

iscte

INSTITUTO
UNIVERSITÁRIO
DE LISBOA

Go Digital or Go Home: The Digital transformation of Luxury Brands

Leonor Picciochi Goes Ferreira

Master in International Management

Supervisor:

Prof. Álvaro Augusto da Rosa, Associate Professor, ISCTE Business School

November 2020



**BUSINESS
SCHOOL**

Department of Marketing, Strategy and Operations

Go Digital or Go Home: The Digital transformation of Luxury Brands

Leonor Picciochi Goes Ferreira

Master in International Management

Supervisor:

Prof. Álvaro Augusto da Rosa, Associate Professor, ISCTE Business School

November 2020

Acknowledgements

The writing and completion of this dissertation was not possible without the unconditional support from some people, to whom I would like to express my gratitude.

First of all, I would like to thank my teacher and advisor Professor Álvaro Rosa very much for the exhaustive support and motivation given, and also for the availability and interest in the revising process of my thesis.

Also, I would like to thank my family, that supported exhaustively in the most difficult moments of this stage of my life, but also all the previous stages that allowed me to get here.

Resumo

A indústria do luxo foi considerada incompatível com a tecnologia digital durante muitos anos. A presente dissertação visa compreender como uma estratégia digital pode coexistir com uma de luxo, garantindo o respeito pelos fundamentos e princípios da marca. Tendo em conta que existe uma clara tendência de crescimento nas vendas de produtos de luxo por meio de canais digitais e aplicações móveis, é essencial entender em detalhe as preferências e motivações dos consumidores ao comprar bens ou serviços de luxo online. Para investigar com mais detalhe o tema, foi realizada um inquérito online, com o objetivo de compreender a perceção, as motivações e as preferências dos consumidores em relação ao luxo como um setor mais globalizado e digital, e sua abertura para a compra desses produtos e serviços pelos canais digitais. As perspetivas teóricas sobre este assunto são amplamente discutidas nesta tese para entender como uma estratégia digital pode influenciar o desempenho de uma marca de luxo e como é relevante, ou mesmo essencial, incluir as ferramentas digitais na estratégia das marcas.

O perfil do consumidor das marcas de luxo tem vindo a sofrer profundas alterações, sendo agora, em média, um consumidor mais jovem, o que conduz a uma mudança nos seus padrões de consumo. Em 2025, prevê-se que a geração dos *Millennials* represente 50% do mercado e a Geração Z 8%. Deste modo, é fundamental entender o que eles esperam das marcas de luxo, já que serão a grande maioria do mercado dentro de cinco anos.

O consumidor, atualmente, valoriza mais a experiência, a proximidade com uma marca com a qual se relaciona ou identifica, fazendo com que se sinta compreendido, conectado e único. 75% das pessoas já são influenciadas pelos canais digitais, parcial ou totalmente, nas suas experiências de compras de bens ou serviços de luxo. em sua experiência de compra de luxo. A qualidade do produto, a exclusividade do produto / serviço, a responsabilidade social e ambiental da marca, o valor do produto / serviço percebido pelos outros, a presença nas redes sociais, o envolvimento com os *Influencers* e as colaborações com outras marcas, revelaram-se como os fatores mais importantes ao escolher uma marca de luxo.

Palavras-chave: Luxo, Marcas de Luxo, Digital, Redes Sociais, Perceção do consumidor

Abstract

Luxury industry have been perceived incompatible with digital technology for many years. The present dissertation purposes to understand how a digital strategy can coexist with a luxury one, assuring the respect for the brand fundamentals. Since there is an important trend of growth in the sales of luxury products through digital channels, and apps, it is essential to understand in depth the consumers' preferences and motivations while buying luxury goods or services online, in these. To investigate this topic in more detail, a survey was conducted in order to understand the perception, motivations and preferences towards luxury as a more globalized and digitalized sector, and their openness to buying these products through digital channels. The theoretical perspectives on this matter are extensively discussed in this thesis to understand how a digital strategy can influence a luxury brand's performance, and how relevant it is to include the digital tools in the brands' strategies.

Research states that the profile has been changing in the past few years, being now, on average a younger consumer, leading to a change in his consumption patterns. In 2025, millennials are expected to represent 50% of the market, and Generation Z 8%. For this reason, it is key to understand what they expect from luxury brands, since they will be the big share of the pie in about five years.

Consumers nowadays value more the experience, the proximity with a brand that they can relate to, making them feel understood, connected and unique. 75% of people already have a digital influence, partial or full, in their purchase experience of luxury. The quality of the product, the exclusivity of the product/service, social and environmental responsibility of the brand, the value of the product/Service perceived by others, social media presence, the engagement with Influencers and collaborations with other brands, revealed as the most important factors when choosing a luxury brand.

Keywords: Luxury, Luxury Brands, Digital, Social Media, Consumer Perceptions

Index

Acknowledgements	i
Resumo	iii
Abstract	v
List of Figures	ix
Chapter 1. Introduction	1
1.1. Research Overview	1
1.2. Research Problems & Questions	1
1.3. Research Objectives	2
1.3.1. Theoretical Justification	3
1.3.2. Practical Justification	3
1.4. Methodology	4
1.5. Outline of the thesis	4
Chapter 2. Literature Review	6
2.1. What is Luxury?	6
2.1.1. Definition of Luxury	6
2.1.2. Characteristics of Luxury brands	8
2.1.3. Categories of Luxury brands	11
2.1.4. The Current Luxury Market	11
2.1.4. Trends of the Luxury Market	13
2.2. The Luxury Consumer	15
2.2.1. Who is the Luxury consumer?	15
2.2.2. Consumption habits	16
2.2.2.1 How luxury consumers make their purchasing decisions	17
2.2.2.2 How is the luxury market affected by globalization?	18
2.2.3. The online luxury consumer	20
2.2.3.1 Social Media	23
2.2.4. COVID-19 Impact	24

Chapter 3. Methodology	27
3.1. Data Collection	27
3.1.1. Secondary Data	27
3.1.2. Primary Data	28
3.2. Sampling Strategy	28
3.3. Structure of the questionnaires	28
3.3.1. Design of the questionnaires	29
3.4. Analysis of data	30
Chapter 4. Data Analysis	31
4.1. Demographics characteristics of respondents	31
4.2. Perception of luxury brands	34
4.3. Purchasing motivations & Consumption habits	35
Chapter 5. Conclusions and Implications	42
5.1. Conclusions	42
5.2. Research Limitations	45
5.3. Future Research	45
References	47
Appendix	53

List of Figures

- Figure 2.1 - Patek Philippe Website – Generations Campaign
- Figure 2.2 - Worldwide luxury market
- Figure 2.3 - Sales of personal luxury goods in USD
- Figure 2.4 - World Map impact of COVID-19 in Fashion and Luxury sales
- Figure 2.5 - E-commerce user profiles before and during Covid
- Figure 4.1 - Gender Distribution of the sample
- Figure 4.2 - Age – Descriptive Statistics of the sample
- Figure 4.3 - Civil Status Distribution of the sample
- Figure 4.4 - Current Occupation Distribution of the sample
- Figure 4.5 - Annual Income (€) categories of the sample
- Figure 4.6 - Sample perception of luxury
- Figure 4.7 - Elements that influence/motivate the purchase of luxury items vs annual amount spent in luxury
- Figure 4.8 - Functional factors that affect luxury consumers choices
- Figure 4.9 - Experiential factors that affect luxury consumers choices
- Figure 4.10 - Age distribution of participants not affected by social media in luxury consumer choices
- Figure 4.11 - Symbolic factors that affect luxury consumers choices
- Figure 4.12 – Average Annual Amount spent in Luxury Brands (€)
- Figure 4.13 - Correlation between average annual income and annual amount spent in luxury goods
- Figure 4.14 - Interaction with luxury brands
- Figure 4.15 - Average daily time in Internet (in hours)
- Figure 4.16 – Time spent online due to luxury
- Figure 4.17 - Comfort with luxury online shopping
- Figure 4.18 - Comfort with luxury online shopping by age group

CHAPTER 1

Introduction

1.1. Research Overview

The luxury industry is one of the most attractive and profitable industries globally, constituted by personal luxury (that includes apparel accessories, watches, jewelry, etc.) and experiential luxury (like food and wine, fine dining & hotel and executive vacations).

By 2025, the types of luxury mentioned before are estimated to represent around €1,1256 billion market, which is a considerable increase in 10 years from €844 billion in 2015, as stated in BCG and Altagamma report “2020 Luxury First Look”.

As a famous proverb states, “when you live close to the sea, instead of building a big wall you better learn how to swim”. It is crucial for luxury companies to learn how to “swim”, in other words, to adapt.

Younger generations (Y and Z) will sum up more than 58% of the luxury market in 2025. Given their consumption habits, each day more dependent on the digital, it is not a surprise to read that by 2025, the digital segment will represent more than 30% of the luxury markets, according to BCG and Altagamma report “2020 Luxury First Look”.

Concluding, luxury brands must define their own digital strategy if they want to gain differentiation and position themselves as true luxury brands, not as masstige or premium brands (Kapferer, 2014).

1.2. Research Problems & Questions

More than most of the sectors, luxury is highly affected by any significant micro and macroeconomic shift. An example of this a microeconomic shift is the development of technology, and the change in the consumers habits and preferences, that are more dependent on the digital and the social media, that affect considerably the consumption patterns. This has a huge impact on the luxury market (Kapferer, 2014). Luxury consumers will not be the same forever, and it is essential for luxury brands to study them, to predict their future preferences and try to anticipate them. According to a report from BCG and Altagamma, Millennials and Generation Z, will make up to almost 60% of the personal luxury market by 2025. This is a clear sign of change, and a red flag for these brands that are already responding to these trends.

One example is the collaborations brands are making, with different brands and artists, that are being very successful, with 50% of a population of luxury consumers inquired stating that they have purchased special editions.

Another topic that is more sensitive to the younger generations is the brand's social responsibility: 56% of consumers study a brand's social responsibility prior to the purchase, and 60% are more willing to purchase a product from a brand that supports sustainability.

From the same report, it was possible to confirm the importance of the social media and influencers in the purchasing decision: in 2013, social media and influencers was the least important factor in the purchasing decision, and in 2018 it became the most important one.

Finally, it is important to highlight the growth of digitalization in the luxury market. In 2013, 47% of the respondents only bought luxury products from physical stores, and 7% only bought from online channels. In 2018, 39% only bought from physical stores, and 11% bought only online. These evolutions leave no doubt that there is a change of paradigm occurring in the market, including in luxury, and for these reasons brands have necessarily to adjust their offer and their positioning.

But an important question remains: can luxury develop a digital strategy? The question urges from the fact that the internet is a very fast paced environment, very convenient, lacks physical contact with the goods and the sellers, and mostly, it is available to anyone, which is pretty much the opposite of what luxury represents (Onkokwo, 2009).

So, to overcome this obstacle, luxury brands should follow a strategy with a strong digital component and define techniques and moves that translate the identity of the brand. Therefore, the main question (and sub questions) of this dissertation is:

To what extent will Luxury Brands need to adapt their current offer and positioning, converging to a more digital presence?

- a) What are the preferences of "The luxury customer of the future"?
- b) How important is to switch from a physical presence, to a digital one?
- c) How will the Luxury brands deliver the same quality through the new channels?

1.3. Research Objectives

Currently, the Internet has become an essential tool for all companies in every sector. At first luxury brands feared that the use of digital channels might affect their businesses negatively, through cannibalization of traditional stores and for mass and uncontrollable media that could completely destroy their brands' image. But the society changed, and with it changed the

mentality of luxury brands that understood the value and advantages of the use of internet in this sector, and also that it was crucial to use it if they wanted to survive to this modern time.

Luxury companies have been more aware of the importance of virtual presence to reach younger generations engaging with the brands. Regarding this, it is imperative for managers of the luxury sector to study, and deeply understand the behavior, attitude and preferences of the young consumers in the luxury market, in order to be able to communicate with them effectively, maintaining a sustainable online presence, without compromising the brand value. In order to better use the digital tools, it is important to understand the ways the internet can enhance the luxury experience, maintaining the standards of high quality and close relationship at the same level of traditional physical stores.

The main goal of this dissertation is to understand that, although digital's essence is the opposite to luxury, a digital strategy can coexist with a luxury one, as long as assuring the respect for the brand fundamentals.

In the next section a deeper analysis about the importance of the research, both theoretical and practical, will be reviewed.

1.3.1. Theoretical Justification

The luxury industry has gained some notoriety and interest among academics. It is a sector that highly contributes to the growth of the world's economy, although impacted by some financial crisis, has been impressive since 1990. Luxury brands are a very clear case of the consequences of globalization and the creation of a consumption society.

It is crucial to deeply understand the concepts and fundamentals of a luxury business model and what can possibly happen if they are disrespected. The theoretical perspectives on this matter are discussed in this dissertation in order to understand how a digital strategy can leverage a luxury brand's performance.

1.3.2. Practical Justification

Nowadays, the majority of luxury brands introduced the digital factor in all their strategies in order to survive and capitalize its value to customers. To have a strong digital strategy, the luxury brands need to adjust their offer, considering what people want in these days. The reason this research is useful and practical is because this study will find out how luxury brands should adapt, and what motivates young consumers to buy luxury products online.

The quality of the digital experience will determine the experience for the customer, their willingness to pay, and the way consumers buy their products. In this sense it is essential to develop efficient and tailored strategies according to the markets.

1.4. Methodology

As a part of the research, a quantitative and a qualitative study were conducted.

Due to the pandemic context, hand-to-hand questionnaires and presential interviews were not an option, therefore the surveys were only diffused online through the Internet via social media channels (Facebook, WhatsApp, and Instagram). The survey was created in Google Forms, a free access survey application that enables google users to diffuse their questionnaire with a easy access link.

The surveys included multiple choice questions, characterizing the consumer motivations towards luxury brands and the purchasing habits.

Regarding the qualitative approach, some interviews were conducted to key persons that have relevant positions in the luxury and the e-commerce market, in order to understand their view on the topics discussed in this dissertation. Also, some interviews to selected luxury consumers were conducted, with the intent to understand more deeply and with more detail their opinions and perspectives on the topics in question.

The data gathered from this study was analyzed using Microsoft Excel, in order to understand the sample in more detail, to understand the relation between variables that are stored in a data file.

1.5. Outline of the thesis

This thesis includes five main chapters, introduction, literature review, methodology, analysis of data and discussion.

The first one, *introduction*, starts by providing the reader a brief context of the current luxury market, the research topic and its relevance as well as presenting the problem statement and the corresponding research questions.

In the *literature review*, the second chapter, an extensive analysis of what has been previously investigated on the main issues related with the research questions previously presented is done. Starting with a discussion about the definition of luxury and followed by the main characteristics and motivations of the luxury consumer, considering the influence of culture and generation on consumer's luxury choices.

The third chapter, *methodology*, provides an explanation and detailed description of the qualitative approach used on the data collection and analysis. Followed by data analysis aiming to answer the main research problem, the results will be presented in this chapter.

Lastly, *conclusion*, discusses main takeaways and conclusions as well as limitations. Recommendations for future research to better understand the topic are also presented in this chapter.

CHAPTER 2

Literature Review

“Luxury is a necessity that begins where necessity ends”

– Coco Chanel

In chapter two was done a critical review of the literature about the research topic, based on theoretical fundamentals involving potential research proposition that can be developed.

This section will be divided in two main topics: 1) What is luxury and 2) The luxury consumer.

The first intends to study the luxury as a sector: 1) The definition of luxury, 2) The characteristics of luxury brands, 3) Categories of luxury brands, 4) the current luxury market and 5) the trends of the luxury market.

The second main topic has the title “The luxury consumer”, and as the name indicates, seek to understand better the luxury consumer. It is divided in six sub topics: 1) Who is the luxury consumer?; 2) Consumption behaviors; 3) Consumers’ motivation to buy luxury goods; 4) Cultural motivational aspect in consumption; 5) The online luxury consumer and 6) COVID-19 impact.

2.1. What is luxury?

2.1.1 Definition of luxury

“The best things in life are free. The second best are very expensive.”

– Coco Chanel

The word Luxury comes from the Latin “Luxuria” and “Luxus”. The first word means abundance, extravagance, and the second, means dislocated. Therefore we may say that luxury is an eccentricity that seeks to satisfy a higher need.

Luxury is not a new concept. For Greeks and Romans, luxury was something that came from somewhere far away, the East. The luxury concept can be found since the Ancient world, as a tradition that gives the sense of something that other people possess. If we look a little bit more recently, we can also understand that luxury had a vital role in the establishment of social stratification (kings, priest and nobility, versus the elite and masses). Aristocrats had to show

their hereditary status to the crowds: ostentation spending was a social requirement for the aristocrats, even the less wealthy.

As time passed, in the eighteenth-century rational thought and education resulted in the slow disappearance of this traditional social structure, that led to our present-day western society. With the globalization, the aristocracy gave place to meritocracy, having, at least theoretically, the same chances of succeeding.

On the other hand, despite this social changing paradigm, the stratification needed in a civilization, did not disappear with the aristocracy.

So, Luxury has the underlying role of reinventing this social stratification, in a democratic way: everyone has the opportunity to recreate his social strata, up to a certain point, according to his dreams and aspirations. So, when Men need some product or service to help him in this social strata definition, they tend to seek for advice on how to do it, and for that Men look for luxury brands (Kapferer and Bastien, 2009).

The luxury sector has gained some notoriety and interest among investigators, due to his high contribute to the global economy since the 90s. Nevertheless, it is a subjective concept that is extremely challenging to define. Many academics have suggested ways to describe luxury, contributing with various dimensions to explore the concept. In that sense, a luxury brand is a multidimensional concept and it is clearly related to consumers' perceptions because luxury and non-luxury goods are the extremes and "where the ordinary ends and luxury starts is a matter of degree as judged by consumers." (Tynan, McKechnie and Chhuon 2010). But luxury should be a concept that is widely accepted, even if it means having to establish criteria to determine if something is luxury or not but accepting the subjectivity when positioning the products or brands on these criteria (Kapferer and Bastien, 2009).

In the Cambridge Dictionary (Cambridge University, s.d.) we find, luxury is something of "great comfort, especially as provided by expensive and beautiful things"; "something expensive that is pleasant to have but is not necessary" and/or "something that gives you a lot of pleasure but cannot be done often".

Kapferer conceptualized that these brands "are animated by their internal programme, their global vision, the specific taste which they promote as well as the pursuit of their own standards" (Kapferer, 1997, p. 253). On the other hand, some authors defined luxury as ratios, high utility to price, and low functionality to price (Nueno & Quelch, 1998).

Heine defined luxury as "anything that is desirable and more than necessary and ordinary" (Heine, 2012). Others included personal and interpersonal aspects in their definitions, stating that, besides any functional utility, luxury goods bring esteem to their owners and its

consumption “represents value to both the individual and vis à vis significant others” (Vigneron & Johnson, 2004). Recently, Seo & Buchanan-Oliver stated, “a product to be called “luxury” it is not enough for it to possess superior quality and distinctive design, it should also convey a particular symbolic meaning; a story behind the product that can be linked to the consumer’s perception of luxury” (Seo & Buchanan-Oliver, 2015).

Luxury brands are evident facets of globalization and consumption societies, as it changes not only across time but also across cultures (Bian & Forsythe, 2012; Vigneron & Johnson, 2004), as in the western world, luxury creates a sense of differentiation while in eastern cultures creates a sense of belonging (Kapferer & Bastien, 2012).

However, this sector implies very specific management rules, “Luxury is an industry like no other: it is the only one for which growth creates a problem. Is a lack of demand the source of the problem? No, the problem is just the opposite: excess of demand.” (Kapferer, 2015).

An important remark to make in the definition of luxury, is to differentiate functional and symbolic brands.

The first are usually brands that intend to answer to more immediate and day-to-day needs. Symbolic brands seek to satisfy other kind of needs. They intend to answer the self-expression, prestige and demonstration needs, rather than its practicality (Bhat and Reddy, 1998). It is easy to understand these concepts, if we look at two known car brands: Volkswagen and Aston Martin. The first it is clearly used as a mean of transportation, and the second is more a symbolic brand, used primarily for status recognition, or for the pleasure of driving, being the fact that the vehicle is able to transport a mere collateral reason to use it.

Luxury brands seek to give to its consumers an extra feeling, an emotion, in addition to the functionality component, in the purchasing and consumption act of the product or service, like it happens in the case of Aston Martin mentioned before. Numerous adjectives are used to describe luxury brands, or the feeling they provide such as “status”, “hedonic value” or “prestige” (Dubois and Czellar, 2002).

2.1.2 Characteristics of luxury brands

Why is there such a high demand for luxury, and why people are willing to pay so high prices for “just” a product or a service? One of the most important steps when studying luxury brands is to characterize them beforehand, in order to understand them fully.

According to experts, it is important to study luxury brands in three contexts: material, social and individual (Berthon et al., 2009). In a more practical sense it is important to study them in terms of their functional, experiential and symbolic dimension.

In the **functional dimension**, it is essential to study its material characteristics, through the study of some variables like quality, aesthetics, scarcity, price, history and country of origin.

Starting with the first, quality is one of the most important variables, and one of the variables people think when talking about luxury. According to Mortelmans (2005), quality is one essential characteristic of luxury, so the choice of the materials used, and the quality control consists in very important steps of the process.

People expect luxury products to last a lifetime, and for that to happen it is essential that they are produced with the best quality possible (Mortelmans, 2005). One of the reasons for people to expect it to last long periods, is them to be able to pass it to the younger generations of their family, like a inheritance (De Barnier et al., 2006). A very clear example of what has been mentioned before is visible in the slogan of Patek Philip: “You never actually own a Patek Philippe. You merely look after it for the next generation”, as we can see in the image below that is taken from the brand’s website.

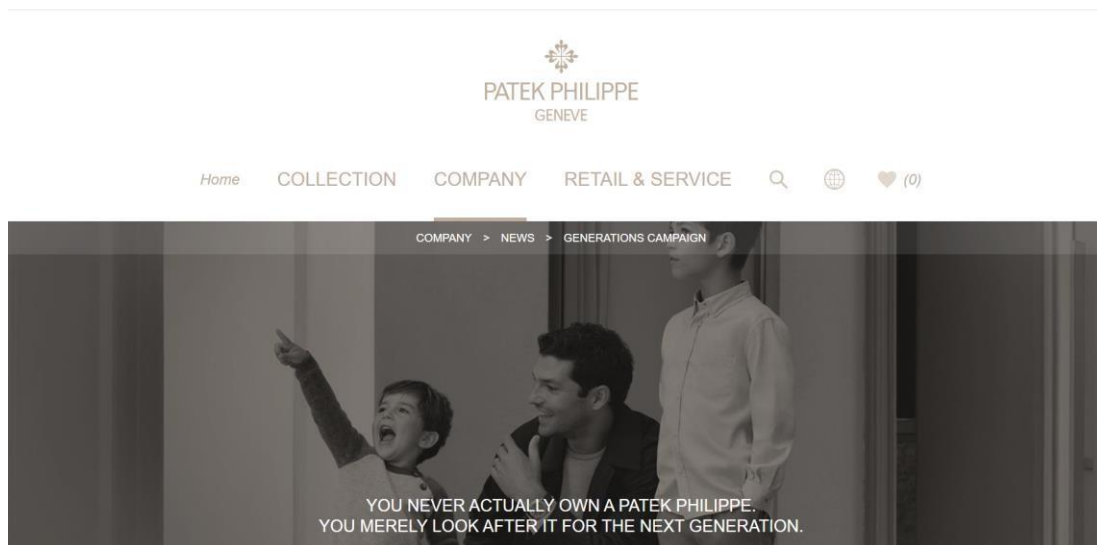


Figure 2.1 - Patek Philippe Website – Generations Campaign

Brands also seek to produce products that are kept for long periods of time, so much that people want to fix it rather than throw it to the trash (Heine and Phan, 2011).

The aesthetics dimension is composed by design, color and style that create what we call “beauty”, that is what customers view at the first interaction. The color and materials are considered the most important attributes of the design and style (De Barnier et al. 2006). The

aesthetic value comes from the pleasure that derives from seeing the product, regardless of its functional value or use (Hoolbrook, 1980).

Another dimension that is very important to luxury brands is the scarcity, because “the prestige of a luxury brand can be eroded if too many people own it” (Dubois and Paternault, 1995). In opposition to mass-produced brands, luxury brands need to limit their production to keep it “unique” (Heine, 2011). Historically, scarcity has its roots in ancient times when raw materials, productive components and valuable materials (like gold, silver and diamonds) were not available to everyone and in every season. Today, the dimensions of scarcity are the result of the brand to create this sense of rarity, by limiting stocks, creating “fake” shortages, and by selective in the distribution (Catry, 2003).

Price is also a very relevant variable when we want to study luxury brands. As we all know all luxury products are very expensive (Mortelmans, 2005). But why is the price so high? Luxury brands use strategy of premium prices to give strength to the brand, justifying the price with high quality and exclusivity, and to differentiate themselves from the mass-produced brands (Okonkwo, 2007). Also, the high price comes from the characteristic the product or service has to have, like high quality raw materials, which cost more than the regular ones.

Also, some brands evoke their uniqueness and positioning, by telling their story and traditions or by defending some cause (Catry, 2003).

The second dimension is the **Experiential Dimension**, that consists in the subjective value that individual gives to some product or service, influenced by feelings caused by design, brand identity, and the aesthetics in general (Schmitt et al, 2009). According to Okonkwo (2010) luxury items have characteristics that speak more to passion than to rational function of the brain.

The third is the **Symbolic Dimension**, that includes the value which luxury brands signal to other people, and the value of demonstration to the demonstrator. Luxury brands are “the best from the best for the best”, according to Heine (2011). According to Carcano (2011) people consider some product or service as luxury, if its signaling value for the consumers that goes beyond functionality. Status is one of the most important keywords in this dimension, since it is what most people intend to demonstrate or to be perceived by others when buying or using luxury brands. Other thing that people want to show off is their wealth, so luxury brands are very commonly associated with wealth demonstration (Bagwell and Bernheim, 1996).

The dimensions mentioned above help us to study and understand luxury brands, although they can change, if, for example, consumers’ tastes, preferences or needs evolve or change with time (Berthon et al.,20019).

2.1.3 Categories of luxury brands

Luxury brands operate in many product markets, and for that reason it is important to group them in three categories, according to Dijk (2008): 1) home luxury goods, 2) personal luxury goods and 3) experiential luxury goods. Despite this definition, there are several others, that it is not going to be covered in this dissertation.

The first category refers to art, antiques, electronics, and furniture. The second category is composed by clothing, cosmetics, fashion accessories, cars, boats, food, and beverage, etc. The experiential luxury goods consist of products or services that provide an experience, like having dinner in a fancy restaurant, go to the theatre, go to a spa center or travel in general (Dijk, 2009).

It is also essential to distinguish luxury brands in terms of degree of luxury: 1) Entry level; 2) Medium-level; 3) Top-level; and 4) Elite-level.

The first, includes the brands in the lowest luxury level, and it is sometimes not even considered as luxury. Examples of these brands is Mercedes or BMW, and Hugo Boss.

Medium-level brands are brands that are perceived, with no doubt, as luxury brands, but are not the most valued brands in the luxury market, as is an example Dolce & Gabbana.

Top-level brands are the leading luxury brands when people think of luxury, of which Louis Vuitton is an example.

Finally, there are the elite-level brands, that are perceived as the ones with the best quality, more exclusive and more “inaccessible”. Cartier, in the jewelry segment is a good example.

2.1.4 Current luxury market

In the past years, the luxury market has been growing substantially, becoming “(...) one of the fastest-growing industries in the world with an annual market growth rate between 10% and 15% (Matthieses & al, 2005)”. There are two main reasons that can explain this steep growth of this market. In terms of economic factors that lead to this growth, it is important to mention the rise of disposable incomes, the lower unemployment rates, the lower production costs, the development of the wealthy class in emerging countries, and the increase of of the purchasing power among working women (McMahon-Beattie, 2005). In terms of socio-cultural factors, it is relevant to highlight the willingness to pay and buy of luxury goods and services, by the

lower-income classes than it used to be. In addition, there has been an increasing attention and focus on luxury brands by all channels of social media (Trouong & al; 2009)

The luxury market grew by 4% in 2019, to an estimated €1.3 trillion globally, with positive performance across most segments.

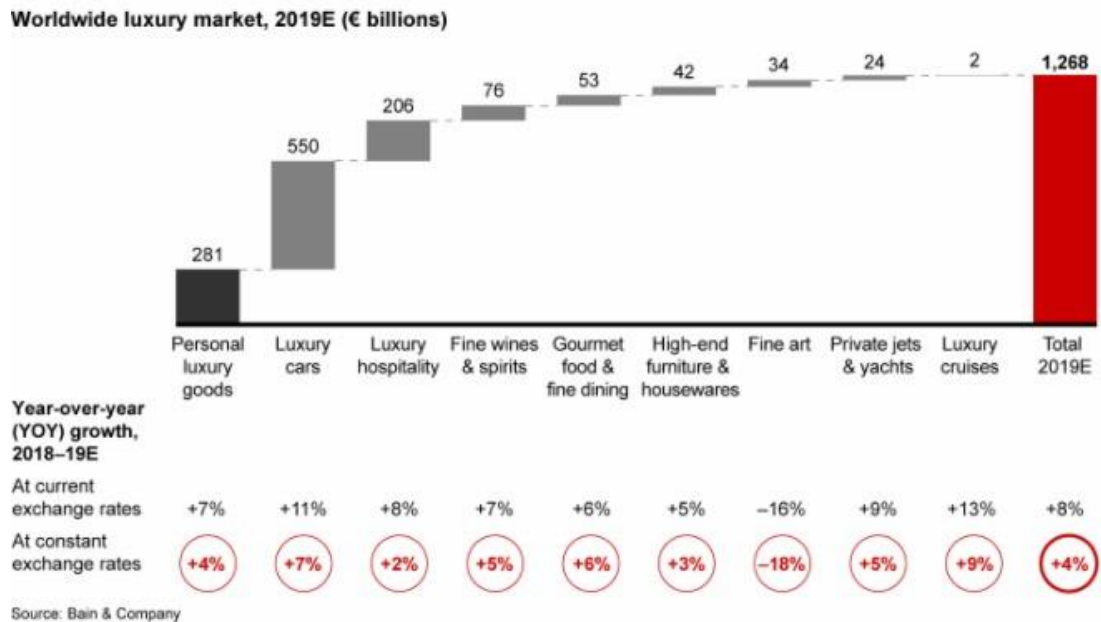


Figure 2.1 - Worldwide luxury market

(Source: Bain & Company)

Bain & Company (2019) highlights that sales of luxury cars still dominates the market, growing 7% to 550 billion euros. Luxury consumers are redirecting their spending in experiences, as we can see by the sales growth of gourmet food and dining (6%) and sales of luxury cruises (9%). However, the luxury hospitality experienced a lower growth than what have been the average (2%, compared with 5% in the previous year).

Chinese customers contributed for 90% of the global market growth in 2019, representing 35% of the value of luxury goods sold worldwide. The US consumption increased due to an increase in the domestic confidence but mitigated by reduced tourist flows, totalizing an overall market size of €84 billion. In Europe, the growth was slower (1%) reaching the market a value of 88 billion euros.

According to the Deloitte report “Global Powers of Luxury Goods 2019”, the digitalization phenomenon, the growing global middle class and the increasing importance and weight of Millennials and Generation Z were also mentioned as relevant contributors to the development of the luxury market. Luxury companies have started to make significant investments in digital marketing and increasingly using social media to engage their customers.

The online luxury goods sales grew 22% in 2019 and now represents 12% of the market, with customers being very influenced by digital platforms, also in the purchases in-store. Globally, 75% of luxury transactions were influenced by the online channel, and around 20% of purchases were digitally supported, according to Bain & Company “Eight Themes That are Rewriting the Future of Luxury Goods” report.

Also, a market that is growing is the secondhand luxury goods having achieved sales of 26 billion euros, a result of its popularity in Europe and the appearance of specialized online platforms.

2.1.5 Trends of the luxury market

The luxury market has been changing deeply in the past few years. As the average customer profile changes, with a decrease in the average age of the consumers, and consequently a change in the average consumption patterns. For this reason, is essential that brands rethink their strategy and adapt it to what Millennials and Gen Z want from these brands.

It is expected that the luxury industry is worth around 1.3 trillion euros in 2025. In 2018, the market was worth around 920 billion euros, being 64% of these value from experiential luxury and 36% of personal luxury goods (BCG report “True luxury Global Consumer Insight 6th Edition”, 2019). In order to attract this new segment of clients, brands have been investing a lot in new marketing tools and new approach strategies, like 1) influencer marketing, 2) online retail, 3) Artificial Intelligence, 4) 3D and Big Data and 5) collaboration with other brands and 6) building a more personal brand with customers.

In 2025 the luxury base of consumers will increase to 450 million, 15% above the value registered in 2019 (Report “Eight Themes That Are Rewriting the Future of Luxury Goods”, Bain &Co, 2020). Of this value, it is expected that 40% of luxury consumers will be Chinese, according to Mckinsey China Luxury Report 2019. For this reason, it is very important to understand what Chinese consumers want, like social commerce and live streaming.

Also, it is expected that 50% of total base of consumers will be millennials by 2025, that contrast with the 32% that happens today (BCG report “True luxury Global Consumer Insight 6th Edition”, 2019). 4% of luxury consumers belongs to Gen Z, value that is expected to grow to 8% in 2025. A good example of this is Gucci, that is engaging successfully with Gen Z, with high revenues, online and in store.

One class of consumers that is highly rising is HENRY (High earners Not Rich Yet). They can be characterized by: 1) Having an average income from 100.000 to 250.000 dollars;

2) Using technology in payments; 3) using mobile devices on a daily basis; 5) Do not save much money; 6) Comfortable with debt; 7) Shop online, mainly clothing, footwear, furniture, cosmetic, pet supplies, books, entertainment; 8) value complex and developed digital platforms and apps.

Online channels account for 12% of the market, and 75% of the luxury purchases were influenced by digital channels (“Personal luxury goods market grew by 4 percent in 2019 to reach €281 billion” report, Bain&Co, 2019). When talking about digital in the luxury sector, it is essential to talk about social media and influencers. 76% of the brands say their sales increased exponentially, due to influencer partnerships (“How Influencer Marketing Pays-Off For Luxury”, Ordre, 2019). 79% of brands use Instagram for campaigns with resource to influencers, 46% use Facebook, 36% use Youtube, 24% use Twitter and 12% use LinkedIn. (The Influencer Marketing Report, Business Insider, 2019).

60% of Millennials stated they buy luxury brand collaborations, while 40% of Generation X, and 20% of Baby boomers responded this way. Examples of this is the collaborations between Louis Vuitton and Supreme, Adidas and Yeezy, Chanel and Pharrel, etc.

Another essential topic to analyze is the technology. Data analytics is one of the most relevant topics in the luxury brands future and present strategy, since they need to provide a more personalized and better customer service. 46% of these brands plan to use Augmented Reality or Virtual Reality by 2020, to provide a better online experience, and be able to do better storytelling. 100 million customers are expected to use AR or VR in online shopping by 2020 (Gartner, 2019).

Personalization is a very important attribute a brand can offer to its customers. In fact, 40% of marketers state that this attribute has a direct impact in the maximization of sales, and 37% say they have increase sales and augmented lifetime value of the customer. The proof of this is the fact that around 58% of the millennials across the globe answered positively when asked if they would pay more to a product that was personalized to them (Report “Bling it on: What makes millennials spend more”, Deloitte, 2017).

2.2 The luxury consumer

Luxury demands a continual balance of exclusivity and accessibility; therefore demand should be higher than supply. When this equilibrium is not respected, the business' success will start to decrease (Kapferer, 2014). In that way, deeper insight on the consumers is a crucial element to creating value and defending the brand heritage.

2.2.1 Who is the luxury consumer?

Luxury consumers are changing. The necessities, expectations and preferences of consumers are rapidly changing, and, for that reason, an adaptation of the characteristics of luxury services and goods offered is essential. In that sense, luxury brands need to really understand their customers and recognize in what manner these are changing, in terms of their purchasing behaviors, the drivers of their decisions, and the manner in which they want to be connected with, especially in digital channels.

The immediate idea of the luxury consumer is a woman that seeks permanently for the new trends, packed with a big amount of credit cards; it happens that men and children are also considered consumers in this line of business (Okonkwo, 2007).

In the past, luxury consumers were perceived as the wealthy people that bought expensive goods or services. Nowadays, luxury consumers are the ones who seek to demonstrate high levels of wealth, independently if they cannot afford it (Gil et al., 2012). A proof of this is the actual growth in the luxury industry, comes from higher classes (Danziger, 2004), which gives substance to the creation of the concept of "Democratization of luxury"

Another critical factor is the peer pressure effect, in which people feel pressured to act or behave in a specific manner, or possess some specific item, because their peers do it or have it. This is especially common in teenagers (Wooten, 2006).

Due to this democratization of luxury, luxury consumers are more difficult to segment (Okonkwo, 2007). The same author suggests that nowadays consumers are smart, powerful, individualistic, sophisticated, and aware of their own preferences and tastes. Also, these consumers are known to be loyal to their favorite brands and are people with high purchasing power (Dijk, 2009).

Millennials nowadays represent around 32% of the market, and the prediction is that this number will rise to 50% by 2025. Also, Generation Z is expected to represent 8% of the market by 2020. The important thing that luxury brands must have in mind is that these

generations habits and preferences are totally different from their predecessors' (BCG Luxury Market Model, 2019)

The generations usually do not relate to the stereotypes of traditional wealth, that (supposedly) define their social status and positions in the society. These people are more likely to make purchases and acquisitions based on their value. They relate more with brands that give them the sensation of new experiences, travelling, belonging to a community, sense of self-growth and security. They want to express their entrepreneurial spirit, their individuality, personality and self-made success through their luxury products or experiences, making them seek for unique and individual collections, rather than mass produced articles.

The youngsters also look for more responsible brands, not only socially but also environmentally. According to the Future Laboratory, these buyers seek to express who they are, rather than what they have. They want to be seen as ethical, creative, connected, philanthropic and conscientious as possible. Brands that are able to provide products and experiences that enables the consumer to feel aligned with this new mindset, have a world of opportunities. Also, customers are no longer willing to accept to buy products or services that are made through unsustainable practices and will actively "unfollow" brands that keep engaging with these behaviors.

2.2.2 Consumption habits

Consumer behavior is the study of the act of purchasing, using and to dispose products, services or experiences to satisfy their needs and desires (Solomon et al., 2010). Initially, this was studied regarding only the time of the purchase, however, today researchers give attention to the whole process that influence the consumer in the whole client journey (Solomon, 2010).

Holt (1995) categorize consumption in four categories: 1) experience, 2) integration, 3) classification and 4) interaction.

The first refers to a more subjective consumption, with more emotional reactions towards the product or service. This experience is immediate, and people engage in this kind of consumer without thinking about consequences, benefits or status

The consumption as integration, means the product becomes a part of the consumer, or because consumer becomes part of the product.

The third, to consume as pure consumption, refers to the consumption that is made by necessity or without pleasure.

The fourth, to consume as play or interaction, refers to how the consumption can provide an opportunity to share experiences and memories with others.

The last one, consuming as classification, refers to the consumption that is done through activities. (Troye, 1999)

2.2.2.1 How luxury consumers make their purchasing decisions

Luxury brands ultimate mission is to offer products and services that compensate or meet the requirements for an expensive price (Dubois and Duquesne, 1993). By creating customer value, brands can perceive a higher level of trust and loyalty, and for this is a very important factor in this line of business (Bakanauskas and Jakutis, 2010).

According to Smith and Colgat (2007) customer value is “what customer get (benefits, quality, worth, utility) from the purchase and use of a product versus what they pay (price, costs, sacrifices), resulting in attitude toward, or an emotional bond with the product”.

Consumers, nowadays, seek to make their consumption on brands that represent their personal values, or represent the values they seek to have, which is very different from what happened in the past, when people only looked for brands that gave them status, or showed wealth. The emotional proximity with a brand plays a significant role in the brand choice (Ho et al, 2012).

For luxury brands, identifying and knowing what triggers their consumers purchasing decisions can be a significant source of competitive advantage. Leveraging the data on consumers behaviors, habits and decisions drivers, which is commonly unexploited can guarantee the knowledge of consumers needs and preferences, and enable brands to provide a more tailored and personalized experience. The richer the behavioral information about the consumers, deeper the understanding and more personalized marketing, improving longer term value creation.

Consumers nowadays have more available money, want more to explore their emotions, and they have a much broader range of choices in terms of products and services. Luxury consumers look for products that make positive demonstrations and statements about their position in life, who they are and what they would like to be (Silverstein and Fiske, 2003).

The emotional faculty of the brain is the one that most affects the consumption of luxury products. People, when buying, wearing or using this kind of goods and services, get an emotional stimulus of increased self-esteem, prestige and sense of social status. Not everyone is able to buy these products and services, and for that reason it gives its consumers the sense of uniqueness and exclusivity (Dijk, 2009), like it is clear in the definition of luxury goods created by Danziger (2004): “The operational definition of a luxury good is a good 95 percent of which is accessible to only 5 percent of the population”. Danziger also gives an interesting

insight: when people buy luxury brands, they do it with the intent to make the brand as part of their personality, of their personal identity.

One of the biggest problems in the luxury markets is the plagiarism. There is a huge demand for imitations, that also gives the emotional benefit and stimulus that the original products do (Djik, 2009).

According to Danziger, some people buy luxury goods in order to feel they belong to a brand, and feel they need to tell the world they have that specific product. On the other hand, purchases of luxury furniture or other home products, are made with the intent of self-pleasure and accomplishment, and not to be seen by others.

Luxury products enable its buyers to satisfy psychological and functional needs, and other extra emotional benefits. Luxury products and services create desire; creates the luxury dream (Kapferer and Bastien, 2012)

Also, it has been found that many consumers buy luxury brands because of the quality of the product (Vigneron and Johnson, 1999). Intrinsically motivated consumers seek quality rather than social aspiration and demonstration of wealth or status. According to Silverstein and Fiske's (2003) most of the luxury consumers are motivated by pleasure, with little or no desire to demonstrate status or wealth. This kind of consumers are not necessarily rich, and seek for many attributes besides the quality, like the emotional benefits (Tsai, 2005).

Vigneron and Johnson (2004) created a theoretical framework, called "Luxury Brand Index", that establishes different factors, five to be exact, that drive purchases: Conspicuousness, uniqueness, quality, hedonism and extended self.

2.2.2.2 How is the luxury market affected by globalization?

The consumption of luxury products and services has been motivated by a large amount of macro-economic factors, as globalization and its subsequent cultural convergence (Chadha and Husband, 2006); the appearance of novel market segments (Okonkwo, 2009); a rise in the wealthy consumer "population"; an increasing focus on luxury brands by the media (Mandel et al., 2006); an increasing weight of e-commerce on the total market, and the boost of international travel and movements (Nueno and Quelch, 1998).

Globalization has been the focus of many studies in the past twenty years, that it is defined by the World Health Organization as "the increased interconnectedness and interdependence of peoples and countries. It is generally understood to include two inter-related elements: the opening of international borders to increasingly fast flows of goods, services, finance, people and ideas; and the changes in institutions and policies at national and

international levels that facilitate or promote such flows.” For this sector, the aspect that influence it the most is the multicultural influence , motivated by the increased flow of goods, services, people and ideas that lead to a major accessibility to the regional or country-specific products and services than in the past (Seo and Gao, 2014). A clear consequence of this globalization is the increase consumption of the luxury brands by consumers in Asia, Brazil, Russia, India, China, and other developing countries (Kapferer, 2012). This leads to an adaptation to the brand’s offer to a more diversified and globalized culture.

The increased consumption of luxury products and services by emerging markets, reduce the gap of consumer tastes around the globe (Catry, 2003). Some characteristics that almost all consumers around the globe look for in the luxury goods or services are high perceived distinction and value, aesthetic value, and their association with fashion and an upper-class lifestyle (Okonkwo, 2007). Although many characteristics are common to all customers the luxury consumption styles differ when comparing new emerging markets and more established markets (Shukla, 2012). As been observed, in Asian Countries motivations for purchasing luxury goods or services are linked with cultural motivations (Chadha and Husband, 2006).

There are six main regional sales markets in this sector – North America, Europe, Japan, China, India and Russia (Okonkwo, 2007). For example, in Europe consumers are, on average, older and have higher available income than the rest. American consumers tend to be younger, willing to try new products and services from different brands, and are less loyal to one specific brand (Okonkwo, 2007). In Japan and other developed countries in Asia, consumers are more trend and label sensitive (Chadha and Husband, 2006). In emerging markets, in countries like China, India and Russia, there is some patterns that need to be addressed. For example, China is a country that has a huge potential to become the largest market for luxury good and services, but at the same time it is the largest supplier of counterfeit luxury goods, that can pose serious threats to the brands (Okonkwo, 2007).

In another study, the consumer patterns and attitudes towards luxury brand were studied in 20 countries to understand the cross-cultural phenomenon. There were three types of attitude identified: distant, elitist and democratic. The first characterizes the traditional view of luxury, that is appropriate for only a few (elite). The democratic implies that luxury is for everyone, should be accessible to everyone and can be mass produced. The last, states that consumers are not attracted to luxury (Dubois et al, 2005).

In sum, through many cross-cultural studies suggest that consumers are highly influenced by historical context and cultural conventions, despite the similarity in the consumer

profiles of different regions. For example, European and Americans shopping preferences towards luxury are very similar, although there is a clear influence of the regional and cultural habits.

In terms of global market share, in 2016 China represented 30% of the luxury market, North America 21%, Italy, France, UK and Germany 13% Japan 11% and the rest of the world 24%. In 2025, China is predicted to represent 40% of this market, leading to a relative decrease in the of the rest of the regions market share (2020 Luxury First Look, BCG and Altagamma).

2.2.3 The online luxury consumer

The internet usage has been growing a lot in the past years. According to Statista, in October 2020 there were 4.66 billion active user of the internet, being around 92% of these unique mobile internet users, around 89% are active social media users and around 88% are active mobile social media users. From 2005 to 2010 the number of internet users grew around 85%, from 2010 to 2015 grew 50% and from 2015 to 2020 grew 52%. This increase shows the importance it is getting as time passes.

Consumers today face, every day, the dilemma of purchasing online or purchase in store. According to Kakar & Ashish (2017) this choice is highly correlated with the direct and indirect costs associated with each option, like search costs, uncertainty costs, and the benefits associated, functional benefits, experiential benefits and symbolic values. The studies show that online purchases have less transportation, time and search costs. On the other hand, in store purchases have less uncertainty, more experiential and social benefits, as well as more pleasure in the moment. This dilemma is especially difficult to solve, when we are talking about fashion luxury products, since people are not able to try the products and assess if they are a good fit for them or not. To fight this feeling, brands are trying to develop their website in order to be able to offer 3-D images, virtual models, artificial intelligence, and zooming technology (Kim & Lennon, 2008)

The digital growth is directly linked with Millennials generation. This generation was born from a technological boom and as such, demonstrate different behavior from its predecessors. To maintain this important segment, luxury brands must truly understand their consumer behaviors and influences. In 2014, 58% of inquiries with less than 34 years look for online information and 31% use social media to collect information and insights about promotions, compared with 10% for older luxury consumers (Deloitte, 2015). To attract and retain this

digitally driven generation, luxury brands need to innovate their sale channels, creating an innovating digital experience.

One of the reasons digital platforms are not yet ready to deliver the same experience as in store, is the fact that it is not possible to incorporate olfactive and sonorous stimulus, or enable customers to feel the textures of the products (Kapferer & Bastien, 2009)

The physical experience has always been crucial for luxury brands, beautiful flagships located in the best spots in town, the possibility to appreciate, contemplate and feel the product, the service and the personalized welcome, constant help and advice during their time in store are all part of that appreciated experience (Deloitte, 2014). Besides the physical distance between the luxury brands and their online customers, brands need to guarantee the personalized service through a website.

“As an industry that is known for innovation, avant-gardism and creativity, it may not be apparent why luxury brands and digital technology have been perceived as incompatible since the advent of the Internet and digital communications technology.” (Okonkwo, 2009: 303). After a slow start, luxury has earned its place in the digital universe, most brands now interact with consumers through their own online store and on multi-brand e-tailers. Already nearly half of luxury goods buying decisions are influenced by what consumers see online.

As we can observe from the figure below, the online sales of personal luxury goods represented 25 billion euros, 8% of the total market. In 2025, it is expected to represent 19% of the total market, making up to 91 billion euros.

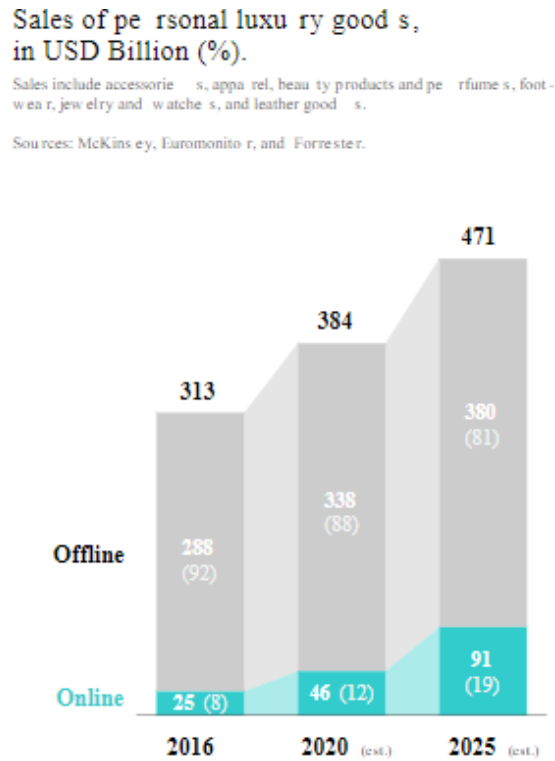


Figure 2.2 - Sales of personal luxury goods in USD
(Source: McKinsey, Euromonitor and Forrester)

Clearly brands are feeling the need to enter the digital world, by creating an e-commerce business strategy to avoid being left behind. Nevertheless, the fundamentals of luxury should be compromised or put in second plan, just to adopt a digital strategy. Companies that initially adopted digital strategies, currently know better their consumers, by richer customer insight from data, and can provide highly personalized experiences, in opposition to offline retailers, contributing to develop brand loyalty.

Altgamma-McKinsey Digital Luxury Experience Observatory identified three levels of digital inclusion. The Hesitant holdout implies strict control of retail operations only through mono-brand sites. The Selective uses digital as a “bait” to attract aspirational consumers, that uses digital to attract more than to sell. Finally, the Plugged-in pro is totally committed in selling luxury products online, integrating both marketing and sales operations. High end brands are now investing time and money to achieve this last level.

Consumers that interact with brands through more than one channel, buy more (Business Insider, 2016). With an omnichannel distribution, luxury brands correspond consumer expectations and create brand awareness. According to a LuxHub report, this brand awareness is established by in-store experience (61,3%), displays (60,8%), brands official websites

(54,7%), family/friends opinions (52,1%), search engine (45,8%) and online publications (43,5%). The weight of each varies according to the market and target.

The digital relationship converts in increasing sales. Millennials are the luxury consumers most digitally influenced, with 42% of their purchases done by computer or smartphone, comparing with 35% of Generation X and 28% of Baby Boomers.

Concluding, luxury consumers are getting keener on digital purchases, through online and mobile, and because of this they expect luxury brands to innovate and deliver a superior experience when compared to regular brands. The ex-Digital Director of LVMH Group, Thomas Romieu, writes that what a luxury good shopper truly want is a simple, yet rich experience, that reduces to the minimum the number of decisions made.

2.2.3.1 Social Media

With the appearance of social networks, consumers gained a new voice and power, leaving luxury brands more exposes. According to Deloitte Swiss Watch report 2014, social media are considered, by luxury market experts, both a huge source of opportunities and threats, in terms of online marketing and distribution. This happens due to the fact that it is impossible to control the public opinion in the online channel, which pose a threat if the opinion is unfavorable to the brand, but at the same time it is a very easy and cheap channel to engage with the consumers, to convey a message.

In luxury, the content opportunities for social marketing are unlimited, the product itself, associated areas, as events, and craftsmanship deliver reliable foundations for engaging storytelling. This exclusive world can now, due to the digital and social media, be more accessible for anyone.

For the next years, it is predicted that the social commerce will continue gaining importance, the increasing traction, and recent announcements of features such as Instagram Checkout and Shopping. Also, reminders for product launches are obvious indicators of a move to social shopping.

Online luxury has remained resilient, despite COVID-19 impact, while traditional channels suffer brutal declines.

2.2.4 COVID-19 Impact

With the appearance of the Coronavirus pandemic, every company of every sector viewed itself obligated to adapt its operations, in order to protect the health and safety of their employees, customers and other key stakeholders.

If the current trend continues, it is estimated that sales drop 25 to 35% (450 to 600 billion €) in 2020, when compared to 2019. This is a bigger drop than the one that occurred ten years ago during the great recession. Of course, the effect of the crisis will be different across the globe, being some regions more affected than others.



Figure 2.3 - World Map impact of COVID-19 in Fashion and Luxury sales
(Source: BCG)

As we can see from the image above, created by BCG, it is predicted that China will be the less affected region, having an average sales decrease of 25% or less, and the Europe, the Middle East and Japan to have the biggest decrease, of, on average, 35% or more. The rest of the regions are expected, on average, to decrease its sales from 25% to 35%.

Although it is too early to quantify the financial impact on the luxury sector, COVID-19 certainly has obliged to an alteration of some structural aspects of the sector, of which many could be permanent.

Before COVID-19, some of the known luxury brands in Europe and North America were alright fighting to survive, because of the fact that luxury brands are integrating their operations vertically, and the boost of e-commerce. This led some of these brands to close

doors. This can lead to the necessity to apply many discounts that could compromise the luxury brands position in the mind of the consumer.

Another topic affected by COVID-19 is the internationalization of this sector. The luxury sector is highly leveraged on the global consumers, that shop outside of their origin country. 20 to 30 percent of industry revenues comes from customers making luxury purchases outside their origin countries. For example, in 2018, Chinese consumers took more than 150 million trips outside of their home country. It is estimated that more than half of their purchases on luxury brands occurred outside of their origin country. Asian consumers have this habit not only because of the lower prices of Europe, but also to benefit from the travel experience, that makes consumers have the sense of authenticity and excitement. Due to the pandemic, rigorous travel restrictions were applied, leaving to a recession of the sector. To fight this, luxury brands can opt to create tailored local experiences, strengthen their digital and omnichannel offerings. Experience luxury, like luxury hotel, resorts, cruises and luxury restaurants, have been one of the most fast-growing components of the luxury sector. Millennials and Baby boomers used to converge to a desire to experiences and “instagrammable” moments rather than products over the years. In the short-term it is expected to invert this tendency and increase the tendency for products.

Regarding 2020, sales of the spring season fell 70% when comparing to 2019, which was expected since consumers were not allowed to visit stores. So, it will pose a challenge to luxury brands to decide and introduce fall and winter collections and develop a plan for dealing with high levels of unsold stock, without giving discounts, and compromise brands' positioning. As the pandemic evolves, and many stores remain closed, the digital commerce pose an essential channel to engage with customers and to keep the sales moving forward and creating a sense of community with customers. It is essential that brands highly invest in their digital component, and change their way of communicating to online channels, with a focus of customer attraction and retention. It is also advisable that brands partner with reputable e-commerce retailers.

It is also expected that companies need to keep a tighter control of their liquidity, by reviewing lease contract, operating expenses, and try to extend the accounts receivable and accounts payable terms. It is also important to keep an eye on the financial and fiscal incentives of the state, to stimulate business and improve liquidity.

Another possible necessity is to assess the supply chain of the brand. More than 40% of the luxury goods are produced in Italy, which has much of its factories closed, temporarily or permanently. Companies should understand in every category, product, where there is more

problems. Potential short-term actions include moving inventory to locations that are less affected, making sure to fulfill online orders. In the medium-term brands should try to pay their debts to suppliers in time and restoring production as soon as possible.

If we take a look at the long term it is important to take strategic actions, if brands want to survive through time.

The most important long-term action is to put the digital in the center of the operating model. For most of the companies, the pandemic lead to the development and execution of an online and omnichannel strategy. In China, e-commerce attracted new customer segments and markets, which will probably happen in the rest of locations. Luxury consumers are used to have high quality service in stores, and for that reason, the priority should be to create a personalized digital experience that offers the same quality.

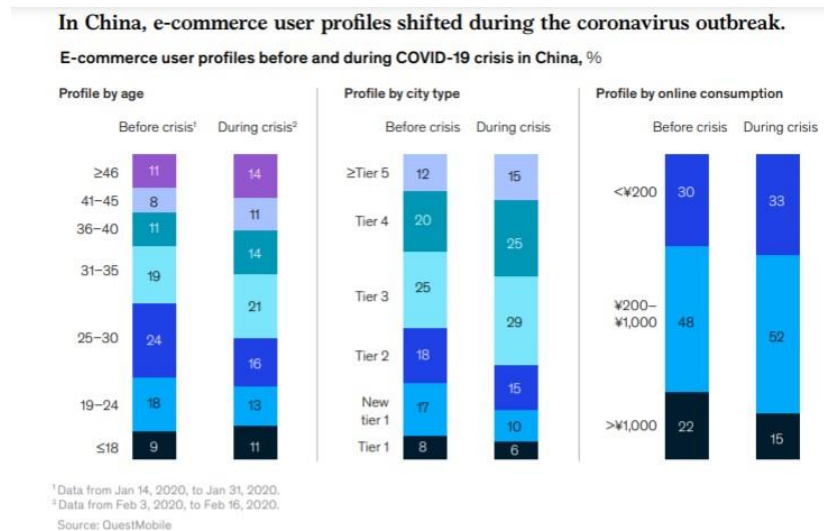


Figure 2.4 - E-commerce user profiles before and during Covid
 (Source: QuestMobile)

Also in the long term, it is expected to happen some shifts in the market, a reshape of the luxury ecosystem, through mergers and acquisitions. Every crisis leads to the end of many companies and brands, and the beginning and growth of others.

It is also essential for luxury brands to anticipates changes in consumer sentiment and behavior. The world will, in a few months, get back to normality, but consumers will no longer be the same or feel the same. In recent interviews with CEOs, it was possible to observe the plan or intention to develop strategies towards sustainability and responsible consumption. Having in mind the historic data, it is possible that people, after a large crisis like this one, seek for a “silent luxury”, giving more focus to classic elements, and less superfluous and details to impress or demonstrate some status or wealth. (A perspective for the luxury-goods industry

CHAPTER 3

Methodology

Research methodology is considered one of the most important part in the research. The effectiveness of the study depends on the methods employed by the researcher (Collis and Hussey, 2003).

The main objective of this research is to study, based on a sample, what drives luxury consumers behaviors and perceptions on purchases of luxury brands through online channels, that combined with the data gathered in the literature review, allow to make recommendations and predictions on the future of this market.

Therefore, to implement this study a positivist approach was used. This kind of approach consists in research based on assumptions obtained from observable experience rather than intuition (Cohen, and Crabtree, 2006). Thus, the research focused on facts provided by analysis of data collected from a survey.

One of the reasons why a quantitative method was chosen is because this method is better to collect large sample sizes, and therefore to generalize the responses to a bigger population, based on the demographics and personal values collected (Dillman, 2000).

This chapter discusses the methodological issues involved in the present study. Firstly, the data collection will be explored, then the sampling strategy and structure of the questionnaires will be reviewed. After the justification of how data was analyzed, the reliability and validity of the methodology used will be discussed.

3.1. Data Collection

3.1.1. Secondary Data

It is crucial to explore the previous researches made on the chosen research topic to initiate writing of the present dissertation. With this data, the researcher has a clearer perspective of the addressed subject and can even identify possible gaps. Many external sources were used during this dissertation, such as academic journals from customer services, retailing and marketing, business research and global luxury marketing. Reports, books, and articles from luxury websites were also used as external sources of information.

3.1.2. Primary Data

“Surveys are a very traditional way of conducting research. They are particularly useful for non-experimental descriptive designs that seek to describe reality. So, for instance, a survey approach may be used to establish the prevalence or incidence of a particular condition. Likewise, the survey approach is frequently used to collect information on attitudes and behavior” (Mather et al.2009). As a quantitative research, surveys are commonly the more suitable approach to collect information from a large scale of population (Bryman, 2008) and considered as more rigorous than interviews.

The primary data of this study was collected through an online survey by using the online survey tool “Google Forms”, an online application provided by Google. The online survey is reachable from a URL link that allows participants to access the survey. In order to have a wider age range, this link was published on social media, including Instagram, Facebook and WhatsApp.

3.2. Sampling Strategy

The non-probability method was approached in analyzing this population. This method is the process of selecting participants, within a population, which are more likely to be requested than others (Bryman, 2008).

This empirical part of the dissertation will be constituted by a survey and its analysis, to create a set of propositions that will generate several results. To gather the responses of the survey, a Convenience sampling was chosen. The quota sampling can be defined as a non-probability sampling method in which researchers collect market data from a conveniently available pool of respondents. It is the most widely used since it is the most inexpensive methodology, it is low cost, and it is easier to collect data. It is commonly applied by brands and organizations that want to measure their perception of the brand in the market, in this case the intent is to understand people’s perception of luxury brands as a whole, and their preferences and motivations towards the consumption and interaction with these brands through online channels.

3.3. Structure of the questionnaires

The present survey has a duration of approximately five minutes, and was constructed in an intuitive and friendly way, to get as many responses as possible. In the beginning of the survey, the respondents were informed not only on the duration but also of the research topic and main goals.

The questionnaire was divided in three main categories: 1) Demographics of the respondents; 2) the perceptions towards luxury brands and 2) consumption habits of luxury brands.

Firstly, demographic information about the participant was collected, such as gender, age, civil status, country of origin, current occupation, and average annual income.

Regarding the perceptions towards luxury brands, the respondents were asked about their feelings and how they define luxury.

Finally, the respondents were asked about their online consumption habits, classification of past experiences, time spent on internet and use of this tool for luxury goods purchases and interaction with luxury brands.

Also, it was asked the respondents to state how affected they were by certain factors when choosing a luxury product, such as the price, the quality, the value perceived by other people, the social and environmental responsibility of the brand, etc.

3.3.1. Design of the questionnaires

As mentioned above, the questionnaire was divided in three main categories: 1) Demographics of the respondents; 2) the perceptions towards luxury brands and 2) consumption habits of luxury brands

Part 1: Demographics

In the first questions, the profile of the participants is defined. Questions about the gender (Question 1), age (Question 2), civil status (Question 3), country of origin (Question 4) and current occupation (Question 5).

In the question 6, the average annual income was asked, because, according to the authors, questions regarding the revenue is essential and highly correlated to purchasing luxury products (Dubois and Duquesne, 1993).

Part 2: Luxury Definition

In question 7, the participants were asked about how they interpret the luxury concept. The aim of this question was to understand what really is perceived and most valuable as luxury for consumers.

Part 3: Purchasing motivations & Consumption habits

Question 8 intends to understand the average annual spending on luxury brands. Question 9 aims to understand the elements people value the most when purchasing luxury items. With questions 10 to 16, the objective was to understand the habits of utilization of online channels, such as social media, to engage with luxury brands, or to purchase luxury items.

Finally, question 17 was designed to understand which factors people were the most affected when choosing luxury products or services.

For further details the survey can be consulted in the appendix.

3.4. Analysis of data

The data was exported from the Google Forms website to an Excel file to start the data treatment. A total of 214 valid answers were achieved. The data treatment was done in Microsoft Excel, including all the demographics analysis, as well as all the necessary statistic tests in order to complete the study.

CHAPTER 4

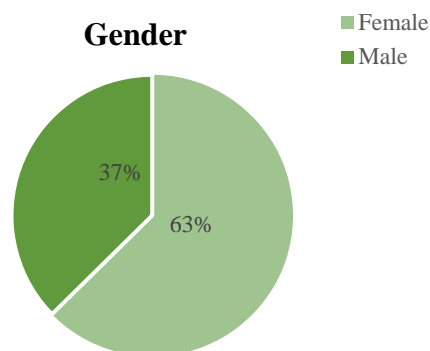
Data Analysis

In the present chapter the results of the survey carried out are revealed. Firstly, the demographic characteristics of the sample will be accomplished. Then the sample will be analyzed according to the respondents' consumption habits – highlighting the main patterns between luxury behaviors and perceptions, income level and use of digital channels.

These results are intended to provide important insights on luxury brands aiming to join or improve digital channels presence on how to understand its consumers' purchase behavior and habits and, consequently, target them in a more efficient way.

4.1. Demographics characteristics of respondents

The analyzed sample consisted in 80 male (37%) and 134 female (63%) participants, totalizing 214 people. Since female consumers rule sectors that represent quality, uniqueness, and social value as major drivers for luxury brand consumption (Stokburger-Sauer & Teichmann, 2013), the gender balance is acceptable. Studies reveal that women's luxury consumption is expanding considerably (Ajitha & Sivakumar, 2019). According to the authors, men consume luxury goods to transmit economic achievement and accomplishment.



*Figure 4.1 - Gender Distribution of the sample
(Source: Own elaboration based on Survey Output)*

The age sectors of the sample were divided in seven groups: less than 20 years old; 20 to 25 years old; 26 to 30 years old; 31 to 40 years old; 41 to 50 years old; 50 to 65 years old

and more than 65 years old. As we can observe in the graph below, the sample included a varied mix of ages, being the most important the group of participants the ages of the participants varies had ages around 50 and 65 years old (29%).

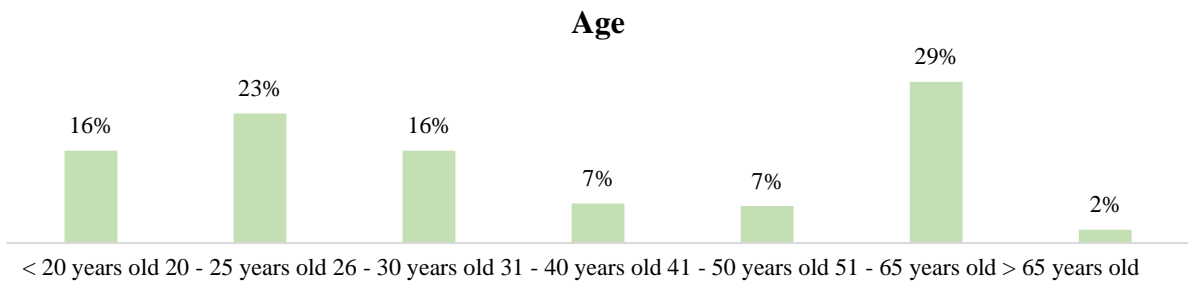


Figure 4.2 – Age – Descriptive Statistics of the sample
(Source: Own elaboration based on Survey Output)

The civil status is distributed uniformly among the sample, so it will not be an influence factor in the preferences analysis of “The luxury customer of the future”.

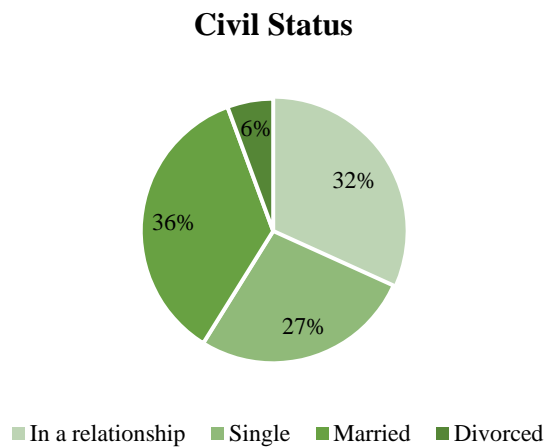


Figure 4.3 - Civil Status Distribution of the sample
(Source: Own elaboration based on Survey Output)

There was a total of ten different countries represented, being Portugal the country with more expression (91%), followed by Spain (4%). The influence of the nationality will not be studied, since due to convenience and proximity, the survey is obviously biased to the Portuguese population.

The next analysis is dedicated to the occupation and average annual income. There were seven options for the current occupation: working student, student, employed, unemployed,

self-employed, retired and housewife/houseman. Out of 214 participants, 50% of respondents are employed and 23% respondents are still studying at school.

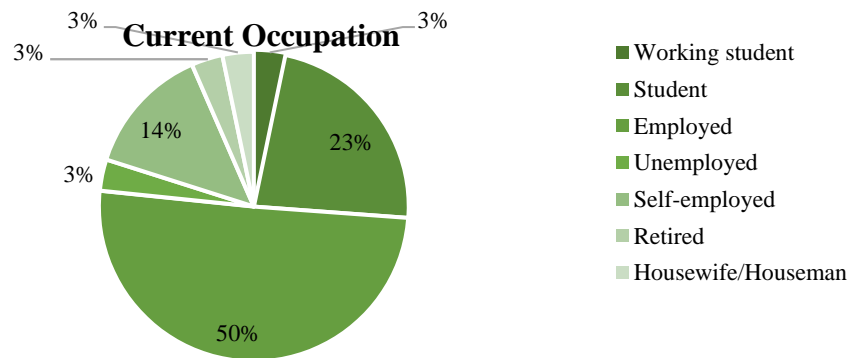


Figure 4.4 - Current Occupation Distribution of the sample
(Source: Own elaboration based on Survey Output)

In terms of income level, 27% of respondents do not have an income, 36% of participants claim to make less than 25k € a year.

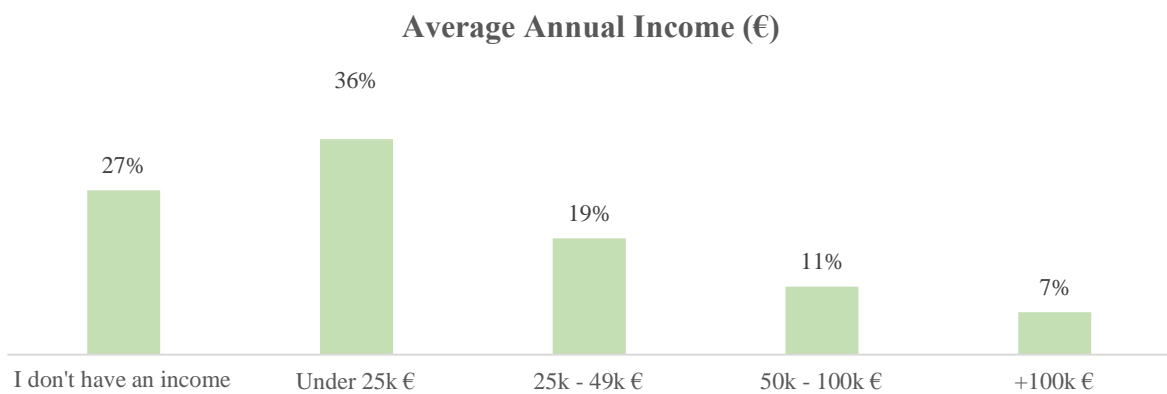


Figure 4.5 - Annual Income (€) categories of the sample
(Source: Own elaboration based on Survey Output)

4.2. Perception of luxury brands

The question “What do you regard as luxury?” aims to understand what the luxury consumer perceives as luxury. The figure below (Figure 11) represents the variables that respondents associate to luxury concept and, consequently, have in consideration while purchasing luxury products. The majority of the respondents are mainly attracted by the quality of the items (41%) and exclusivity (38%), indeed these results can be considered to the main facets of luxury (Dubois, Laurent and Czellar, 2001; Gentry et al, 2001).

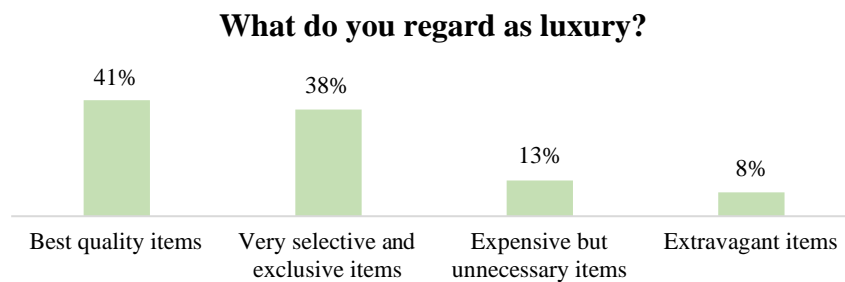


Figure 4.6 – Sample perception of luxury

(Source: Own elaboration based on Survey Output)

Many respondents perceive luxury brands as sophisticated, elegant, comfortable, exclusive, and premium-priced brands, with an excellent quality and durability, and that are the result of craftsmanship. In the sample, luxury brands are not strongly linked to extravagant or unnecessary items.

The correlation between what respondents perceive as luxury and the average amount spent in this type of items it is clear. Of the participants that define luxury as expensive but unnecessary, 93% spend less than 1000€ per year in this type of products (Figure 12).

Elements that influence/motivate the purchase of luxury items vs annual amount spent in luxury

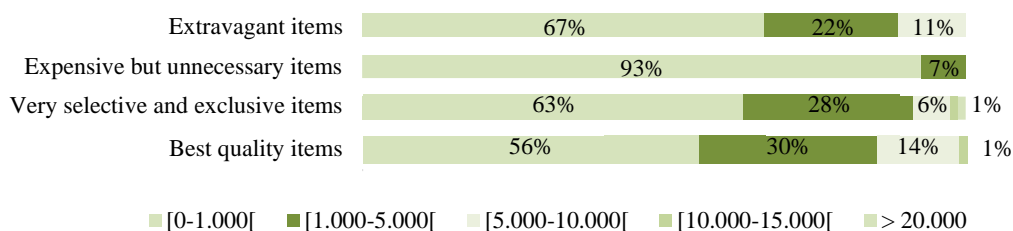


Figure 4.7 - Elements that influence/motivate the purchase of luxury items vs annual amount spent in luxury

(Source: Own elaboration based on Survey Output)

4.3. Purchasing motivations & Consumption habits

The following questions were mainly implemented in order to determine the influencing factors that push participants to consume luxury products.

As mentioned in the literature review, to better understand the factors influencing luxury consumers, three dimensions of luxury were studied, functional factors, experiential factors, and symboling factors (Berthon et al., 2009).

Firstly, *functional factors* were studied through the assessment of some material characteristics such as country of manufacturing, country of origin of the brand, quality, aesthetics, price and after purchase service were evaluated. The quality of the good/service is the most valuable factor by the participants of the questionnaire, as demonstrated in the figure below (Figure 8), only 5% of the sample is not affected by this factor and 71% is very or extremely affected. The price/quality ratio is also very appreciated by the consumers, 67% of the participants stated that is very or extremely affected by this indicator. Factors such as country of manufacturing and origin revealed not as significant as the ones mentioned before since 40% and 38%, respectively, are not affected by these factors.

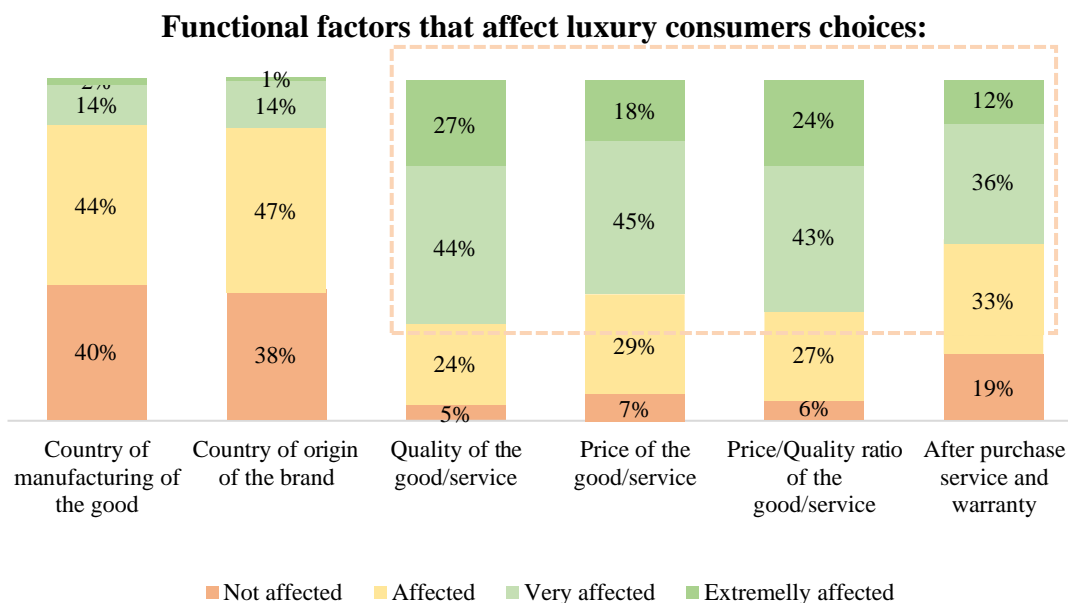


Figure 4.85 – Functional factors that affect luxury consumers choices
(Source: Own elaboration based on Survey Output)

Experiential dimension is the subjective value that individual gives to some product/service. It can be influenced by feelings, cognitions, and behavioral responses. Factors as social and environmental responsibility of the brands, social media presence, advertisement

and experience of the purchase moment were analyzed in the chart below (Figure 14). The respondents showed to be very or extremely affected mainly by the experience in the purchase moment (32%) and by social and environmental responsibility of the brands (24%).

Experiential factors that affect luxury consumers choices:

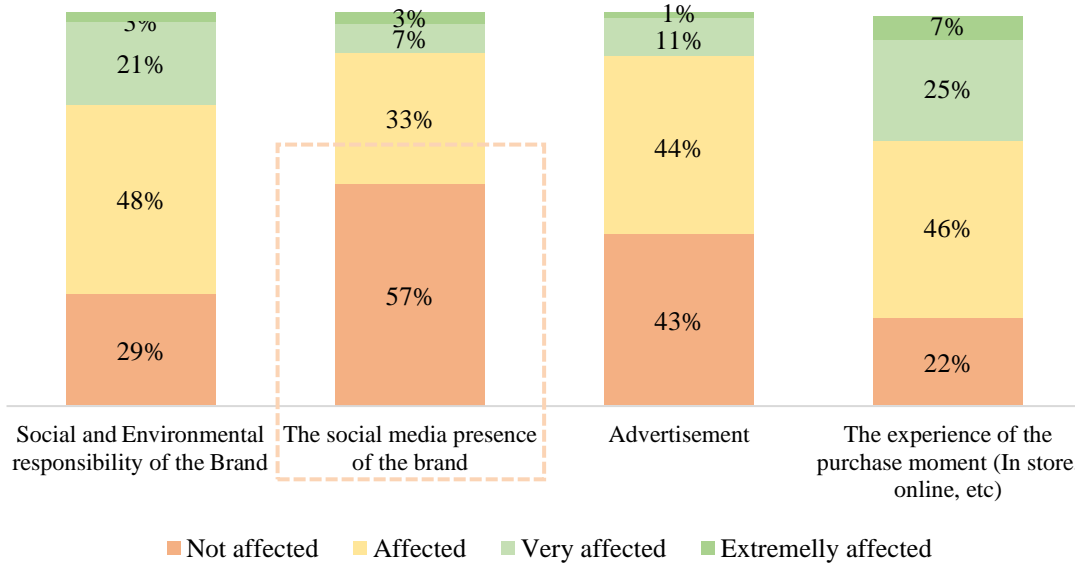


Figure 4.9 – Experiential factors that affect luxury consumers choices
(Source: Own elaboration based on Survey Output)

Surprisingly, the participants affirmed to not be affected by social media presence of the luxury brand (57%). Since this is a relevant aspect in the main topic of this dissertation, it makes sense to have a closer look to the causes to this unexpected percentage. In this sense, this data was crossed with the age of the respondents, to understand if it justifies the numbers.

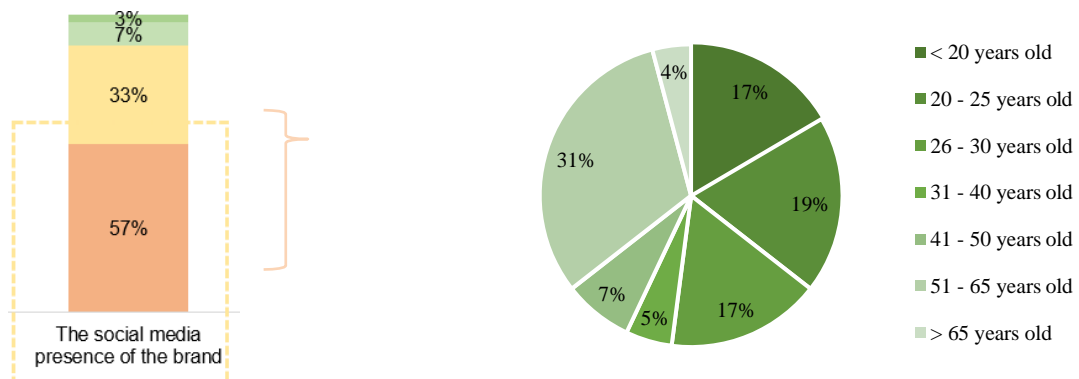


Figure 4.10 - Age distribution of participants not affected by social media in luxury consumer choices
(Source: Own elaboration based on Survey Output)

According to the age distribution of participants that are not affected by social media in luxury consumer choices (Figure 15), 52% is below thirty years old, that could be explained by the weak or inexistent relationship with luxury brands. 43% of the participants that are not affected by this factor are more than 41 years old, and for that reason are less likely to use social media on a daily basis.

Lastly, the *symbolic factors* include the value which luxury brands signal to other people, and the value of demonstration to the demonstrator itself. The majority of the participants are indifferent to the fact that is used by celebrities (74%). But, on the other hand, the inquired are affected by the value perceived by other people (78%) and only 26% answered that is not affected by the exclusivity of the product/service.

Symbolic factors that affect luxury consumers choices:

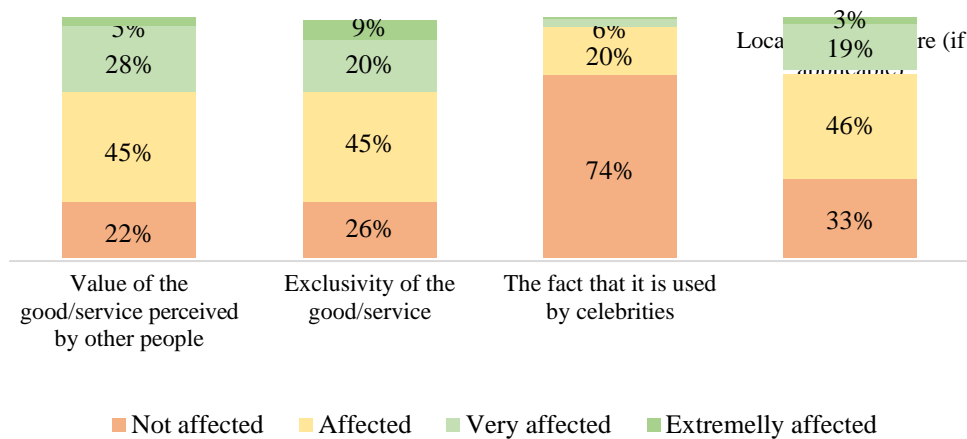


Figure 4.11 - Symbolic factors that affect luxury consumers choices
(Source: Own elaboration based on Survey Output)

Analyzing the average annual amount spent in luxury brands, 73% of the inquired spend less than 10k € annually in luxury goods, as demonstrated below (Figure 17).

Average Annual Amount Spent in Luxury Brands (€)

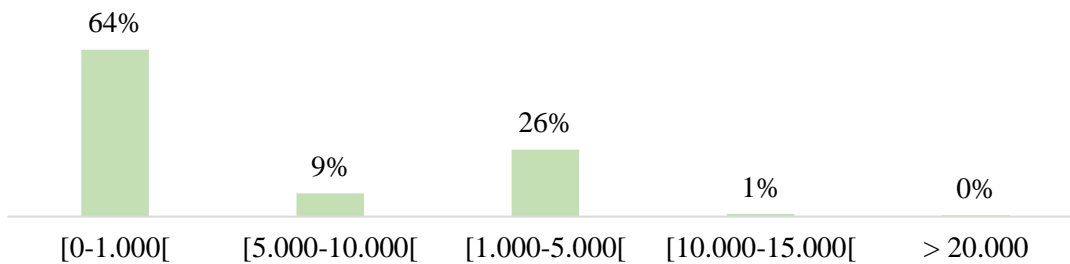


Figure 4.6 - Average Annual Amount spent in Luxury Brands (€)
(Source: Own elaboration based on Survey Output)

Besides the low level of spend in these types of articles, the correlation of income level and amount spent in luxury brands it is clear, higher earnings implies superior spending in luxury. Of the participants that do not have an income, 90% does not spend more than 1k € in luxury products/service per year. On the other hand, the inquired that earns more than 100k € per year only 13% spends less than 1k €.

Correlation between average annual income and annual amount spent in luxury goods

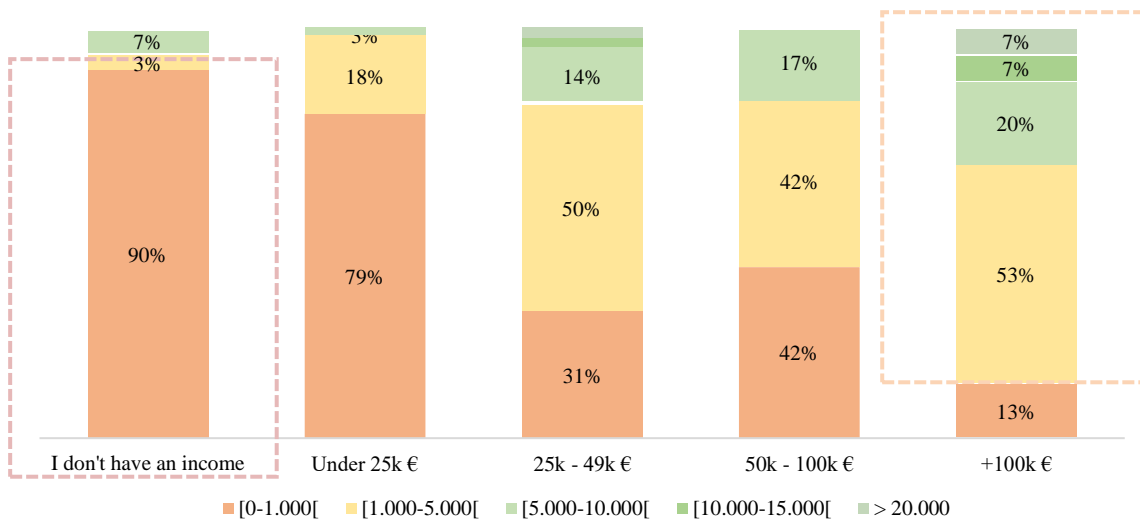


Figure 4.13 - Correlation between average annual income and annual amount spent in luxury goods

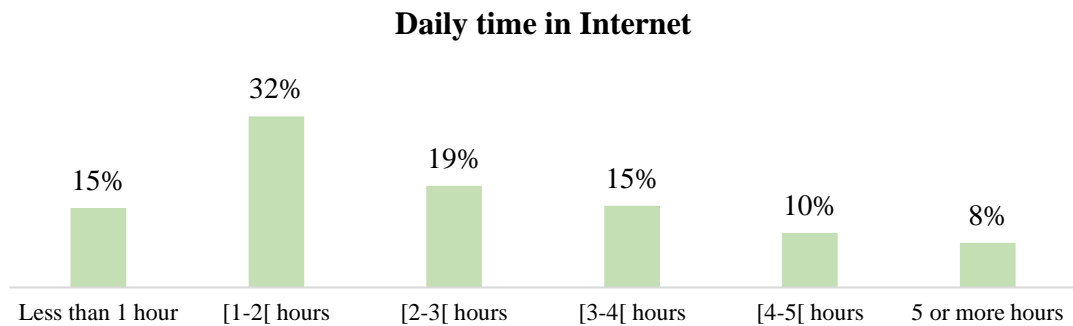
(Source: Own elaboration based on Survey Output)

After analyzing the influence of income levels on luxury consumption, the interaction between brands and consumers will be evaluated. As demonstrated in the figure below (Figure 19), 26% of the inquiries affirmed not to relate to luxury brands. The majority of the participants already interact, by searching prices or promotions and, following luxury brands trends on digital channels, 29% exclusively online and 29% both online and physical.



*Figure 4.147 - Interaction with luxury brands
(Source: Own elaboration based on Survey Output)*

Research suggests that luxury brands need to be transported to the virtual world, the strategy cannot only be related to physical shops (McKinsey & Company, 2010). A rich online presence is the best opportunity for luxury brands interact with customers and improve consumer engagement and loyalty. According to the results collected, more than half of the inquired (53%) spends more than two hours per day surfing in the internet.



*Figure 4.8 - Average daily time in Internet (in hours)
(Source: Own elaboration based on Survey Output)*

Although the high amount of time spent on the internet, 88% of the inquired spend less than one hour following and comparing luxury trend, products, brands, and prices (Figure 21). This result seem reasonable since there are many distractions in the digital world.

How much of your internet time do you spend on following and comparing luxury trends, products, brands and prices?

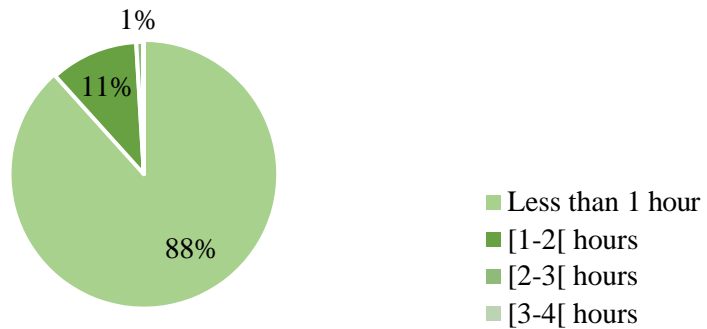


Figure 4.16 - Time spent online due to luxury
(Source: Own elaboration based on Survey Output)

It is important to understand if, despite the reduced amount of time spent online searching for luxury products or services, the “luxury consumer of the future” is already prepared to engage fully with brands exclusively through digital channels. The chart below (Figure 22) shows that participants are starting to give the first steps into digital channels. 74% of the respondents already interact with brands through this type of channels while purchasing luxury products/services, and 30% already engage fully through a digital experience. It is possible that COVID-19 pandemic also contributed for the acceleration of this new trend.

Are you comfortable with purchasing luxury products on the internet?

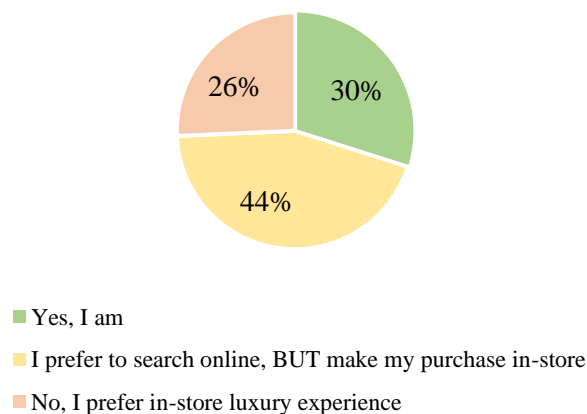


Figure 4.9 - Comfort with luxury online shopping
(Source: Own elaboration based on Survey Output)

The comfort with luxury online shopping is highly influenced by the participant age group, according to studies. Approximately half of the sample prefer to search luxury products online but make the purchase in store. However, it is not possible to take conclusions about the relationship between age groups and their willingness to buy these products online.

Are you comfortable with purchasing luxury products on the internet?

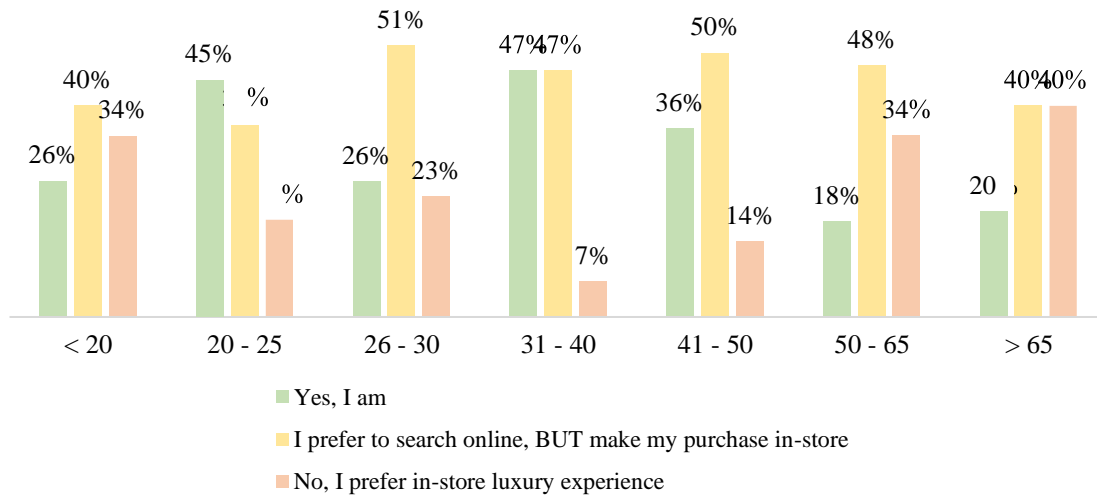


Figure 4.18 - Comfort with luxury online shopping by age group
(Source: Own elaboration based on Survey Output)

CHAPTER 5

Conclusion

5.1 Conclusions

The main goal of this dissertation is to understand if the digitalization of the luxury sector jeopardizes its basic principles, compromising the differentiation to less premium brands. To study this, three questions were created, to 1) understand in more depth the preferences of the luxury customer of the future, 2) the importance of a digitalization of luxury brands and 3) how could this brands deliver the same experience and quality, through the online channels.

To what extent will Luxury Brands need to adapt their current offer and positioning, converging to a more digital presence?

In the past, luxury consumers were perceived as the wealthy people that bought expensive goods or services, that contrasts with today where many of the consumers are people that cannot even afford to buy those items (Gil et al., 2012). In fact, the growth we have been seeing in the luxury market, is motivated by the increase in purchasing by the middle classes (Danzinger, 2004), leading to a “Democratization of luxury”.

The average luxury profile has changed, with a decrease of the average age, that affects the average consumption patterns. So, brands need to adjust their strategy and adjust it to what Millennials and Gen Z want from them. Millennials nowadays represent around 32% of the market and are expected to represent 50% by 2025. Also, Generation Z is expected to represent 8% of the market by 2025.

As mentioned before, the HENRY class is also growing and it is characterized by: 1) Having an average income from 100.000 to 250.000 dollars; 2) using technology in payments; 3) using mobile devices; 4) Do not save much money; 5) Comfortable with debt; 6) Shop online, mainly clothing, footwear, furniture, cosmetic, pet supplies, books, entertainment; 7) value complex and developed digital platforms and apps.

Consumers, nowadays, seek to make their consumption on brands that they can relate to. The emotional proximity with a brand plays a significant role in the brand choice (Ho et al, 2012). The new generations do not relate to the stereotypes of traditional wealth, they prefer instead to feel valued and buy products from brands that give them sensation of accomplishment, new experiences, travelling, community and security. They want to express

their entrepreneurial spirit, their individuality, personality and self-made success through their luxury products or experiences, making them seek for unique and individual collections, rather than mass-produced articles.

Consumers nowadays have more available money, want more to explore their emotions, and they have a much broader range of choices in terms of products and services. Luxury consumers look for products that make positive demonstrations and statements about their position in life, who they are and what they would like to be.

To understand this in more detail a survey was conducted in the present dissertation to understand what people value the most when buying luxury brands. In this respect, the obtained results provide a very explicit insight about the direction of the perceptions and attitudes towards purchasing luxury products or services through digital channels: 30% of the consumers are already comfortable with an 100% online experience and 44% choose digital channels as a complementary way to shop rather than a substitute for physical channels. Overall, 74% are already comfortable with including digital in their purchase, fully or partially, which is coherent with the results from Bain&Co report, that stated that 75% of the luxury purchases were influenced by digital channels. However, people are getting more comfortable using the digital channels to purchase luxury items, results show that 40% of the people, still prefer to search for their products online, and execute the purchase in-store. It was also observable that the older the respondent, the more uncomfortable was to do online purchases. This might have to do with the direct and indirect costs associated with the online purchase: uncertainty costs, opportunity cost not to have the full experience in store, the fact that (in fashion, for example) it is hard to understand if it is a good fit or not for them.

Also, with the survey, it was assessed which variables affected more the choice of a luxury product or service. The quality of the good/service was the most valuable factor, followed by the price/quality ratio. This is in accordance with Vigneron and Johnson(1999) that states that many consumers buy luxury brands because of the quality of the product, and it is also included in the matrix created by Vigneron and Johnson (2004), that define a theoretical framework called “Luxury Brand Index”, in which there are five major factors that motivate the purchase, and one of them is the quality.

In terms of experiential factors that motivated consumption one of the most important was the Social and Environmental responsibility of the brand, having 71% of the respondents answered that are affected, very affected or extremely affected by this factor, which is in line with what is states in BCG and Altagamma report on Luxury: 56% of consumers investigate a brand’s social responsibility and 60% are more willing to buy a product from a brand that

supports these behavior. Other important factor was the experience in the purchase moment: 78% responded that they were affected by this factor. Finally, the social media presence revealed itself as the least important factor, having 43% of the respondents stated they were not affected by this factor, which is not coherent with the tendency and data from the Influencer Marketing report, that stated that 79% of brands use Instagram for influencer campaigns, 46% use Facebook, 36% use Youtube, 24% use Twitter and 12% use LinkedIn.

Finally, when talking about symbolic factors, it is important to highlight the value of the good/ service perceived by others having 78% answered they were affected by this factor. Also, the exclusivity revealed itself as 74% of the respondents said they were affected by it. These two are also in line with the Luxury Brand Index, by Vigneron and Johnson (2004), that refers to conspicuousness and uniqueness as two of the five factor that motivates luxury purchases.

“As an industry that is known for innovation, avant-gardism and creativity, it may not be apparent why luxury brands and digital technology have been perceived as incompatible since the advent of the Internet and digital communications technology.”

According to Okonkwo, luxury was perceived as a market that was not compatible with the digital era. But luxury has given its first steps in the virtual era, being today an essential tool for brands to survive.

The Millennials generation, and the ones above, were born in a technological boom, and for that reason they seek other attributes in brands. In 2016, online sales of personal luxury only represented 8% of the total, being predicted that this number increases to 19% in 2025. In 2019 about 75% of the luxury purchases were influenced by digital channels. When we talk about digitalization of luxury brands it is essential to talk about social media and influencers. 76% state their sales increased exponentially due to partnerships with influencers. Also, 79% of brands use Instagram for influencer campaigns, 46% uses Facebook.

Another advantage of the digitalization of luxury brands is the data they can collect. Data analytics is essential for brands to provide a more personalized and a better customer service.

Through digital, brands are able to provide its customers a better storytelling, nowadays a fundamental strategy to attract and retain luxury consumers. In this sense it is probable that brands engage in new ways of interacting with the customer, stating 46% of luxury brands that they intend to use AR or VR to provide a better online experience, and be able to better storytelling in 2020. This way brands will be able to avoid the loss of identity and value dilution.

5.2 Research Limitations

During the development of this dissertation, some restraints to the research were found.

The sampling method was one of the limitations. The quantitative research relies on a small sample (214 people) of luxury and non-luxury goods consumers. Evidently, replications on a much larger scale should be done to obtain more accurate results. Since the survey was distributed in specific social groups and platforms concentrating on specific nationalities of respondents, failing by not being representative of the worldwide population. The investigation was not only focused on luxury consumers, as so it restricts the analysis in terms of luxury consumer behaviors and interactions with the digital channel. Rather than spreading the survey online, it had been wise to address the questionnaire in-store. This would permit to approach the target consumers. Although, both women and men participated in the survey, the respondents were mainly women (63%). Consequently, the results may be biased to a female perception.

Other limitation concerns to the literature gap in understanding the digital channel effect and evolution in this specific niche market, along with a new world context driven by COVID-19 pandemic. It was not easy to find trustworthy information regarding the pandemic consequences on the luxury markets since there is not sufficient data yet. There are some projections on its impact, but it is not certain. After COVID-19 is eradicated or controlled, it will be possible to study its impact in more detail. In this sense, this dissertation could gain value by being a longitudinal study to understand the customers perceptions of luxury digital presence with the pandemic influence.

5.2 Future Research

Having in consideration the previously mentioned limitations of this dissertation, future research should study deeper the way luxury brands need to adapt their current offer and positioning, converging to a more digital presence in a wider geographical perspective and focusing only in luxury consumers in order to have a broader yet accurate selection of perceptions.

Since this dissertation looked to study a very specific area in the luxury industry, in future researches, it would be very important to attempt to only include participants that are luxury consumers or, at least, have some experience in the luxury market.

Future investigations should focus on a longitudinal analysis to be able to parallel the study's results on a longer period of time to investigate the impacts of COVID-19 Pandemic on the digital luxury brands presence.

In addition to a quantitative research, qualitative studies based on observation can also be done in order to understand the real perceptions and attitudes of consumers regarding the online sales of luxury products, and how new channels can bring value to the experience, in open questions, without being influenced by the options pre-selected by the survey creator.

References

- Okonkwo, Uché (2009). Sustaining the luxury brand on the Internet. *Journal of Brand Management*, 16(5-6), 302-310.
- Kapferer, J. N. & Bastien, V. (2009). *The Luxury Strategy - Break the Rules of Marketing to Build Luxury Brands. (1st ed.)*, London: Kogan Page.
- Kapferer, J. N. & Bastien, V. (2009). The specificity of luxury management: Turning marketing upside down. *Journal of Brand Management*, 16(5), 311-322.
- Tynan, C., McKechnie, S., & Chhuon, C. (2010). Co-creating value for luxury brands. *Journal of Business Research*, 63(11), 1156–1163.
- Kapferer, J-N. (1997), “Managing luxury brands”, *Journal of brand management*, Vol.4 No.4, pp.251-260.
- Nueno, J. L., & Quelch, J. A. (1998). The mass marketing of luxury. *Business Horizons*, 41(6), 61–61.
- Heine, K. 2012. *The Concept of Luxury Brands*; https://upmarkit.com/sites/default/files/content/20130403_Heine_The_Concept_of_Luxury_Brands.pdf [Accessed 12h July 2020]
- Vigneron, F., & Johnson, L. W. 2004. Measuring perceptions of brand luxury. *Brand Management*, 11(6): 484–506.
- Seo, Y., & Buchanan-Oliver, M. 2015. Luxury branding: the industry, trends, and future conceptualisations. *Asia Pacific Journal of Marketing and Logistics*, 27 (1): 82-98.
- Bian, Q., & Forsythe, S. (2012). Purchase intention for luxury brands: A cross cultural comparison. *Journal of Business Research*, 65(10), 1443–1451.
- Vigneron, F., & Johnson, L. W. (2004). Measuring perceptions of brand luxury. *Journal of Brand Management*, 11(6), 484–506.
- Kapferer, J.-N., & Bastien, V. (2012). *The luxury strategy: Break the rules of marketing to build luxury brands*. Kogan page publishers.
- Kapferer, J.-N., & Michaut, A. (2015). Luxury and sustainability: A common future? The match depends on how consumers define luxury. *Luxury Research Journal*, 1(1), 3–17.
- Bhat, S., & Reddy, S. K. (1998). Symbolic and functional positioning of brands. *Journal of Consumer Marketing*, 15 (1), 32-43.
- Dubois. B., & Czellar, S. (2002). Prestige brand or luxury brands? An exploratory inquiry on consumer perceptions, *HEC Geneva*.

- Berthon, P.R., Pitt, L., Parent, M. & Berthon, J-P. 2009. Aesthetics and ephemerality: observing and preserving the luxury brand. *California Management Review*, 52(1): 45-66.
- Mortelmans, D. 2005. Sign values in processes of distinction: The concept of luxury. *Journal of the International Association for Semiotic Studies / Revue de l'Association Internationale de Sémiotique*, 157: 497–520.
- Chambers DeBarnier, V., & Rodina, I. (2006). Which luxury perceptions affect most consumer purchase behaviour? A cross cultural exploratory study in France, The United Kingdom and Russia.
- Heine, K. & Phan, M. 2011. Trading-up Mass-market Goods to Luxury Products. *Australasian Marketing Journal*, 19(2): 108-114.
- Holbrook (1980), "Some Preliminary Notes on Research in Consumer Esthetics": 104-108 Dubois, B and Paternault, C (1995). Understanding the world of international luxury brands. *Journal of Advertising Research*, 35(4).
- Heine, K. (2012). The concept of luxury brands. *Luxury Brand Management*, 1, 2193–1208.
- Catry (2003), The great pretenders: the magic of luxury goods
- Mortelmans, D. 2005. Sign values in processes of distinction: The concept of luxury. *Journal of the International Association for Semiotic Studies / Revue de l'Association Internationale de Sémiotique*, 157: 497–520.
- Schmitt, Zarantonello, Brakus (2009), Brand experience: What Is It? How Is It Measured? Does It Affect Loyalty?
- Carcano, Ceppi (2011), Time to Change: Contemporary Challenges for Haute Horlogerie
- Berthon, P.R., Pitt, L., Parent, M. & Berthon, J-P. 2009. Aesthetics and ephemerality: observing and preserving the luxury brand. *California Management Review*, 52(1): 45-66.
- Djik (2008), LUXURY FASHION MANAGEMENT: Brand and Marketing Management in the ever-changing Luxury Fashion Industry
- Matthiesen, I. & Phau, I. 2005. The 'HUGO BOSS' connection: Achieving global brand consistency across countries. *Journal of Brand Management*, 12(5): 325-338.
- McMahon-Beattie, U. & Yeoman, I. 2005. Luxury markets and premium pricing. *Journal of Revenue and Pricing Management*, 4(4): 319-328.
- Truong, Y., Kitchen, P.J. & McColl, R. 2009. New luxury brand positioning and the emergence of Masstige brands. *Journal of Brand Management*, 16(5): 375-382.
- Bain & Company. 2019. Eight Themes That Are Rewriting the Future of Luxury Goods. *Luxury Goods Worldwide Market Study, Fall–Winter 2019*;

<https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>.

[Accessed 16h August 2020]

- BCG, & Altagamma. 2019. BCG- Altagamma True-Luxury Global Consumer Insight 2019 study: 6th Edition. 2019 *True-Luxury Global Consumer Insight*; <http://mediapublications.bcg.com/france/TrueLuxury%20Global%20Consumer%20Insight%202019%20-%20Plenary%20-%20vMedia.pdf>. [Accessed 16h August 2020]
- Deloitte (2017) Report “Bling it on: What makes millennials spend more”
- Okonkwo, U. (2007), *Luxury fashion branding: trends, tactics, techniques*. New York: Palgrave MacMillan.
- DAVID B. WOOTEN (2006), *From Labeling Possessions to Possessing Labels: Ridicule and Socialization among Adolescents*
- Michael R. Solomon (2010), *Consumer Behaviour: A European Perspective*
- Douglas B. Holt (1995) - *How consumers consume: A typology of Consumption practices*
- Colgate & Smith (2007), *CUSTOMER VALUE CREATION: A PRACTICAL FRAMEWORK*
- Colgate M., Buchanan-Oliver M. & Elmsly R., (2005), “Relationship benefits in an internet environment”, *Managing Service Quality*, Vol.15, No.5, p.426-436.
- Choo, Moon, Kim, Yoon (2012), *Luxury customer value*
- Silverstein, M.J. and Fiske, N. (2003), *Luxury for the masses*, *Harvard Business Review*, 81(4), 48-57.
- Danziger, P. M. (2005). *Let them eat cak: Marketing luxury to the masses-as well as the classes*. Chicago: Dearborn Trade Publishing.
- Kapferer, J.-N., & Bastien, V. (2012). *The luxury strategy: Break the rules of marketing to build luxury brands*. Kogan page publishers.
- Tsai, S. (2005), *Impact of personal orientation on luxury-based purchase value*. *International Journal of Market Research*, 47 (4), pp-426-454
- Chadha, R., & Husband, P. (2006). *The cult of luxury brand: Inside Asia’s love affair with luxury*. London: Nicholas Brealey International.
- Nueno, J. L., & Quelch, J. A. (1998). *The mass marketing of luxury*. *Business Horizons*, 41(6), 61–61.
- Paurav Shukla, (2012), *The influence of value perceptions on luxury purchase intentions in developed and emerging markets*
- Shukla, P. (2011), *Impact of interpersonal influences, brand origin and brand image on luxury purchase intentions: Measuring interfunctional interactions and a cross-national comparison*. *Journal of World Business: JWB*, 46, 242-253.

- Dubois, B. ; Czellar, S. and Laurent, G. (2005), Consumer segments based on attitudes towards luxury: empirical evidence from twenty countries
- Kakar & Ashish (2017), "How Can Sellers Earn Loyalty of Online Shoppers?"
- Kim & J.Lennon (2013), Effects of reputation and website quality on online consumers' emotion, perceived risk and purchase intention
- Collis, J. & Hussey, R. (2003) Business Research: a practical guide for undergraduate and postgraduate students, second edition.
- Dillman, D. A. (2000). Mail and Internet surveys: The tailored design method (2nd ed.). New York: John Wiley & Sons, Inc.
- Mather & Lighthall (2009), The Role of Cognitive Control in Older Adults' Emotional Well-Being
- Bryman A. & Bell E., (2008), Business research methods, *Oxford university press*, 3rd edition, United Kingdom.
- https://www.researchgate.net/publication/303197981_Consumer_meaning_making_The_meaning_of_luxury_brands_in_a_democratized_luxury_world
- <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/back-to-basics-what-luxury-customers-really-want-from-digital>
- <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-the-luxury-opportunity.pdf>
- <https://blog.globalwebindex.com/chart-of-the-week/luxury-market-2019/>
- <https://www.scalefast.com/blog/online-luxury-consumer/>
- <https://matterofform.com/the-luxury-report/>
- <https://www.bcg.com/industries/consumer-products-industry/luxury-market>
- <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Consumer-Business/cb-global-powers-luxury-goods-2018.pdf>
- <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>
- <https://luxe.digital/business/digital-luxury-trends/luxury-future-trends/>
- <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/consumer-business/ch-en-swiss-watch-industry-study-2014.pdf>
- <https://www.bain.com/about/media-center/press-releases/2020/spring-luxury-report/>
- <https://www.bcg.com/publications/2020/new-era-and-new-look-for-luxury>
- <https://www.mckinsey.com/industries/retail/our-insights/fashions-digital-transformation-now-or-never>
- <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-the-luxury-opportunity.pdf>

<https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/consumer-business/deloitte-cn-consumer-global-powers-of-luxury-goods-2018-summary-en-181008.pdf>

https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/The%20opportunity%20in%20online%20luxury%20fashion/CSI_Online%20luxury%20fashion.pdf

Annexes

Annex A – Survey



Question 1

Please indicate your gender. *

Male

Female

Question 2

How old are you? *

< 20

20 - 25

26 - 30

31 - 40

41 - 50

50 - 65

> 65

Question 3

Please indicate your civil status. *

- Single
- In a relationship
- Married
- Divorced

Question 4

Where are you from? *

- Portugal
- Spain
- France
- Germany
- UK
- Outra: _____

Question 5

What is your current occupation? *

- Student
- Working student
- Employed
- Self-employed
- Unemployed
- Housewife/Houseman
- Retired

Question 6

What's your average annual income? *

- I don't have an income
- Under 25k €
- 25k - 49k €
- 50k - 100k €
- +100k €

Question 7

What do you regard as luxury? *

- Extravagant items
- Expensive but unnecessary items
- Best quality items
- Very selective and exclusive items

Question 8

What is, on average, the annual amount you spend on luxury brands (products or services) in euros (€)? *

- [0-1.000[
- [1.000-5.000[
- [5.000-10.000[
- [10.000-15.000[
- [15.000-20.000[
- > 20.000

Question 9

What are the elements that influence or motivate you to purchase luxury items? (Select one or more options) *

- Usability Value (Core function)
- Uniqueness Value
- Hedonic Value (Pleasure)
- Value perceived by others
- Materialistic Value
- Quality Value
- Price Value

Question 10

How are you currently connected, and interact with your favorite luxury brands: *

- I search and follow my favorite brands, products, trends, promotions online (e.g. email notifications, online magazines, social media, etc)
- I search for products, prices, promos in store
- Both of the above
- I'm not connected or interact with luxury brands

Question 11

How much time do you spend on the internet on a daily basis? *

- Less than 1 hour
- [1-2[hours
- [2-3[hours
- [3-4[hours
- [4-5[hours
- 5 or more hours

Question 12

How much of your internet time do you spend on following and comparing luxury trends, products, brands and prices? *

- Less than 1 hour
- [1-2] hours
- [2-3] hours
- [3-4] hours
- [4-5] hours
- 5 or more hours

Question 13

Do you use any of the tools listed below to follow and search for your favorite luxury brands? (Select one or more options) *

- Social media (Facebook, Instagram, Youtube, Twitter, WhatsApp)
- Direct email notifications
- Mobile Marketing (e.g: SMS, call, apps)
- Content Marketing (e.g: Online Magazines, websites, blogs)
- Search Engines (e.g: Google, Internet Explorer, Safari)
- E-commerce (Net-a-Porter, Farfetch)

Question 14

Why do you use these online tools? (Select one or more options) *

- To follow new fashion trends
- To purchase products
- To compare prices
- To view or receive sales promos, special campaigns
- None of the above

Question 15

Are you comfortable with purchasing luxury products on the internet? *

Yes, I am

I prefer to search online, BUT make my purchase in-store

No, I prefer in-store luxury experience

Question 16

Have you ever bought a luxury product online? If you did, please evaluate the experience in 1 to 10

If you have never bought a luxury product online please skip this question.

1 2 3 4 5 6 7 8 9 10

Very bad Excellent

Question 17

How are you affected by these factors when choosing a luxury product or service: *

	Not affected	Affected	Very affected	Extremely affected
Country of manufacturing of the good	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Country of origin of the brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality of the good/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social and environmental responsibility of the brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Value of the good/service perceived by other people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price of the good/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exclusivity of the good/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price/Quality ratio of the good/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The fact that it is used by celebrities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The social media presence of the brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advertisement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Location of the store (if applicable)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The experience of the purchase moment (In store, online, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
After purchase service and warranty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Go Digital or Go Home: The Digital transformation of Luxury Brands

Annex B – Auxiliar Analysis of the survey

		Elements that influence/motivate the purchase of luxury items								TOTAL	
		Best quality items		Very selective and exclusive items		Expensive but unnecessary items		Extravagant items			
Annual amount spent on luxury brands	[0-1.000[	Count	49		51		25		12		137
		% Total	55,7%	35,8%	63,0%	37,2%	92,6%	18,2%	66,7%	8,8%		64,0%
	[1.000-5.000[	Count	26		23		2		4		55
		% Total	29,5%	47,3%	28,4%	41,8%	7,4%	3,6%	22,2%	7,3%		25,7%
	[5.000-10.000[	Count	12		5		0		2		19
		% Total	13,6%	63,2%	6,2%	26,3%	0,0%	0,0%	11,1%	10,5%		8,9%
	[10.000-15.000[	Count	1		1		0		0		2
		% Total	1,1%	50,0%	1,2%	50,0%	0,0%	0,0%	0,0%	0,0%		0,9%
	> 20.000	Count	0		1		0		0		1
		% Total	0,0%	0,0%	1,2%	100,0%	0,0%	0,0%	0,0%	0,0%		0,5%
	TOTAL		88	81	27	18	214				
			41,1%	37,9%	12,6%	8,4%					

		Annual income						TOTAL					
		I don't have an income	Under 25k €	25k - 49k €	50k - 100k €	+100k €							
Annual amount spent on luxury brands	[0-1.000[	Count	52		60		13		10		2		137
		% Total	89,7%	38,0%	78,9%	43,8%	31,7%	9,5%	41,7%	7,3%	13,3%	1,5%		64,0%
	[1.000-5.000[	Count	2		14		21		10		8		55
		% Total	3,4%	3,6%	18,4%	25,5%	51,2%	38,2%	41,7%	18,2%	53,3%	14,5%		25,7%
	[5.000-10.000[	Count	4		2		6		4		3		19
		% Total	6,9%	21,1%	2,6%	10,5%	14,6%	31,6%	16,7%	21,1%	20,0%	15,8%		8,9%
	[10.000-15.000[	Count	0		0		1		0		1		2
		% Total	0,0%	0,0%	0,0%	0,0%	2,4%	50,0%	0,0%	0,0%	6,7%	50,0%		0,9%
	> 20.000	Count	0		0		0		0		1		1
		% Total	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,7%	100,0%		0,5%
	TOTAL		58	76	41	24	15	214					
			27,1%	35,5%	19,2%	11,2%	7,0%						

		Interaction with Luxury brands				TOTAL					
		I'm not connected or interact with luxury brands	I search for products, prices, promos in store	I search and follow my favorite brands, products, trends, promotions online (e.g. email notifications, online magazines, social media, etc)	Both of the above						
Annual amount spent on luxury brands	[0-1.000[	Count	46		16		40		35		137
		% Total	83,6%	33,6%	45,7%	11,7%	64,5%	29,2%	56,5%	25,5%		64,0%
	[1.000-5.000[	Count	6		12		15		22		55
		% Total	10,9%	10,9%	34,3%	21,8%	24,2%	27,3%	35,5%	40,0%		25,7%
	[5.000-10.000[	Count	1		7		6		5		19
		% Total	1,8%	5,3%	20,0%	36,8%	9,7%	31,6%	8,1%	26,3%		8,9%
	[10.000-15.000[	Count	2		0		0		0		2
		% Total	3,6%	100,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%		0,9%
	> 20.000	Count	0		0		1		0		1
		% Total	0,0%	0,0%	0,0%	0,0%	1,6%	100,0%	0,0%	0,0%		0,5%
	TOTAL		55	35	62	62	214				
			25,7%	16,4%	29,0%	29,0%					

		Comfortable with purchasing luxury products on the internet			TOTAL				
		No, I prefer in-store luxury experience	I prefer to search online, BUT make my purchase in-store	Yes, I am					
Annual amount spent on luxury brands	[0-1.000[	Count	36		56		45		137
		% Total	65,5%	26,3%	58,9%	40,9%	70,3%	32,8%		64,0%
	[1.000-5.000[	Count	14		28		13		55
		% Total	25,5%	25,5%	29,5%	50,9%	20,3%	23,6%		25,7%
	[5.000-10.000[	Count	5		8		6		19
		% Total	9,1%	26,3%	8,4%	42,1%	9,4%	31,6%		8,9%
	[10.000-15.000[	Count	0		2		0		2
		% Total	0,0%	0,0%	2,1%	100,0%	0,0%	0,0%		0,9%
	> 20.000	Count	0		1		0		1
		% Total	0,0%	0,0%	1,1%	100,0%	0,0%	0,0%		0,5%
	TOTAL		55	95	64	214			
			25,7%	44,4%	29,9%				

Go Digital or Go Home: The Digital transformation of Luxury Brands

Time spent on the internet (daily) following and comparing luxury trends, products, brands and prices												
		Less than 1 hour	[1-2] hours	[2-3] hours	[3-4] hours	[4-5] hours	5 or more hours					
Time spent on the internet (daily)	Less than 1 hour	Count	32									32
		% Total	16,9%	100,0%								15,0%
	[1-2] hours	Count	65	4								69
		% Total	34,4%	94,2%	17,4%	5,8%						32,2%
	[2-3] hours	Count	34	6	1							41
		% Total	18,0%	82,9%	26,1%	14,6%	50,0%	2,4%				19,2%
	[3-4] hours	Count	25	6	1	0						32
		% Total	13,2%	78,1%	26,1%	18,8%	50,0%	3,1%	0,0%	0,0%		15,0%
	[4-5] hours	Count	16	6	0	0	0					22
		% Total	8,5%	50,0%	26,1%	18,8%	0,0%	0,0%	0,0%	0,0%	0,0%	10,3%
	5 or more hours	Count	17	1	0	0	0	0	0	0	0	18
		% Total	8,5%	72,7%	26,1%	27,3%	0,0%	0,0%	0,0%	0,0%	0,0%	10,3%
	TOTAL		189	23	2	0	0	0	0	0	0	214
			88,3%	10,7%	0,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	

		Not affected	Affected	Very affected	Extremely affected
Country of manufacturing of the good	Count	86	94	30	4
	%Total	40,2%	43,9%	14,0%	1,9%
Country of origin of the brand	Count	82	101	29	2
	%Total	38,3%	47,2%	13,6%	0,9%
Quality of the good/service	Count	10	52	95	57
	%Total	4,7%	24,3%	44,4%	26,6%
Social and Environmental responsibility of the Brand	Count	61	103	44	6
	%Total	28,5%	48,1%	20,6%	2,8%
Value of the good/service perceived by other people	Count	47	97	59	11
	%Total	22,0%	45,3%	27,6%	5,1%
Price of the good/service	Count	16	62	97	39
	%Total	7,5%	29,0%	45,3%	18,2%
Exclusivity of the good/service	Count	55	96	43	20
	%Total	25,7%	44,9%	20,1%	9,3%
Price/Quality ratio of the good/service	Count	12	58	93	51
	%Total	5,6%	27,1%	43,5%	23,8%
The fact that it is used by celebrities	Count	159	42	12	1
	%Total	74,3%	19,6%	5,6%	0,5%
The social media presence of the brand	Count	121	71	16	6
	%Total	56,5%	33,2%	7,5%	2,8%
Advertisement	Count	93	95	23	3
	%Total	43,5%	44,4%	10,7%	1,4%
Location of the store (if applicable)	Count	70	98	40	6
	%Total	32,7%	45,8%	18,7%	2,8%
The experience of the purchase moment (In store, online, etc)	Count	48	98	53	15
	%Total	22,4%	45,8%	24,8%	7,0%
After purchase service and warranty	Count	41	71	76	26
	%Total	19,2%	33,2%	35,5%	12,1%