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The Present and Future State of Multi-Brand Platforms in Luxury E-Commerce:

Leveraging Digital Tools to Build Customer Loyalty

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Abstract

Luxury fashion consumption is changing. For decades, the industry favored premium in-person experiences. Recently, however, luxury brands and consumers have taken notice of online channels, and competition is fiercer than ever. The aim of this thesis is to analyze the industry and specify recommendations for the improvement of a business model employed by major e-commerce platforms in luxury fashion, the multi-brand model. Literature, a consumer survey and company records comprise the primary sources of information used to analyze the model and support the elaboration of three major recommendations: integration of metaverse technology, improved customer experience and digital loyalty development.

Keywords: E-Commerce, Luxury Fashion, Multi-Brand Platform, Business Model

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1. Introduction

As of the end of 2022, e-commerce is widespread in nearly every industry and product category. However, the luxury industry has been comparatively slow to develop an online presence, preferring the personalization and higher-level of customer service and experience historically afforded by in-person luxury shopping. Nevertheless, companies like the luxury fashion retailers Net-a-Porter and Farfetch have been trying to grow this segment for many years, and now bigger names, like the e-commerce giants Amazon and Alibaba, are starting to compete in this race as well. By forcing people to stay home and thus bringing the traditional luxury shopping experience to a halt, the Covid pandemic had a very significant impact on online luxury sales (D'Arpizio, et al., 2021). Since then, the industry has awakened to the advantages of wide-reaching, unified, one-stop, online platforms for luxury clothing and accessories.

Most, if not all of these platforms use technologically advanced web stores, partnering with brands and other retailers to either resell their goods online or intermediate between them and consumers, allowing them to sell directly via their platforms and taking a cut from each sale as a fee. Since most companies in the luxury industry are steadfast about preserving their exclusivity, these platforms are faced with the challenge of maintaining high-quality partners, services, and customer experiences to sustain themselves. This also puts a greater burden on the management of logistics, which are already a key concern in ecommerce business models. As a result, some players in the industry are accelerating technological innovations to stand out and offer luxury consumers the first taste of the future of online shopping.

The aforementioned giants, Amazon and Alibaba, failed to attract luxury brands for many years, as their mass-market business models were incompatible with the exclusivity and prestige associated with the industry. However, they have recently adapted to the market's needs and, backed by their expertise in data and logistics, they are well positioned to become major forces in the industry. In 2017, when most of the luxury world still felt unsure about digital, Alibaba

Group launched the invitation only Tmall Luxury Pavilion platform in the Chinese market with great success and, in 2020, Amazon launched its Luxury Stores for Prime subscribers. Ultimately, the online luxury industry is experiencing quick mutation and growth. We believe this is an excellent opportunity for the study of its main players' business models and to provide suggestions on how to adapt them to improve these firms' standing in the luxury e-commerce wars that seem to be developing. Our interest in this industry extends to the highly technological and digital innovation-driven nature of its operation and success, especially now that large tech-enabled retailers have mobilized to strengthen their presence in it. We wish to expand our knowledge of the industry, the players, and the innovations mutating them to strengthen our know-how and enhance our career prospects in this area, or other related ones.

1.1. Structure

The study starts with a presentation of literature review on the concept of business models, and frameworks used to identify, deconstruct, and analyze them. Relevant adjacent topics such as business model innovation and transformation are also addressed. Literature on industry-related topics such as the concepts of luxury products and e-commerce is covered as well. Next, the methodology behind the elaboration of the thesis is explained.

The following topic introduces the study of the industry itself, its history and evolution, compared and contextualized within the scope of both luxury fashion and e-commerce. Subsequently, greater focus is given to the variation and variety of different business models that characterize the sector, compared to one another. After this, an in-depth analysis of the multi-brand model using the 2014 framework by Gassmann et al. is finally presented, with each component of the business model being given a detailed look. At the end of this analysis, a summarization of the model's key strengths and weaknesses is compiled. Based on these findings, the study proceeds with major recommendations for the improvement of the multi-brand model by e-commerce businesses in the luxury fashion industry, each covering its own

strategic relevance, key elements and stakeholders and expected implications. Finally, conclusions are drawn from a reflection of the entire study's findings, followed by an acknowledgement of its limitations.

2. Literature Review

2.1. Business Model

The business model is a concept that has influenced trading and economic behavior for centuries (Teece, 2010). In the mid-1990s, as the Internet surfaced, it started to gain traction among business scholars and practitioners, with the momentum leading to the publication of thousands of articles, books and other documents (Zott, 2011). Despite this, there doesn't seem to be an agreed-upon definition for this concept in published literature (Gassmann, 2013), (Amit & Zott, 2012) but rather multiple partially overlapping definitions by different authors, some examples of which are provided in Appendix 1. Teece, 2010, for example, describes business models as a tool which "articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value", whereas Casadesus-Masanell and Ricart, 2010, refers to the concept simply as the reflection of an organization's realized strategy.

Nevertheless, the concept has been studied extensively using frameworks such as the Business Model Canvas from the 2010 book *Business Model* Generation, by Osterwalder and Pigneur, which divides the business model into nine segments that, put together, can articulate the way an organization creates, delivers and captures value. These nine segments are the value proposition, customer segments, customer relationships, channels, revenue structure, cost structure, key activities, key resources, and key partners. In 2012, a different framework by Amit and Zott was published, analyzing business models in four components based on fundamental questions that can explain how organizations function: *What* activities need to be performed to deliver the offering to customers? *Who* are the main stakeholders performing the

activities? *How* are the offerings to the customer created? *Why* does the business model create value? These questions bear resemblance to those mentioned in some definitions of the business model, associated with *Peter Drucker's Five Most Important Questions* (Magretta, 2002). The final question is at the center of this framework, which focuses on the business as a profit-generating entity.

The following year, Gassmann, Frankenberger, and Csik proposed another framework in their working paper *The St. Gallen Business Model Navigator*. This framework also studies business models under the lens of four key questions, dividing the models in four elements, three of which surround the final and central element, represented by the question "*Who?*", which refers to the model's target, the customer segments it serves. The other elements are the value proposition (*What* does the business offer to the customer?), the value chain (*How* is the value proposition created?) and the revenue model (How is *Value* created?). This 2013 framework thus differs from the previous one by placing a bigger focus on the importance of market definition, supported by the idea that failing to do so exposes the business to greater risk of failure (Morris, 2005).

The working paper from which the framework originates also provides insight on the concept of Business Model Innovation. According to the paper, this phenomenon occurs if at least two of the four elements of a business model are altered. Though the concept also lacks a commonly accepted definition (Andreini & Bettinelli, 2017), researchers have considered it a set of activities which include incremental changes in business model concepts, extensions and disruptions of existent business models, the introduction of new models and their replacement (Khanagha, 2014).

2.2. E-Commerce & Luxury

Electronic commerce (or e-commerce) can be defined as the transaction of goods and services using telecommunication-based technologies, such as, and most notably, the internet

(Kabugumila, 2016). E-commerce reduces transaction costs on the demand and supply sides of the market substantially and can be reproduced at little cost. It can also enable real-time data gathering, pricing and customer interaction (Beuckels & Hudders, 2016). Firms using internet-based e-commerce started surfacing in the 1990s as a result of technological advancements and influenced the economical behaviors of consumers, encouraging them to become better-informed about the products they purchase to reduce costs and to choose more convenient channels such as online platforms (Yang, 2018). The growth of e-commerce and its impact on consumers has resulted not only in the appearance of a variety of dedicated retail platforms like Amazon, Alibaba, Ebay, and many more with different scopes, but also the development of alternative online sales channels for all kinds of pre-existent and new businesses alike, to satisfy customers' changing preferences (Zhao, 2018)

Luxury is a concept grounded on factors such as high quality and price, uniqueness, aesthetics, heritage and superfluousness , as well as irrationality . The term has been defined in various ways in literature. One definition describes luxury as a label that expresses the utmost privilege for a brand through five differentiating values: perceived conspicuousness, uniqueness, quality, hedonism and social value (Vigneron & Johnson, 1999). Other studies also support these and similar traits as concept defining from the perspective of consumers. Another perspective portrays luxury as classification of goods with limited supply, 95% of which are only accessible to 5% of the population (Bilge, 2015).

Luxury brands compete on their exclusivity , which is another way to say that the value of luxury products and brands is reduced when they become accessible to too many customers (Dubois & Paternault, 1995). A strong brand identity with a recognizable style and premium prices is crucial for the success of luxury brands , which convey feelings of social belonging and status .

As of 2022, digitalization is an ever-present part of contemporary lifestyles, and that applies to economic behavior, as well. It is thus required that all businesses nowadays adapt to this digital Omnipresence if they wish to remain competitive (Iansiti & Lakhani, 2014). This is also true of luxury businesses. However, the idea of selling luxury products via e-commerce channels and platforms was a controversial one for a longtime, with some arguing that luxury brands would be better off using online channels as communication tools only (Hennings, 2012). The main reason for this is what is known as the "Internet dilemma" among luxury brands , which refers to how antithetic the concepts of luxury and the internet appear to be – where the former prizes exclusivity and restricted access, the latter represents freedom of information and universal accessibility. In other words, firms are concerned about their brand identity and exclusivity being eroded by increasing their presence in channels that could be perceived as too accessible.

There are also issues related with customer concerns about the quality of products and committing to big online payments without experiencing them first-hand (Hennings, 2012). Nevertheless, as worldwide demand for luxury goods grows, personal luxury goods sales in digital channels continue to rise. According to studies by Bain & Company, the online luxury market share grew from 12% to 22% between 2019 and the end of 2021, with a CAGR of 38%, aided by the Covid-19 pandemic and the way it forcefully altered consumer behavior. At the end of 2021, this segment of the market was worth $62 billion (D'Arpizio, et al., 2021).

In 2018, Balasyan and Casais compiled the key elements of the digital luxury experience from multiple authors (Appendix 3). These elements were pooled into three main pillars: the brand identity and aesthetics, which relates to the products, prices and design as well as the level of service, communication and consistency; the usability, related to more technical aspects such as the platforms' functionality and speed; and the interactivity, which refers to the communities

built around online brands and platforms as well as the interactions between the customer and the brand.

3. Methodology

The development of this thesis is grounded on the literature review presented above regarding the core topics of business model definition, analysis, and improvement, as well as industry-relevant topics such as luxury and e-commerce. In the following sections we explain the reasoning behind the use of specific frameworks in this study and provide clarification on the different sources from data was extracted for our analysis.

3.1. Conceptual background

In this thesis, the multi-brand platform business model will be analyzed using the Gassmann, Frankenberger and Csik framework. This framework was chosen instead of arguably more comprehensive or commonly used ones like the Business Model Canvas (Osterwalder & Pigneur, 2010) due to two main reasons. The first is how straightforward the framework is, clearly connecting each component with universal questions that can define the core of any business. We found that the simple structure did not detract from the quality of the analysis, but rather enhanced it due to its clarity.

The second reason is that this framework, when compared to others with a similarly straightforward structure, such as the 2012 framework by Amit and Zott, is more focused on the target customer and market segment being served rather than the profit-generating capabilities of the model. To be clear, these dimensions can and should be covered with either model, but we believe the former to be more suitable for this study than the latter, considering that we will be discussing the luxury fashion industry, where the target customer has several specificities that make it different when compared to most other industries and particularly relevant for firms when considering their business model.

3.2. Description of the data sources

In addition to an extensive literature review, a survey was conducted with the aim of having a more broad and subjective point of view about the theme. The sample was vastly composed by a younger generation (mainly between 18 and 35), since this generation is more in contact with technology, specifically social media like Whatsapp and Instagram, which we employed to disseminate our survey. Most of the people who answered our survey are fundamentally students that are now in the university, a younger generation that is now entering the workforce and the other part were people that have now some experience in the labor world. Nevertheless, in order to not incline the survey's results to only one side, the questions in the survey were also responded by a different generation. Members of our family from the age of 40 years old until 60 years old, also answered the survey. This way we ensured the balance and a different point of view from a generation that does not have as much contact with technology and e-commerce as the younger generation. Our aim was to reach the greatest number of people to answer the survey and to have as much variety as we could in the answer pool. We received a total of 103 responses on a total of 800 people asked. The survey was composed of 13 questions, all presented in the English language, which can be found in Appendix 13.

Further information was sourced from peer-reviewed academic publications and articles from relevant journals detailing the state of the luxury fashion e-commerce market, its trends and events which have shifted or may come to shift the industry's paradigm. These documents were sourced from library and database repositories such as Emerald and EBSCO Information Services, consulting reports from, for example, Bain & Company, McKinsey & Company and Oliver Wyman, in order to evaluate and predict the future of luxury e-commerce based on some metrics such as online sales and scale up strategies.

Online magazines focused on business, technology, fashion or luxury also provided useful insights about industry developments. Some examples include the Harvard Business Review,

Luxe Digital and Business of Fashion.In addition to published literature, this study also uses information gathered from available company records, presentations, and other resources from industry players, such as the most recent quarterly reports from Farfetch and Mytheresa. These resources lay the foundation for the theoretical insights found in this study and also provide real, practical examples and applications with which our analysis can be deepened, and our recommendations supported.

4. Evolution of the Luxury Fashion E-Commerce Industry

The history of luxury fashion is as fascinating as the world's obsession with it would imply. What seemed like a market that would always belong in physical environments has developed a full-force digital market segment that is vital for the survival of brands. Of course, both the course of evolution of online fashion and e-commerce follow each other up.

Classical luxury brand stores are typically associated with large, imponent buildings on the outside and glamorous environments that offer the customer a unique shopping experience on the inside. Logically, this meant that the industry's digitalization process was filled with constraints and obstacles that were, at first, difficult to overcome.

Regarding e-commerce, the timeline can be divided is several stages (Miva, 2020). The first one was between 1960 and 1980, when the Electronic Data Intercharge was developed. This invention replaced faxing and traditional delivery of papers by enabling the digital transmission of data between computers. This enabled business partners to transfer transactions, instructions, invoices, and more via computer and without any human interference of any sort. Aldrich baptized his invention as "teleshopping", since it was the idea of having the possibility to shop at a distance, and teleshopping has since been regarded as the predecessor of the online shopping we are used to nowadays.

The second phase came through 1980 until 1990 when the first stage of e-commerce surfaced through projects like the Electronic Mall in 1984, introduced by CompuServe enabling its

customers to buy goods from over 100 distinctive sellers. Also in 1984, in California, the "Electronic Commerce Act" was passed, aiming to enforce specific standards on systems built to perform the acquisitions of goods and services through a telecommunications system. (Fulfillment Lab, 2021).

The third stage was the introduction of world wide web that acted as a stimulus for online shopping since internet users could now discover what they were searching in a more rapid way and businesses could now extend into a larger audience. This was all made possible by Tim Berners-Lee who invented the first web server and composed the initial web browser (Miva, 2020). Additionally, 1994 was the year of a decisive landmark in the e-commerce history, it was the year of the first secure online transaction. This was accomplished through Secure Socket Layer (SSL), a procedure that ensured the security of both the sending and receiving sides of online transactions by using encryption (Fulfillment Lab, 2021). This milestone later motivated the appearances important marketplaces. E-commerce marketplaces like Amazon and eBay, arrived and revolutionized the way e-commerce shopping was made by offering a multitude of goods and services in a website. (Miva, 2020).

The fourth and last stage was the evolution and establishment of online payments from mid 1998 onwards. With the appearance of Paypal, that offered a secure way to transfer money and in 2004 the Payment Card Industry Security Standards Council (PCI) was created to guarantee that businesses were obeying with security requisites required. The aim of this establishment was to design, improve, preserve, disseminate, and put into practice security standards for safeguarding client account information (Miva, 2020).

Nowadays what we can see with this evolution is that e-commerce has had a significant impact on daily living, business, and governmental operations. Businesses and supply chains nowadays conduct their trade via the web, something that would have seemed impossible forty years ago. Large e-malls, consumer focused auction platforms, multichannel shops, and several millions

of e-retailers are examples of how current marketplaces have success. Another essential development was the cloud service provider. Through these platforms, resources could be used in a more efficient way and platforms can include a multitude of services from transportation, computing and storage resources as well as legal and medical assistance, all with almost instantaneous access. It has become commonplace to mass-customize products that are offered online (Zwass, n.d.). More recently, modern and innovative technologies such as blockchain are being implemented by these platforms to improve security for consumers alongside increased regulations across the internet. The basic goal of the blockchain platform is to make it possible to correctly capture and transmit digital information without any editing or manipulation. It is a mechanism for storing data that cannot be altered or compromised. Every block along the chain has a specific number of transactions, and whenever a transaction is made on this platform, a recording of that operation is recorded to the ledger of every participant (Kishan & Umer, 2021).

Blockchain technology is essential to the allure and usefulness of cryptocurrencies, which are also being adopted by many online commercial platforms. Blockchain, as its name suggests, is simply a network of interconnected blocks or an electronic ledger. A group of transactions are contained in each block, and each node on the network has independently validated each transaction (Frankenfield, 2022). Blockchain also allows non-fungible tokens (NFTs), which are increasing in popularity among brands and consumers, to be used for identity management or to cut out middlemen and link artists with audiences (Sharma, 2022). Another relevant new technology is the metaverse. The term "metaverse" describes both present-day and foreseeable interconnected digital platforms with a concentration on augmented and virtual reality. In the future, people will have access to a continuum of immersive digital experiences that will let them participate in a variety of diverse activities in entirely digital settings. In order to provide more realistic and immersive digital experiences, businesses are presently entering the

metaverse, by offering to the user a collection of different digital environments and experiences. By delivering more effective or efficient ways to supply services, many businesses have the chance to disrupt their sectors. Likewise, is a plethora of implementation options and concepts to enhance particular human interaction domains, one of them through interpersonal ties. This possible due to the fact that metaverse creates the possibility of interacting and meet in virtual spaces in a way that impersonates reality. The concept created is centred on interpersonal communication in order to illustrate this metaverse's possibilities (Reaume, 2022).

Regarding the evolution of luxury fashion e-commerce, it should be noted that, for a long time, high-end fashion brands were skeptical or even refused to commit themselves online commercial channels. In the beginning of the century, the selling of clothing, particularly in the luxury sector, was in its infancy. With rare exceptions, luxury firms rejected the creation and introduction of new technologies and didn't even try to mold updates to their demands. Some constraints were presented as reasons to avoid these new channels: (i.) web development notwithstanding, users encountered slow and inefficient technology, (ii.) the minor number of internet users (iii.) the urge to stay exclusive, fighting against widespread access (iv.) the relative lack of awareness of the potential of e-commerce (v.) logistics, the fact that third-party carriers that billed a "delivery charge" would need to be hired and (vi.) the matter of international deliveries was an unexplored and rather challenging prospect. (Gola, 2013)

However, the main problem was the method of payment. Before the appearance of PayPal, there were highly significant concerns with the security of payments online, which was reflected in both supply and demand, since the client refused to share personal financial data and the supplier, in the absence of trustworthy online payments systems, refused to carry the "cost gap" which was the compensation, from the seller, withheld until the customer paid for the product, which only occurred at the moment of delivery. Another significant issue was the fact that luxury brands differentiate themselves by the in-store experience, much value is added via the

store, its decoration, the storytelling behind the product and purchase. The sole presence of a physical store makes that much of a difference for these types of customers (Pathak, 2019). Fast-forwarding to the appearances of PayPal and the first secure payment platforms, luxury brands started slowly entering this online reality. Platforms such as Net-a-Porter, Mytheresa, Moda Operandi, among others, served as gateways for luxury brands to enter this segment. The process of digitalization of luxury brands was key to enabling the existence of e-commerce in this segment. It is important to understand that customers of these types of brands prefer a personalized, clean, uncrowded service from the salespeople (Moran, 2022). Bearing that in mind, platforms like those just mentioned started to emulate some of these features in their websites. Features such as clean design of the website, the translation of sophistication from the store to the website, key features such as shopping through social networks like Instagram via website, the importance given to the brand storytelling and brand values and the opportunity for the customer to make their own clothing in the moment, started to appear in the websites.

Additionally, these online platforms present a new range of opportunities for fashion brand. One of the most notorious improvements was the democratization of luxury article purchases. In the past, only a group of select few wealthy people could comfortably enter these stores. Nowadays, the high-end buying experience is more accessible through the internet, which means more people interested in purchasing the items, without actually changing the *glamour* of the in-store buying experience. Online platforms can also draw in new types of customers. The younger generations tend to prefer and are increasingly drawn to e-commerce, thus by creating an online presence, it helps luxury brands to reach new segments and to sustain a long-term customer base. Currently, the younger generations are increasingly connected with the internet world, and they spend considerable time and money online, so having a platform that corresponds to their high standards from the comfort of their home, makes the purchase experience more attractive and simpler. (Kahn, 2018)

Another benefit is the fact that being online allows luxury brands to be up to date on the latest trends and enables resources that help both the buyer in making informed decisions and the seller in offering relevant information. The internet's supply of knowledge and importance given by newer generations to topics such as sustainability and accountability have raised the bar for luxury consumers, who have higher expectations than ever. As shown in Appendix 4, as well as in Bain & Company's 2021 industry report, e-commerce is gaining a relevant share of importance in the luxury world (Ecommerce DB, 2021; Bain & Company, 2021).

Nevertheless, there are some downsides when talking about luxury e-commerce. As said before, the younger generations tend to focus increasingly on sustainability and accountability. Luxury e-commerce can raise some issues in that regard. The first and foremost problem is the climate. The transport and delivery of goods originated by e-commerce platforms produces high levels of carbon emissions, since the delivery of the goods from the store or store warehouse is inevitable. Also, in terms of resources, luxury e-commerce ends up leaving its mark on the planet. (Harbaugh, 2022). Due to its dependence on packaging and transportation, e-commerce increases the consumption of natural resources. When it comes to the luxury market, where priceless goods must be safeguarded, this issue can be extremely acute. Another big issue is the overconsumption caused by luxury e-commerce. The features talked above leave a trail to one of the most delicate themes, overconsumption. With a plethora of supply and distribution services, it becomes increasingly easy to purchase this kind of goods online, leading to a problem of overconsumption due to ease of purchase and a subsequent waste of materials.

With all this being said, how is the future of e-commerce luxury brands going to evolve? According to a study made by McKinsey & Company, by having a high dependence of packaging and transportation and a reduced offer range jointly with an avoidance of advertising, after passing through a scale up process where there will be a launch of full e-shops, e--commerce will become a priority for the management of companies, driving online sales to 18-

20% of total revenue in the near future. These two features will pave the way to the so called "plateau" where, after reaching the 20-percent threshold, generally online sales decelerate as the industry's e-commerce segment moves on to the maturity stage (Appendix 5).

In conclusion, the history and evolution of luxury e-commerce, despite being, relatively, quite short, has overcome various stages and is still evolving, moving into a phase that is as of yet unclear, since this is the first time that luxury brands are entering e-commerce with full commitment. What can be concluded is that, for what seemed to be such a difficult model to impose upon such an exclusive market like luxury brands, e-commerce is currently enjoying remarkable prominence in the economy of luxury brands.

5. Variation of Luxury Fashion E-commerce Business Models

This topic is partly connected to the previous one, but it will be more closely focused on the numerous types of business models that have been deployed throughout the history of the industry, as well as its essential qualities, distinctions, users, strengths, and weaknesses. When discussing the type of business strategy an e-commerce company should employ, one of the most frequently raised questions is whether the company should sell the brands of other businesses. Should it instead sell products from smaller producers under its own brand? Or should the company establish its own clothing line?

A multi-brand model is employed when a single e-commerce store sells products from multiple brands. Under a separate company name and brand, a single corporation distributes its products across various digital channels within the same market category. On a larger scale, a multi-brand e-commerce model might appeal to businesses that acquire a number of comparable businesses. With multi-branding, a business will introduce many items into the same market. This will have the effect of attracting diverse consumers, eliminate internal rivalry, and enhance brand image, as each product is, nonetheless, uniquely branded. Consider Old Navy and Gap, L'Oréal and Maybelline, Expedia and Orbitz, and L'Oréal and Maybelline. These companies

once competed with one another (and some still do), but they now operate under the same corporate tent. Multi-brand ecommerce may also encompass larger ecommerce platforms that sell a variety of brands, regardless of whether they are owned by the firm running the platform or not. Consider Gilt as an example. Signing up for Gilt will expose you to flash bargains on an entire alphabet of companies. In contrast, if you subscribe to Gucci's newsletter, you will only receive information regarding Gucci products.

A multi-brand store typically falls into one of two categories: branded residence, consider Air Jordans. This single brand falls under the Nike umbrella. Customers are aware that Air Jordans and Nike are separate, but they know it's preferable to purchase fresh Air Jordans from Nike; the second category refers to a family of brands, where the examples of Amazon, Farfetch, and Net-A-Porter, who sell a large variety of branded products, come to mind (Shopify, 2022).

Amazon's fashion division is an excellent example of a company that implements a multi-brand approach (Net Gains, 2014). As is common knowledge, Amazon sells a variety of goods produced by a number of unique businesses. This allows the organization to provide customers a wide variety of products from which to pick. Concerning the practice of multi-branding, we are able to identify a significant issue. This is owing to the fact that it is exceedingly difficult to achieve success unless the firm in question is already well-established and possesses a platform so prominent that other brands would desire to sell their products on it. When we take into account all of this information, we are able to appreciate why a company like Amazon, when it first opened its Amazon Fashion and Amazon Luxury Stores in 2020, could pursue this type of business plan despite the presence of incumbent platforms with industry expertise.

Taking Amazon as an example, companies of Amazon's size and organization can afford to implement free shipping and free returns policies, which can entice customers to pick them over competitors who do not offer these incentives. When they launched Amazon Fashion, they had an almost insurmountable edge over other companies who wanted to do the same thing because

they were already a well-known corporation with a large e-commerce platform. Free shipping and free returns add another layer of logistical complexity to their operation, in addition to the financial strain that this imposes. And then there are a series of related costs, such as those linked with support, compliance, marketing, salaries, rent, etc., that are not as easy to consider at a business's launch. That's why it is so difficult for firms seeking to launch operations from scratch to use this type of business strategy. Profit margins will be lowered as a result of all these fees, and the company will be compelled to focus on survival rather than expansion.

Large enterprises are also more likely to pursue a business strategy involving many brands due to their substantial economic strength, which enables them to develop the manner in which they supply high-end products to their clients. Amazon is at the forefront of the fashion retailing market by incorporating logistics and technology as a key component of its overall strategy (Competitor Monitor, n.d.). They are able to utilize new technology to accelerate delivery in order to satisfy client expectations. In addition, they are able to use emerging technologies, such as the "See in 360" feature, that provide consumers with an entirely new shopping experience for these types of products. This interactive element will initially be available on select clothing and let buyers to explore numerous styles in 360-degree detail, allowing them to picture the garment's fit more accurately. Additionally, it will facilitate and enrich the experience of shopping for luxury goods. On top of that, Amazon offers merchandising tools that enable marketers to develop and customize content in accordance with their distinct brand voices and enables participating brand to make their own inventory, selection, and pricing selections.

Clearly, this kind of business is advantageous for well-established organizations (Appendix 6). Farfetch is another considerably large company that has been expanding at a rapid rate over the past few years, despite the fact that Amazon still has a huge size advantage (considering their ventures outside of luxury fashion). Farfetch takes a lower risk on fleeting fashion trends than other similar companies, such as Net-a-Porter, because its business approach is separate from

theirs and does not, for the most part, involve inventory purchases.

Farfetch employs a mechanism known as "direct e-concessions" in which brands determine what they sell on the Farfetch platform and set their own prices to avoid discounting that could harm their high-end reputation (Sirianni, 2020). Farfetch fashion is analogous to Amazon fashion in this regard. As an alternative, it serves as a marketplace that connects customers and companies for a commission of roughly thirty percent per transaction. It also features a technologically advanced distribution system capable of matching supply and demand. The realization by luxury fashion labels that they will be able to market their items as they see fit is a major boost for Farfetch's relationship with premium brands. This type of technology has the ability to gain the confidence of luxury fashion businesses, which is a huge advantage.

Farfetch and the store effectively share the retail profit, allowing Farfetch to boost its margin. In the majority of cases, the Value Proposition that Farfetch offers the retailer more than compensates for the Margin loss that results from the store's engagement with Farfetch. In addition, when a shop opens on Farfetch, its entire volume often increases significantly (Lumos Business, 2019). Only luxury retail with a large number of recurring clients and a high average order value is suited for this business approach. When the company went public in 2018, its business model was quite clear, as the great benefit of this model is the lifetime value they are able to generate in relation to their consumer acquisition cost, as the company was able to stabilize its consumer acquisition cost while increasing its customer base, this gave rise to a more profitable contribution margin.

Mono-brand luxury e-commerce is another important model in the industry (S. Beauloye & F. Beauloye, 2022). On the one hand, luxury e-commerce companies employing this type of business approach begin at an evident disadvantage due to the comparative lack of available products to attract clients. A luxury e-commerce company like Farfetch, which acts almost identically to an online fashion department store due to its extensive selection of products and

brands, will have an edge in this regardover a company that only sells or promotes a single brand. Given that the primary objective of luxury e-commerce companies like Net-a-porter and Farfetch has always been to serve as a marketplace for luxury brands, these companies are likely better equipped in terms of technology, online customer service, and analytics than luxury brands that are attempting to transform themselves into mono-brand luxury e-commerce companies. This is an essential subject that must not go unmentioned (Hendriksz, 2016).

Developing a brand identity is one of the greatest benefits of opening a mono-brand store (or reinforce it). In addition, establishing a database of brand- and product-loyal customers through the use of appropriate and focused marketing strategies will be much easier, and these customers can be converted with offers that are tailored to their needs. They are already clients and brand-loyal, so it is easier and less expensive to retain them as customers. Obviously, you must spend in a marketing budget to promote the store, not just the brand, which can incur more expenses than those allocated to a multi-brand store. Considering a long-term strategy, the choice of a single-brand store may be more suitable for certain target markets. Mono-brand shop companies do not have to compete with other products for buyers' attention, but the branding challenge for the designer of the online store concept is more significant.

6. In-depth analysis of the Multi-Brand Business Model

In this thesis, the online multi-brand Platform model was chosen for deeper analysis. One particular factor that makes this model interesting to study is how successful it has proven to be despite appearing antithetical with the traditional concept of luxury, where exclusivity and branding are intimately related with product value. In addition, this model is used by most of the biggest competitors in the sector, including both long-standing leaders like Farfetch and more recent entrants such as Amazon's Luxury Stores and LVMH's 24 Sèvres. This makes it likely that companies will have to find new ways to adapt and utilize this model in the near future to differentiate and sustain competitive advantages, which makes the model's analysis

and evaluation relevant. To this end, the 2013 Gassman et al. framework will be used to analyze each of the business model's four key components – the target segment, value proposition, value chain and revenue model, also including the cost structure.

6.1. Target Segment

The specificities of target segments often vary from firm to firm, and those using the multi-brand platform model are no exception. However, there are some traits that are generally transversal. The most important aspect of the target segments for this model is that they always come from both the supply-side and the demand side. A multi-brand platform is so named because it needs brand partners to operate, whether they sell directly to customers through the platform or sell to the platform who then acts as a reseller. Some brands, such as Farfetch, further distinguish between brands, who design and produce their own luxury goods, and other luxury retailers, often called "boutiques", who instead curate a collection of luxury fashions which they resell to consumers. In either case, the supply-side targets are often either smaller but high-quality luxury suppliers who lack the technological skills and resources for independent success in ecommerce or big-name brands who can no longer ignore the importance and growth of one-stop luxury shopping venues in the luxury fashion market.

It is interesting to note that different firms will prefer different kinds of partners for their platforms, or even a smaller range of more exclusive partners. For instance, 24S has a heavy focus on high-end Parisian fashion and style, preferring to limit its offers to about 300 (brands and designers that represent this aspect of their identity, whereas Farfetch partners with over 1400 brands, covering a wider part of the market, with less individuality but more range.

Regarding the demand-side, multi-brand platforms in this industry typically target sophisticated millennials, who have become the primary consumers of luxury fashion in addition to being the first generation the be widely comfortable with using tech-enabled online channels. The average age ranges seem to be in the 30s for most firms, with a ratio of female-to-male customers of

about 2-to-1, so about two thirds of customers are female. Customers typically have medium-high disposable income, with a variable, but significant portion surpassing 100 thousand dollars annually, depending on whether each firm is targeting the higher-end of the market. A customer survey by Farfetch reveals 39% of their customer base to fall into this group (Farfetch, 2022). Notably, luxury fashion consumers are well-informed, highly conscious, and increasingly interested in sustainability, especially on the lower-end side, as reflected by new industry trends like second-hand sales, as well as company data. Farfetch reports 16% of their customers bought a conscious product in 2021, up 60% from the previous year. It is also important to note that both brands and consumers targeted by this model can be located anywhere on the globe due to its digital nature, which means that the potential customer base is very large.

6.2. Value Proposition

In tandem with the target segmentation, the model's value proposition is also divided between clients associated with the supply and demand sides of the market. Starting once more with supply, multi-brand platforms offer a variety of advantages for brands that choose to onboard with them. The first and most obvious is providing access to a new online customer base. Thanks to the model's largely digital nature, demand generation and market expansion are typically easier than with brick-and-mortar stores or independent ecommerce ventures, thanks to plentiful and constantly updating access to quality customer data. This means the new customer base is potentially wide-ranging, international, and highly interested in the products offered, in addition to saving brands the time and resources that would otherwise need to be spent on procuring it themselves. Moreover, customer loyalty, often measured in Lifetime Value, is typically high in luxury fashion, and this can carry over to online platforms, as exemplified through Farfetch's company reports, so the brand exposure and visibility gained via platform partnerships is expected to provide long-term returns to designers and producers.

In addition to increased demand, partner brands can benefit from improved channel economics compared to alternatives, depending on how companies make use of the model. In the case of direct sales platforms, the most common type, brands sell directly to customers through the platform, who then takes a percentual commission on the sale as payment. Reseller platforms, on the other hand, buy products from brands to then sell to customers themselves. In the prior instance, the value proposition is more enticing for brands for two main reasons: more control and better economic potential. Brands selling directly typically have better control over how their products are displayed online in partner platforms, as well as over pricing, whereas resellers have no need to abide by brand stipulations since they own their stock. Platform sales commissions also typically represent a lower margin loss than selling to online retailers, so brands get to improve their online sales numbers and their margin simultaneously by working with direct sales platforms. In fact, many of these platforms also work with independent retailers, the aforementioned "boutiques", who still find it worth selling through them, despite losing margin to the platform, thanks to factors such as the associated boost to their customer base. On the other hand, reseller platforms relieve the inventory and logistical burden on brands by buying wholesale from them and managing distribution to customers themselves, whereas direct sales platforms may leave that management to them or, in many cases, charge service fees or increased commission rates for providing fulfillment services.

This leads to another important part of the value proposition package for supply – services provided by the platform. Multi-brand platforms are typically technologically advanced and skilled in digital competencies. In most cases, their know-how of online business and sales is superior to that of their partners. This puts them in prime position to offer a variety of digital services, whether included in the base onboarding package or sold as extras. These services can include data analytics and insights, creative digital content operations, digital marketing, media solutions, logistical support, fulfillment services and more. Additionally, many of these

platforms invest in futuristic projects such as high-end shopping experiences that attempt to replicate and innovate traditional luxury shopping experiences. This means that brand partners can potentially benefit from innovations without much (or any) investment. Similarly, when these online platforms expand into new markets, it may become significantly easier for their partner brands to expand alongside them and at lower cost, especially for high value but harder to penetrate markets like China. In fact, it is in the platforms' interest to position themselves as a gateway into emerging markets with high potential but less developed infrastructure, as that increases their value for brands interested in capturing those markets' growing value.

Moving on to the demand side of the market, multi-brand luxury fashion platforms' main point of attraction is, of course, the large selection of high-quality and sometimes exclusive items available on these platforms from a wide variety of prestigious brands, all in one place, accessible with one account, in one shopping basket. Therefore, a multi-brand platform's value for customers increases with the quality, quantity and variety of brands available. Companies like Farfetch have relied on these factors to grow their business over the years. Perhaps more importantly, however, its value also increases with the exclusivity of these goods. For this reason, exclusive brand partnerships, limited-time collections and other strategies are employed by platforms like 24S to highlight their prestige within the industry. On the other hand, it is harder for multi-brand platforms to signal the premium status of the brands they partner with compared to mono-brand platforms, for example, as they must share the online space, user interface and web design with others, regardless of how they compare in terms of reputation and value. Nevertheless, some multi-brand platforms provide high-end customer service features such as the personal shoppers employed by 24S and Net-a-Porter mentioned earlier.

Also mentioned were innovative projects, such as Farfetch's Store of the Future initiatives, which are developing new ways to shop using advanced technologies like Augmented Reality to try on clothes virtually, for example. All of these projects are aimed at providing valuable

and unique customer experiences that cannot be accessed anywhere else, to compensate for the difficulty in translating the traditional luxury experience into an online medium. To optimize these experiences, multi-brand platforms can make use of their large data banks and advanced skill in extracting valuable insights out of them at every point in their value chain.

6.3. Value Chain

Michael Porter's 1985 value chain framework (Appendix 10) can be applied to great effect in understanding e-commerce-based business models, and the multi-brand model in luxury fashion is no exception. In this section we will apply each pillar in the framework, including primary and secondary activities, to this business model, starting with inbound logistics. Depending on whether they are direct sale intermediaries or resellers, online fashion platforms can have different approaches to inbound logistics. In the former case, it is likely that inventory management and supply chains are significantly less complicated, due to stocks being owned and often managed, at least partially, by partner brands, rather than the platform company. The most extreme example of this in the luxury industry is Farfetch, who only handles inventories for their owned brands and uses partner stores across the globe as warehouses at no charge, relying on luxury brands taking care of their own products at local levels. This relationship with their partners is a system that can have plenty of advantages, placing a much lower logistical burden on the platform by decentralizing the responsibility among suppliers. On the other hand, there's a lesser degree of control over the products, though this is not a major concern considering the platform and the individual brands' interests are expected to be aligned. For reseller platforms like Net-a-Porter, however, product is typically bought wholesale to brands, becoming owned by the platform and thus giving them full control (and responsibility) over its distribution, storage, pricing and display online. This is a double-edged sword which requires advanced and expensive logistical management to sustain at scale, including many warehousing

spaces and transport routes across multiple countries and continents, yet also has the potential to unlock an edge in efficiency over competitors who rely more heavily on multiple suppliers. The core of ecommerce platform operations involves a variety of data collection, management, analytics, and insight extraction tasks, from which optimizations are found for different areas, like web design, digital marketing, demand generation, pricing, partner management, customer service, shopping experience design, creative content production, and more. This creates a cycle where data is constantly being harvested online so firms can efficiently be made aware of successes, mistakes, gaps and opportunities in each of their departments' performance as well as that of the platform and business in general. Of course, each of these departments have their own operations and rely on each other for success. For example, creative operations and content production for each product that goes up on the platforms, such as photoshoots, are closely linked with the platform's marketing operations. An illustration of Farfetch's operation cycle that reflects this is provided in Appendix 11.

Regarding outbound logistics, it is important to consider, once more, the international scale of most players in luxury fashion using e-commerce. These firms have a geographically wide-ranging customer base, often accepting orders from multiple continents. As mentioned earlier, this requires that significant resources are applied to warehousing, routing and transportation, and can be a complex system to manage for many firms. In luxury fashion, the quality and speed of delivery and the state of goods on arrival are even more important aspects to safeguard. The customer is already giving up the traditional premium physical shopping experience by choosing to purchase online, so it is important the experience is satisfactory. Large investments can go into building the competencies required to do this successfully, or, alternatively, firms can hire or establish partnerships with global fulfillment providers to do it for them, such as DHL, UPS, FedEx, TNT, DPD, and others. Direct sales platforms can ignore outbound logistics almost entirely and place the onus of order fulfillment on each individual brand, though this

can become difficult to keep track of. In doing this, however, they sacrifice control over the delivery process and, more importantly, the customer's experience. Alternatively, they can cover fulfillment for brands that pay for it as an extra service that they charge for. Like before, Farfetch offers a refreshing example of logistical innovation which they claim as the reason for the robustness of their business model. Farfetch offers fulfillment services for an extra fee as described above, and by using partner stores as warehousing units, they can typically reach customers within or near major cities, which can be expected to be where the majority of their customers will be located, extremely quickly. Farfetch even guarantees 90-minute delivery in 10 different cities for certain brands' items. Warehouse-stores are also useful for product sourcing, as even more exclusive items will likely be available in multiple geographical locations and so customers won't have to wait as long to get their hands on them. Logistical efficiency also allows other platforms like 24S or Amazon, who is famous for being a powerhouse in this regard, to offer same-day deliveries in select cities, which, given the importance of customer experience in this industry, can be a valuable differentiation factor.

The model's marketing and sales are, as already explained, primarily digitally powered, and reliant on online technology to capture as much customer and website usage data as possible. The data is used to optimize digital ad copy and content, bidding and targeting, which in turn feed more data into the system. Some firms also have complex data-based demand generation tools which allow them to use this information they are constantly gathering to optimize pricing, advertising, and other factors to their target level of demand at a given moment. Generally, marketing and sales efforts highlight specific factors such as the number of brands available on the platform as well as their quality and prestige. The more exclusive the brand, the better. For example, 24S is the only e-commerce channel to sell LVMH and some other brands' products, which is an important and unique selling point that the platform markets and benefits from.

Quality of service, including fast delivery, personalization features like personal shoppers or others, also seem to be important points of promotion.

Speaking of service, this is where not just multi-brand platforms, but most ecommerce models in the luxury industry seem to struggle the most. While there are ways that some firms have developed and implemented to minimize this issue, in this industry there is a standard for customer service that is extremely difficult to replicate in an online setting. The model focuses on providing a high-end online experience with sophisticated web design, access to wide varieties of goods and easy payments, followed by quick and reliable delivery and availability of customer service channels and staff that can take care of any issues throughout. This, however, is similar to any other e-commerce platform experience, and not exclusive or premium enough for luxury consumers. Some firms compensate with services such as personal shopping assistants, like 24S, improving the quality and personalization of packaging, or other strategies.

Moving on to the secondary activities in the model's value chain, infrastructure would be highly dependent on each firm and platform, but in general, management must be able to act and adapt extremely quickly to accommodate the large logistic scale of operations, incorporate optimizations from constant streams of data and innovate quickly to meet the fast-increasing technological standards of the market. The organizational structure of a firm using the multi-brand platform model should be capable of supporting lean operations and promoting the sharing of new ideas, a fluid flow of information and fast decision-making. Despite this need for speed, planning efforts should always consider the long-term, especially when it comes to customer acquisition and retention, as customer lifetime value, influenced by loyalty and client satisfaction are important drivers of value and success in the industry.

Complementing this, human resources should prioritize employees from backgrounds like business (particularly digital business), data science, software engineering in a general sense, and, of course, with experience in the fashion and luxury industries. It is important to find and

promote the development of talent with deep knowledge and interest in the market, a lot of fresh ideas and comfortable with fast-paced, frequently changing environments. Internal talent programs and career development opportunities focused on training these qualities, particularly for less experienced employees with notable potential, are some ways to build a reliable workforce that can meet and potentially surpass the necessary standards.

Most aspects of procurement have already been explained, as it consists of sourcing items from partner brands whether through wholesale or intermediation for direct sales, with those partners holding responsibility for the actual production and sourcing of materials for their own goods. Other services such as fulfillment and media content production can be fully or partially outsourced if internal resources are lacking or partnerships can be built to complement existent internal capabilities, especially if they aren't fully developed.

Finally, there is technology. Alongside logistics, technology is perhaps the most important part of the multi-brand platform value chain. Once again, various aspects of this pillar have been explained in previous sections, including the digital nature of the platform itself, the web design, the data collection and utilization cycle, demand generation, digital marketing and more. Technological capabilities have a wide range of applicability for these platforms. For example, some platforms use their tech and online business skills to sell a variety extended digital products and services to other firms (e.g., Farfetch Platform Services). Although outside the scope of our analysis, mono-brand platform providers also fit into this type of case, such as Yoox's mono-brand flagship stores. Technology is also massively important in regard to innovation. R&D supports this model by continuously producing new ways to improve the value proposition for both partner brands and consumers, whether that is new features available on the website, or bigger and more experimental projects. Although the business model itself does not concern itself with competitive strategy, digital innovations, which can in turn provide competitive advantages, are an inherent part of this model due to its need to compensate for the

lack of a traditional (i.e., physical) shopping experiences expected by luxury brands and customers. Having to continuously draw a demanding customer base's interest towards their online channel motivates platforms to keep innovating and finding new ways to entertain and satisfy them. Some firms like Farfetch have taken to hybrid approaches, opening select brick & mortar locations filled with cutting edge technology such as RFID to track which clothes customers try on and build them a wish list that they are presented with via smart mirrors in the store. This and other projects fall under what the firm calls "Luxury New Retail" and "Store of the Future" initiatives that are part of the omnichannel shopping experience they have designed. Though brick & mortar ventures can't be considered a part of this model, the use of technology to build unique experiences is certainly one of its highlights.

6.4. Revenue Model and Cost Structure

The most common sources of revenue for multi-brand platforms come from percentual commissions on products sold directly from brands to customers through the platform. These usually vary from 25-33% depending on factors such as the standard services provided by the platforms, like product imaging, digital marketing and demand generation online. Additionally, many platforms provide extra services for additional fees, most notably fulfillment services that capitalize on the logistical strength of these businesses. Platforms which buy from suppliers and then resell make money from their platform sales margin instead of commissions, but they are otherwise similar. Though we are not aware of any notable examples other than Amazon Prime, which is available across all Amazon stores and not dedicated to the luxury segment, theoretically, multi-brand platforms could introduce different streams like paid subscriptions or invitations for access to exclusive programs, products and services on their platform. Many multi-brand platforms are owned by groups that produce their own brands, sell via other channels or operate in other industries, and therefore can complement their platform revenues with in-store revenues, wholesale to different retailers or other options, but these do not fall

within the scope of this business model. However, due to this, financial reports collected online may not clearly distinguish between revenues and costs connected to luxury fashion e-commerce sales and those from other sources, which makes it difficult to be certain about some platforms' performance, the different revenue streams they employ and their cost structure. With this in mind, we found that Farfetch and Mytheresa were the firms whose published results were the most suitable for our analysis. We will be using data from the latest quarterly results (Q3) from each company. Starting with revenues, Farfetch's report clearly discriminates revenues specifically gained from their digital platform. In Q3 of 2022, the Farfetch platform generated $186 million in revenues from online sales of third-party brand products at a 31.2% take rate, and another $153 million from sales of their own brands' products and $73 million from platform fulfillment services rendered, both at 100% take rate, for a total of $412 million. Other revenues, valued at $190 million, include wholesale of their own products to different retailers and in-store revenues – these will not be considered as resulting from this business model. Mytheresa mixes retail sales of inventory bought in wholesale to partners with direct sale intermediation for select brands, and thus receives revenues from both sources. They report on this figure cumulatively as "net sales", which also include shipping fees paid by customers. In Q3 of 2022 they had a value of €177.9 million.

The cost structure of multi-brand platforms is typically burdened significantly by the cost of revenue, plus demand generation, technology, and logistics costs, though different platforms can have different structures depending on their reliance on these activities. According to the most recent records, Farfetch's digital platform cost of revenues represented more than 57% of the value of revenues in Q3 2022 ($236.4 million), and nearly 51% in Mytheresa's case (€88.1 million). This indicator covers costs like packaging, credit card fees, product deliveries and cost of goods sold, where applicable. In recent years, demand generation costs, associated with digital advertising and promotion, have been particularly high, most recently covering 15% of

Q3 revenues for Farfetch, at roughly $61.8 million. Mytheresa incorporates customer acquisition into its marketing expenses indicator of €25.4 million, about 14% of their revenues. Technology expenses include the maintenance and operations of the online multi-brand platform itself, as well as associated features and services, IT infrastructure, software, transaction processing, and other platform initiatives. These activities generated expenses of about $28.4 million for Farfetch in Q3 of 2022, or about 7% of platform revenues. Interestingly, Mytheresa includes the value of technology expenditure under SG&A along with personnel, rent, consulting, insurance and other costs, so it is difficult to understand how much they spend on tech. The firm's SG&A costs of over €37.6 million covered about 21% of its revenues, but technology should represent only part of that. Logistic costs, which include shipping, inventory, warehousing and more – or, alternatively, the fees paid to providers of these services – are difficult to calculate for these two firms, as they are split differently and in multiple categories. Farfetch's fulfillment cost burden is passed through to consumers and included in their cost of revenues, net of promotions and discounts, at the exact same value as its fulfillment revenues, for a net-zero reported effect on their gains. They also include warehousing in their general and administrative costs, which are quite significant, but these costs' high value is self-reportedly associated with their investment into their owned brands and thus not considered relevant for the study of this model. Mytheresa considers their shipping and payment costs outside their gross profit, but includes costs related to inventory and delivery in their cost of sales, as well as rents under SG&A. The shipping and payments category alone was enough to cover nearly 14% of the firm's revenues in Q3 of 2022, with a value of €24 million.

6.5. The Model's Strengths and Weaknesses

With the entire analysis from the last few sections, it is possible to summarize the multi-brand platform model's strengths and weaknesses in the luxury fashion industry. Starting with the former, multi-brand platforms have very large potential customer bases. They target both

consumers and businesses, appealing to and extracting value from the supply and demand sides of the market simultaneously. The value proposition is quite strong for both sides, providing consumers with a highly convenient one-stop shop for all their luxury fashion needs with a wide variety of premium brand products available, and giving brands and retailers access to a large and interested customer base along with a variety of services for easy integration with their businesses, including digital activities they may not be skilled with and the development of innovative projects that can benefit them. The model's digital nature in itself is a notable strength, allowing firms to easily and efficiently collect vast amounts of data via online feedback to support their operations and help with strategic decision-making and innovation. It also enables easy access to international customer and partner bases. This makes digital technology, one of the key pillars of the model. The other major pillar would be logistical strength, providing the possibility of avoiding most warehousing and inventory management activities for direct sales platforms by using global partner stores as warehouses instead, leaving these activities to them and potentially vastly improving delivery times in urban geographies. Platforms using traditional retail strategies also have advantages but, due to reasons such as this, we believe they are proving less effective, which is corroborated by firms like Mytheresa recently adopting a mixed strategy. Regardless, the model's suitability for international operations also makes firms using it attractive to global fulfillment providers, which makes it easy to establish strong logistical partnerships to support the distribution chain worldwide.

The model's main weakness, interestingly, is that it struggles to fulfill and uphold the standards of a luxury business. Not only does the fact that brands must share their online space with other brands on these platforms mean that they become less exclusive as the platform grows and adds more brands to its portfolio (therefore reducing the perceived value of each individual one), it also reduces the brands' control over how their products are presented and displayed online. Though some platforms offer higher degrees of control and even include that in their value

proposition, it is never truly the same as an e-commerce page website completely dedicated to a single brand (mono-brand stores). Regardless, brands seem to be accepting the idea that the pros outweigh the cons in this matter. Unfortunately, the problems don't end there. Though luxury consumers seemingly enjoy and benefit from the convenience of e-commerce channels as much as customers in other industries, they also find great value in aspects of traditional (i.e., physical) shopping experiences that e-commerce platforms have struggled to emulate. These include the high level of personalization and VIP-like treatment; the sophisticated, exclusive and sometimes social environment of luxury malls and stores; the attentive and reliable staff with which customers may even develop long-term relationships; and the first-hand experience with the products themselves, which is relevant in every industry but even more so in luxury due to the high value of the goods and the importance of their quality and craftsmanship. Though some platforms have made attempts to improve some of these areas, for the most part they are still lacking. Investment in innovations that might help to counter these issues contribute to high technological and R&D costs alongside factors like demand generation, which combined with logistical costs, like packaging and shipping, constitute a significant burden on these platforms. And speaking of logistics, one other risk with this model is how dependent it is on its distribution chain's efficiency, and therefore how susceptible it could be to international trade disruptions. Given the nature of luxury fashion, it can also be susceptible to macroeconomic shifts which affect the purchasing power of consumers, particularly those on the lower-end customer segments, since they are likely to reduce their demand for these goods significantly.

7. Recommendations for Improving the Multi-Brand Platform Business Model

After a thorough analysis of the multi-brand model as presented in the previous sections, the conclusions about its strengths and weaknesses can be used to support the elaboration of recommendation for the improvement of the model and the ways organizations can utilize it.

— Group Work —

To obtain a sense of the public's perception regarding the industry and further support our recommendations, we conducted a survey as described earlier in this thesis. As shown in Appendix 13, although most of the sample is familiar with luxury fashion e-commerce platforms, the majority of respondents (71.8%) have never used one. Nevertheless, 68% of people answered "Yes" when asked whether they would buy high-end goods from an e-commerce platform. These intakes show a reality of a sample that is willing and open to buy high-end clothing online, but for a variety of reasons it has not happened yet. When asked about where they buy clothes, 37.9% usually acquire their clothes in store, while 6.8% only buy online, while 55.3% purchase garments both online and in stores. Regarding the likelihood of recommending an online purchase to a friend or colleague (in a scale of 1 to 5, with 5 being the most likely to recommend), the most common answer was 5 (most likely to recommend), with 51.5%. In-store experiences are still preferred by the majority (75.7%) of the sample, despite 51.5% considering that new e-commerce platforms lower their value. Concerning the qualities most valued in a luxury fashion online platform, the answers that got more votes were speed and quality of delivery (56,3%), fidelity between items received and what is displayed online (50,6%) and access to many brands and different kinds of items in one place (48,3%). The aspects that the sample dislikes the most when shopping for luxury fashion in an online platform were the fact that the sample can't actually see, try on and experience items before the purchase (65,6%) and that there are too many bands they are not interested in (31,1%). To a question asking respondents to select, from a number of suggestions, which options could enhance the customer experience in luxury fashion e-commerce platforms (in their opinion), the most selected answers were online fitting rooms, the possibility to interact in real time with salespeople and other customers, online personal stylists and website customization according with customers' preference. Finally, when asked if e-commerce helps to reduce the problem of overconsumption, the most common answer was that it increases the problem (84,5%). This

subjective data gave us an insight of what the general public thinks about the current situation of e-commerce and its relationship with luxury brands. Based on the answers and other sources of information, various recommendations are proposed in the following sections, discussing a variety of digital tools that can be employed to boost multi-brand platforms' customer loyalty and compensate for the model's lacking luxury-standard customer engagement activities.

7.1. Leveraging Digital Tools to Build Customer Loyalty

Customer loyalty is an important source of value in the luxury and fashion industries. Brand identity, prestige, and differentiation are hallmarks of luxury fashion and help firms cement their exclusivity and uniqueness against competitors, therefore adding value to their products. The differentiated style of these brands and their excellence in quality, craftsmanship, and service provide functional and symbolic benefits to customers which help build the relationship between the customer and the brand, encouraging loyalty . Since high-fashion consumers are highly demanding and expect the best from brands they purchase from, an expertly designed, top level customer journey experience is required to keep them loyal (Kecsmar, 2022). Multi-brand platforms, therefore, rely not only on their partnerships with brands that have their loyal customers and excellent products but also on the quality and features of their platform and the entire user experience surrounding it.

This business model puts firms in a great position to build customer loyalty through a variety of modern digital channels and tools by leveraging their data processing skills, digital marketing, and technological investment and innovation capabilities.

7.1.1. Relation with the Multi-Brand Model's Strengths & Weaknesses

Given the multi-brand model's difficulty in producing luxury-grade customer experiences that struggle to meet luxury customer needs when compared to in-store experiences, it can be harder to build customer loyalty for firms using this model than, for example, traditional brick-and-mortar boutiques. Customers are used to unique and highly personalized experiences in luxury fashion stores, with expert staff to assist them in their shopping and styling and with direct access to products they can try on, match with other items and experience their quality first-hand. The identity and differentiation of these brands permeate the in-store experience and give customers feelings of VIP status, belonging and affirmation – it makes them feel special and exclusive, and that stimulates loyalty. E-commerce platforms are typically associated with

accessibility, low transaction costs, and economic advantages that allow firms to cut costs and offer more discounts and promotions, which are typically effective loyalty-generating tools. However, these are traits are incompatible with the aspirational branding strategy that is common in the industry and with the needs of its customers. In other words, these multi-brand platforms inherently lack the established loyalty-generating formulas of traditional luxury fashion businesses and traditional e-commerce retail stores.

On the other hand, utilizing the model's strengths to capitalize on modern methods to design high-quality loyalty-boosting initiatives and experiences can help to minimize and compensate for this weakness. In this way, multi-brand platforms can transform what would otherwise be a gap in their model into a point of differentiation and modernization for luxury online shopping. Specifically, the model's technological and data management strengths across the entire value chain can be leveraged through a variety of digital activities, platforms, and tools such as data-driven platform loyalty programs, social media campaigns, integrations with advanced technologies like the metaverse and NFTs and various clienteling tools (Gilliland, 2022). These initiatives can be implemented across these firms' value chains and become an important part of their technological, marketing, and customer relationship strategies.

7.1.2. Value of Loyalty for Multi-Brand Platforms

Customer loyalty translates into value for the platform through increased customer lifetime value. Farfetch defines the lifetime value of a customer (LTV) as the value of their gross profit less demand generation expenses not attributable to the acquisition of new customers over a period of time following the acquisition of a certain group of customers, divided by the number of customers in that group (Farfetch, 2018). Similarly, they define customer acquisition cost (CAC) as the demand generation expense attributable to the acquisition of new customers over a certain period divided by the number of customers acquired. In this way, the LTV/CAC ratio of a platform represents the average value generated by an individual customer in relation to

the cost of their acquisition. The higher this ratio is, the more value customers generate. Farfetch reports that their customer cohorts from 2015, 2016, and 2017 produced respective LTV/CAC ratios of 1.42, 1.53, and 1.77 six months after their acquisition, illustrating consistent and improving average contributions per customer. Farfetch further reports a ratio of 2.71 after two years for their 2015 cohort. Mytheresa reports that existing customers, who have made a purchase on their platform at least once before, accounted for 63%, 64%, 64%, 65% and 66% of their net sales in each of the fiscal years from 2016 to 2020, and 2.6 LTV/CAC ratio over four years for their average 2016 customer (Mytheresa, 2021).

7.1.3. Multi-brand Platform Loyalty Programs

Examples of effective multi-brand platform loyalty programs already exist in the luxury fashion industry, such as Farfetch Access (Farfetch, n.d.) and La Carte 24 Sèvres (24S, n.d.). However, some other platforms like Mytheresa lack one entirely, and others, like Amazon's Amazon Prime – which is not even designed around the luxury industry – are not loyalty programs at all, but rather customer-centric service packages available through payment. In fact, loyalty programs are not the most common business tool in luxury retail (Gilliland, 2022). This is because loyalty programs are commonly associated with discounts or free product offers as rewards for repeated purchases, which are some of this kind of tool's most common features in most industries. In the luxury industry, however, these perks are not only less valuable, given the industry's unique disposition towards high product prices, but possibly even detrimental, having the potential to diminish the value of luxury brands by casting the perception that they are "cheapening" themselves and increasing accessibility as opposed to exclusivity. Regardless, loyalty programs can be quite valuable for multi-brand platforms if crafted with the luxury fashion consumer's needs in mind (Kecsmar, 2022). High-class customers respond well to rewards, like most others. The difference lies in their expectations – privilege-seeking buyers

will expect privileged rewards and treatment, and thus luxury loyalty programs should aspire to provide perks that are both higher in value and exclusivity.

Farfetch Access is a five-tiered automatic access loyalty program, which means that customers join it automatically as they make their first purchase on the Farfetch platform and that each customer can have one of five ranks with increasing benefits. This tiered structure of loyalty programs seems to be more effective in the industry than redeemable point-based programs (Kecsmar, 2022). The five ranks are Bronze, Silver, Gold, Platinum, and Private Client. The ranking is based on how much a customer spends on the Farfetch Platform, incentivizing them to make more and bigger purchases. The denomination of the tiers does the same by labeling consumers with a certain status that is intrinsically comparable to that of other customers, encouraging them to spend more to afford a higher status. In addition, tier membership is not permanent, but rather dependent on continued expenditure – if, after 12 months, a customer's expenditure does not meet the requirements for their current tier, they will drop down until they spend enough once again. In other words, to keep rewards unlocked at higher tiers, customers must keep making high-value purchases. At the Bronze tier, which is accessed with a single purchase, customers gain a limited-time promotion, a discount on their birthday, and access to a private members' sale. This tier is aimed at the lower end of the customer base, which is typically more price-sensitive and so discount-based perks still make sense. At the Silver and Gold tiers, which are unlocked by spending €1,200 and €2,400, respectively, customers keep previous perks and unlock exclusive discounts and a limited number of orders with free shipping (2 and 4 for each tier). At this level of expenditure, we consider the added perks to be less significant. However, that changes at the Platinum tier, unlocked after spending €6,000. In addition to an entire year of free shipping, Platinum customers gain access to exclusive designer collections and pieces, priority customer care, and extended returns of 28 (up from 14) days. These rewards are highly compatible with high-end luxury consumers' preferences and

represent steps towards a higher quality online shopping experience. After spending €12,000 and reaching the highest tier, Private Client, Farfetch gives customers access to a Fashion Concierge service that finds the desired luxury items for customers upon request and assigns a personal stylist to advise them. At this tier, the online shopping experience is comparatively much closer to that of high-end physical store experiences, and certainly provides sufficient incentive for customers to continue shopping using this platform. However, the Silver and Bronze don't seem to add significant value to the customers' experience, so the program may not be very effective at boosting loyalty for consumers with that level of yearly expenditure.

 La Carte 24 Sèvres is another multi-tiered program that unlocks new tiers according to how much customers spend not only on the platform but also on two other associated channels, Le Grande Épicerie Paris and Le Bon Marché. Notably, this means the program is valid in-store and online, so we will only be discussing perks associated with online shopping at 24S. Customer expenditure is converted into points such that $1 or €1 equals 1 point and points reset every year. The three tiers in the program are Invité, Initié and Privilégié. The first is the status given to customers upon registration for the program, unlocking benefits like invitations to private sales, free delivery on purchases above €100, and free basic alterations to purchases. At 500 points, a redeemable "Exclusive Reward" is offered to customers, allowing them to select a date during which 10% or all purchases (with some exceptions) will revert to a gift voucher. The Initié tier is reached upon collecting 1,500 points, enabling early access to private sales and free complex purchase alterations like size adjustments. Finally, at 4,000 points free express delivery on all purchases and alterations in under 48 hours becomes available to Privilégié customers. Though this program offers interesting perks such as adjustments to orders, the fact that it is designed for both in-store and online experiences means that the focus on the 24S platform experience is much lower than in Farfetch's case, with many other features of the program being tailored towards in-store shoppers.

Elements from both of these examples could be applied by other multi-brand luxury fashion platforms either as rewards for their own loyalty programs or simply as elements of excellent service in a customer-centric strategy, as a way to improve the shopping experience provided by their platform. For example, some features of Farfetch's loyalty program, such as the personal stylist assigned to them at the highest tier, are available as a form of customer service in 24S's platform without the same restrictions. Although the two services likely work in a different way, with 24S's version possibly being simpler and less personalized, it is likely to improve customer loyalty regardless. Access to exclusive items is a feature that can be explored to extract value at more points inside multiple loyalty status tiers, by, for example, increasing the number and variety of items with each tier, with each new batch being more exclusive as fewer customers gain access to it, and allowing customers in both lower and higher tiers to feel the benefits of exclusive access.

In addition to features already explored in the loyalty programs above, other rewards that could stimulate loyalty with luxury consumers include exclusive access to fashion or cultural events, both online and in-person, or access to signed merchandise from celebrities and influencers in the fashion world. Another idea is providing different ways to gain points via, for example, charitable donations to any number of worthy causes or purchasing items with sustainable backgrounds, or even performing other appropriate activities outside the platform. In other words, firms should find success with experiential rewards and thematically appropriate ways of climbing up the status ladder with their loyalty programs. Some firms such as The North Face (Gordon, 2021), an activewear brand, and Sephora (Business Wire, 2020), which sells beauty products, are already implementing this type of differentiated and thematic approach. One advantage of these alternatives is that they build loyalty through an emotional connection with brands that attempt to stand for something meaningful, and that want to represent more than simply commercializing goods and services. This is also a useful way to connect with

younger audiences who are becoming increasingly interested in sustainability and adopting more sustainable consumption behaviors. Another way to promote exclusivity using these programs is to make use of the program's structure itself. Within a tier-based loyalty program, designing tiers only accessible by a limited number of customers (e.g., the 100 biggest spenders) or even sub-tiers independent from the base scale that provide unique rewards (e.g., special status for winners and participants of a limited-time event). These strategies can improve customer engagement and create a competitive aspect of the shopping experience that can generate boosts in sales and other conversions on multi-brand platforms.

Furthermore, loyalty programs can be used to build upon the previously explored idea of integrating Metaverse technology into multi-brand platforms to develop interactive online mall experiences. By incorporating metaverse activities, platforms can drive significant levels of engagement using loyalty programs. For example, points can be collected from visiting certain rooms or participating in limited-time events on the metaverse platform, or engaging with certain staff and other customers, for example. This also allows firms to guide or incentivize certain customer behaviors on the platform, allowing them to optimize the customer journey and potentially improve sales. A metaverse platform can unlock new kinds of rewards as well, such as access to exclusive online rooms, early access to new digital features, and customizable add-ons for player avatars such as unique virtual apparel, titles, and other status symbols. This kind of reward could even be extended into granting customers access to thematic NFTs, which are, by nature, exclusive digital tokens and thus have the potential to see maximized interest from customers in an industry like luxury fashion. These tokens could potentially be exposed and even traded inside or outside the metaverse platform and can constitute not only a valuable reward for already loyal customers but a powerful loyalty incentive for others as well. Further rewards can be bestowed upon the owners, of certain NFTs, turning these tokens into their own sub-tier within the platform's loyalty strategy and essentially helping customers become brand

ambassadors. Superplastic, an animation and entertainment firm and partner of Gucci, has done something like this by offering perks for NFT owners including exclusive access to certain stores and restaurants.

7.1.4. Social Media Campaigns

Social media platforms are a blend of technology and social interaction from which value can be derived (Ulas & Vural, 2018). Platforms such as Instagram, TikTok, Twitter, Facebook, YouTube, LinkedIn, and others are ubiquitous communication tools for brands across all kinds of industries, including luxury fashion. Social media platforms allow brands to expose and develop their brand identity, mission, and values through their profiles, posts, shares and interactions, as well as to communicate and engage with their customers directly. Engagement is very important in luxury fashion, where customers come to brands and platforms looking for differentiated VIP treatment they can't access anywhere else (Kecsmar, 2022). Social media platforms also provide an extra channel through which to advertise products, services, new features, and more. This is naturally a great tool through which to build customer relationships, word of mouth, and customer loyalty.

Despite this, luxury brands have always had a conflicting perspective on the use of social media, as, similarly to other topics we have discussed, these networks emphasize accessibility and appeal to the masses, completely opposite to the nature of luxury. Daniel Lee, former creative director of Tesla, has claimed that "social media represents the homogenization of culture", while luxury brands do their best to be unique (Howard, 2021). The two concepts shouldn't be compatible. And yet, many luxury brands use social media very effectively in their marketing strategies, particularly as a way of targeting the lower end of the customer base. Like other businesses, multi-brand platforms have access to these tools and can integrate data from social media into their data management and digital marketing processes to both optimize their

platforms based on insights from social media sources and, in reverse, optimize their social media campaigns based on data from their platform to extract the most value from both. Furthermore, continuing to develop the idea of using advanced technologies to build brand loyalty, social media campaigns can be mixed with metaverse and NFT technologies to drive engagement and add perceived value to customers by, for example, sharing tokens that can be redeemed inside the multi-brand platform's metaverse on social media platforms via challenges or giveaways, or by allowing users of the metaverse platform to share some of their activities or achievements inside the virtual platforms to their social media networks, linking the two and increasing brand visibility to other users who may also be tempted to engage. The former idea has been very successfully employed by brands like Hugo Boss, who offered five unique NFT jackets to winners of a TikTok challenge in 2021 and generated almost four billion impressions, 25 million engagements and a boost of 1600% in social engagement on their Instagram account over the course of four days, one of the highest social media coverages in Fashion Week history (Metzingen, 2021).

7.1.5. Digital Clienteling Tools

Clienteling is a sales technique for developing relationships with customers based on personal factors like their habits and preferences. The term is also associated with assisted selling software tools designed to facilitate these relationships between sales professionals and their customers (Ginsburg, 2014). These software tools can collect customer data at various points of contact, and through different channels and compile this data in easily accessible databases. In this way they are similar and complementary to customer relationship management (CRM) tools, providing insights to sales professionals so that they may improve the customer's relationship with the brand upon successive contact. Armed with information like customer preferences, the items on their wish lists and previous purchase history can allow sales experts to, for example, recommend items with too much stock to customers likely to be interested in

purchasing them. These tools have massive potential in luxury fashion due to how common clienteling services like personal stylists and shopping assistants are. Though many brands use them to improve in-store experiences, during the covid pandemic, video conversations were a popular clienteling tool that many high-end brands used to stay in touch with customers, exposing their value in online settings. An Antavo article states one-on-one communication is an important driver of luxury customer retention (Kecsmar, 2022). Though these services are not yet widespread in online multi-brand platforms, some do make use of them, as previously discussed. We recommend these firms consider making these services available to more customers – not necessarily the entire customer base, to avoid eroding the value of the service by making it too accessible – and pair it with data-driven clienteling tools that can maximize this personal shopping assistants' effectiveness.

By providing better fashion advice and general support to customers during their shopping experiences, customer loyalty, through engagement with the brand and increased valuation of its services, can be generated and strengthened every time each customer considers making a purchase. The utility of these tools is not limited to special service features like personal stylists, however, as they can improve any platform's overall customer service and support before, during, and after purchases. For example, customer service experts presented with customers facing specific issues can immediately provide tailored information for their circumstances like geographical location, preferred payment methods, status within the platform's loyalty program (if any), or others. In case the platform itself has made a mistake, these professionals can offer differentiated and personalized compensation offers that are relevant and appropriate for the specific client, potentially minimizing the impact that a negative experience could have on the customer's loyalty to the platform. Clienteling tools and associated personalized communication strategies can also improve exclusivity in multi-brand platforms by using client information to determine which customers are the best fit for exclusive items and collections,

events, promotions, or other offers. Using phone calls, personal messages or other more personal forms of notification for these offers also adds to their exclusiveness, as they would otherwise be unavailable inside the platform, while also helping the customer feel closer and more important to the brand.

Since these digital tools' strength typically relies on data management processes, multi-brand platforms, whose value chain is also heavily reliant on these activities, are therefore well equipped to integrate clienteling into their customer experience design. Building these tools internally or integrating external tools with their own network and processes should both be viable and not difficult to implement. Though this may drive up already significant technological costs for multi-brand platforms, we expect that the contribution to customer LTV would be enough to make up for it. After that, the tools need only be activated on the platform and the insights they generate provided to sales and customer service associates. They can also be combined with metaverse tech discussed previously by enabling the ideas discussed inside the online virtual world as well, along with creating different ways that online salespeople can affect the virtual world for the benefit of the customer based on their feedback and usage data.

Neiman Marcus, a luxury fashion retail group, provides an example of an effective software clienteling tool as a feature of their app called NM Connect, which comes with features such as an activity that customers can complete to be matched with a dedicated and compatible "style advisor", as well as giving store staff access to a personalized profile of each customer to guide and optimize their interactions throughout the customer's shopping experience in order to extract the most value from both parties. According to Neiman Marcus, the launch of NM Connect resulted in $60 million in sales across its first 90 days (Neiman Marcus Group, 2020).

7.1.6. Incorporating Circularity as a Loyalty-Boosting Tool

In addition to the tools we have covered, investment in circular economy initiatives is another interesting way to boost loyalty in the industry, particularly among younger customers and those

with comparatively lower income levels. Circularity has a lot of potential in the fashion industry via the second-hand market. Multi-brand platforms can capitalize on this in several ways while also driving up engagement and emotional connections from buyers. For example, leftover or returned stocks of certain goods can be liquidated through mystery boxes, which can be sold or given out as special loyalty rewards in lower program tiers.

LVMH Luxury Ventures invested £5 million in a mystery box start-up called Heat which uses AI technology and gamification to engage and target Gen Z customers, generating significant loyalty (Maguire, 2022). Gamification, the employment of game-like design in business-related activities, particularly for customers, is interesting here since it can also be applied at several points throughout firms' loyalty-building strategy, and it is a modern and effective way of stimulating engagement and also of gathering customer data (e.g., gamified profiling).

Furthermore, multi-brand platforms can reward customers for both purchasing and returning or donating luxury items with extra points towards their status on the platform to incentive the circulation of second-hand goods. This can be especially effective as it creates connected value for both the higher-end and the lower-end segments of the customer base: Big spenders and fashionistas who are likely to own large collections of clothes they don't wear can send them back to the platform for more status points or exclusive rewards, while customers who make less frequent and lower value purchases get to acquire high-quality goods more easily while also being rewarded by the platform for their sustainable purchasing behavior. This boosts sales and engagement, connecting the platform with most of its customer base, particularly the growing young and sustainability-focused segment.

There are a variety of creative ways to stimulate customers and improve their relationship with multi-brand luxury fashion platforms. Ultimately, these platforms should try out multiple approaches and learn from their results what works best for their customer base.

8. Conclusions

Luxury fashion e-commerce is an industry in constant improvement. With the appearance of the internet, luxury brands' commercial dynamics changed slowly, but dramatically. From the initial aversion to entering the world of the internet, to that now being an ever-present reality. Even if in-store experiences still dominate, the general public shows its willingness to engage in online alternatives and to embark on unique luxury experiences on the internet. Luxury fashion brands and platforms are putting in the effort to carve a unique place for exclusive digital experiences on their websites and, more recently, in the metaverse. The journey hasn't been straightforward, with constraints surfacing at several stages in the development of this new era. Nevertheless, luxury e-commerce is still expanding to new realities without abandoning its essence. This expansion is just a step towards the inevitable change towards digital business and consumption, though not entirely, as luxury goods stores will continue to exist and, in principle, people will continue to be interested in the store experience, however, there is a very logical factor that drives this change, which is the change in the target. Millennials with economic possibilities will be the next great target of the luxury industry, soon to be followed by Gen-Z, and the big difference between this generation and the ones that preceded them is that they are considerably more connected to technology, looking much more naturally towards luxury e-commerce platforms as valuable shopping experiences.

For the general public, however, luxury e-commerce is a reality that is not quite embedded in their shopping habits yet, as can be seen by the fact that 71,6% of our survey sample has never used a luxury e-commerce platform before (Appendix 13). The online segment of Luxury Fashion has yet to rise to the luxury quality standard in customer experience due to difficulties in porting it to an online medium. E-commerce models such as the multi-brand platform model lack exclusivity, personalization, and social components. Our survey shows that, while there is a willingness to buy high-end goods on e-commerce platforms, most consumers still prefer in-

store experiences, and that tech-based improvements could improve satisfaction. People seem interested in a more similar experience online to the ones they have in-store, with the possibility of having fitting rooms and interacting with others.

The industry has been undergoing fast change for the last few years, with e-commerce models becoming more relevant as consumer habits change, big firms like Amazon, Alibaba, and LVMH enter the online segment and players invest more in technology that can bring customers shopping experiences to the Luxury standard. Multi-brand platforms have the potential to craft high-quality digital luxury mall experiences using Metaverse tech to cover the model's weaknesses, using loyalty-boosting tools promoting social status as well as a shift towards more sustainable initiatives that are compatible with shifting consumer trends to cover their weaknesses and thrive in this fast-changing environment.

9. Limitations

Concerning the constraints and issues encountered throughout the development of this thesis, we might divide them into a few categories to provide a clearer picture of our limitations.

Beginning with the matter of interviews, where our failure to schedule an appointment caused us the most difficulty. Numerous attempts were made to contact industry people who could remark on the subject of our thesis, but nobody was able to help us in this regard. Initially, we unsuccessfully attempted to contact a Portuguese Amazon fashion employee via a social network. We attempted to engage with another employee through the same social network, to no avail. Finally, we sent a lengthy and detailed email to the Farfetch Team outlining the significance of conducting an interview with them, but our request was declined due to an overabundance of similar requests and hesitation to disclose company data (outside of what is available online). Due to our limited experience with the industry and related technical subjects, it would have been highly valuable to conduct interviews with subject-matter specialists. The interviews would provide a better insight into the industry, internal perceptions of the business

models at play, and how the industry has changed, as well as a direct feed regarding how firms are changing it right now, from people who are directly involved. In addition to providing us with a broader viewpoint, we believe that conducting interviews would have allowed us to collect information more objectively. This change is not about adopting the views of the person being questioned, as that could place us in a biased position, but rather learning how an insider views things and gaining access to reliable information.

The possibility of having a skewed perspective as a result of our culture, viewpoints on a variety of topics, personality, personal ideas, and experiences may have been a restraint, but one that was felt less consciously. It is difficult to examine the effect of our backgrounds on what we write, but we expect the fact that we prepared the thesis as a team and drew from a range of information sources to have alleviated this limitation.

Concerning the publications referenced throughout this thesis, though many works cited came from peer-reviewed journals and academic books, there is also a substantial amount of information from sources that could exhibit bias or other information flaws. In addition, while there is an abundance of data posted by large corporations such as Amazon and LVMH, there is much less information specific to their luxury fashion e-commerce platforms and activities. It is also probable that there may be information available that would be relevant to this study that we didn't find or were unable to retrieve.

Regarding the survey, limitations result from the random nature of respondents, i.e. the low probability that they possess comprehensive knowledge of the topic at hand. Since we were unable to cooperate with any platform, we couldn't extend our survey to industry experts. Given the intrinsic limitation of time, we are confident that if the study were to go on for longer, further research, a more focused group of respondents or even a second survey and the elaboration of expert interviews would have been possible and contributed to the study's quality.

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Appendix

Appendix 1: Definition of Business Model by various authors (Zott, 2011)

Selected Business Model Definitions

| Author(s), Year	Definition	Papers Citing the Definition
Timmers, 1998	The business model is "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues" (p. 2).	Hedman & Kalling, 2003
Amit & Zott, 2001; Zott & Amit, 2010	The business model depicts "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (2001: 511). Based on the fact that transactions connect activities, the authors further evolved this definition to conceptualize a firm's business model as "a system of interdependent activities that transcends the focal firm and spans its boundaries" (2010: 216).	Hedman & Kalling, 2003; Morris, Schindehutte, & Allen, 2005; Zott & Amit, 2007, 2008; Santos, Spector, & Van Der Heyden, 2009; Bock, Opsahl, & George, 2010
Chesbrough & Rosenbloom, 2002	The business model is "the heuristic logic that connects technical potential with the realization of economic value" (p. 529).	Chesbrough, Ahern, Finn, & Guerraz, 2006; Chesbrough, 2007a, 2007b; Teece, 2007, 2010
Magretta, 2002	Business models are "stories that explain how enterprises work. A good business model answers Peter Drucker's age old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?" (p. 4).	Seddon, Lewis, Freeman, & Shanks, 2004; Ojala & Tyrväinene, 2006; Demil & Lecocq, 2010
Morris et al., 2005	A business model is a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets" (p. 727). It has six fundamental components: Value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors.	Calia, Guerrini, & Moura, 2007
Johnson, Christensen, & Kagermann, 2008	Business models "consist of four interlocking elements, that, taken together, create and deliver value" (p. 52). These are customer value proposition, profit formula, key resources, and key processes.	Johnson & Suskewicz, 2009
Casadesus-Masanell & Ricart, 2010	"A business model is . . . a *reflection* of the firm's *realized* strategy" (p. 195).	Hurt, 2008; Baden-Fuller & Morgan, 2010
Teece, 2010	"A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value" (p. 179).	Gambardella & McGahan, 2010

Appendix 2: Features of Luxury Brands (Heine, 2012)

Main Features	Supplier Features	Tangible Features	Intangible Features
Price		Price	
Quality	Supplier's expertise	Material	
	Difficulty of production	Principles of production	
		Labor	
		Product features	
		Product size	
		Service	
Aesthetics			Aesthetics
Rarity		Rarity	
Uniqueness			Uniqueness
Symbolism			Symbolism

Appendix 3: Key elements of the digital experience in the field of the luxury, compiled from various authors (Balasyan & Casais, 2018)

Brand identity and its aesthetics	Online consistency	(Ind and Riondino, 2001)
	Design	(Isaac and Volle, 2008)
	Level of service	(Constantinides, 2004)
	Product	(Clauser, 2001)
	Price	(Chen, 2001),
	Communication	(Larbanet and B., 2010)
Usability	Functionality	(Chen, 2001)
	Rapidity	(Chernatony and Harris, 2001)
	Search engine/ accessibility	(Chen, 2001; Isaac and Volle, 2008)
Interactivity	Communities	(Casaló, Flavián and Guinalíu, 2008)
	Interaction with the brand	(Beuckels and Hudders, 2016)

Appendix 4: Global Luxury Goods market online revenue share (Ecommerce DB, 2021)
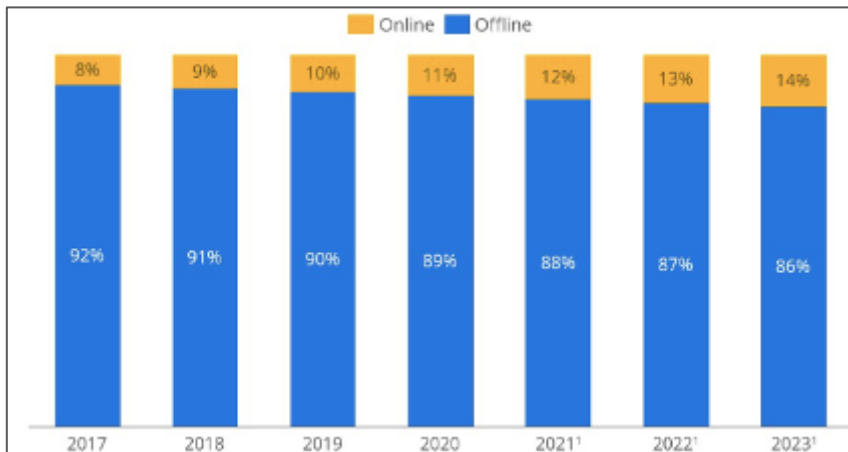
Appendix 5: E-commerce as % of total brand revenue
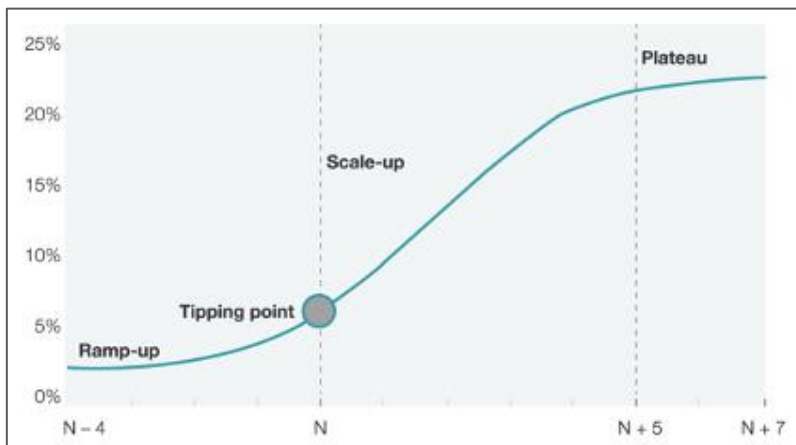
Appendix 6: Amazon Business Model Canvas (Innovation Tactics, 2022).
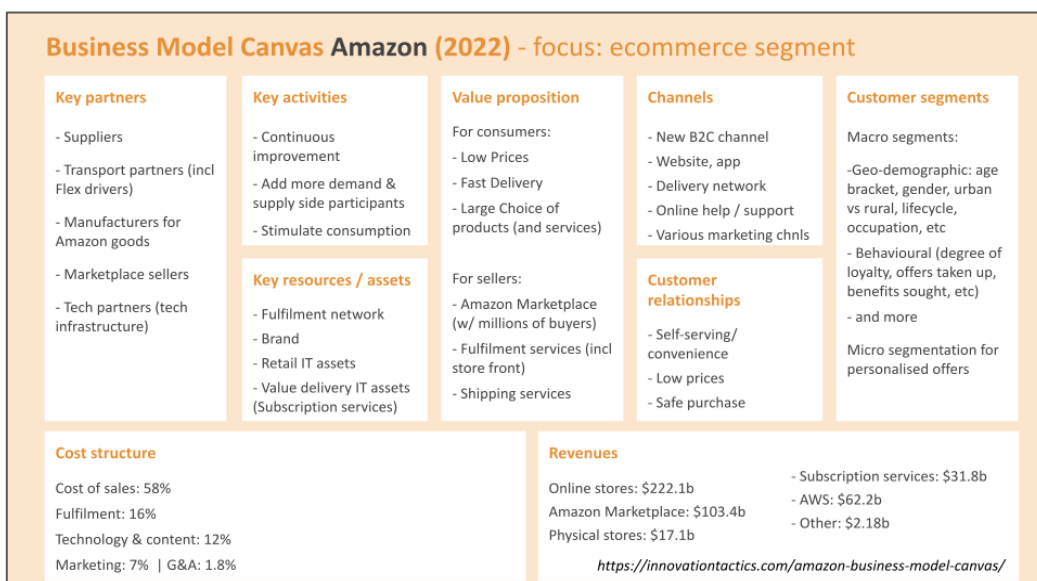
Appendix 7: Farfetch Business Model Canvas (Lumos Business, 2019).
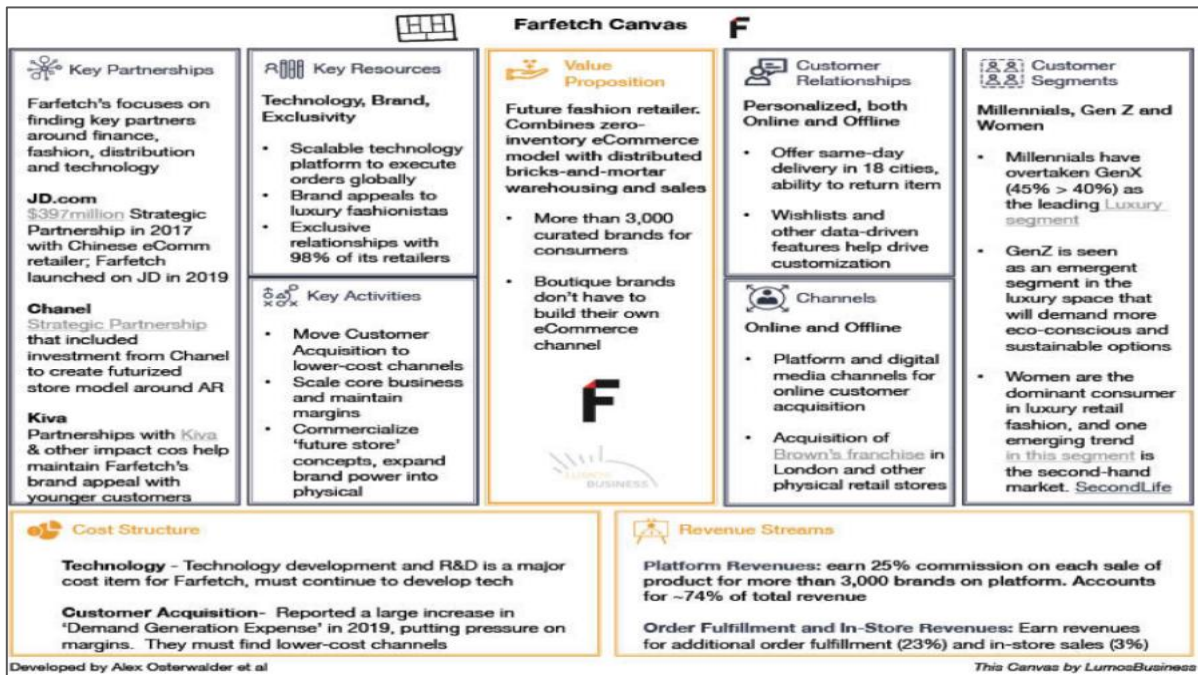
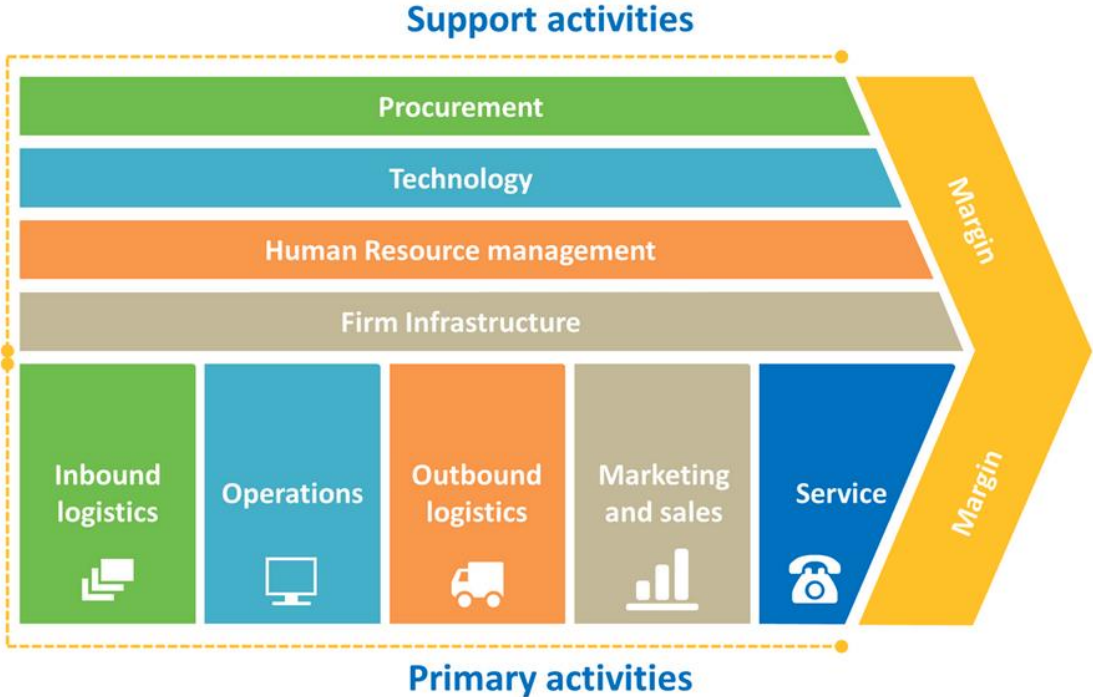**Appendix 8:** Percentage of Luxury customers researching products on multi-brand sites. (McKinsey & Company, 2014).
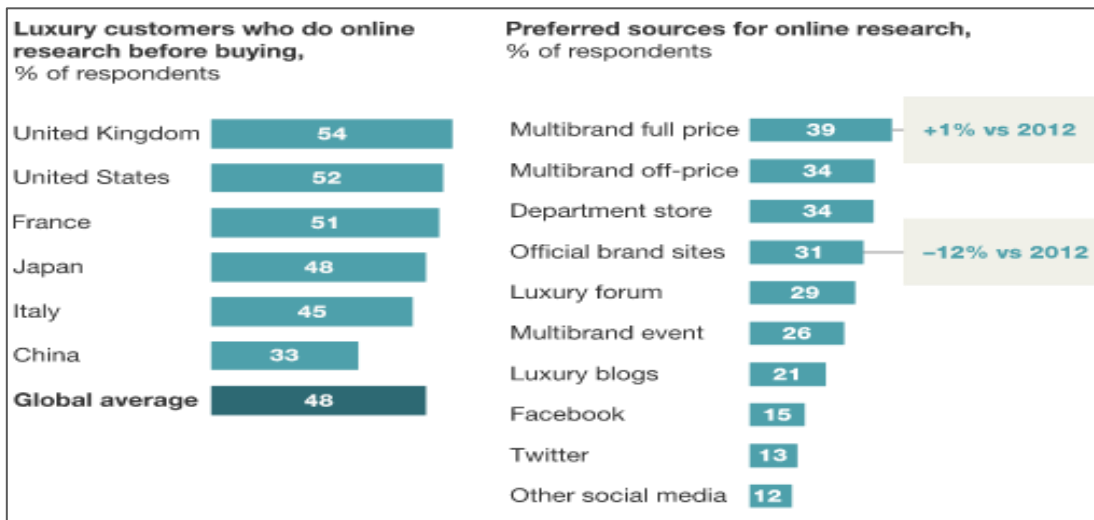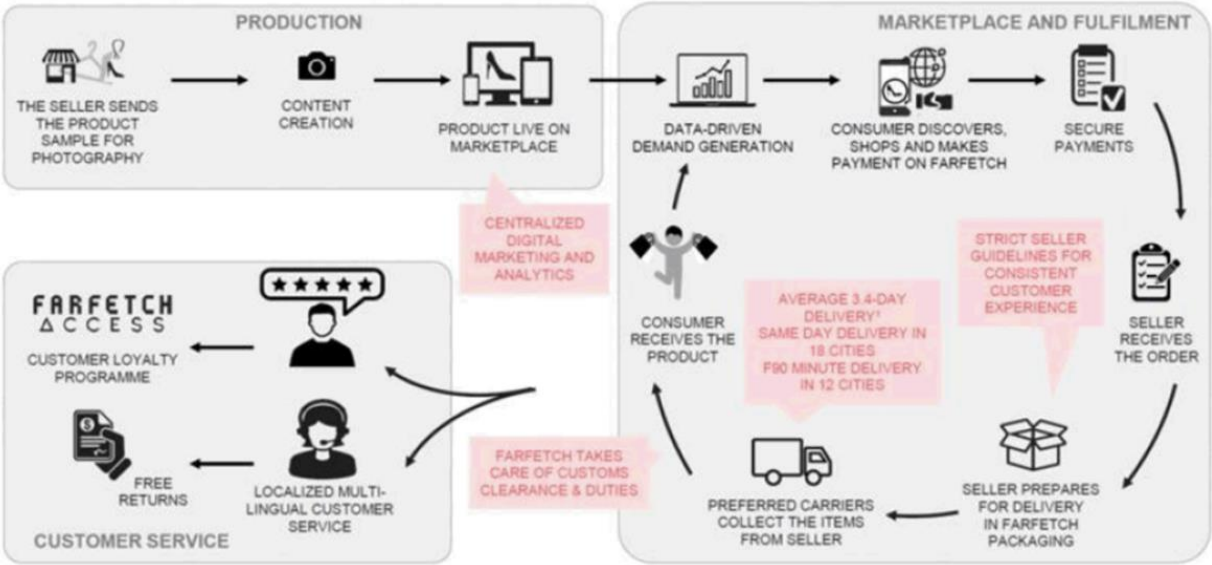
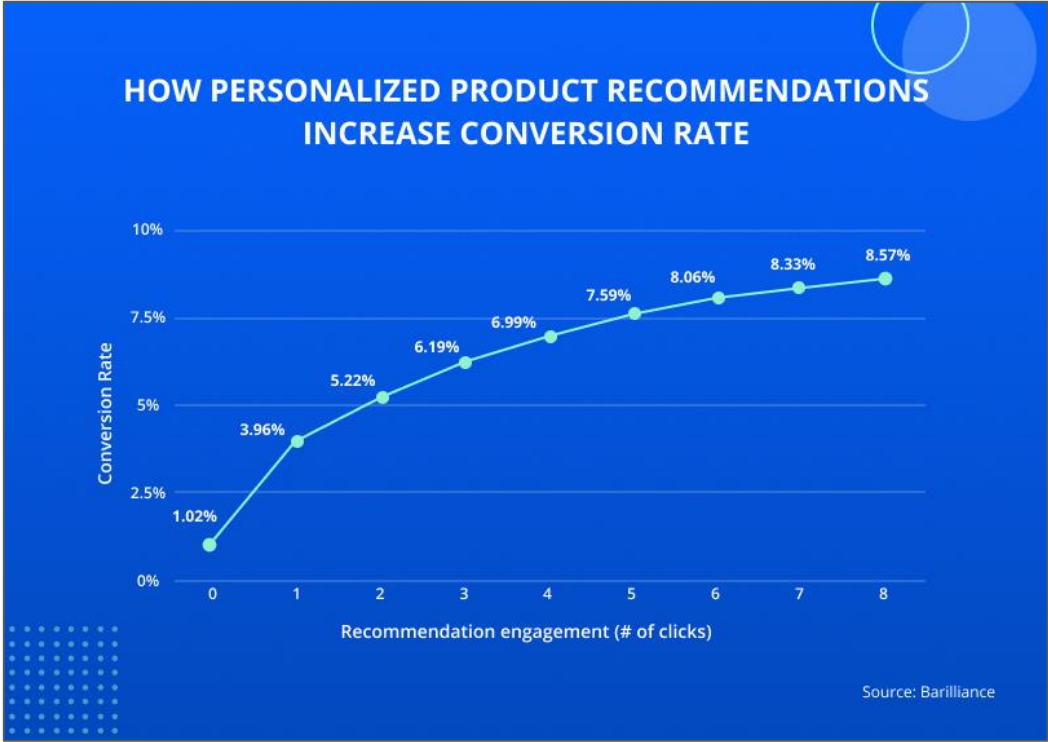**Appendix 9:** Current Virtual Reality/Market Share (Chandar, 2021).
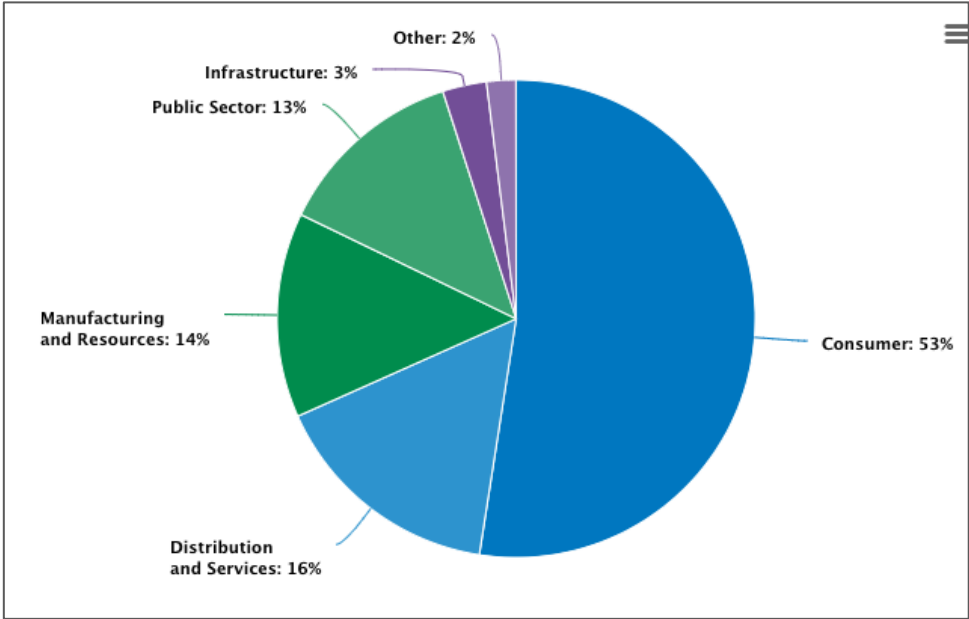
Appendix 10: Michael Porter's Value Chain (Porter, 1985)

Appendix 11: Farfetch Platform Operation Cycle

Appendix 12: How personalized product recommendations increase conversion rate. (JayDevs 2022).

Appendix 13: Quantitative Survey | Answers

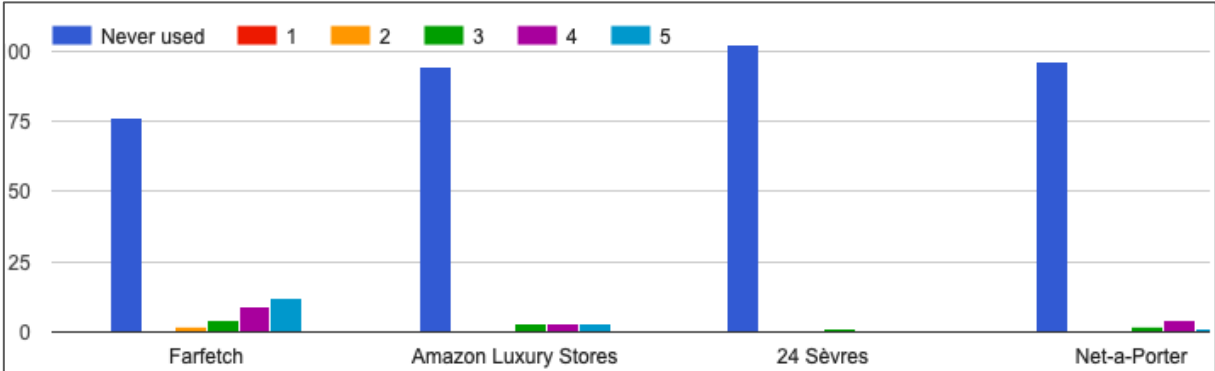**Q1: "Are you familiar with Luxury E-Commerce"?**
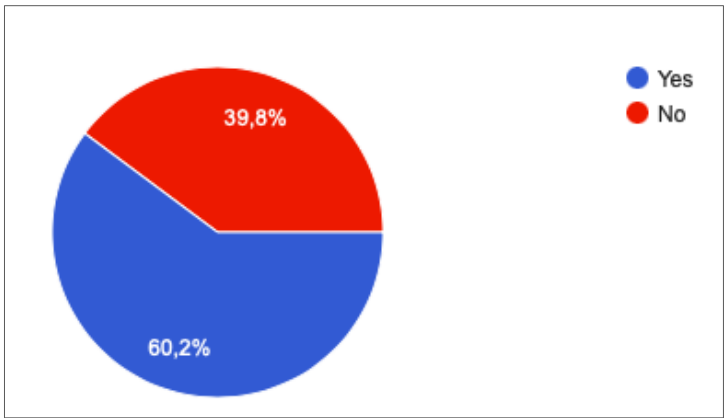
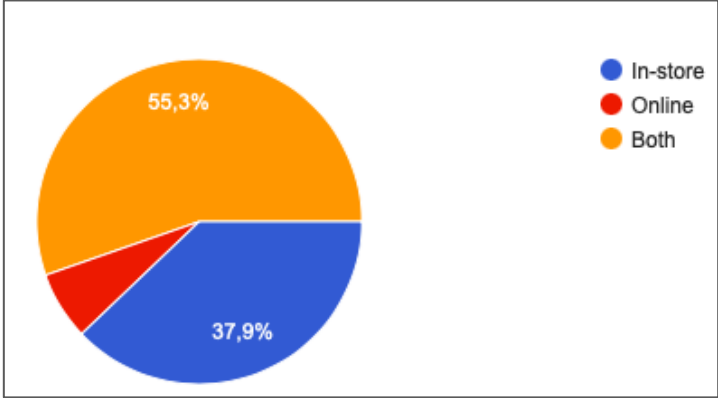**Q2: "Which of these Luxury Fashion E-Commerce Platforms are you familiar with?**
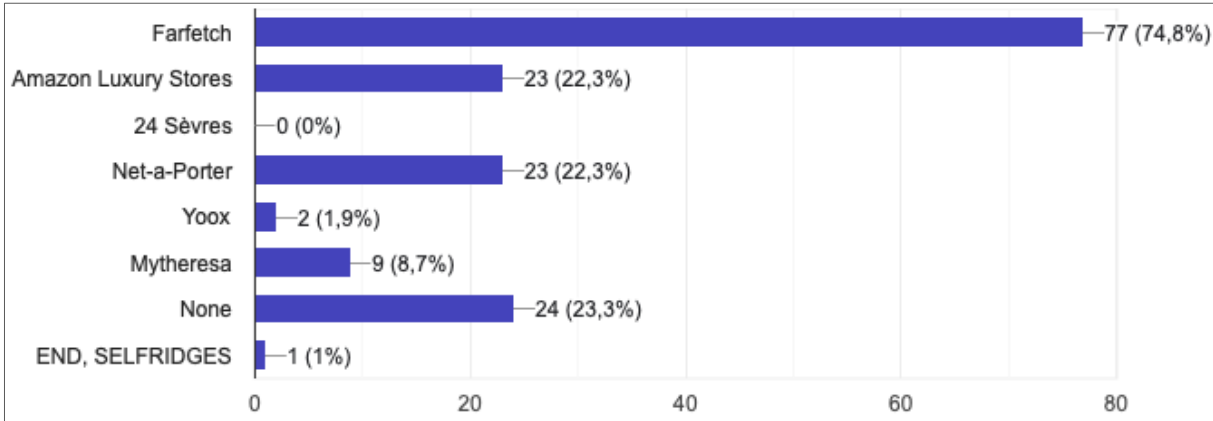
Q3: "Which of these Luxury Fashion E-Commerce Platforms have you used before?
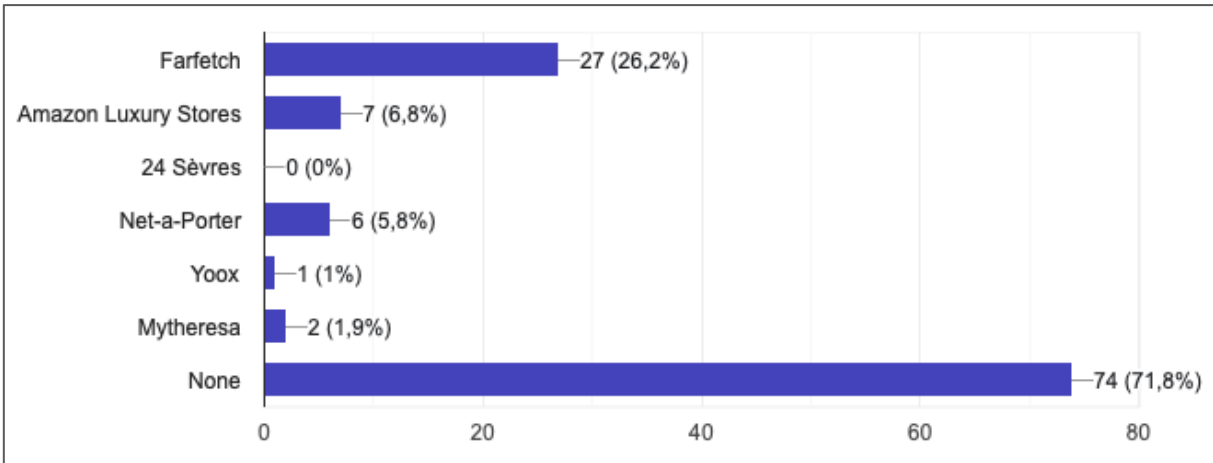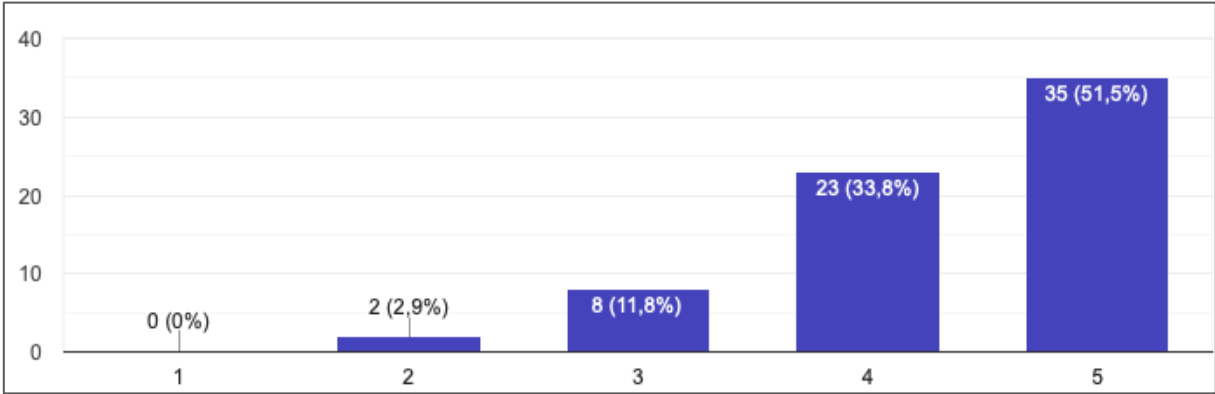
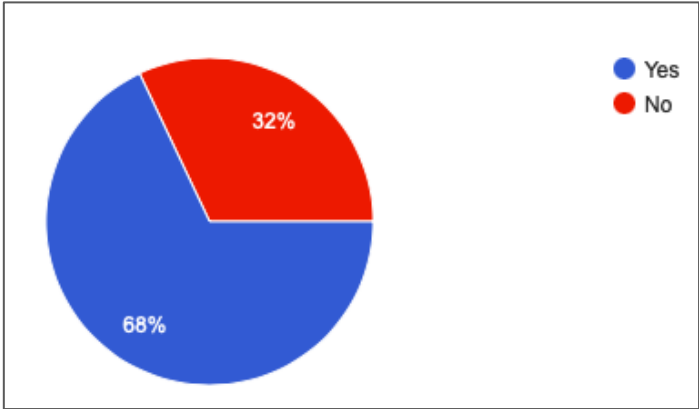**Q4: How satisfied are you with your shopping experience using these platforms?**

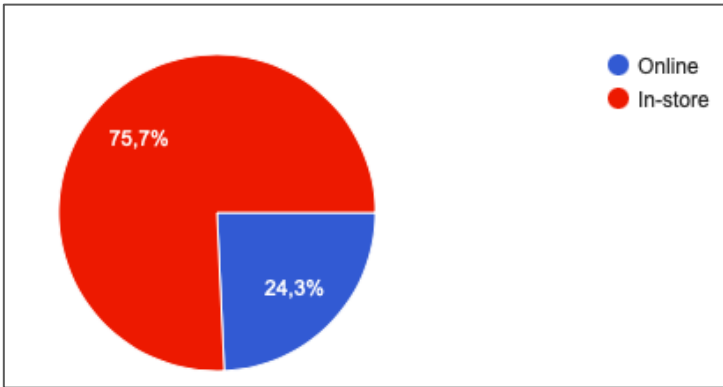**Q5:" Where do you usually buy your clothing items?"**

Q6: "If you answered online or both in the previous question, how likely would you be to recommend it to a friend or colleague?"
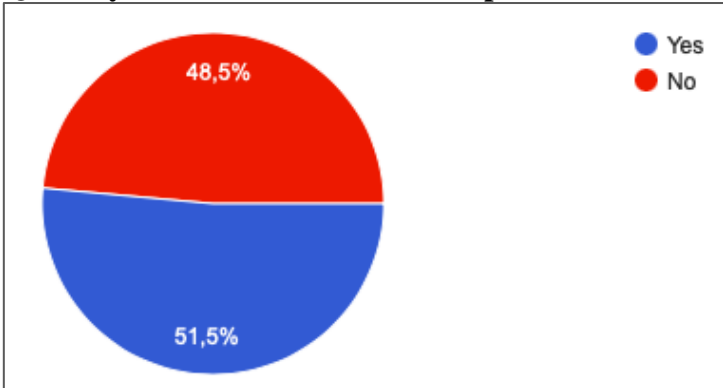
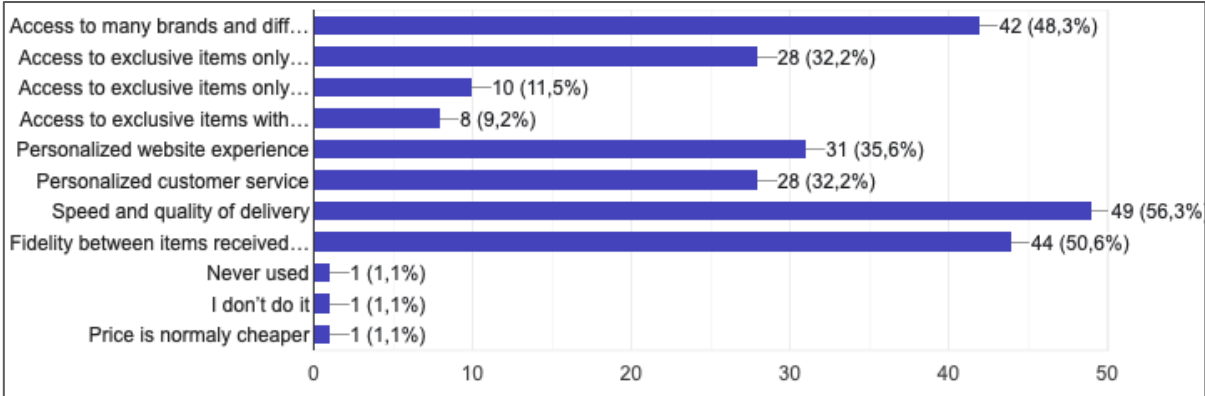**Q7: Would you buy high-end goods on an e-commerce platform?**

Q8:" Do you value your in-store experience, or do you prefer to buy your items online?"
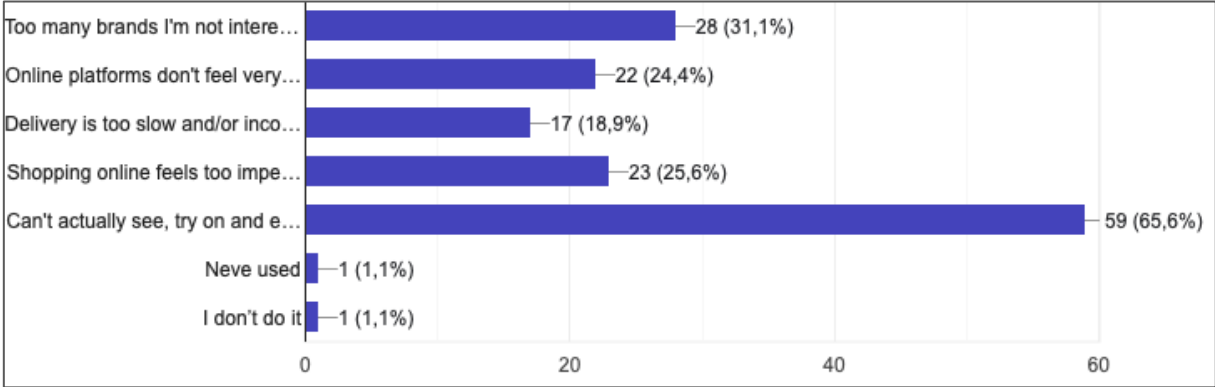

Q9: Do you think new e-commerce platforms tend to devalue the in-store experience?
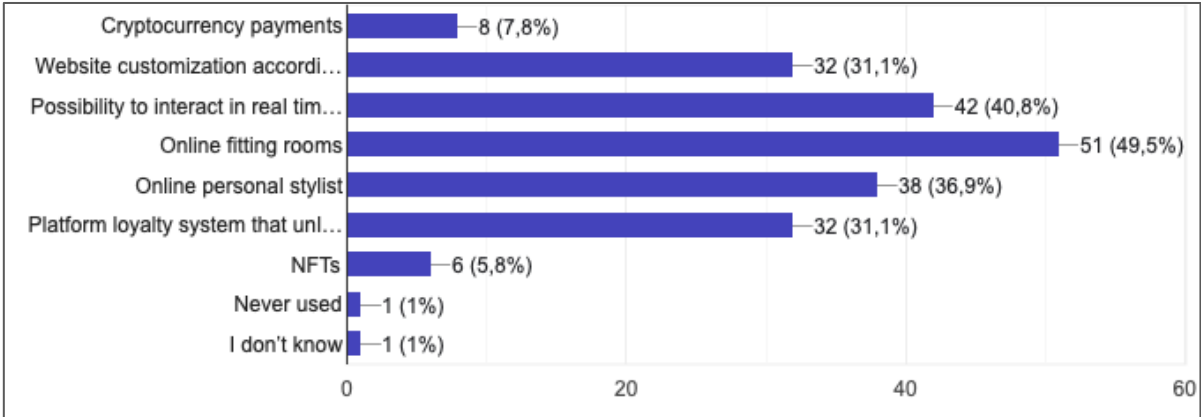
Q10:" When shopping for luxury fashion in an online platform, which qualities do you most value?"

Access to many brands and diff… — 42 (48,3%)
Access to exclusive items only… — 28 (32,2%)
Access to exclusive items only… — 10 (11,5%)
Access to exclusive items with… — 8 (9,2%)
Personalized website experience — 31 (35,6%)
Personalized customer service — 28 (32,2%)
Speed and quality of delivery — 49 (56,3%)
Fidelity between items received… — 44 (50,6%)
Never used — 1 (1,1%)
I don't do it — 1 (1,1%)
Price is normaly cheaper — 1 (1,1%)

Q11:" When shopping for luxury fashion in an online platform, which aspects bothers you the most?

Too many brands I'm not intere… — 28 (31,1%)
Online platforms don't feel very… — 22 (24,4%)
Delivery is too slow and/or inco… — 17 (18,9%)
Shopping online feels too impe… — 23 (25,6%)
Can't actually see, try on and e… — 59 (65,6%)
Neve used — 1 (1,1%)
I don't do it — 1 (1,1%)

Q12: "What do you think that can enhance the Luxury Fashion E-commerce customer experience?

Cryptocurrency payments — 8 (7,8%)
Website customization accordi… — 32 (31,1%)
Possibility to interact in real tim… — 42 (40,8%)
Online fitting rooms — 51 (49,5%)
Online personal stylist — 38 (36,9%)
Platform loyalty system that unl… — 32 (31,1%)
NFTs — 6 (5,8%)
Never used — 1 (1%)
I don't know — 1 (1%)

Q13:" Do you think E-Commerce helps to reduce the problem of overconsumption or increases the problem?