to 3 instead of the initial 6 months. DigiVog's marketing team also agreed to pay \$200,000 to the magazine, even if the goals of driving traffic to DigiVog's brand websites were not met in full by the magazine's online team.

After the rejection of the proposal in late 2011, DigiVog's marketing team decided that in future negotiations, they would put forward two points to publishers. Said the Marketing Director, "Number one is that, there is a need for e-commerce with each of these players; and, number two is that we are the e-commerce provider." Based on this new policy stance, executives at established publishers had to agree on these two points before future marketing collaborations were started. The Director of Marketing considered that this statement, firm as it was, would symbolize the cultural legitimacy of the Group in the online space. If those two points were ever to be agreed upon by established publishers, he projected that "*this probably will send a huge signal throughout the [online] community*".

"They will figure out how to take these businesses to the next level", the change executive submitted finally. "The big media firms will get consolidated with the smaller high-tech. But, this does not mean that the former will become super innovative, because innovation trickles down".

Research contributions

9.1 Organizational Sensemaking

In 2005, Karl Weick and contributors produced a paper for a special issue of *Organization Studies* in which they related the need to “restate sensemaking in ways that make it more future oriented, more action oriented, more macro, more closely tied to organizing, meshed more boldly with identity, more visible, more behaviorally defined, less sedentary and backward looking, more infused with emotion and with issues of sensegiving and persuasion” (Weick et. al., 2005: 409). The present study strengthens the foundational arguments for redefinition of sensemaking closer to practice and calls for rigorous industry-based ethnographic investigations upon which to build future studies using the heuristic elements advanced in 2005.

One of the contributions from this research is to bond sensemaking – using ethnography, in-depth interviews and triangulation of industry sources – with Burawoy’s method for sampling from a collection of social situations. By generating observations from a collection of social situations, the research generates observations on the *macro level of the community* and allows tracking the *process of organizing* in the emerging domain,

The ethnographic research in this dissertation is also *action oriented*. It probes the opinions and beliefs of different stakeholders that take part in co-constructing the boundaries of practice and capability in this emerging domain. The narrative reveals exaggerated performances and behind-the-scenes practices that characterize the actual process of sensemaking going into the creation of culture in both of the categories of organizations studied: new technology-fashion entrepreneurs and incumbent fashion firms.

The stories offered by the organizational actors in the dissertation document instances of organizational sensemaking that are *infused with emotion*. The dominant response of many executives, who were change agents in their own organizations, was to talk about how they develop and share new practices by being “inspired.” Gilt Groupe’s co-founders appreciated the “inspirational” culture in Vente Privee, eBay, and Net-a-Porter. The Global Director of Social Media at brand “C” interpreted the success of their social engagement with the ability to “inspire people to publish”. DigiVog developed a pitch to “inspire” - according to the CCO - fashion brands in Europe and the US. Google’s goal, both with SocialCom.com and with Google Shopping was dedicated “to inspire and facilitate easy, enjoyable browsing.” Finally, when Gilt Groupe partnered with Vogue on “shop the issue” in 2010, the idea marketed by the collaboration was to “shop for fashion inspired by the ‘Steal of the Month’”.

This research also corroborates that two other elements in Weick et. al. (2005) framework, *sensegiving* and *persuasion*, play significant role as organizing principles in the online community. It was the creative persuasion of newcomers that eventually motivated incumbents to respond to novelty. On a microsociological level, change agents across organizational levels in both new and old firms, also had to work their way in convincing their superiors of the positive organizational impact from SEO, and later, from social media and co-branding. At DigiVog, the persuasion dimension in organizational sensemaking was well documented with the ethnographic research. Executives at the US office were in the throes of developing campaigns and practice for Vogue, WWD, and one of the world’s largest publishers of monthly magazines.

The present study confirms Weick et. al.’s proposal in 2005 that sensemaking fills important gaps in organizational theory. The dissertation presents additional evidence

suggesting that the meanings materialized in the process of sensemaking and the cultural labels that eventually emerge from participants serve as a *springboard to action*.

9.2 Sensemaking and beneficial innovations in practice at DigiVog

DigiGroup provides an ideal milieu for documenting sensemaking as a springboard to action. The Group was launched as a discounted online only retailer in 2000, essentially with the same capability as Bluefly, but despite the important distinction that DigiVog owned its own technology platform, the founding team had never in the thirteen years since the soft launch, interpreted DigiGroup's identity as a technology provider. DigiGroup was conceived by the founder as "big, virtual, and imaginary" *fashion brand*. The only difference between it and incumbent fashion brands was the different cultural technology that DigiGroup operated with.

The distinctive pattern of practice that defines cultural sensemaking at DigiVog as a springboard to action, is to repeatedly test and experiment with new practices in e-marketing and e-commerce. The transfer of culture is a two-step, slowly unfolding event that starts from the US New York office, to headquarters in Milan, and only then to fashion brands.

It was only after six years on the Internet that DigiVog proposed to brands to sign-up for search engine marketing (SEM) when signing the contract for the development of their e-commerce properties. In 2006, the online discipline of building creative content for improving searchability via search engines was considered to be the most important marketing practice in DigiVog.com. Consequently, it was the first practice that DigiVog Group put down in their contracts with fashion brand partners.

Only after team members in charge of e-marketing, e-commerce and merchandising evaluate, interpret, and agree on how to implement a new practice on the two digital brands owned by the company, DigiVog.com and Digi1.com, can executives propose to integrate the

practice in the creative portfolio of the firm and suggest it to fashion partners by way of negotiations driven by Pure Partner.

The Cultural Difference Premium

A particular distinction in DigiVog's sensemaking practice is held by the ability of the US marketing team to construct with diverse peers persuasive narratives about the company's multifaceted identity. The "overtake" of WWD's front page with creative content from Digi1, for example, called for a nuanced persuasion of WWD executives to grant the company full *directional* control for designing the solution in this collaboration. In this example, DigiVog's US team had to navigate persuasion carefully and settle on surrendering some control over the process to the outside peer MediaMind, despite the easy work it would have taken the creative team to design the ad format.

Despite the decision to surrender some directional control, executives from both headquarters and the US office were persistent in their desire to communicate a consistent cultural identity to this key partner. "We never promote DigiVog as a service provider", the Global Marketing Director corroborated. The reluctance of the team to concede to identifying the Group with a capability the company *did* deliver on, denotes that DigiVog's team was looking after a larger footprint into WWD's business online.

As a result, DigiVog's US team made sense of this concession as a *cultural difference premium* that would serve as an important "first step into the direction of strategic branding with fashion labels". Aside from the permission given to MediaMind to design the ad format, the company eventually ended up paying traditional brick publishers a flat fee in community-branding. This payment was a *premium* that DigiVog was willing to risk as a co-inventor of the

new culture in the emerging field, guided by executives' hope that traditional publishers will adapt to the practice and behavior of the online ecology.

Complicating the measures of success: Beneficial Innovations

DigiVog had to accept commercial loss from attempting to impart new practice to old-timers. The fact that the team could do away without collaborating with brick publishers, but did so anyway and paid them for it, shows that the US office was thinking about opportunity in *non-commercial* or "beneficial" terms and symbolized the willingness of other Internet brands – which it represented as a multiple insider – to engage in exploration of the impact that this deal would have on the future behavior of industry intermediaries.

Beneficial digital practice is not generally associated by research as the ability to generate swift commercial success (see, Tripsas, 2007). A key factor that helped the executive team at DigiVog's to complicate measures of success in the firm was the ongoing opening of the boundary between content and commerce allowing experimenting with peers on multiple projects. This was the process in which beneficial practice formed. Because DigiVog exploits the boundary uniting the two fundamental resources of content production and e-commerce and sales by actively collaborating with social commerce community leaders, the company's team supports practices that combine two interconnected goals, commercial success and brand awareness, arising as a result of this sensemaking process.

Despite the fact that commercial success is the goal of every commercial enterprise, executives at DigiVog are heavy doers when it comes to *complicating* the measures of success. The independence from headquarters of the online marketing team in US allows the members to construct an idiosyncratic way for interpreting and understanding "success" as an exercise in mobilizing diverse resources without immediately talking about the bottom line.

The idea of collaboration with social commerce start-ups runs as a long-term initiative in sensemaking. The founder and CEO of DigiVog Group concluded in 2012 that his twelve years of observation and experimenting online have cemented a fundamental sensemaking tenet; that the *“Internet is best exploited by interpreting it both as a communications tool and a sales tool”*. Due to this openness to experiment with this beneficial belief, DigiVog was the first pure play retailer that tried to establish working relationships with pioneers in social commerce. Negotiations to collaborate are often started just as a social commerce firm is launched. As was customary, DigiVog developed first-hand practices with social commerce-players, testing how social commerce exposure first affects its own two brands, DigiVog.com and Digi1.com, before suggesting the practice to its clients.

9.3 Sensemaking and adaptation to beneficial innovations in incumbent practice

The processes of “sensegiving” and emotion are most evident in the ethnography tracking the transition of the fashion industry to a new paradigm, in which the cultural identity of its mature incumbents was couched online. One of the weaknesses of incumbent fashion brands was their reliance of processes of legitimation that did not render the industry as a viable and competitive context after 2008. The use of the runway show as a cultural tool for legitimation at a time when the fundamental dependence of these firms on designers had plummeted, is a powerful indication for hardliner behavior with regard to denouncing novelty.

The behavior of fashion brands with regard to accepting the new cultural field betrays two cultural predilections in their toolset. The first is the inability of their executives to organize for commercial success. The Creative Director of a global fashion consultancy in New York pointed out that fashion firms tend to measure success inadequately.

“I really think we have to measure these successes over a longer period”, he said, “... often people have *moments*, but can't turn them over time into a successful business. I won't be surprised if [names a young and well-known fashion] crash and burn because there is not enough business acumen involved. *There is a difference between success in the media and bottom-line business success.*”

The second cultural belief of incumbents in the industry was the desire to maintain high degree of creative control over their marketing channels by federalizing it to a very specific type of intermediary: large vertical wholesalers, brick industry expert, and large paper publications. The debate whether to be or not to be online was, in fact, started by the consultants and the wholesalers of brands, and still continues.

One argument in this collective process of coming to terms with a new identity is that the success of fashion firms online can be measured with metrics that can only be *selectively prescribed* by advocates of the brick-and-mortar model. Learning from new entrepreneurial models was going to be very difficult to accomplish. Consider this opening statement by a pundit who declared at a major industry conference that the luxury paradigm fits in a civilizing discourse:

“Where does luxury start? It starts as a tribute to god. Have the best on Earth as a tribute to god. Then, after god we have kings to which it was attached. Luxury became a marker of power. In our *modern* democracies, we still have the *ancient social function*, which is stand apart; stand above. How we still fulfill the goal of luxury? The goal of your brands is to sustain the luxury. Otherwise, we may *lose the reason* of why people think so much of our brands. [...] We're in the business of creating desire over time. How can I become art itself? Otherwise, we will be crushed by the mass of people want to be luxury brands.”

More cautious industry insiders argued that the difficulty of applying principles of digital thinking stems from the extreme difficulty in understanding them. The Director General of Altgamma proposed that fashion firms need to *independently* figure out what to do with the new space, which became the essential sensemaking strategy of brand “B”:

“Internet is the new publishing sector. I believe that in sales and in communications, a company cannot *not* take into consideration the Internet. Luxury brands started to think about that channel cautiously. Why cautiously? Because the hot tools are in a position to communicate emotion, and cool were not. In the last years via evolution and creation of social media, the Internet has becoming hotter. It is due to the ability of people in communication area to create specific short stories for the web.”

The result from these varying sensemaking scenarios coined by influential opinion-makers in the industry, was a collective disconnect in the beliefs of fashion executives regarding what to do with the new channel. At the same time as brands attempted to use the latest advertizing tactics, such as showcasing runway shows on YouTube or announcing collections on Facebook, their executives explicitly denounced the acceptance of a culture that bridges the commercial side of their business with non-commercial, branding practice that may re-construct the cultural identity of fashion firms online. Altgamma’s Director General argued:

”[...] it is a dynamic situation and I know that so far big groups, Gucci or LVMH [...] the first approach was based on *worry*. They felt a strong risk that blogs could be used by people, but also competitors or people who for ideological reasons could be against luxury. And still, this is one area that a lot of companies are worried about. We will see quite soon flourishing of initiatives.”

Another familiar way to avoid taking an actual entrepreneurial stock in the opportunities driven by new channel was to equate online practice with brick-and-mortar behavior. “What in the traditional media have been glossy magazines is just a matter of having pictures online”, noted one fashion executive.

Despite their collective action approach in adopting the runway show as an important cultural symbol, luxury fashion firms rarely trusted each other, and their dependence ran directly into consulting hands from the brick industry, who continued asserting that the best cultural turn for brands is to not have any cultural turn at all and to maintain the "ancient social function, which is stand apart; stand above."

Finally, brick industry consultants advanced a rhetoric, in which success was the function of having access to "secret data [that allows] to understand who is making money; how are they making money, etc." Despite the fact that this rhetoric inspired some brands, such as UK's oldest brand "C", to become interested in talking to peers online, well-known industry experts, such as Noel Kapferer, Uche Okonkwo,²³ and Milton Pedraza²⁴ maintained that the process of discovering the "appropriate" ROI for the performance of luxury fashion brands on the Internet was a "black box". Essentially, the conversation for fashion brands had to end before it got started; the Internet was a cultural taboo for executives to take an aim at figuring out.

As the three very different case-studies in Chapter 4 show, executives in the few fashion firms who knew it was essential to follow the cultural organization and practice of digital entrepreneurs, became change agents recommending to their bosses a new understanding of organizing. As the organization of marketing at the "amateur" entrepreneur in the bunch, UK's oldest high-fashion brand shows, age was not an important factor in accepting new cultural values. It was visionary executives, such as the former Vice President of Global Marketing at brand "C", that were driving the transition.

Fashion firms in the case-studies went through stages of Internet "grief". Essentially, this was a process of sensemaking involving feelings and beliefs emoting indifference, distress, and ritual adoption of online e-commerce operations. Brand "B" went so far as to design an e-commerce website that was as divorced from Internet practice as possible. The CIO at this brand, major proponent of the Internet, understood that the e-commerce experiment was an exercise in

23 Okonkwo, U. (2010) *Luxury Online: Styles, Systems, Strategies*.

²⁴ CEO of the New York based Luxury Institute.

imitating what online entrepreneurs do without investing in the actual practice that involved employing search engine optimization and marketing visibility campaigns.

On the other part of the continuum, was the Vice President of Global Marketing at brand “C”, the type of change agent who learned from observing online technology-fashion firms. He learned that in order for an entrepreneurial entity to be successful, it needs to be good at adapting to the behaviors of peer actors co-constructing the space. He understood from in-house experimenting with social media campaigns, and with the online community the brand had started, that there were other variables that mattered in telling the story of success and asking for funding from the CEO of the brand. “All marketing activity is creating something with a *commercial opportunity* for a brand”, he concluded, “but it's not necessarily about *direct purchase*”. It was the *quality*, and not the *level* of traffic; “occasional browsing” and *not* purchase that constituted engagement with a beneficial practice for the brand.

Community Branding

Community branding arose as a beneficial practice in 2009-2010, at a time when brick-and-mortar fashion firms had no intention of accepting any value-added tools, practice and culture of their Internet peers, except for limited experiment with social media (most notably Facebook, and twitter). This exercise involves actions from both companies that provide complementary strengths and contribute to the advancing of their brands. The practice of community branding can involve a fashion brand or selection of product from fashion brands with the idea of expanding the reach of the audience for participating peers and contributing to added awareness for both, or all of the parties involved.

Community branding involves the cultural object of curating product and content. The practice is ideal for studies that wish to address how organizations in an emerging field affect

each other's cultures by developing certain cultural objects and behaviors with each other (Van Maanen, 2011). Community branding emerged as a distributed social practice that explored the assumption that it is better for their reach and visibility, if two or more online entrepreneurs with *complementary* skills in product and content creation unite their forces. The US team provided precise definition of CoBRA by delineating it as an event horizon that starts “the minute the fashion editor in Polyvore or ShopStyle decide to create a customized page picking products from us, this can be something in-between affiliation and community branding”.

Community branding worked best with online peers because the parties had compatible goals and understanding of the beneficial application of this practice. As was customary for DigiVog's team, after the implementation of the deal with PaperMag, marketing in the US lobbied headquarters to commit an increasing share of revenue for beneficial innovative practice development. The practice was tested with online peers and it was time to try and convince brick publishers of the importance of community branding to qualitative aspects of brand awareness and growth.

Community branding is still an experimental practice. It is a “grey” area, in between commerce and a beneficial innovation, and is open to the sensemaking iterations of online partners in the community (Figure 3).

9.4 The Role of Collective “Sensemaking” in Recombining Resources for Beneficial Growth

One of the more significant conceptual findings to emerge from this study is that *paradigm-shifting cultural change on the Internet materializes by small changes* at the level of individual organizations on the Internet that comprise the entrepreneurial community in online fashion. The phenomenon is illustrated by the ongoing unfolding of collaboration between

various players with complementary skills in the space: technology-fashion peers, pure play merchants and social commerce publishers, and between these actors and incumbent fashion brands.

This result is significant because it indicates that the rapid development of online technologies in e-commerce, digital marketing, publishing, and social media can facilitate organizational arrangements and collaboration scenarios in emerging collectivities of organizations born on the Internet. First, as online technologies increase in complexity, the business models with boundary-spanning functions, such as social commerce, can emerge. The arrival of social-commercial publishers and the support they have subsequently received from online merchants for designing commercial and social campaigns online, indicates the growing cultural importance of complementing each other's capability.

Second, to reduce uncertainty inherent in developing collaborative practice with beneficial goals, technology-fashion companies join forces to bridge their skills and open up opportunities. Instead of specializing in one distinct practice, they combine many, for survival. Technology-fashion peers engage in collective sensemaking process with their social commerce peers allowing them to discover complementary skills and experiment with techniques for validation of their commercial, marketing, or social-commerce business models.

Third, collective sensemaking frequently requires from peers in the online community to explore weak ties with their peers by tapping into insider sources of tacit knowledge on the level of the community. The contextual knowledge gained by DigiVog's team from MediaMind during the "overtake" project with WWD is one example of sensemaking by exploring weak ties. On the other hand, collaborations between partners and executives who know each other, as

between DigiVog, social commerce start-ups, such as PaperMag and Polyvore as well as with established fashion industry partners, like Vogue, have increased in complexity.

Fourth, in discovering entrepreneurial opportunities, start-up peers in online fashion co-construct the boundaries of their evolving common practice from contextual experimentation. Pure play fashion retailers and social commerce publishers have used the boundary-spanning nature of their technology models and have created a seamless way to help extend each other's audience and capability reach. Figures 22-27 show that by 2012, community branding relationships had grown in terms of number of participants and integration of multiple levels of online activity related to the organization and carrying out of a campaign. Community branding could include technology-fashion merchants, publishers, personal bloggers, curated editorials written by bloggers, merchants or publishers, curated product picked by the merchant or the publisher, social media content integration, and even independently solicited campaigns with fashion brands – Levi's, Tory Burch, and Prabal Gurung, among others.

This process of collective sensemaking is well deduced by the founder of an Internet media company, who generously laid out her understanding of the steps inherent in coming to terms with how and what to collaborate on in the emerging field:

“Convergence is adopting a common view; integration is combining parts so that they form a whole; innovation is a process by which an idea is translated into a product or service for which people will pay. Is this where we're headed? Are we going to end up in one *black box* place? My answer is No. *We will probably end up with convergence of different kinds of media.*”

Note how the three elements of sensemaking are presented in the framework. First, convergence shows the disruptive nature of technological distress in the online community. This disruption by technology forces peers in the community to facilitate each other's access to diverse resources and forces them to collaborate. Convergence requires peers to experiment with

new practices advanced by other partners in the community, say community branding or online contests. “We need to grasp each to understand the other”, point out Weick et. al. in 2005. Second, integration in the online community can be described as the crystallizing of a common practice by the community. Finally, innovation here is presented as the cultural impact from applying the new community digital practice.

This is a novel framework for understanding how sensemaking emerges in new organizational fields online, and that the result from technological disruption is the unfolding of beneficial practice. *Beneficial growth* is the result of collective sensemaking among key participants in the new field.

By applying this process of making sense of each other, the online community has developed contextual advantages vis-a-vis established publishers, which have tried and tested, and launched and folded their own cultural enterprises. In retrospect, as Chapter 8 shows, both Time Inc. and Google Inc. did not imitate with their new ventures StyleFind.com and SocialCom.com the kinds of practice and collaboration that online-born fashion-technology peers had created. In fact, *imitation* is not an element of the sensemaking apparatus in the online domain. This result is evident in the steps taken by online entrepreneurs to learn from the mistakes of earlier models, Bluefly and eLuxury in Chapter 5, and move on to develop the precise capabilities that these cultures lacked.

The fact that these players did not considerate important to orient with regard to other firms in the space shows that these organizations had not experienced the instinctual need to depend for survival on tiered collaboration with other nascent learning organizations in the new field. Brick-and-mortars firms had successful businesses offline and were unburdened by the cultural rigor of their online peers in creating new business models based around integration of product

and content. For new players, the calibration of an early cultural advantage in the emerging field is linked to processes of collaboration and sensemaking.

Implications and recommendations for practice

The findings of this study have a number of important implications for future practice. The first is that success from a start-up activity can be measured in more than one way in the online channel. The interpretation for what is important for a business to achieve within a certain period of its launch depends on the interpretation of the founding team and change agents located at critical nodes in the fledgling firm, such as the US Marketing team.

The measurement of immediate success can be conceptualized as exploring knowledge rents arising from a highly contextual understanding of a domain that allows a company to use digital practice to reach and attune wider audiences to the message of the brand. Community branding is particularly suitable for this interpretation.

The main thing to understand for founders of firms in digital fashion is that in online systems where, as DigiVog's US CEO had noted that "the only channel of distribution is online"; investment in one practice – say, co-marketing – can now be associated with multiple goals. Fig. 3 shows how emerging practices as community branding can be associated with goals pertaining to both sales and awareness. The reason for this multitasking of practice is that on the Internet, the process between brand awareness and its transformation into purchasing intent is immediate.

Second, with regard to managing creativity in mature organizations, and particularly in the fashion industry, one solution for executives willing to experiment with online practice, is to learn to *manage collaboratively* the parts of their online value chains that are most affected by the seemingly persistent shifts in entrepreneurial creativity. Engagement and collaboration in multi-stakeholder initiatives with technology-fashion brands and online publishers is a useful

cultural resolution for fashion brands to branch out, conceptually, from the grip of their ubiquitous off-line intermediaries. Everything that a fashion brand publishes online, including product, is content, and one of the most powerful vehicles for creating an online brand is learning how to manage content related to communicating brand initiatives in community branding campaigns.

The third implication is that the tools, channels and capability development in digital fashion have grown in *specificity* and social commerce startups, such as ShopStyle and Polyvore, are becoming marketing platforms helping to push editorial content and pair it up with a “hot-cut” shoppable product selection.

Early pioneers of social commerce, such as ShopStyle, have already expanded their cultural business model by harnessing skills in e-commerce to “power shopping for media leaders”²⁵, such as Glamour.com. Useful similarity of the trend is offered by DigiVog, which externalized its e-commerce expertise first by offering fashion brands to build their online commerce. ShopStyle’s new competence is beneficial to online fashion retail peers in the ecology. The e-commerce pages that ShopStyle’s engineering team creates for established fashion publishers allow their editorial staff to pull actual fashion product from pure play fashion retailers, add the product to style editorials, and make content shoppable on a click. The future development of new capability is going to be shaped by models that explore the niche in practice between content and commerce online.

Those actors, executives, and companies in the fashion system, who understand that at the core of cultural sensemaking for online entrepreneurs is the pursuit of opportunity for growth

²⁵ <http://aboutus.shopstyle.com/Partners3774081?pid=puid421639&pdata=onsugar3507743,3507953>

achieved by collaborating and developing beneficial practice, similarly interpret “success” as willingness to collaborate with others and experiment in the space.

In the end, it is useful to cite the opinion of one of the fashion industry’s foremost experts in trending, who recently shared that a different, new form of creativity should be supported in the fashion industry; one, where fashion brands are reinvented and revitalized. “And so”, said he, “as the world changes, so fashion must also change with the changing world”.

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APPENDIX 1: ETHNOGRAPHY AND INTERVIEWS, DIGIVOG GROUP

DigiVog Group	
<i>Interviews (DigiVog US, New York)</i>	Dates
CEO, DigiVog USA	04/02/10 04/16/10 04/23/10 05/13/10 11/12/10
Marketing Manager, DigiVog USA	04/23/10 05/13/10 10/14/10 11/18/10
Chief Technology Officer, DigiVog USA	11/17/10
Head of Buying, DigiVog USA	01/12/11
Special Projects Director, DigiVog USA	12/06/10
Merchandising Director, DigiVog USA	01/12/11
Web Design, DigiVog USA	01/12/11
PR& Sr. Web Editor, DigiVog USA	12/08/10 03/10/11
Web Editor, DigiVog USA	03/02/11
<i>Interviews (DigiVog Group HQ, Milan)</i>	
Chief Commercial Officer	06/11/10
Managing Director Multi-Brand, DigiVog Group	06/11/10
Managing Director, Mono-Brand, DigiVog Group	06/18/10
Buying Director, DigiVog Group	02/18/11
Chief Marketing Manager, DigiVog Group	03/16/11
<i>Ethnography timesheet (time log=8hr)</i>	
Ethnography Week 1	11/17/10
Ethnography Week 2	11/24/10
Ethnography Week 3	12/01/10
Ethnography Week 4	12/08/10
Ethnography Week 5	12/16/10
Ethnography Week 6	01/05/11
Ethnography Week 7	01/13/11
Ethnography Week 8	01/26/11
Ethnography Week 9	01/26 01/27/11
Ethnography Week 10	02/03/11
Ethnography Week 11	02/09/11

Ethnography Week 12	02/14/ and 02/16/11
Ethnography Week 13	02/22/11
Ethnography Week 14	03/09/11
Ethnography Week 15	03/16/11
Ethnography Week 16	03/23/11
Ethnography Week 17	03/30/11
Ethnography Week 18	04/20/11
Ethnography Week 19	04/26-29/11
Ethnography Week 20	05/04/11
Ethnography Week 21	05/12-14/11
Ethnography Week 22	05/19/11
Ethnography Week 23	05/25/11
Ethnography Week 24	06/01/11
Ethnography Week 25	06/06/11
Ethnography Week 26	06/14/11
Ethnography Week 27	07/20/11
Ethnography Week 28	07/27/11
Ethnography Week 29	09/05/11
Ethnography Week 30	09/08/11
Ethnography Week 31	09/14/11
Ethnography Week 32	09/23/11
Ethnography Week 33	09/28/11
Ethnography Week 34	10/06/11
Ethnography Week 35	11/02/11
Ethnography Week 36	11/10/11
Ethnography Week 37	11/16/11
Ethnography Week 38	11/21/11
Ethnography Week 39	12/19/11
Ethnography Week 40	12/26/11

Table 6: Interviews and Ethnography May 2010-February 2012, DigiVog, NYC and Milan.

APPENDIX 2: INTERVIEWS WITH TECHNOLOGY-FASHION PLAYERS AND EXTERNAL AUDIENCES

Company/position	Date
<i>External Audiences (Retail)</i>	
Kurt Salmon Associates Sr. Partner Principal, Retail Markets	11/18/09
The Doneger Group Senior Fashion Advisor	02/22/10
Altagamma	06/22/10

Executive Director	
Henri Bendel Merchandising Director	11/16/09
<i>Other Enablers (DigiVog ecology)</i>	
ShopStyle.com	03/09/11
SocialCom.com (anonymous) Director Brand Development	03/30/11
LinkShare	03/31/11
Gilt Groupe VP Premium Services	03/04/10
Founder and GMM	08/12/10
Fashion Stake CEO	08/27/10
Rent the Runway Head Accessory / Bridal Buyer; Founder	09/15/10
Director of Marketing	09/15/10
Meet.com (anonymous) Senior Brand Strategist	10/29/10

Table 7 Interviews September 2009-August 2010 high-technology players

APPENDIX 3: INTERVIEWS WITH HIGH-FASHION FIRMS

Company/position	Date
1.Brand "A" (anonymous)	
HR Director, USA	04/16/10
Debt Agency Director, USA	04/16/10
Retail and Marketing Director, USA	04/16/10
2. Brand "B" (anonymous)	
CIO, Italy, Milan	11/11/09
	06/15/10
3. Brand "C" (anonymous)	
Global Digital Marketing Director, VP Digital Marketing	03/19/10
	05/21/10
Digital Media Manager	05/21/10
4. Brand "D" (anonymous)	
Global Communications Director	06/18/10
Global Digital Director	06/10/10
Digital Marketing Specialist	06/10/10
E-commerce Director, USA	08/12/10
5. Brand "E" (anonymous)	
CIO, Italy, Milan	07/11/10
Web Manager Italy, Milan	09/16/10
e-Commerce Manager	10/16/10
6. Brand "F" (anonymous)	

e-commerce Director, The Netherlands, Amsterdam	07/09/10
7. Brand "G" (anonymous)	
e-commerce Pilot Manager, Italy, Milan	02/20/10
8. Brand "H" (anonymous)	
Customer Experience Manager, France, Paris	05/19/10
9. Company of We (2010)	
Founder, CEO	
10.Brand "I" (anonymous)	
e-Commerce and Digital Marketing Director, New York	01/20/10

Table 8 Interviews September 2009-August 2010 Brands (Incumbents)