



CATÓLICA
LISBON
BUSINESS & ECONOMICS

Chic by Choice:

A case study on pricing strategies and consumer perceptions

Jennifer Pestana

Dissertation written under the supervision of Professor Paulo
Gonçalves Marcos

Dissertation submitted in partial fulfilment of requirements of the MSc in
Management, at the Universidade Católica Portuguesa, June 2016.

Title: Chic by Choice – A Case Study on Pricing Strategies and Consumer Perceptions

Author: Jennifer Rodrigues Pestana

Abstract

Millennials have been shaping markets and influencing the way companies are offering and communicating its products and services because, in contrast with the so called generation baby boomers, they are focused more on the experience, rather than on ownership of things.

Chic by Choice is a Portuguese start-up, founded in May 2014, that decided to enter in a new online market category that has been witnessing significant growth and showing great potential when considering the reasoning millennials live up to: why buy if you can rent, use, have fun and then, return it? The Online Fashion Rental industry has one big player in America, who started operations in 2009, and in Europe, some smaller competitors in major markets such as the United Kingdom and Germany, where online shopping is something relatively embedded in their consumption behaviours. Being able to acquire one of the latter competitors, Chic by Choice was in a phase of rapid growth but, at the same time, it needed to keep its results positive and enticing to secure external investment.

Therefore, in order to achieve these goals, the company had to make decisions regarding pricing, more specifically, the price and discounts given to the first customers so as to acquire them more easily, making them a more desirable and attractive value proposition and, by consequence, keeping revenue and average order values as high as possible.

Resumo

A geração “*millennials*” tem moldado mercados e influenciado a forma como as empresas comunicam e oferecem os seus produtos e serviços uma vez que, em contraste com o que acontece com a chamada geração “*baby boomers*”, os primeiros estão mais concentrados na experiência que obtêm dos bens e não na posse dos mesmos.

Fundada em maio de 2014, a Chic by Choice é uma start-up Portuguesa que decidiu entrar numa nova categoria de mercado que tem assistido a um crescimento considerável e apresentado um grande potencial quando se toma em consideração o pensamento dos *millennials*: porquê comprar se é possível alugar, usar, aproveitar e depois simplesmente devolver? A indústria de Aluguer de Moda Online possui um grande concorrente na América, que iniciou operações em 2009, e na Europa, algumas empresas mais pequenas em mercados chave como o Reino Unido e a Alemanha, onde fazer compras online é algo que está relativamente incorporado nos seus comportamentos de consumo. Sendo capaz de adquirir um dos seus concorrentes mais pequenos, a Chic by Choice apresentava assim uma fase de crescimento acelerado, mas, ao mesmo tempo, precisava de manter os seus resultados positivos e atrativos, de modo a assegurar investimento externo.

Assim sendo, para conseguir atingir estes objetivos, a empresa teve de tomar decisões relativas ao preço, mais especificamente, ao preço e descontos aplicados aos primeiros clientes para os captar mais facilmente, tornando a proposta de valor mais desejável e, consequentemente, manter os lucros e o valor médio de aluguer o mais altos possível.

Acknowledgements

First of all, I would like to thank Filipa and Lara, co-founders of Chic by Choice, for giving me the wonderful opportunity to develop my thesis about the company, and allowing me to work in a start-up so promising and exciting, as I did for the past few months, to really understand the business and the market. For the entire team of Chic by Choice, who supported me since the beginning and provided me all the help I needed, a huge thank you, because you made me feel like part of the team from day one, and I could not be happier to share with you this journey from now on.

Second, I want to thank my supervisor, Professor Paulo Marcos, for all the valuable insights he gave me throughout the process of writing, and for pushing me to do better every time. My peer, João Canedo, was a very important support for me because he revised all my work when it was needed and told me everything was going to be alright even when I did not think so.

At the same time, a huge thanks to my friend Fábio Viegas, for all the endless conversations on the phone about both our thesis and the never ending advices he gave me throughout this entire time. Also, I want to thank my friend Joana Rosa, for all the help and strenght she transmitted me when I was struggling with the final details of the thesis. A special thanks to my friend Mafalda Fragoso, that was always present to help me and give me valuable advice on what I should do to improve and tell me that I was strong enough to get this stage done successfully. I would also like to thank my boyfriend Mário Bengalinha, with whom I share everything in my life, and my two friends, Ana Martin and Joana Torrejais, for the never ending support they gave me and for, most importantly, believing in me and being certain that I would succeed in this stage, as I did in the rest of my academic life.

Finally, I want to thank to the most important people in my life, my parents, for the unconditional love and support they give and gave me in everything I do in my life. You are the best parents someone could ever ask for and without you, this was never possible, because you always helped me to be a better person and to believe in myself.

Table of Contents

Abstract.....	2
Acknowledgements	3
Figures Index.....	6
Introduction.....	7
Chic by Choice, The Disruptive Model of Rentals.....	8
Chic by Choice – How the project began.....	9
A Shot to Make it Real.....	9
The Business Model	10
Partnerships and Deals for the Product Assortment.....	12
Target Segment	12
Reaching Online and Offline Consumers Through Different Channels	13
The Online Fashion Rental Industry	14
Taking an Eye at Competition in Major Markets	16
What to Do in the End?	17
Teaching Note.....	18
Introduction.....	18
Synopsis.....	18
Suggested Assignment Questions	19
Teaching Objectives.....	19
Use of the Case Study	20
Relevant Theory	21
Literature Review	21
<i>Masstige</i> Positioning.....	21
Online Pricing Strategies.....	24
Digital Marketing and the Influence of Millennials.....	25
Online Consumer Behaviour	26
Analysis and Discussion.....	28
Reference List.....	41
Appendices.....	43
Appendix 1: List of Exhibits	43
<i>Exhibit 1 – Chic by Choice’s e-commerce platform</i>	<i>43</i>
<i>Exhibit 2 – Chic by Choice’s product detail page.....</i>	<i>43</i>
<i>Exhibit 3 – Chic by Choice’s Rental Process – How it works</i>	<i>44</i>
<i>Exhibit 4 – Owned, Paid and Earned Media Examples</i>	<i>44</i>
<i>Exhibit 5 – Average per capita spending for online shopping in selected countries in Europe in 2014, by country (in euros) *</i>	<i>45</i>
<i>Exhibit 6: Leading social networks worldwide as of April 2016, ranked by number of active users (in millions)</i>	<i>45</i>
<i>Exhibit 7: Chic by Choice’s List of Luxury Designers and Brands</i>	<i>46</i>

<i>Exhibit 8: Template of the online survey performed to the subscribers of Chic by Choice – English Version</i>	47
<i>Exhibit 9: Template of the online survey performed to the subscribers of Chic by Choice – Portuguese Version</i>	49
<i>Exhibit 10: Results of the survey – UK Respondents – Question 1</i>	51
<i>Exhibit 11: Results of the survey – UK Respondents – Question 2</i>	51
<i>Exhibit 12: Results of the survey – UK Respondents – Question 3</i>	52
<i>Exhibit 13: Results of the survey – UK Respondents – Question 5</i>	52
<i>Exhibit 14: Results of the survey – UK Respondents – Question 6</i>	53
<i>Exhibit 15: Results of the survey – PT Respondents – Question 1</i>	53
<i>Exhibit 16: Results of the survey – PT Respondents – Question 2</i>	54
<i>Exhibit 17: Results of the survey – PT Respondents – Question 3</i>	54
<i>Exhibit 18: Results of the survey – PT Respondents – Question 5</i>	55
<i>Exhibit 19: Results of the survey – PT Respondents – Question 6</i>	55
<i>Exhibit 20: Number of Transactions Obtained with the 20€ Discount Applied</i>	56
<i>Exhibit 21: Number of Transactions Obtained with the 25€ Discount Applied</i>	56
<i>Exhibit 22: Total Revenue and Acquisition Costs between the implementation periods of both promotional discounts</i>	56
<i>Exhibit 23: Occupancy Rates of Dresses for June 2015</i>	57
<i>Exhibit 24: Percentage of Sessions in the Web site, Percentage of People Who Visited the Web site and Percentage of People Who Purchased from each Communication Channel</i>	57
<i>Exhibit 26: Results of the Newsletter Experiments performed based on the results obtained from the survey</i>	58
<i>Exhibit 25: Example of a Social Media Post from Chic by Choice – Facebook</i>	59
<i>Exhibit 26: Example of a Social Media Post from Chic by Choice – Twitter</i>	59
<i>Exhibit 27: Example of a Social Media Post from Chic by Choice – Instagram</i>	60
<i>Exhibit 28: Example of a Referral from an English Blogger about Chic by Choice – Rosie Fortescue</i>	60
<i>Exhibit 29: Example of a Newsletter sent to Chic by Choice’s subscribers</i>	61
<i>Exhibit 30: Newsletter’s templates of the experiments performed with the data from the survey – Sizes Template</i>	62
<i>Exhibit 31: Newsletter’s templates of the experiments performed with the data from the survey – Occasions Template</i>	63
<i>Exhibit 32: Newsletter’s templates of the experiments performed with the data from the survey – Body Shape Styles Template</i>	64
<i>Exhibit 30: Example of a Display Banner to use in Paid Search</i>	65
<i>Exhibit 31: Preview of the Mobile App to be launched in June</i>	65
Appendix 2	66

Figures Index

Figure 1: Example of a masstige strategy.	22
Figure 2: Price-Promotion Categories.	23
Figure 3: Model of online consumer behaviour.	27

Introduction

Price promotions are an essential marketing tool that both online and offline retailers use to generate sales and increase their market shares (Grewal *et al.* 2011). In fact, recent research performed has shown that more than 40 percent of consumer purchase decisions depend on price and promotional instruments (Inman *et al.* 2009). Consequently, both established and new companies in the market must be able to develop the most suitable pricing strategies in order to gain customers, without compromising and diluting the value of its brands.

The case study presented aims to provide instructors with a real example of a start-up company, Chic by Choice, that entered in a new market category, the Online Fashion Rental Industry, and soon had to face important marketing challenges in order to, firstly guarantee sustainable growth to secure investors and secondly, to gain reputation and credibility in the market.

The structure of the case study contains two important and complementary parts. All the necessary information regarding Chic by Choice, the dilemma faced by the marketing team of the company and the issues pertaining the challenges needed to be surpassed, are presented first. Afterwards, a teaching note was prepared for the instructors that will use this case study as a learning material in their classes. This part contains a detailed description of what theoretical materials should be covered in advance in order for students to be able to answer the suggested assignment questions, as well as guidelines on how to moderate in-class discussion and further consolidate the subjects taught.

Chic by Choice, The Disruptive Model of Rentals

It was one of the greatest challenges of Lisa Zambujinho's career. Embracing the position of head of digital at Chic by Choice, that was working in and shaping a new market category such as online rentals, would mean that the time for decision making and, consequently, the implementation of the strategies chosen, was short. For a company that started operations almost two years before, the start-up has successfully surpassed all the requirements to gain credibility among investors and partners and afterwards, it was time to start looking at the results and deciding the next steps. Given the liability of newness¹ when concerning Chic by Choice, and also the "newness" dimension of the market category itself, – which comprised a very recent and new way to do online retail – it was necessary to acquire new customers in order to grow faster.

However, Zambujinho was well aware of the task she had in her hands and therefore, both the numbers and her market knowledge would have to help in the decision and make sure that the customer acquisition costs (CAC) and the average order value (AOV) were being kept as small and as big as possible, respectively. Having into consideration that the concept of renting a dress online was relatively new and different for the consumer, it was necessary to establish the best pricing strategy to apply for new customers of the platform to make them into actual clients, and not just subscribers at Chic by Choice. Zambujinho sat down and tried to organise all the information she had received from the preliminary meeting with the managing director Filipa Neto, and she understood the crossroad encountered. Would she drop the price and the first discount offered by the same percentage in order to make the dresses seem least expensive for the consumer or, in turn, would she increase both price and discount to highlight the promotional benefit? Whatever the decision, two aspects of it became very clear for Zambujinho and the entire marketing team of the company. One resides in the major importance of growing the customer base of Chic by Choice in a sustainable way when there was a need to gain more awareness in the market and consequently, more revenue from new customers. And the second one, comprised the tight deadline faced by Zambujinho: results had to come quick and mistakes should be avoided as much as possible. Therefore, should the discount be 20€ or 25€ to increase the AOV of the company and, at the same time, the number of reservations?

¹ "Stinchcombe (1965) argued that new organizations suffer a *liability of newness*, a greater risk of failure than older organizations, because they depend on the cooperation of strangers, have low levels of legitimacy, and are unable to compete effectively against established organizations" – Freeman, Carroll and Hannan, *The liability of newness: age dependence in organizational death rates*, University of California, Stanford University, retrieved 23 February 2016 from: <http://www.jstor.org/stable/2094928?seq=1#page_scan_tab_contents>

Chic by Choice – How the project began

During the second edition of the Decoded Fashion London Summit in May 2014, Chic by Choice launched and presented to the world its e-commerce platform that would allow women from several countries to have the possibility to rent designer dresses at very attractive prices (**Exhibit 1** and **2**). The idea behind the business was created given a real need that the founders, Filipa Neto and Lara Vidreiro, and their friends had when buying dresses for special occasions, which ended up being used once or twice and cost a fortune². They wanted to wear a beautiful and expensive dress, but did not want to pay the enormous prices associated because after they wore the dress once, it became almost impossible to use it again for other party and so, it ended up being stuck in the closet.

“It’s like Farfetch meets Rent the Runway, I think you’ve got something disruptive!”

Liz Bacelar, CEO of the Decoded Fashion Summit³

A Shot to Make it Real

Neto and Vidreiro are two Portuguese entrepreneurs that did their higher education at Universidade Católica de Lisboa, today known as Católica Lisbon School of Business and Economics. At the age of 20, for both students at the time, the idea for the business took life and from that moment on, they knew it was possible to create a viable business. They participated in one of the biggest competitions in Portugal, with more than 3000 competitors and managed to get second place with their project³. Afterwards, they entered two more competitions and were placed again in really good positions, which reinforced the belief to make the idea come true. After carefully testing the concept lots of times and making sure people had a real interest in that innovative project, the two had decided to establish a deadline of 6 months in order to get funds to kick off with the business. If that did not work, they would pursue their studies at university and do the Masters, which in turn, did not happen³. Neto and Vidreiro first launched another company with a very similar concept of renting dresses but with a completely different business model, called Style in Box, and were supported by another investor. However, with time, they realized that their vision and ambitions were quite different from the ones of the investor, and so they have decided to

² Barbosa, Mariana de Araújo (2014), *Chic by Choice: Vestir um Valentino pode aumentar o PIB nacional*, retrieved 10 November 2015 from: <<http://www.dinheirovivo.pt/fazedores/chic-by-choice-vestir-um-valentino-pode-aumentar-o-pib-nacional/>>

³ Hine, Lauren, (2014), *Filipa Neto – CEO of Chic by Choice*, retrieved 10 November, 2015 from: <<http://www.femalefounderfridays.com/theinterviews/2014/8/5/intervie-w-1-filipa-neto-chic-by-choice>>

leave to pursue their real goal: create a disruptive model of engaging with department stores and e-commerce platforms in order to have the best portfolio of brilliant and luxury designer brands³.

The Business Model

From the need identification to the development of the business model, the steps were carefully thought and designed in order to make sure everything worked cohesively and effectively to provide the best experience possible to the consumer. First of all, it was crucial to partner with the best and most luxurious European boutiques, the most well-known brands such as Valentino, Dior and Dolce Gabbana and also, the warehouses and distributors, which turned the inventory more flexible and less risky². These decisions were actually very strategic for both the company and its main partners like the brands because it turns out to be a win-win situation: Chic by Choice would be able to provide the best portfolio of dresses to its clients and the brands would also be able to reduce its inventory, and get rid of end of season products.

In what concerns the process of renting a dress, the company tried to make it as smooth as possible and the consumer simply had to go to the web site, select her size and date of the event, wait for the package to be delivered by DHL, the logistic partner of Chic by Choice, and after the rental period, the dress would be collected and sent to the dry cleaning partner, in order for it to be washed and prepared for the next customer.

Neto considered that online businesses live of speed and so, it was essential for the company to find investors that were prepared to invest in a fast go to market and that these investors would guarantee stability during the operation, which led them to raise 520.000€ from Business Angels (Faber Ventures, an investment fund specialized in digital products and two venture capitals, Portugal Ventures and The Edge Group)².

At the time, the company was actually the only player in the market that distributed across almost the entire Europe and it became crucial to continue the investment in countries where online shopping was really embedded and was considered natural, such as the United Kingdom – where the business development and partnerships with luxury brands areas were based, whereas the rest of the areas such as technology, design, operations, content and

customer service were based in Portugal – and Germany, because consumers in this country were really used to buy items online⁴ (**Exhibit 5**).

Although the majority of the operations of the company were still based in Portugal, given that there the prices of warehouses and offices were relatively cheaper, Chic by Choice had also offices in London, where both Neto and Vidreiro spent the majority of their time in international meetings and also, as a way of being closer to their partners (brands and boutiques)⁵. They considered that being in the United Kingdom has become a huge advantage for them due to the inspiration they got from events like the Fashion Week to the top tech entrepreneurs in Tech City⁵.

In September 2014, Chic by Choice acquired the assets of the second largest rental community in the UK, “Wish Want Wear”, that comprises a list of around 230.000 subscribers, which allowed the company to have access to a data base of potential customers right at the start of the business⁶. This acquisition became, consequently, a source of competitive advantage towards its competitors, since it allowed them to get awareness and recognition from a larger audience in a shorter period of time.

Therefore, later in August 2015, the company was also able to acquire one of its major competitors in Europe, a start-up company based in Germany called La Remia, that was launched in 2013⁶. Although there were similarities between some operations and target segments of the two companies, Chic by Choice proved to have a more successful business model that had an enormous potential to grow further in the future⁶. The acquisition of La Remia by Chic by Choice not only enabled the company to quickly increase their market power and presence within Europe, as the acquisition increased their network of strategic partners (e.g. designers) and clients (customers), but also gave them a wider access to new markets such as Germany, thereby overcoming the problem of “liabilities of foreignness”. Furthermore, it created the potential to exploit cost economies through the elimination of

⁴ Ferreira, A. Cristina (2015), “*Somos o único player que distribui praticamente por toda a Europa*”, retrieved 12 November, 2015 from:
<http://tek.sapo.pt/opiniaio/artigo/chic_by_choice_somos_o_unico_player_que_distribui_praticamente_por_toda_a_europa-43947pmi.html>

⁵ Hall, Sarah, 2015 (March 4), *Filipa Neto, Co-founder and Managing Director of Chic by Choice on democratising the luxury fashion industry for women: Why buy when you can rent?*, retrieved 15 November 2015 from:
<<http://www.womanthology.co.uk/filipa-neto-co-founder-and-managing-director-of-chic-by-choice-on-democratising-the-luxury-fashion-industry-for-women-why-buy-when-you-can-rent/>>

⁶ Information provided by one of the co-founders Filipa Neto in an interview performed on the 18th of February to the case writer.

duplicate functions (e.g. marketing) and synergies (e.g. logistics) (Grant 2010). By that time, the company was securing a very profitable margin per rental of 65% and witnessing an average order value (AOV) of 105€⁶. Furthermore, results were able to prove a rotation of each dress of 20, meaning that a dress can be rented about 20 times after losing its quality and being suitable to use by a customer and, an occupancy rate per week of dresses that clearly surpassed initial expectations and dramatically increased results⁶ (**Exhibit 23**).

In the beginning of 2016, the company extended its portfolio of products, by having accessories like earrings, necklaces, bracelets and clutches available for customers to complete their looks. Additionally, Chic by Choice started developing a mobile app in order to improve consumers' experience when searching for the products to rent, increase their levels of loyalty towards the company and gain more valuable data to aid in the decision making process of more strategic decisions (**Exhibit 31**).

Partnerships and Deals for the Product Assortment

From the beginning, both Neto and Vidreiro knew they would need to have the top fashion retailers associated with Chic by Choice and offer a portfolio of brands that women look for and desire to use at least once in their life. They were aware that this was one of their biggest challenges, to have these reference names working with a young and recent company⁷. The company started to first source some brands from luxury boutiques, as they were already familiar with another very successful Portuguese start-up, Farfetch, and so it was interesting for them to also collaborate with Chic by Choice due to its attractive revenue channel, as Chic by Choice bought the dresses at partnership's prices and so, they were able to decrease the risk of stock⁷. In terms of the brands the company dealt directly, this was done usually through the brand's e-commerce stock, which also helped them to sell stock they had already produced⁶ (**Exhibit 7**).

Target Segment

Zambujinho knew that the target segment of Chic by Choice was composed mainly by middle class women that even though had money to spend in this type of services, were cost conscious enough to save money in items they would probably use once or twice. In fact, she was aware that these women wanted to acquire the smartest deals of the market when it came

⁷ Coleman, Alice, (2015), *Portuguese Startup Puts Designer Fashion Within Everyone's Reach*, retrieved 25 October 2015 from: <<http://www.forbes.com/sites/alisoncoleman/2015/02/03/portuguese-start-up-puts-designer-fashion-within-everyones-reach/>>

to fashion items and in this matter, the perception of a good discount appeared very appealing for them.

“Our target is mostly women with purchasing power in their 20’s to their 40’s. Rentals are a powerful way to market a luxury brand and convert aspirational buyers into actual consumers.”⁸

Filipa Neto

This emphasized the need to really try to forecast whether consumers would care more for the price of the dress itself, disregarding the discount applied, or in the opposite, ignore the price of the dress if it was their favourite dress and look at the discount offered in the first rental.

At the same time, given that the marketing department had developed a brief survey in order to obtain more valuable data about the company’s target segment, Zambujinho was also able to get access to information about willingness to pay for a party dress for English and Portuguese subscribers, discovering that around 42% of them spend more than £100 (100€ respectively) to buy one single dress (**Exhibit 12** and **17**). Additionally, 48% of the English and 26% of the Portuguese respondents stated that they buy an average of 5 or more dresses per year (**Exhibit 11** and **16**).

Reaching Online and Offline Consumers Through Different Channels

Since the beginning, both Neto and Vidreiro understood they had to think about specific channels to reach consumers and since the business is completely based on an e-commerce platform, digital tools would turn out to be critical in order to achieve the desired levels of success. First of all, in what concerns social media networks, the company created one profile for several platforms, but focused its attention on Facebook, Twitter and Instagram (**Exhibit 25, 26** and **27**), even though it had also created a profile on Pinterest, Polyvore, LinkedIn and on Youtube. In the specific case of Facebook, Chic by Choice used the platform’s paid features to promote strategic posts that registered attractive levels of CTR (click through rate) and also to launch ads. Alongside with social media channels, the company invested in other types of paid media in search engines like Google to bid for crucial words that would rank the web site first in the results for its search and to place banner ads (**Exhibit 30**).

⁸ Butcher, Mike, (2014), *Chic by Choice Is A European Take One Rent the Runway*, retrieved 25 November 2015 from: <<http://techcrunch.com/2014/06/04/chic-by-choice-is-a-european-take-on-renttherunway/>>

As a way of reaching the desired target segment and providing credibility to both the brand and the service, Neto and Vidreiro knew that it was very important to establish partnerships with key fashion bloggers in main markets. This would not only be a validation of quality from a person outside the company but also, a way to foster e-WOM through online users that can also provide their experience and some valuable reviews (**Exhibit 28**). Another channel used by Chic by Choice consists of an affiliate program with a major player in the market that basically, allows several web sites to place the company's links, banners, products, among other features, on its pages and gain a commission from each purchase that is tracked from their web⁶.

Regarding unpaid channels, the co-founders started engaging with their subscribers by email, sending regular newsletters that contain a wide range of information about new products on the web site, new designers, promotions, tips and suggestions for occasions and much more curated content to drive traffic to the web site and ultimately, entice conversion (**Exhibit 29**). Additionally, when considering organic search (also known as natural search), Chic by Choice was well aware of the critical aspect of ranking first in the results of a search engine tool and therefore, it truly engaged in a search engine optimization (SEO) strategy to guarantee top rankings through not only organic search, but also paid search. At the same time, in order to have a bridge between online and offline channels, the company also hired a PR agency that had the ultimate goal of aiding in the connections with fashion publications, celebrities and important events that would reinforce the brand's positioning in the market⁶. Even though these channels are proving to help in the achievement of results, it was also time for Zambujinho to take a closer look on the performance of some channels in order to assess if changes need to be implemented to improve metrics that are vital to fulfil all the strategic plans that were set in the beginning of the year (**Exhibit 24**).

The Online Fashion Rental Industry

The main drivers of the emerging online fashion rental industry could be summarised as technological developments and the trend of the sharing economy. Information and communication technologies (ICT) reduced transaction costs, which made sharing easier and cheaper on a large scale⁹. The sharing economy was believed to have enormous potential and was regarded as a disruptive force for traditional retail stores. This economy was mainly

⁹ The Economist (2013) *The rise of the sharing economy*, retrieved 26 November 2015, from: <<http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy>>

driven by the so called Millennials, consumers born between 1980-2000, who put less focus on "ownership", but instead, value sharing and the experience attached to the consumption of products or services. The only objects Millennials "needed" to own were their smart devices. According to a research from Nielsen, 85 percent of people between 18 and 34 years of age had their own smartphones. These devices seemed to be the key to the sharing economy. Businesses such as Uber or Airbnb, and at the time, also designer rental companies, strongly profit from this trend. According to a research study conducted by Westfield Malls, in the United Kingdom, 46% of Millennials said that they would be interested in renting items from their favourite stores¹⁰. Furthermore, concerning the clothing rental and fashion accessories across the UK, this generational group aged between 25 and 34 years old, desired to rent those products, summing up to 38% of Londoners who wished to do this¹⁰. A factor that could explain the trend towards no ownership was the fact that many people desired and wanted products of high quality, but were not able to afford them, due to their fast paced consumption habits¹¹.

While the concept of renting formal wear was relatively new for women, the business had long been established for men's tuxedos. In 2004, Lloyd Lapidus and Greg Pippo, decided to create the company Bag Borrow or Steal, given the fact that they were very familiar with the tuxedos rental concept and fascinated by the observation of women constantly borrowing each other clothes and accessories. At the time, the company was regarded as one of the pioneers within the online fashion-rental industry. Others quickly noticed the value of the industry, leading to the emergence of many competitors, some competing directly with Bag Borrow and Steal, some choosing slightly different target segments. In 2009, for example, the company Avelle decided to offer fashion rental for high-end fashion and Rent the Runway expanded the model to the luxury clothing segment¹².

¹⁰ "Westfield: How We Shop Now | What's Next", Retrieved 11 March 2016, from: <<https://www.jwtintelligence.com/2016/02/study-rental-retail-shopper-loyalty-and-more/>>

¹¹ Reuters (2015) *Renting clothes is a thing now*, retrieved 26 November 2015, from: <<http://uk.businessinsider.com/r-millennial-nowners-follow-uber-with-new-fashion-trading-model--2015-5?r=US&IR=T>>

¹² Fallon, Nicole (2014) *Clothing Rental Business Making Leasing Fashion Easy*, retrieved 26 November 2015, from: <<http://www.businessnewsdaily.com/544-avelle-clothing-rental-business.html#sthash.KySghqL0.dpuf>>

In times of recession, where peoples' price consciousness elevated rental companies profit, by offering consumers the possibility to wear fashionable and up to date design in a more economical friendly way¹¹. But even in economically stable times, budget, and at the same time fashion conscious consumers, depict the ideal target segment, as the rental model gave them access to expensive fashion. Other potential targets were people experiencing fast changes of clothing size, such as kids and pregnant women¹¹.

Regarding the most recent trends that were currently emerging in the online fashion rental industry, the “pay-as-you-go retail” was becoming more and more significant in the market where, people then were not just interested in changing their wardrobes every few weeks but rather, in a day-to-day basis, keeping it simple easy and cost effective¹⁰.

“The driver behind this trend is consumers really valuing the flexibility of selecting an item for just one wear or use. This means you can choose something that no-one’s ever seen you wearing before, or that works best for the occasion you’ve chosen it for, without having to commit to it or worry about whether you’ll wear it again.”

Myf Ryan, Westfield¹⁰

At the same time, there has been evidence of a new feature concerning this market category: the rental subscriptions. Around 20% of UK shoppers would be willing to spend £200 or more per month on unlimited clothing rent subscriptions¹⁰. More specifically, when considering Londoners only, this percentage rose up to 40% and for the fashion-forward consumers of this fashion-hubs, 59% of people were willing to spend these amounts of money for unlimited rental subscriptions¹⁰.

Taking an Eye at Competition in Major Markets

The head of digital also took into consideration what the main competitors were doing in the major markets of Chic by Choice, both the United Kingdom and Germany. Zambujinho decided to first analyse Girl Meets Dress, a company launched in 2009, following the same need identification as Chic by Choice, with a stock of over 4,000 dresses from 150 different designers, with a price range that goes from under £50 to more than £100¹³. The company offered an “advanced try on” service for customer who wanted to try dresses before their events at a price of £30 and also rent accessories to complement the look, as well as beauty, hosiery and shapewear products¹³. In what concerns its pricing strategy to acquire new

¹³ Davidi, Adam (2014) *How Girl Meets Dress is capitalising on demise of ownership*, retrieved 11 March 2016, from: <<http://www.theguardian.com/media-network/media-network-blog/2014/jun/11/girl-meets-dress-anna-bance>>.

customers, the company offered a £10 discount for the first rental on any dress¹⁴. Girl Meets Dress sold not only in the UK, but also to other European countries. Regarding the German company, Dresscoded, was founded by a model and her brother in 2012, following her need to attend to several events in a different dress¹⁵. The company allowed women to rent a dress for any occasion from prices that started at around 60€¹⁶. Accessories were also available for rent, and in some specific products, the customer was able to purchase them. In terms of promotional deals associated with the first rental, Dresscoded did not offer a discount and deliveries were only done to Germany¹⁵.

Alongside with these competitors in Europe, the company also faced a more established American player that set the tone in the market of fashion rentals since 2009. The two founders of Rent the Runway, Jennifer Hyman and Jennifer Fleiss, started the company after receiving their MBA's from Harvard and in four years, were able to raise 3.5 million members who rent dresses for all types of occasions¹⁷. After gaining recognition in the market and proving a successful business model, the company started partnerships with, not only brands of dresses but also of accessories, bags, jackets, tops, skirts, jeans and many other items. Consequently, with the increase in the variety of fashion products in its inventory, a vertical integration of operations to reduce costs and improve efficiency, and with the proved willingness to pay for clothing rent subscriptions by consumers, Rent the Runway extended its value proposition by allowing women to subscribe a service that allows them to rent 3 items for as long as they want, change the latter from time to time and pay \$139 per month^{18,19}.

What to Do in the End?

Zambujinho took a step back and tried to make sense of all the information and thoughts that were coming to her head. Given where the market was headed to, what the competition was doing and the best to increase both revenue, AOV and customer database, would she increase both the price and discount or not? Whatever the decision, it had to come fast...

¹⁴ Girl Meets Dress web site, retrieved 11 March 2016 from: <<http://www.girlmeetsdress.com>>.

¹⁵ Natascha Gruen, founder of Dresscoded.com, retrieved 12 March 2016 from:

<<http://www.nataschagruen.com/about/natascha-gruen/>>.

¹⁶ Dresscoded web site: <https://www.dresscoded.com>.

¹⁷ Galbraith, S. (2013) *The Secret Behind Rent the Runway's Success*. Retrieved May 2016 from:

<http://www.forbes.com/sites/sashagalbraith/2013/12/03/the-secret-behind-rent-the-runways-success/#5bd242f46f37>

¹⁸ Rent the Runway web site: <https://www.renttherunway.com>

¹⁹ Bloomberg, (2016), *The Netflix of Fashion: Rent the Runway Streams Wardrobes*, retrieved 25 May 2016 from:

<<http://www.bloomberg.com/news/videos/2016-03-24/the-netflix-of-fashion-stream-a-wardrobe-with-rent-the-runway>>.

Teaching Note

Introduction

The case study presented was prepared by Jennifer Rodrigues Pestana under the supervision of Professor Paulo Marcos, within the context of the Marketing Case Studies seminar, given by the latter at Católica Lisbon School of Business and Economics. All the information provided about Chic by Choice is based on actual experiences faced by the marketers and the case writer involved but, in order to preserve confidentiality, real data has been disguised, without damaging the quality of the teaching goals proposed.

At the same time, this case study does not intend in any way to illustrate a correct or incorrect way to make business, and more specifically, marketing decisions or even, to some extent, support and endorse the brand. Conversely, the main goal of the case writer is to provide a valuable teaching tool for instructors to use in their management classes so as to demonstrate real challenges faced by companies in the market and foster healthy and constructive class discussions that will help students to deepen both their theoretical and practical knowledge.

Synopsis

Chic by Choice is a Portuguese start-up, founded in May 2014, that allows women to rent exclusive designer dresses for a fraction of its price. Entering in a relatively new market category, such as the Online Fashion Rental industry, the company quickly gained consumers' attention and, by presenting a thorough and well-designed business plan to external investors, it was able to, not only, secure crucial investment to grow, but also to acquire competitors in the early stages of its development as a brand itself. Therefore, given the need to establish the company as a reference inside the category, and the vital balance between positive results when it comes to measures of KPI and a constant acquisition of new customers to enrich its customer base, the typical marketing challenges of most companies arised at Chic by Choice.

This case study aims to discuss and analyse which pricing strategy is more suitable for the company to achieve its goals, taking into account the consequences of each strategy concerning both quantitative results in terms of performance and also, qualitative issues regarding consumers' perceptions of the value of the brand within each path.

Suggested Assignment Questions

This section was designed with the main purpose of fostering a deep analysis of the case study by students, and more specifically, help them to find a suitable solution for the dilemma presented. Therefore, in order for them to be ready for class discussion of the case, students should prepare in advance and answer the following questions:

1. Perform an industry analysis in what concerns this new market category of online fashion rentals using Porter's Five Forces framework.
2. From the information extracted about both the industry and the company itself, develop a SWOT analysis to further build a TWOS analysis, where the latter comprises the integration between the elements of the SWOT into more strategic questions that Chic by Choice should consider.
3. Chic by Choice is heading to a premium positioning in the category of online fashion rentals. Therefore, what are the best communication strategies (from the ones already used and other new) that the company should employ in this first stage, where acquiring new customers and get awareness are crucial, without damaging the brand?
4. Discuss the advantages and disadvantages of Chic by Choice implementing a subscription model and quantify this decision.
5. Assess which promotional discount should be applied by the company given the results of each one in terms of AOV (average order value), CAC (customer acquisition cost) and number of transactions obtained.

Teaching Objectives

This case study was developed around a set of teaching objectives that are aimed to be fulfilled at the end of the comprehensive analysis performed by students. Therefore, the teaching objectives are:

- a) To introduce students to a new market category inside the online industry that is contingent of technological adoption by companies and a deep understanding of the latest consumer trends;
- b) To familiarize with the Online Fashion Rental industry dynamics and its main players, who are shaping the market and setting the standards for new companies;
- c) To foster the knowledge of the newest topics inside management related to the "sharing economy" issues and the millennials' impact in the way companies are operating, as well as, general concepts about online consumer behaviour;

- d) To understand what are the main pre-requisites for a start-up to enter in the market and be successful in sustaining investment;
- e) To present real life challenges regarding online pricing promotion decisions to students and assess which options could be the most profitable for the company;
- f) To analyse how a company going towards a premium positioning in the market should communicate to its consumers and develop knowledge on digital marketing concepts and tools;
- g) To quantitatively measure the impact of the different pricing decisions and foster the use of a results driven perspective when considering marketing challenges;
- h) To develop a critical analysis of both the external dimensions and internal capabilities of a company when deciding what path to pursue in the future.

Use of the Case Study

This case study about Chic by Choice was developed in order to create a teaching tool that will allow instructors to illustrate a real and concrete example of a company that was faced with a pricing challenge that needed to be addressed in order to achieve the desired results by the managers. It is further intended that both undergraduate and graduate students are able to critically assess all the implications and resources available to get to the end result and understand how the theoretical knowledge acquired in business schools can be applied to practical settings inside the companies.

Therefore, instructors may provide the suggested assignment questions to students, in order for them to prepare the case in advance and further discuss it in a class of around 90 minutes of total duration. However, since this case study can be used in courses like Marketing Management, Consumer Behaviour, Brand Management, Entrepreneurship and Digital Marketing, which comprise very broad and sometimes different teaching objectives themselves, instructors may prefer to adapt the questions given the main topics they wish to cover in class.

Relevant Theory

With the main goal of having the best preparation for in class discussion of this case study, students are recommended to read the following materials that comprise concepts of consumer behaviour, pricing and communication strategies, e-marketing and digital marketing:

- Strauss, J., & Frost, R. D. (2014). *E-Marketing*. Upper Saddle River, NJ: Pearson Prentice Hall.
- Solomon, M.R. (2015). *Consumer Behavior: Buying, Having and Being*. Saffron House: Pearson Education.
- Kotler P., & Armstrong G., & Wong V., & Saunders J. (2008). *Principles of Marketing Management*. Saffron House: Pearson Education Limited.

Literature Review

Masstige Positioning

According to Silverstein and Fiske (2003), the members of the 47 million American households that comprise the middle class market (people earning \$50,000 and more in annual income, are broadly educated and have travelled around the world), have about \$3.5 trillion of income to spend – and potentially means they are willing to pay premiums of 20% to 200% for well-crafted goods and of superior quality. As a consequence of this phenomenon that is also happening worldwide, companies must adapt its strategies in order to fulfil consumers' needs and aspirations. Furthermore, new categories in the market arise and inside a premium positioning, companies are able to build the so called *Masstige* or even, *Mass Prestige* brands that will offer goods placed between mass and class (Silverstein and Fiske 2003), being less expensive than traditional luxury goods (Kitchen *et al.* 2008).

Kitchen *et al.* (2008) stated a *masstige* positioning as a very innovative and effective strategy due to the combination of a perceived prestige, different from middle-range products, but, at the same time, with prices slightly above the comparable middle-range brands.

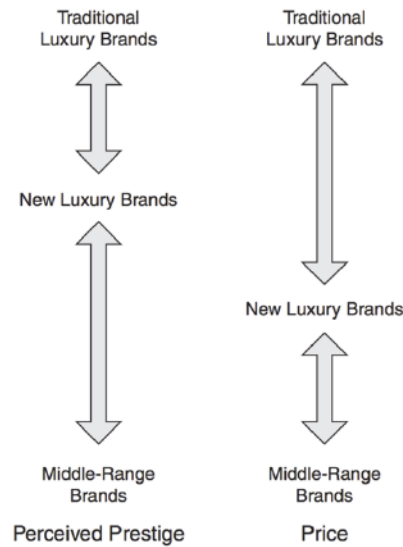


Figure 1: Example of a masstige strategy.

Source: McKechnie, S., Devlin, J., Ennew, C. & Smith, A. (2012). *Effects of discount framing in comparative price advertising*. *European Journal of Marketing*, Vol. 46 Iss 11/12 pp. 1501-1522.

From the empirical study designed to investigate the positioning strategies of Calvin Klein and Ralph Lauren, the authors Kitchen *et al.* (2008), were able to find evidence that indeed, these brands are perceived by customers as being more close to the level of prestige of traditional luxury brands than to middle-range brands but, in terms of price, are much closer to the latter. However, there is a clear need to respect the equilibrium between prestige differentiation and a reasonable price premium in order to avoid brand dilution and maintain the aspirational aura around it since, if well perceived, customers will be willing to pay the extra value if they really want it (Yeoman and McMahon-Beattie 2005).

How Price Promotions Influence Premium-Product Brands

As promotional pricing is defined as temporarily pricing products below the list price in order to increase short-run sales (Kotler *et al.* 2008), some negative effects on the brand may occur (Montaner and Pina 2008). In an attempt to assess both the sales impact and the brand perceptions that resulted from different types of price-promotion activities in the premium automobile market, Zoellner and Schaefers (2015) performed two studies that comprised the following price-promotion categories:

		Precondition	
		Without	With
Price Reduction	Direct	<p>1. Direct Discount</p> <p>All buyers receive a direct discount on the list price of the promoted product</p>	<p>3. Capture/Loyalty Promotion</p> <p>Only buyers new/loyal to a brand are eligible for a direct discount</p>
	Indirect	<p>2. Free-Gift Promotion</p> <p>All buyers receive an additional product feature (e.g., air conditioning) or product (e.g., roof rack) for free</p>	<p>4. Trade-in Promotion</p> <p>Buyers who trade-in an old product for a new one receive a selling price for the old product above market value</p>

Figure 2: Price-Promotion Categories.

Source: Zoellner, F. & Schaefers, T. (2015). Do Price Promotions Help or Hurt Premium-Product Brands? *Journal of Advertising Research* 270-283.

The main results of the studies can be summarised as the following (Schaefers and Zoellner 2015):

- Direct-price reduction has a stronger positive impact on sales (even though this effect was diminished when a precondition was added);
- Conversely, when introducing a precondition in an indirect-price reduction, evidence showed that sales were higher;
- The promotion activities that are familiar to the consumer (i.e. common promotions that the customer is used to) were found to be less harmful for the brand image of companies;
- In terms of both sales and brand perception, the best strategy to achieve higher sales and no negative impact on brand prestige is the type 1 – direct-price reduction without a precondition.
- From these results, managers are advised to use price-promotion strategies with direct-price reduction when the objective is to increase sales and, as a way of decreasing the probability of diluting the value of the brand and premium perceptions accordingly, promotions that are well-known should be employed.

Online Pricing Strategies

Price can be defined, in a narrower approach, as the amount of money charged for a product or service, and more broadly, it is the sum of all the values that consumers exchange for the benefits of having using a product or service (Kotler *et al.* 2008). Nowadays, information technology changed the way marketers use pricing strategies, especially in online markets, given the Internet role as an information equalizer that leads to **price transparency** – in the sense that both buyers and sellers can view competitive prices for the items sold in online markets (Strauss and Frost 2014). According to Wilson-Jeanselme and Reynolds (2005), this competition derives from the combination of reduced barriers to product information, easier access to a higher number of potential suppliers and increased threat of substitutes. Therefore, since consumers are able to search as many web sites as they want in a short period of time, in order for online transactions to be profitable, visitors of the online platform have to be converted into actual buyers (Wilson-Jeanselme and Reynolds, 2005).

Chan, Cheng and Hsien (2011) have performed a study in an online shop of a consumer peripherals retailer in order to assess the implications of establishing pricing and promotion strategies to enhance its profitability and also, conclude whether clustering customers into different classes has an effect in the results. It has been showed that, first of all, the sales performance after the implementation of pricing and promotion strategies is considerably higher than before the implementation. Second of all, there is no significant evidence that customers of different classes prefer different promotion options and thirdly, the profit rate does not change after the implementation of such strategies, meaning that the use of pricing and promotional strategies is strongly recommended, as this will not change future gains of the companies (Chan, Cheng and Hsien 2011).

Consumer Perceptions and Effects of Discount Framing

Retailers often use comparison prices in order to increase the perceived value of its offers and consequently, encourage customers to buy a product (Chandrashekar and Grewal 2003). This strategy implies comparing a sale price with some higher reference price to show the consumer the superior value of the first offer given the reduced price (McKechnie *et al.* 2012). Furthermore, the idea of “framing effects” is based on the fact that people’s choices can be affected by the way a situation is described (Frisch 1993). According to the findings of McKechnie et al. (2012), discount format influences the assessments of value of the offer for both low and high-price goods and more specifically, percentage discounts work for low-price products and absolute discounts work for high price products.

Digital Marketing and the Influence of Millennials

Digital Marketing can be described as the practice of promoting products and services using digital distribution channels, and is also known as e-marketing (Smith 2011). As the Internet became the fastest growing advertising medium of this decade (Ha 2008), a new approach centered on customer orientation (OC), has been used more and more among managers (Mogos 2015). The author further states that the positive performance of this approach is due to the use of processes – like data collection, data storage, data processing, analysis and discrimination – that are aimed to transform operational results into valuable knowledge in order to aid top management in the decision making process, regarding marketing strategies to adopt (Mogos 2015).

Strauss and Frost (2014) argue that in order for companies to assess whether they have reached its objectives, it is necessary to measure its results. Therefore, in the context of e-marketing, the performance metrics used to evaluate the effectiveness of Internet Marketing can include, click through rates, web server statistics, changes in awareness, changes in purchase intent, return on investment (ROI), changes in engagement levels, sales conversion rate, inbound inquiry rate, among others (Strauss and Frost 2014: Source: 2011 Annual Survey of Market Research Professionals).

According to Smith (2011), Millennials are an essential ingredient in the development of e-commerce since they have grown up socializing and making purchases online. More specifically, this generation is keen of more personalized messages (Smith 2011) that were proved to increase the levels of e-loyalty showed by customers, which consequently, had a positive impact on word-of-mouth and willingness to pay more (Srinivasan, Anderson, & Ponnaveolu 2002). As a way of personalizing a relationship with a customer, online recommendations are one of the tools that can be used by companies, and Millennials often look to peers as a way of determining and deciding the merit of either a web site or a product itself (Smith 2011). Alch (2000) further states that this generation feels control over the Internet and they will benefit from a large technological gap between themselves and their parents, consequently representing a more powerful and influential cohort than any previous generation.

When analysing which types of digital marketing strategies are preferred by Millennials and which of them will influence their behaviour, (Smith 2011) came to the conclusion that marketers should use side-panel ads and offer coupons, in order to appeal to this generation,

and do not use any kind of pop-up advertising or un-closable windows to avoid irritating the customer. Furthermore, the author discovered that they also like to watch advertisements on Youtube, are attracted to brightly coloured graphics, can potentially visit your web site more if you offer competitive prices and shipping rates and finally, Millennials are prone to interact with your company by providing online reviews – which you can entice them to do by giving them some type of reward. Therefore, there is huge potential for marketers to understand what drives behaviour from Millennials and, when taking all these dimensions into account, the effectiveness of the digital strategies applied will increase.

Online Consumer Behaviour

Solomon (2015) defined consumer behaviour as the study of the processes involved when individuals or group select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. However, when considering online consumer behaviour, one needs to take into consideration that the online consumer performs all the activities of a traditional consumer on a computer, while she/he interacts with a system – being the latter a commercial web site – and so, it is also a computer user at the same time (Koufaris 2003). Therefore, there is a need to understand the behaviour of online visitors in order for web sites designers to be able to develop more efficient e-commerce platforms that are based in these behaviours (Chebat and Richard 2015).

Kahn and Menon (2002) have performed to experiments that have shown that the stimulation and pleasantness initially encountered in a web site will have carry-over effects on subsequent shopping behaviour – more precisely, when consumers are exposed to a pleasing web site in an initial stage, they are more likely to engage in further shopping behaviours. Conversely, if the web sites encountered initially are higher in stimulation and information load, consumers will be less likely to browse, less willing to examine them and finally, less likely to take part in promotional offers.

The authors, Chebat and Richard (2015), have developed a conceptual model of online consumer behaviour that considered two personality variables, **need for cognition** (NFC) and **optimum stimulation level** (OLS) and included six major variables (**online cognitions** related to the functional characteristics of a web site like informativeness and effectiveness of information content, – categorized by Eroglu *et al.* (2001) as high-task relevant cues in the context of online atmospheric cues – **online emotions** that comprise pleasure, arousal and dominance, **online entertainment**, – categorized by Eroglu *et al.* (2001) as low-task relevant

cue – which is related to hedonic characteristics, **flow** that is a state occurring during internet navigation, **online attitudes** that contain both web site attitudes and product attitudes, and purchase intentions) and their interrelationships.

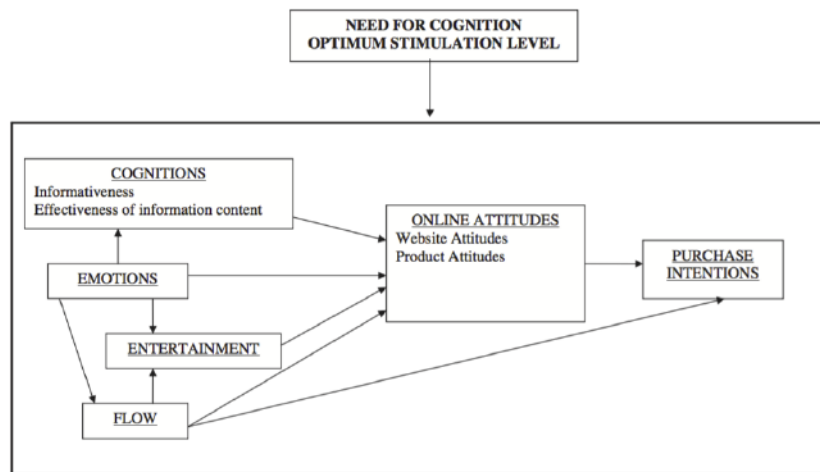


Fig. 1. Model of online consumer behavior.

Figure 3: Model of online consumer behaviour.

Source: Chebat, M. O., Richard, J. C., (2015), *Modeling online consumer behaviour: Preeminence of emotions and moderating influences of need for cognition and optimal stimulation level*. Journal of Business Research 69 (2016) 541-553

The main results of this study showed the crucial role of all three dimensions of emotions early in visiting the web site, the two cognitive measures of effectiveness of information content and informativeness, flow, entertainment and finally, web site attitudes (Chebat and Richard 2015). Furthermore, dominance played a major role in the model, the relationship of arousal to pleasure is also positive and significant, flow has shown to impact purchase intentions in a direct manner and web site attitudes are determined by effectiveness, dominance, pleasure and entertainment, proving that the latter variable should be an integral part of all modelling efforts in the online environment (Chebat and Richard 2015).

Analysis and Discussion

In this section of the Teaching Note instructors will have access to a complete plan of how class discussion should be organised, in order to make it as valuable and enriching as possible for both parties.

Since the market category is relatively new inside the online industry, there is a need to understand the major forces that are shaping both the internal and external dimensions that influence the decisions made by the company. Therefore, the first two questions are intended to provide a background context of the main issues comprising the market and the company's assets than can lead to a more strategic planning of future marketing activities, with the main goal of clearly defining the communication and pricing decisions raised in the next questions. Furthermore, topics such as Digital Marketing, Online Consumer Behaviour and Online Pricing Strategies should be approached by students in advance, so that they can be able to discuss Chic by Choice's case study in class.

Following this reasoning, the instructors are encouraged to start the discussion of the case study by an overview and summary of the latter, with the main objective of providing an understanding of what are the challenges faced at the time, the dynamics surrounding the company and the possible paths to pursue. Finally, after this preliminary analysis, discussion should follow the suggested assignment questions proposed.

1. Perform an industry analysis in what concerns this new market category of online fashion rentals using Porter's Five Forces framework.

This preliminary question has the main goal of allowing students to familiarise with one of the most important methods for analysing the dimensions of the industry in order to, not only assess its potential profitability, but also, to make more coherent marketing decisions. According to Porter (1979), competition in an industry is not solely defined by the competitive players that fight for the same share of a particular market but rather, by several competitive forces and the underlying economics of the industry itself.

The nature of competition in an industry varies according to the level of five basic forces: (1) the threat of potential entrants, (2) the bargaining power of suppliers, (3) the bargaining power of customers, (4) the threat of substitutes and (5) the rivalry among existing players in the industry. Therefore, this analysis can be very useful, since it can give some insights about the nature of the industry and the surrounding environments.

Regarding the **threat of new entrants**, Porter (2008) states that new entrants constitute a threat to the current players of an industry as they bring new capabilities and resources along with the aim of gaining market share, which puts pressure on prices, costs and innovativeness and hence, the profitability of an industry will fall towards the competitive level. In the specific case of the online rental business of designer dresses, students should state that there are few barriers to enter in the market, as it first of all, does not require high initial investments to start, since it is based mainly on the online platform (not requiring physical stores), and it will start from the partnerships with the distributors and brands to deliver the products to the consumer (**p.11 in case study**). At the same time, these types of platforms are relatively easy to replicate, even though the business model is not so easy to achieve – and there is a relative advantage Chic by Choice proved to have, as it was able to acquire similar competitors in a relatively short period of time (**p.10 in case study**). Additionally, as recent research shows, around 46% of Millennials would be willing to rent products from their favourites stores, proving that there is enough demand for other companies to enter the market (**p.13 in case study**). Therefore, this threat can be considered **high**.

The **bargaining power of suppliers** relates to the control that suppliers have to extract more value, by charging higher prices or limiting the quality of their products or services. As a result, powerful suppliers are able to drive down the profitability of an industry (Porter 2008). When considering the market of online rentals, suppliers in this market do have some power in deciding which prices to set for the dresses, but they also need the visibility derived from the partnerships with companies like Chic by Choice. It is of great importance for the suppliers to maintain beneficial relationships with its buyers, as it is also a way for them to sell stock and decrease the levels of inventory (**p.11 in case study**), and on top of that, there are today many luxury brands that would ultimately, be interested in joining the network. Given all these dimensions, this threat can be stated as **low**.

In what concerns the **bargaining power of buyers**, this constitutes the ability of customers to force down prices, require higher quality of products or more services, while reducing industry profitability (Porter 2008). The nature of the online rental industry of designer dresses is by itself, a very unique one when it comes to assess the power of customers to force down prices because, first of all, this is a service that satisfies a very specific consumer need and secondly, only women with a certain level of income are able to actually rent the dresses (**p.11 in case study**). On top of this, even if the prices of the rentals are lower than the retail prices, the dresses continue to be luxury products, and for this type of products, the customer

is able to pay premium prices (where demand is not affected by it, rather increases even more) (The Economist 2007). Furthermore, since each order of each customer is also considered to be relatively low (women will most often rent one dress at a time and a dress only when they have a special event) (**p.8 in case study**), and the number of customers in the market is not that big when compared with a fast moving consumer goods market, for example, the bargaining power of buyers can also be considered **low**.

The **threat of substitute products** is described by Porter (2008) as any product or service performing the same function as the industry's product but in a different way. He further argues that substitutes can restrict the profitability of an industry by putting a limit to the prices that can be charged for a product (Porter, 1979). In the case of this specific market of online fashion rentals, the substitute alternatives that the consumer can actually find are indeed the actual purchasing of the dresses, whether online or offline. However, this implies that they will inevitably spend more money if they still buy the same dress they wanted in the platform at a retail price or, in contrast end up buying another dress, which is not from a luxury designer and costs less. Either way, there will always be an inherent cost by switching to a substitute product, a financial or an "aspirational" one, where consumers will not have the dress they really wanted from a luxury brand they actually desire. Overall, this threat, for this specific need satisfaction that these online rental companies perform is **low**, as consumers will not enjoy switching to any of the alternatives and end up worse (higher switching costs).

Finally, as the fifth and final force in the Porter's five forces model, **rivalry among existing players** can take different forms such as, price discounting, new product introductions, advertising campaigns or service improvements. Hence, high industry rivalry will lead to lower profitability of the industry (Porter, 2008). In this market, there are players such as Rent the Runway (**p. 11 in case study**), which is currently dominating the American market, and then other players in the European market where Chic by Choice is an evident force, renting dresses for more than 15 countries (**p.11 in case study**). In terms of competition inside the market, the differences between companies will mainly lie on the types of services they are able to offer, the network of designers and luxury boutiques they are partnered with and also, the level of recognition they can attain in a given market (**p. 11 in case study**). Since all the business is mainly conducted online (from a customers' communication and care perspective), it is very important to keep generating positive word of mouth throughout the channels and ensure credibility in the eyes of the clients. Summing up, this force has a **moderate** power and overall, students are expected to reach the conclusion that this industry/market can be

considered an attractive one to enter with a **moderate level of competition**, which can ultimately, increase even more, as new players can potentially bring new dimensions and technologies to reshape it, implying more challenges to the already established companies.

2. From the information extracted about both the industry and the company itself, develop a SWOT analysis to further build a TWOS analysis, where the latter comprises the integration between the elements of the SWOT into more strategic questions that Chic by Choice should consider.

After an overall analysis of the industry and its main dimensions using Porter's 5 Forces framework, it is necessary to critically gather all the information to extract more strategic implications out of it. Therefore, after reading the case study and answering question 1, students are expected to understand how internal conditions contribute to a firm's strengths and weaknesses and, at the same time, how external dimensions exist as opportunities and threats to the business. As a first step, identifying opportunities, threats, strengths and weaknesses is required. The suggested key pointers are the following:

Opportunities:

- Support of investors that have more experience and can aid in the decision making (**p. 9 in case study**);
- Potential to gain more customers within the big and influential segment of Millennials, who focus more on the experience, rather than on ownership (**p. 13 in case study**);
- Offer both online and offline channels to give customers a more personalized experience and consulting services (e.g. stylist advice) (**p.24 in literature review**);
- Extend the value proposition made to consumers by offering a subscription model for the rentals of dresses to capture potential consumers that showed a willingness to pay for this type of service (**p. 15 in case study**);

Threats:

- Strong and established American competitor, Rent the Runway, can enter the European market (**p.11 in case study**);

- Threat of new entrants, especially from established retail stores (**p.14 in case study**);
- The power of “fast-fashion” retailers like Zara and H&M, for example, that offer copycat dresses from known designers at lower prices.

Strengths:

- Stronger networks and market power due to the acquisition of La Remia and the customer database of Wish Want Wear (**p.10 in case study**);
- Market leader position within Europe (**p.10 in case study**);
- Played a strong role in shaping the European Online Fashion Rental industry and made luxury products more accessible to a broader target segment (**p.9 in case study**);
- Launch of a new product assortment of accessories to complement the dresses and extend the value proposition (**p.10 in case study**);
- Development of a mobile app as a new channel to reach new consumers and interact with current ones (**p.11 in case study**);
- Leverage on the 230,000 subscribers list bought to the competitor Wish Want Wear in order to turn them actual consumers of the company (**p.10 in case study**);
- Achievement of an efficient margin per rental of 65% that brings competitive advantage and an AOV of 105€ in a short period of time (**p.10 in case study**).

Weaknesses:

- Liability of newness (**p.7 in case study**);
- Limited portfolio of products compared to other American and European competitors (Rent the Runway and Girl Meets Dress) (**p.15 and 16 in case study**);
- High dependency on partners – DHL as a logistic partner, brands and boutiques as suppliers of dresses and laundry and cleaning companies as operational partners (**p.9 in case study**);
- Low brand awareness in the market when compared to more established online retail competitors.

After identifying all the necessary information to fill in each dimension of the SWOT, it has become essential for marketers, to strategically assess each interaction between strengths, weaknesses, opportunities and threats, so as to make decisions on what is primarily more important for companies. Furthermore, according to Michael Watkins, focusing in the external factors of the environment can turn out being more productive to aid in the decision making process and the next steps to take, rather than only looking at the internal capabilities of the company (Watkins 2007). Given this, students should employ a critical perspective when building the TOWS, by analysing each dimension of the SWOT and combine them into questions that will enhance the relationship between: strengths and opportunities (*maxi-maxi strategy*), weaknesses and opportunities (*mini-maxi strategy*), strengths and threats (*maxi-mini strategy*) and finally, weaknesses and threats (*mini-mini strategy*)²⁰. Following this reasoning, students will have four strategic questions to answer from the information gathered previously. A suggested table of the main the issues to mention is:

		Internal	
		Strengths	Weaknesses
External	Opportunities	<p>How to use strengths to exploit opportunities?</p> <ul style="list-style-type: none"> • Market leader position in Europe can help the company to gain a bigger share of the millennial's segment; • Use networks to develop strategic offline locations. 	<p>How to minimize weaknesses which prevent opportunity exploitations?</p> <ul style="list-style-type: none"> • Extending the product portfolio of dresses and other complementary products can enable Chic by Choice to attract other segments and make it less dependable on key suppliers; • Join with Senior Consultants in order to analyze more options to bring partners in-house.
	Threats	<p>How to exploit strengths to minimize threats?</p> <ul style="list-style-type: none"> • Improve the customer experience even more to avoid the entrance of new competitors • Develop a loyalty program to retain existing customers in order to prevent consumers to switch for substitute products like the ones offered by the "fast-fashion" retailers. 	<p>How to overcome weaknesses to minimize threats?</p> <ul style="list-style-type: none"> • Increase brand awareness to make entrance of other competitors more difficult and increase the number of members in the platform; • Increase portfolio of brands to compete with online stores that offer clothes for all kinds of occasions.

²⁰ MBA tutorials, TOWS matrix, retrieved 10 May 2016 from: <<http://www.mba-tutorials.com/strategy/1738-tows-matrix.html>>

3. Chic by Choice is heading to a premium positioning in the category of online fashion rentals. Therefore, what are the best communication strategies (from the ones already used and other new) that the company should employ in this first stage, where acquiring new customers and get awareness are crucial, without damaging the brand?

Throughout the case study, students were introduced to the main communication channels employed by the company to (1) raise awareness, (2) provide credibility, (3) gain recognition and (4) lead to conversions. With the same channels in mind and some other new, and after analysing all the exhibits provided about percentages of sessions, people who visited the web site, people who registered and people who purchased by channel, it is expected that, after a discussion in class about the major concepts in digital marketing (**Appendix 2**), students should be able to state which are the best tools to use by the company with the main purpose of increasing the levels of awareness and number of registrations in the web site. As a way of categorizing the channels and better explain the strategy to pursue, the instructor can divide the discussion into three broader dimensions: **paid** (space and content owned by other entities that are paid to convey the company's promotional messages), **owned** (communication with consumers through channels owned by the company) and **earned** media (when individual communications become the channel to convey information about the company) (Strauss and Frost 2014) (**Exhibit 4**).

➤ *Owned Media:*

○ Email registered a considerable increase in the percentage of sessions driven from it to the web site (10% in August 2015 to 16% in December 2015) (**Exhibit 24**), which also had led to an increase in the percentage of people who visited the web site and purchased (4% increase and 5% increase respectively, when comparing the same period as above) (**Exhibit 24**). Since this channel has a small cost for the company, and it serves as a tool to provide special and specific content to its subscribers, it can be used in a more strategic way to induce conversions – Chic by Choice can send more personalized emails to each segment based on data about sizes, body shapes, type of occasion of events searched and many others (**Exhibit 10,13,14,15,18 and 19**). In fact, when observing **Exhibit 26**, the experiments developed by both the case writer and the company using the information collected from the survey, proved that the most effective newsletters in terms of CTR, percentage of conversion and percentage of opens, were the ones in which the

content was designed based on the different data about sizes, body shapes and occasions of respondents.

- Organic Search has been witnessing a steady position when driving sessions, people that visited the web site and conversions (**Exhibit 24**). Therefore, with contributions of around 20% in each dimension, it is one of the most important channels for the company to keep investing, building a better web site that focuses on critical keywords placed on specific parts of the web site and other tactics to ensure relevance and popularity. For those reasons, it becomes crucial for the company to have resources applied to this channel as a way of constantly updating the strategies applied in SEO.

- Other channel that the company can use to promote awareness in the market is its mobile app (**p.11 in case study**), that was developed with the main goal of improving consumers' experience and acting as a medium to provide personalized messages and promotions to customers directly, consequently increasing their levels of loyalty towards the brand (**p. 24 in literature review**)

➤ *Paid Media:*

- Since one of the main social networks used by the company, Facebook, contains both unpaid and paid features that the company was using (**p.12 in case study**), students can categorize social channels inside this dimension. When looking at the data available, social has been witnessing a considerable increase in driving the percentages of sessions in the web site and more importantly, the percentage of people who registered, that was 18% in August 2015 and represented at the end of the year (December 2015), 27% of the total amount (**Exhibit 24**) – and from the moment the company achieves a registration, it is able to start using the email channel, the latter driving more conversion, to communicate with the consumer and send messages designed specifically to each potential segment. Thus, even though the channel does not constitute a major driver of conversions, it is one of the most critical in providing awareness and new registrations for the company, so it is recommended to the marketing department to continue to leverage on this category. In fact, when analysing **Exhibit 24**, it is possible to assess that social is the channel that has brought a higher percentage of registrations to the company (an increase from 18% in August 2015 to 27% in December 2015) – implying that this specific channel is a usually a first touch channel from which consumers get to know the company and only afterwards will have interaction with other types of communication from the company like its emails that will aid in the conversion rate.

- When concerning paid search, although its impact on the three dimensions has decreased, it continues to be the most important channel to drive conversions to the company (**Exhibit 24**) and therefore, it needs investment in terms of SEO measure, keywords bidding and placement of ads.

- Regarding direct channels, students can include several tools inside this category such as personalized emails sent to consumers given their specified behaviour online, text messaging with promotions and special offers and also showing different ads to different segments. When looking at the contribution of the channel to the number of users who visited the web site and the number of people who purchased, it is clear that it has been slightly growing over the time and comprises around one quarter of both visits and conversions (19% and 26% respectively in the latest period available to analyse) (**Exhibit 24**).

- Finally, as for affiliate programs and referrals, students can note that the importance of these channels has decreased over time which can imply a disinvestment by the company due to less results than expected (they both contribute on average less than 10% to the number of sessions, visits, registrations and conversions to the web site (**Exhibit 24**). As a way of complementing the answer to this part, the instructor should also discuss with students more information on how to collect more valuable data to assess the efficiency of each channel by using metrics like CPM (cost per thousand impressions), CPA (cost per action) and CPC (cost per click) for example (**Appendix 2**).

➤ Earned Media: In this category, discussion should move towards the main activities that can be performed by internet users, social influencers, opinion leaders and actual customers of the company that they use to share their opinions, experiences, thoughts and evaluations regarding the service and its own personal perceptions. When analysing **Exhibit 6**, there are several channels that can be used and since Millennials are so reliant on recommendations and reviews of their peers to make decisions (**p.24 in literature review**), it can be crucial for the company to provide ways of receiving and collecting this feedback through, for example, one of the most important metrics to obtain these evaluations – the Net Promoter Score (NPS) that is based on a key question made to consumers: “*On a scale 0 to 10, how likely are you to refer us to a friend or colleague?*”²¹. According to results, customers can be considered *promoters* (9 and 10

²¹ Filip, Andreea, (2013), *Net Promoter Score and Thank you Pages: one question, one page, a powerful insight*, retrieved 15 May 2016 from: <<https://www.marketizator.com/blog/net-promoter-score-and-thank-you-pages-one-question-one-page-a-powerful-insight.html>>>.

rating), *passives* (7 and 8 rating) and *detractors* (0 to 6 rating) and therefore, the company can leverage on these evaluations to communicate them to other potential consumers and also, drive people to extend its reviews contribution by offering special gifts or promotions if they do so. At the same time, students can also suggest a way of engaging in viral marketing activities so as to spread content about the company in a fast pace through both online and offline channels to provide visibility and awareness – for Millennials, the nature of the content has to be attractive, colourful and very graphic in order to persuade them to share it (p.25 in literature review).

4. Discuss the advantages and disadvantages of Chic by Choice implementing a subscription model and quantify this decision.

This question was designed to foster students to look for more information, besides the one provided in the case study, about the main advantages and disadvantages of a subscription model within the context of an e-commerce platform. Therefore, after discussing the positive and negative dimensions of this option in a more theoretical way, students are also expected to develop some calculations with the quantitative data given, in order to provide a reasoning about whether the implementation of a subscription service would make sense, and consequently, be profitable for the company at the time of the case.

In terms of **advantages**, students should be able to mention the following aspects regarding a subscription model (Charlton 2015):

- It is a good model to predict demand and volume in advance, which in turn allows managers to make more conscious acquisition of stock;
- It is a way to get cash-flow upfront and this can be very positive if a company needs money to scale the business;
- A subscription can be translated as a long term customer that, if he/she likes the service, will stay with the company for a longer period of time;
- Since this segment of customers will be composed by monthly clients, one can reduce the customer acquisition costs (CAC);
- It allows a company to get constant data and information about its customers, being afterwards, able to segment them and forecast their customer lifetime value.

In what concerns the main **disadvantages**, student should mention, among others, these dimensions (Charlton 2015):

- There is a constant need to provide an excellent service to the customers in order to avoid a default of expectations which can lead to higher churn rates, giving how easy it is to cancel the subscription of these types of services;
- It can become difficult for the company to extract more value from an individual customer since increasing the frequency of purchase, up-selling or cross-selling is usually obtained from each transaction;
- If the company has a big product portfolio but sends only selected products to its customers through the subscription service, it lacks on data about the performance of the remaining items that are not sent;
- There is a need to have a strong control over the entire operational process in order to avoid delays or problems with distributors and other partners that can affect deliveries on time of the products or services.

Alongside with this reasoning, students should then look for the quantitative data provided in the case study regarding: (1) AOV of 105€ (**p.10 in case study**); (2) Margin of each rental of 65% (**p.10 in case study**); (3) Occupancy rates of dresses (**Exhibit 23**); (4) Average rotation of each dress of 20 (**p.10 in case study**); Competitor's benchmark of the subscription service offered of \$139 per month for 3 items to rent (**p.16 in case study**).

When analysing the numbers, it is critical to note that for one single dress, Chic by Choice gets on average 105€ of revenue, which is only 20€ less than the subscription amount that the competitor Rent the Runway charges for 3 products in the subscription service (\$139 = 125€²²). Therefore, and assuming that a dress can be rented around 20 times, the average occupancy rate for the four weeks of June is 57,5% (the data available to provide an approximate value of the real occupancy rate in a month that is considered to be of high volume), and the company has a margin of 65% on each rental, Chic by Choice is able to extract $0,65 \times 20 \times 0,575 \times 105€ = 784,88€$ in revenue on average per dress. Since a month has usually 4 weeks, one single dress can be rented for a maximum amount of 5 months straight. So, for 3 dresses, this amount would be 2,354.63€. Consequently, this means that, if the company would pursue with the subscription model for the same price

²² Conversion rate of pound to euro as of 28th of May 2016.

as its competitor, 125€ per month, that would translate in an approximate amount of revenue of 125€ x 0,80 (a higher margin assuming that the customer acquisition cost would be less and also, that the company would be able to save money on shipping costs since it sends three dresses at a time) x 5 = 500€ during 5 months – Chic by Choice would be winning only around 21% of potential revenue if it rented the dresses separately.

With these results, students should then argue that, since the AOV of Chic by Choice is very close to the value of the subscription model of Rent the Runway, to implement such a strategy right now is not recommended and also because, as it was stated in the case study, the latter has adopted this model only after the vertical integration of its operations and after acquiring new product assortment that has, most probably, decreased the levels of the AOV of the company, making it a more viable strategy to apply in order to grow (p.16 in case study).

5. Assess which promotional discount should be applied by the company given the results of each one in terms of AOV (average order value), CAC (customer acquisition cost) and number of transactions obtained.

This final question is intended to be more focused on quantitative data provided in the case study, in order for students to get more familiarized with e-commerce metrics and as an attempt to balance practical results with theoretical knowledge about pricing promotions and consumer perceptions regarding the latter. Therefore, as a first stage to approach the question, it is expected that students will look for the data included in exhibits 20, 21 and 22 regarding the number of transactions obtained in the two stages of testing the discounts (20€ from March until July 2015 and 25€ from August until December 2015, respectively). After learning how to calculate both AOV (average order value) and CAC (customer acquisition cost) (Appendix 2), one way of gathering all the data to make the calculations is the following:

	Period with 20€ discount (Mar.15 - Jul.15)	Period with 25€ discount (Aug.15 - Dec.15)
Total # of Transactions	6800	9400
Total Revenue	748,000.00 €	954,100.00 €
Total Acquisition Costs	217,600.00 €	291,400 €
AOV	110.00 €	101.50 €
CAC	32.00 €	31.00 €

At this point, students are able to realize that although the number of transactions with the bigger discount is higher, the AOV with the smaller discount is actually more attractive, which could be good to aid in Zambujinho's decision. However, to assess the overall performance of both options, students need to evaluate the overall gains of each situation by subtracting both the discounts and the CAC impacts like this:

Option 1 (20€ discount): $110€ \times 1360 - (20€ \times 1360) - (32€ \times 1360) = 748,000.00€$

Option 2 (25€ discount): $101,5€ \times 1880 - (25€ \times 1880) - (31 \times 1880) = 954,100.00€$

$$\Delta \text{ Additional Revenue Earned} = \frac{954,100.00€ - 748,000.00€}{748,000.00€} \times 100\% = 27,55\%$$

With these results, it is possible to quantify the additional amount that the company earns by applying the 25€ discount instead of the 20€. At the same time, students should also take into consideration the fact that, as it was proved by the higher amount of rentals generated with the 25€ discount, customers respond in a more positive way to the bigger discount, since they perceive this as an added value when it comes to the benefit gained. Additionally, it was practically showed that, as stated by McKechnie *et al.* (2012), discount formats indeed influence the perceptions and evaluations of value gained by consumers since, with a higher absolute discount, they actually rented more dresses than with the smaller one that implied a decrease in the rental price of the dresses – meaning that the latter decrease, was not noticed by consumers. Therefore, decreasing the price of the dresses would not have a great impact in customers' decision to rent due to, first of all, the value of the AOV obtained, even with the 25€ discount was relatively high and also, the willingness to pay showed through the survey performed was very positive – around 42% of both English and Portuguese customers spend on average more than £100 (100€ respectively) on a party dress.

Reference List

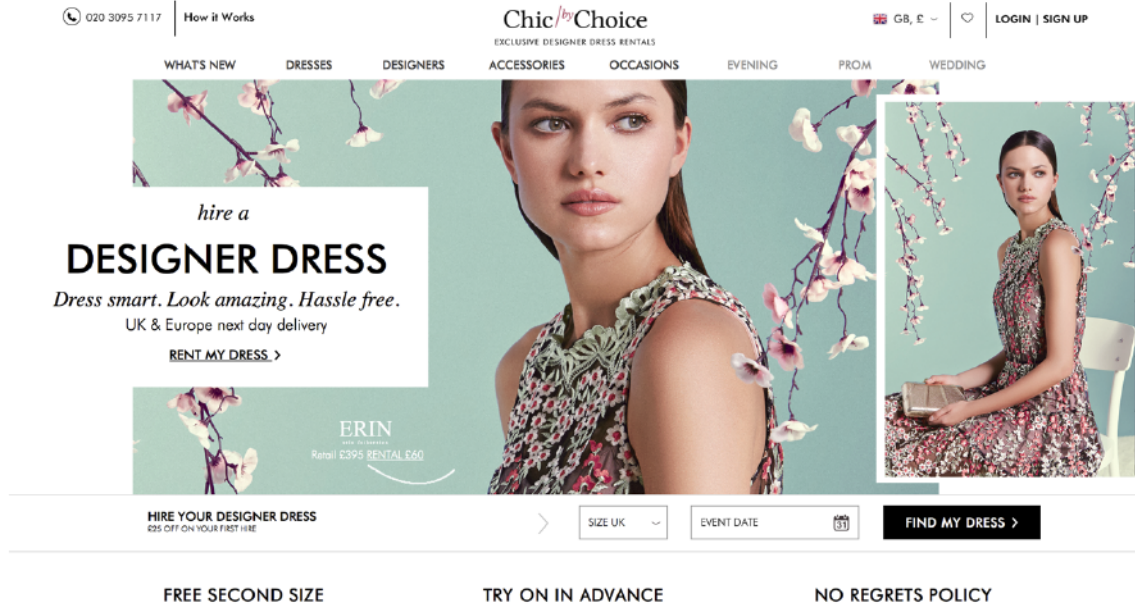
- Alsch, M. (2000). *The echo-boom generation – a growing force in American society*. *Futurist*, 34(4), 42–46.
- Chandrashekar, R. & Grewal, D. (2003). *Assimilation of advertised reference prices: the moderating role of involvement*. *Journal of Retailing*, Vol. 79 No. 1, pp. 53-62.
- Charlton, G., (2015). *The pros and cons of subscription models*. Econsultancy. Retrieved May 2016 from: <https://econsultancy.com/blog/66034-the-pros-and-cons-of-subscription-ecommerce-models/>.
- Eroglu, S.A., Machleit, K.A. and Davis, L.M. (2001). *Atmospheric qualities of online retailing: a conceptual model and implications*. *Journal of Business Research*, Vol. 54 No. 2, pp. 177-84.
- Frisch, D. (1993). *Reasons for framing effects*. *Organizational Behavior and Human Decision Processes*, Vol. 54 No. 3, pp. 399-429.
- Grant, R. M., (2010). *Contemporary Strategy Analysis*. West Sussex, UK: John Wiley & Sons;
- Grewal, D., Ailawadi, K.L., Gauri, D., Hall, K., Kopalle, P., Robertson, J. R. (2011). *Innovations in Retail Pricing and Promotions*. *Journal of Retailing* 87S S43-S52.
- Ha, L. (2008). *Online advertising research in advertising journals: A review*. *Journal of Current Issues and Research in Advertising*, 30, 31–48.
- Kitchen, P. J., McColl, R., Truong, Y. (2008). *New luxury brand positioning and the emergence of Masstige brands*. *Journal of Brand Management* Vol. 16, 5/6, 375-382.
- Inman, J. Jeffrey, Russell S. Winer and Rosellina Ferraro (2009). *The Interplay between Category Characteristics, Customer Characteristics, and Customer Activities on In-Store Decision Making*. *Journal of Marketing*, 73, 19–2.
- Kotler, P., Armstrong G., Wong V., & Saunders J. (2008). *Principles of Marketing Management*. Saffron House: Pearson Education Limited.
- Koufaris, M. (2002). *Applying the Technology Acceptance Model and Flow Theory to Online Consumer Behavior*. *Information Systems Research* 13 (2003) 205-223.
- McKechnie, S., Devlin, J., Ennew, C. & Smith, A. (2012). *Effects of discount framing in comparative price advertising*. *European Journal of Marketing*, Vol. 46 Iss 11/12 pp. 1501-1522.
- Menon, S. & Kahn, B. (2002). *Cross-category effects of induced arousal and pleasure on the Internet shopping experience*. *Journal of Retailing*, 78 (2002) 31-40.
- Mogos, R. D. (2015). *Digital Marketing for Identifying Customers' Preferences – A solution for SMEs in Obtaining Competitive Advantages*. *International Journal of Economic Practices and Theories*, Vol.5, No.3.
- Montaner, T., & J.-M. Pina (2008). *The Effect of Promotion Type and Benefit Congruency on Brand Image*. *Journal of Applied Business Research* 24,3: 15-28.
- Porter, M.E. (1979). *How competitive forces shape strategy*. *Harvard Business Review*, March, 137-145. Retrieved November 2015, from: <https://hbr.org/1979/03/how-competitive-forces-shape-strategy/ar/1>.
- Porter, M.E. (2008). *The five competitive forces that shape strategy*. *Harvard Business Review*, 86(1), 25-40. Retrieved November 2015 from: <https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy>.
- Chebat, M. O., Chebat, J. C., (2015). *Modeling online consumer behaviour: Preeminence of emotions and moderating influences of need for cognition and optimal stimulation level*. *Journal of Business Research* 69 (2016) 541-553
- Silverstein, M. & Fiske, N. (2003). *Luxury for the masses*. *Harvard Business Review* 81(4): 48–57.

- Solomon, M.R. (2015). *Consumer Behavior: Buying, Having and Being*. Saffron House: Pearson Education.
- Srinivasan, S., Anderson, R., & Ponnavaolu, K. (2002). *Customer loyalty in e-commerce: An exploration of its antecedents and consequences*. *Journal of Retailing*, 78 (2002), 41-50.
- Strauss, J., & Frost, R. D. (2014). *E-Marketing*. Upper Saddle River, NJ: Pearson Prentice Hall.
- The Economist (2007). *As price goes up, so does demand*. Retrieved October 2015, from: https://www.economist.com/blogs/freeexchange/2007/07/as_price_goes_up_so_does_demand.
- Wilson-Jeanselme, M., & Reynolds, J. (2005). *Growth without profits: Explaining the internet transaction profitability paradox*. *Journal of Retailing and Customer Services*, 12(3), 165–177.
- Yeoman, I. & McMahon-Beattie, U. (2006). *Luxury markets and premium pricing*. *Journal of Revenue and Premium Pricing* 4(4): 319–328.
- Zoellner, F. & Schaefer, T. (2015). *Do Price Promotions Help or Hurt Premium-Product Brands?* *Journal of Advertising Research* 270-283.
- Watkins, M. D., (2007). *From SWOT to TOWS: Answering a Reader's Strategy Question*. *Harvard Business Review*. Retrieved May 2016 from: <https://hbr.org/2007/03/from-swot-to-tows-answering-a-readers-strategy-question/>

Appendices

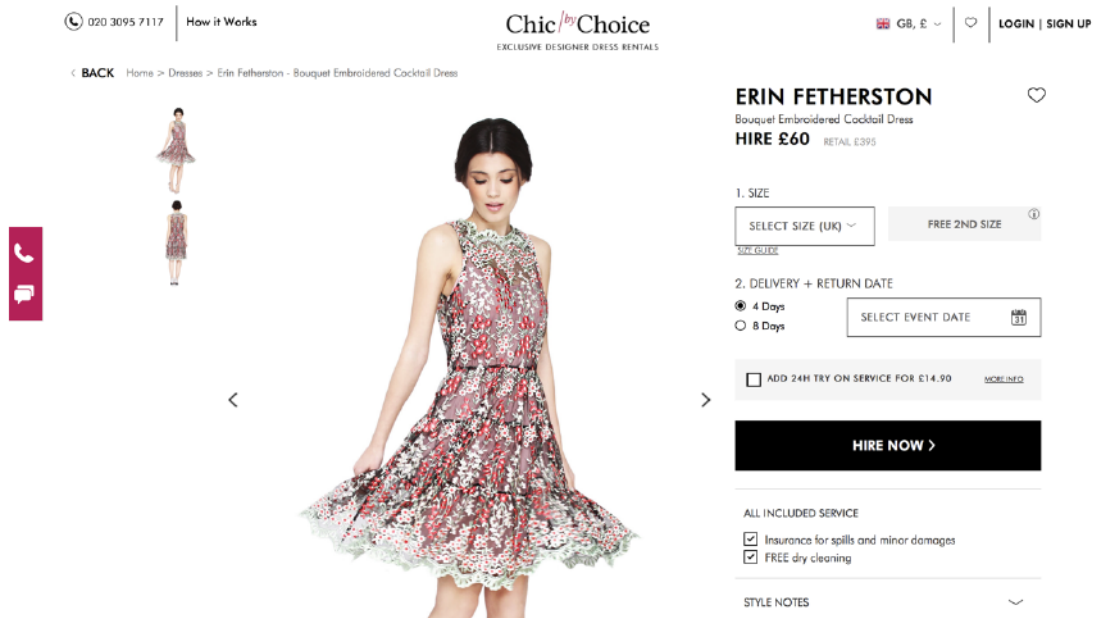
Appendix 1: List of Exhibits

Exhibit 1 – Chic by Choice's e-commerce platform



Source: www.chic-by-choice.com.

Exhibit 2 – Chic by Choice's product detail page



Source: www.chic-by-choice.com.

Exhibit 3 – Chic by Choice’s Rental Process – How it works

HOW IT WORKS

Why buy a dress you'll only wear once? Learn in 3 easy steps how to rent a dress from Chic by Choice. Hire from more than hundreds of designer dresses.



1. HIRE

Schedule your delivery date, hire period (4 or 8 days) and size. Book at least 24 hours in advance.

- ✓ Size & length chart
- ✓ Try on in advance up to two different dresses for £14.90



2. WEAR

Your order will arrive, at the address of your choice, via DHL until 5 pm on your scheduled delivery day.

- ✓ Refund for unworn or exchanged dresses
- ✓ Free 2nd size to ensure the perfect fit



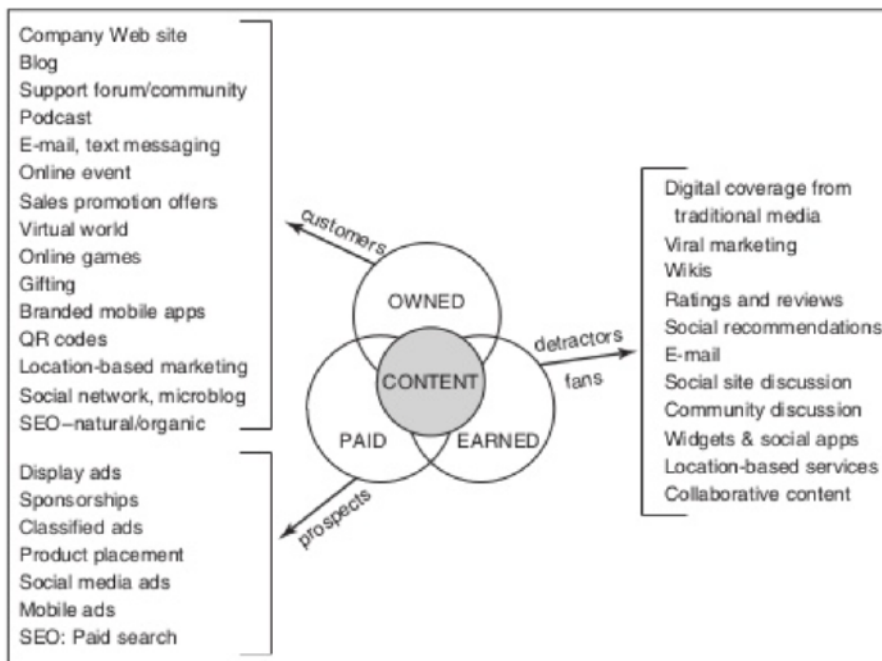
3. RETURN

DHL will pick up the dresses at the same address. Use the original box to return your order. We take care of the dry cleaning.

- ✓ Free express shipping for urgent exchanges
- ✓ Insurance for spills and minor damages

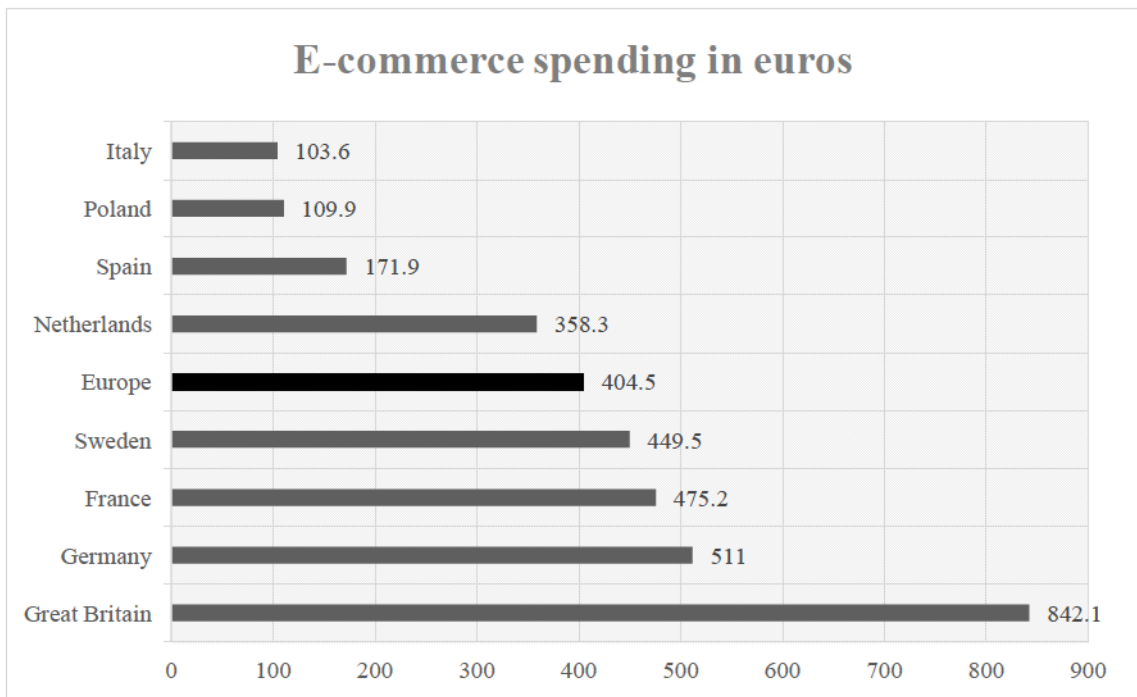
Source: www.chic-by-choice.com.

Exhibit 4 – Owned, Paid and Earned Media Examples



Source: Strauss and Frost (2014).

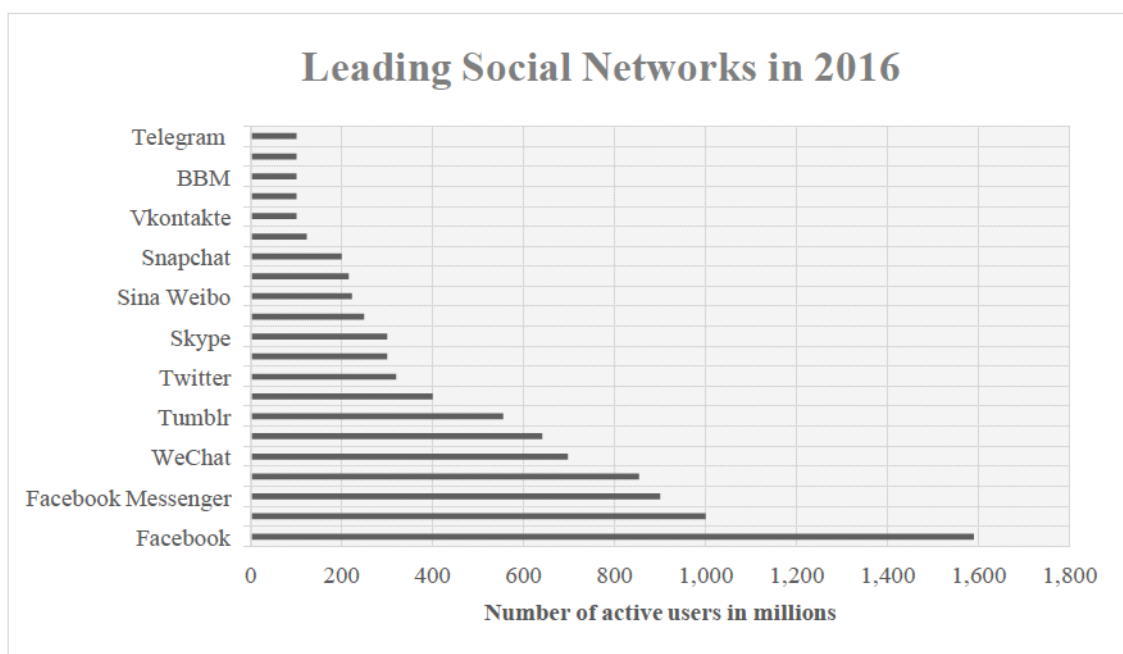
Exhibit 5 – Average per capita spending for online shopping in selected countries in Europe in 2014, by country (in euros) *



***Note: This statistic shows the average per capita spending for online shopping in Europe.**

Data retrieved from: <http://www.statista.com/statistics/435943/online-shopping-e-commerce-spending-per-capita-by-country-europe/>

Exhibit 6: Leading social networks worldwide as of April 2016, ranked by number of active users (in millions)



Data retrieved from: <http://www.statista.com/statistics/272014/global-social-networks-ranked-by-number-of-users/>

Exhibit 7: Chic by Choice's List of Luxury Designers and Brands

List of Luxury Designers and Brands:	
➤ Alice by Temperley;	➤ Missoni;
➤ Alexis;	➤ ML Monique Lhuillier;
➤ Badgley Mischka;	➤ MSGM;
➤ Barbara Bui;	➤ Nicole Miller;
➤ BCBG Max Azria;	➤ Peter Pilotto;
➤ By Malene Birger;	➤ Pinko;
➤ Carlos Miele;	➤ Rachel Gilbert;
➤ Catherine Deane;	➤ Rami Al Ali;
➤ Coast;	➤ Raoul;
➤ Cristallini;	➤ Red Valentino;
➤ Cynthia Rowley;	➤ Roberto Cavali;
➤ David Meister;	➤ Roland Mouret;
➤ Diane von Furstenberg;	➤ Scala;
➤ Elisabetta Franchi;	➤ Self-Portrait;
➤ Erin Fetherson;	➤ Tadashi Shoji;
➤ Forever Unique;	➤ Tarik Ediz;
➤ Four Flavor;	➤ Ted Baker;
➤ Halston Heritage;	➤ Temperley London;
➤ Hervé Léger;	➤ Theia Couture;
➤ Hotel Particulier;	➤ Theory;
➤ Kotur;	➤ Tibi;
➤ Jovani;	➤ Tracy Reese;
➤ Just Cavali;	➤ Twelfth Street Cynthia Vincent;
➤ Kay Unger;	➤ Valentino;
➤ Marchesa Notte;	➤ Veste Couture.
➤ Matthew Williamson;	
➤ Mawi;	
➤ Milly;	

Exhibit 8: Template of the online survey performed to the subscribers of Chic by Choice – English Version

We have a very special person that wants to meet you!

Hi I'm Rachel, Senior Fashion Buyer at Chic by Choice!

There's no reason why we can't all look amazing and spend in a smart way for all life's most special occasions. Get ready to help us bring your new endless closet!

Question 1: The next special event you have is...

- a. Cocktail Party
- b. Evening/Black Tie Gala
- c. Prom
- d. Wedding
- e. I still don't know

Question 2: How many dresses do you buy per year?

0	1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	---	----

Question 3: How much do you usually spend on a party dress?

- a) Under £50
- b) £50 - £100
- c) £100 - £200
- d) £200 - £400
- e) +£400

Question 4: At Chic by Choice, we love to surprise our customers!

Please enter your e-mail so that we can send you a special gift!

Finally, some last minutes about you:

Question 5: Size

- i. 6 UK
- ii. 8 UK
- iii. 10 UK
- iv. 12 UK
- v. 14 UK
- vi. 16 UK
- vii. Other

Question 6: Body Shape

- a. Apple
- b. Hourglass
- c. Pear
- d. Straight and Narrow
- e. Petite
- f. Tall

Exhibit 9: Template of the online survey performed to the subscribers of Chic by Choice – Portuguese Version

Temos uma pessoa muito especial que a quer conhecer!

Olá, eu sou a Rachel, Senior Fashion Buyer na Chic by Choice!

Não há nenhuma razão para não estarmos fabulosas e gastar de forma inteligente nos momentos mais especiais das nossas vidas. Prepare-se para nos ajudar a proporcionar-lhe o seu novo armário sem fim!

Question 1: O próximo evento especial que vai ter será...

- a. Festa de Cocktail
- b. Gala
- c. Baile de Finalistas
- d. Casamento
- e. Ainda não sei

Question 2: Quantos vestidos compra por ano?

0	1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	---	----

Question 3: Quanto gasta, aproximadamente, por um vestido para uma festa?

- a) Menos de 50€
- b) 50€ - 100€
- c) 100€ - 200€
- d) 200€ - 400€
- e) +400€

Question 4: Na Chic by Choice, adoramos surpreender as nossas clientes!

Por favor, introduza o seu email para que possamos enviar-lhe uma oferta muito especial!

Finalmente, alguns detalhes de última hora sobre si!

Question 5: Tamanho

- i. 34
- ii. 36
- iii. 38
- iv. 40
- v. 42
- vi. 44
- vii. Outro

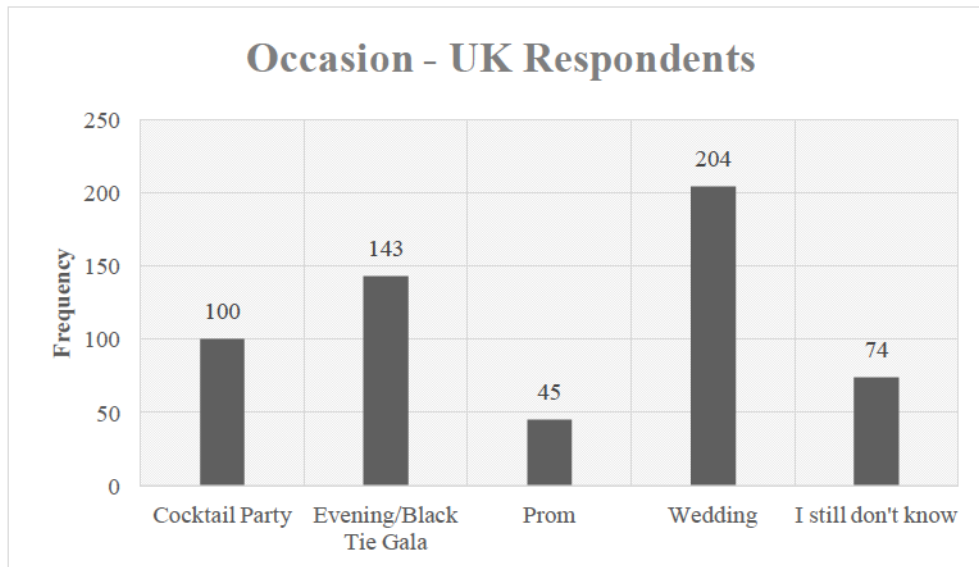
Question 6: Tipo de Corpo

- a. Maçã
- b. Ampulheta
- c. Pêra
- d. Retângulo
- e. Pequeno
- f. Alto

Exhibit 10: Results of the survey – UK Respondents – Question 1

Sample size: 570 respondents.

Nº of respondents who answered this question: 566.

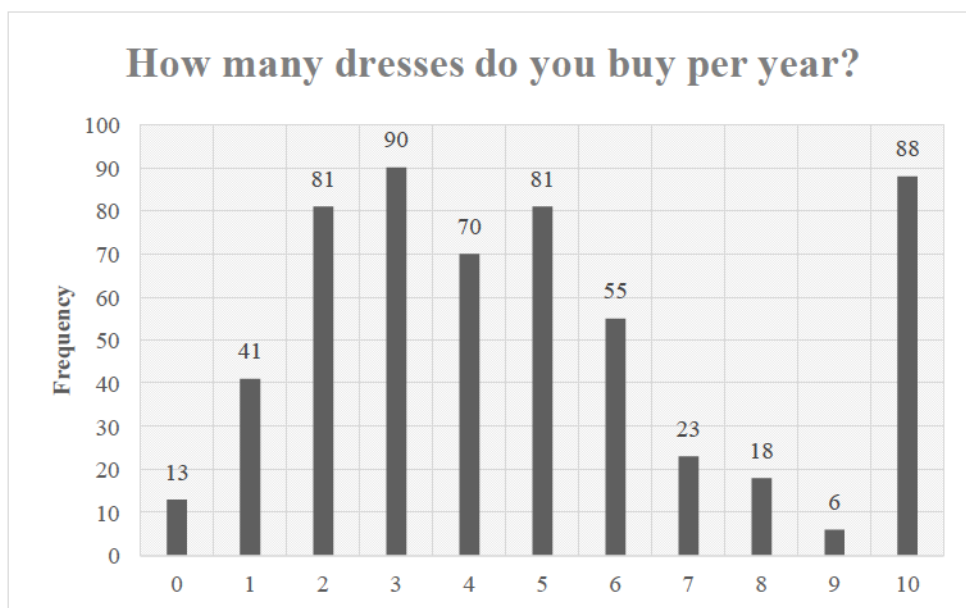


Source: Case writer based on the survey results collected.

Exhibit 11: Results of the survey – UK Respondents – Question 2

Sample size: 570 respondents.

Nº of respondents who answered this question: 566.



Source: Case writer based on the survey results collected.

Exhibit 12: Results of the survey – UK Respondents – Question 3

Sample size: 570 respondents.

Nº of respondents who answered this question: 569.

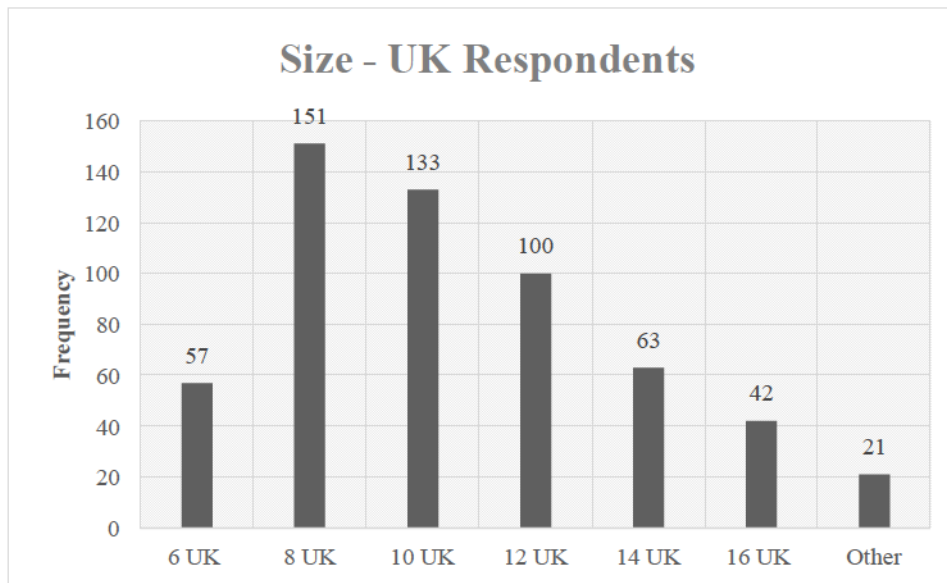


Source: Case writer based on the survey results collected.

Exhibit 13: Results of the survey – UK Respondents – Question 5

Sample size: 570 respondents.

Nº of respondents who answered this question: 567.

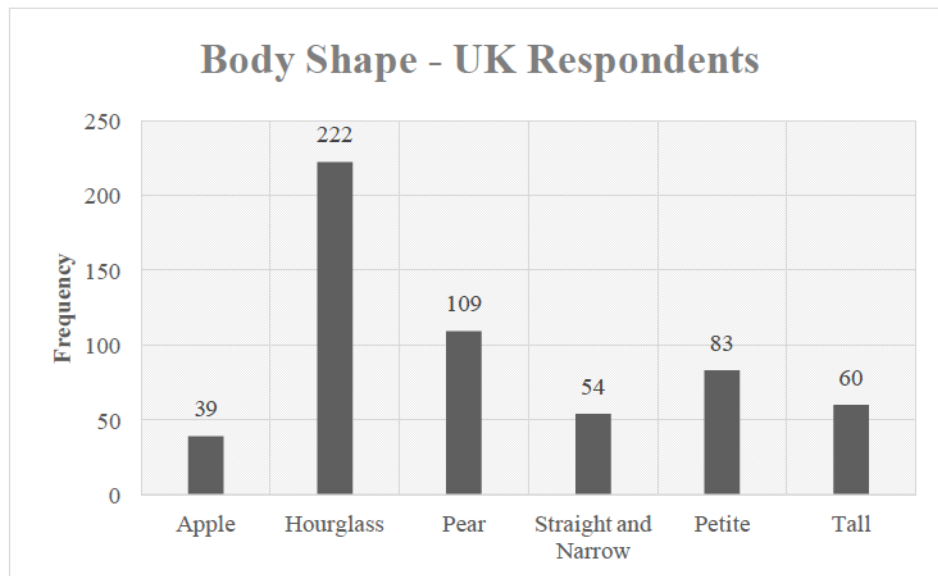


Source: Case writer based on the survey results collected.

Exhibit 14: Results of the survey – UK Respondents – Question 6

Sample size: 570 respondents.

Nº of respondents who answered this question: 567.

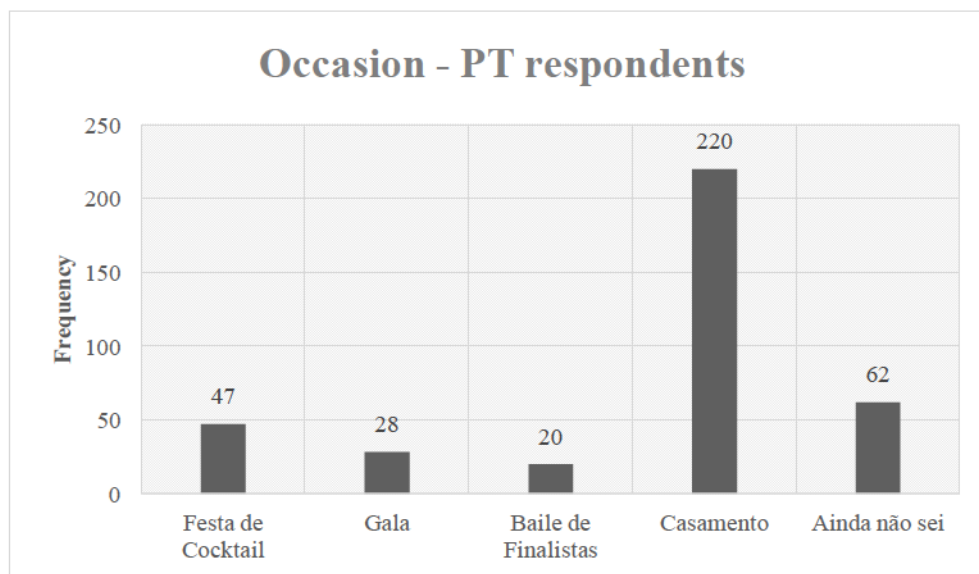


Source: Case writer based on the survey results collected.

Exhibit 15: Results of the survey – PT Respondents – Question 1

Sample size: 377 respondents.

Nº of respondents who answered this question: 377.

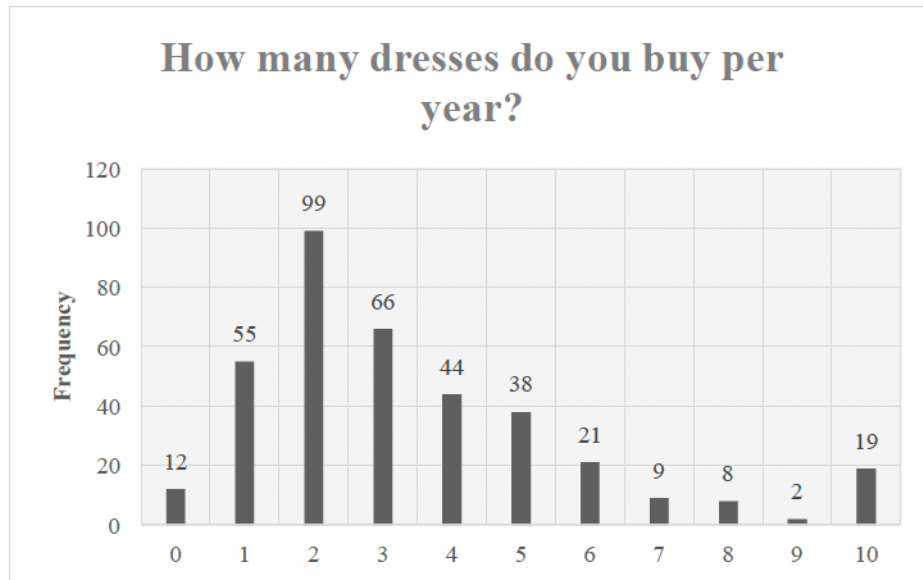


Source: Case writer based on the survey results collected.

Exhibit 16: Results of the survey – PT Respondents – Question 2

Sample size: 377 respondents.

Nº of respondents who answered this question: 373.

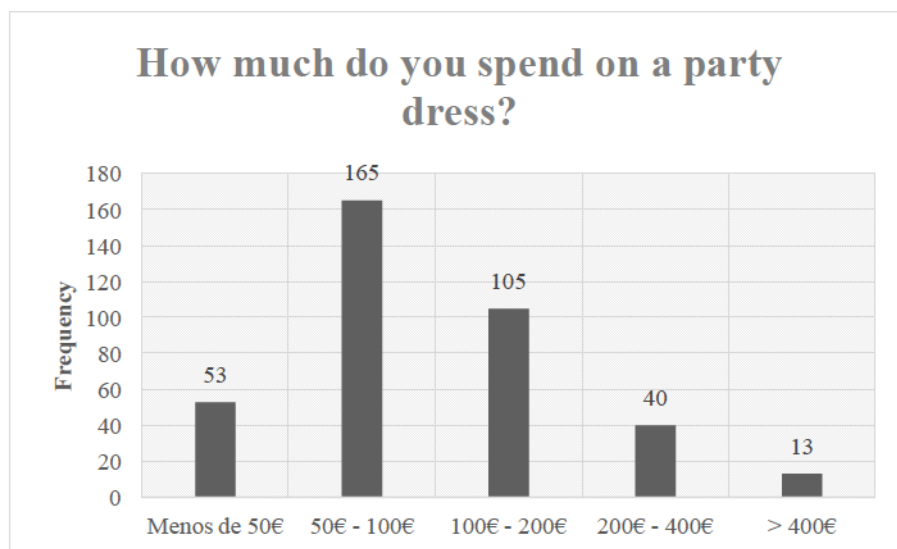


Source: Case writer based on the survey results collected.

Exhibit 17: Results of the survey – PT Respondents – Question 3

Sample size: 377 respondents.

Nº of respondents who answered this question: 376.

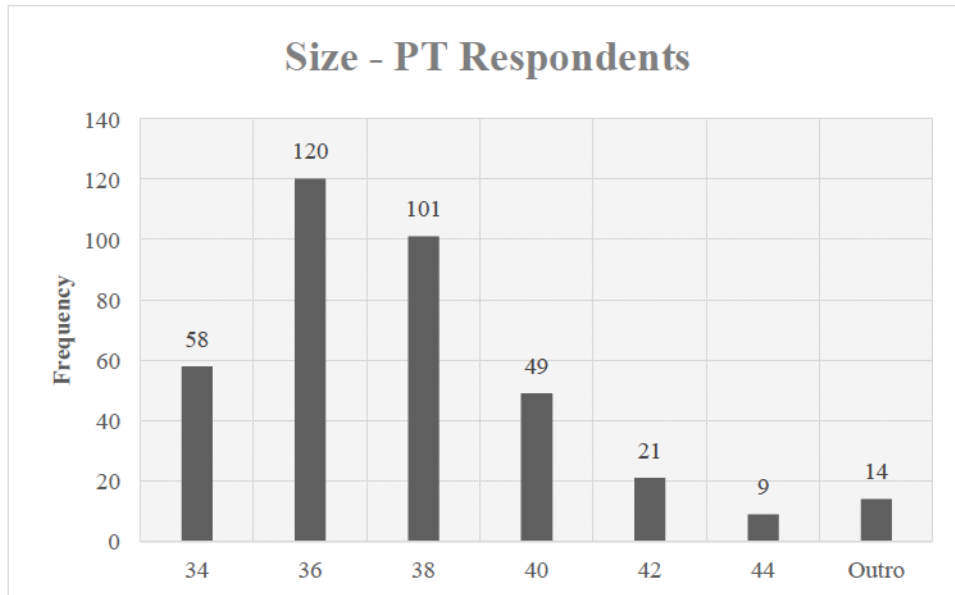


Source: Case writer based on the survey results collected.

Exhibit 18: Results of the survey – PT Respondents – Question 5

Sample size: 377 respondents.

Nº of respondents who answered this question: 372.

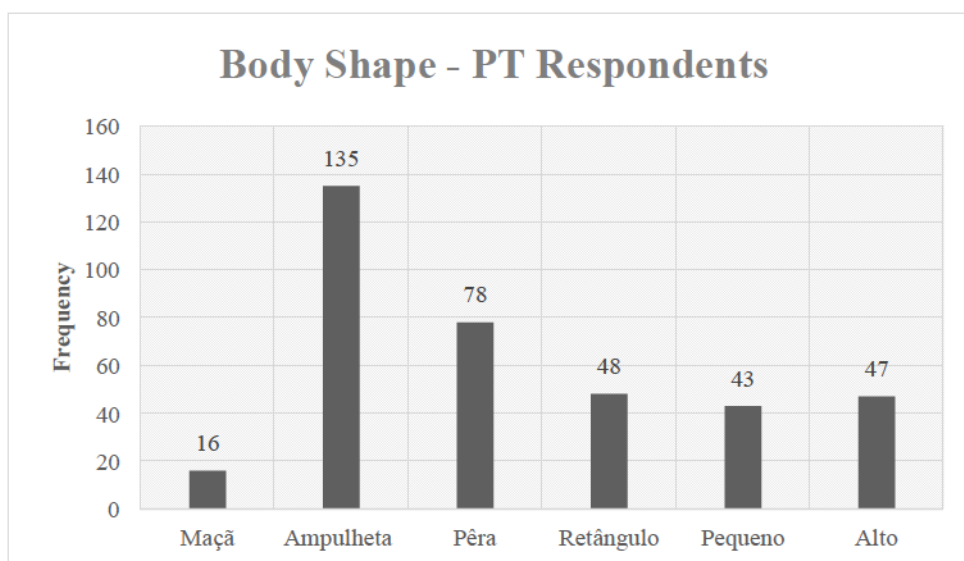


Source: Case writer based on the survey results collected.

Exhibit 19: Results of the survey – PT Respondents – Question 6

Sample size: 377 respondents.1

Nº of respondents who answered this question: 367.



Source: Case writer based on the survey results collected.

Exhibit 20: Number of Transactions Obtained with the 20€ Discount Applied

Note: the section “Others” includes more European countries to where the company started to operate but in a smaller scale that are not representative enough to constitute a single relevant market yet for Chic by Choice.

	<i>20€ Discount</i>			
	United Kingdom	Germany	Portugal	Others
	Nr. of Transactions	Nr. of Transactions	Nr. of Transactions	Nr. of Transactions
Mar-15	775	150	110	45
Apr-15	845	175	125	60
May-15	885	210	185	80
Jun-15	850	220	205	65
Jul-15	1200	265	260	90

Source: Created by case writer based on information provided by the company.

Exhibit 21: Number of Transactions Obtained with the 25€ Discount Applied

Note: the section “Others” includes more European countries to where the company started to operate but in a smaller scale and they are not representative enough to constitute a single relevant market yet for Chic by Choice.

	<i>25€ Discount</i>			
	United Kingdom	Germany	Portugal	Others
	Nr. of Transactions	Nr. of Transactions	Nr. of Transactions	Nr. of Transactions
Aug-15	1165	275	225	75
Sep-15	1190	290	245	85
Oct-15	1215	310	260	115
Nov-15	1220	300	285	95
Dec-15	1320	330	300	100

Source: Created by case writer based on information provided by the company.

Exhibit 22: Total Revenue and Acquisition Costs between the implementation periods of both promotional discounts

Note: the conversion rate from Pound (£) to Euro (€) is the following: £1,00 = 1,30€ as of the 18th of May 2016.

	From March until July 2015		From August until December 2015	
	<i>Total Revenue</i>	<i>Total Acquisition Costs</i>	<i>Total Revenue</i>	<i>Total Acquisition Costs</i>
United Kingdom	£374,000.00	£108,800.00	£477,050	£145,700.00
Germany	112,200 €	32,640 €	152,656 €	46,624.00 €
Portugal	97,240.00 €	28,288.00 €	133,574 €	40,796.00 €
Others	37,400.00 €	10,880.00 €	4770,5€	14,570 €

Source: Created by case writer based on information provided by the company.

Exhibit 23: Occupancy Rates of Dresses for June 2015

Occupancy rate	Week 1	Week 2	Week 3	Week 4
Short Dresses	60%	58%	53%	45%
Long Dresses	74%	68%	52%	58%
All Dresses	66%	62%	52%	50%

Source: Created by case writer based on information provided by the company.

Exhibit 24: Percentage of Sessions in the Web site, Percentage of People Who Visited the Web site and Percentage of People Who Purchased from each Communication Channel

	Aug.15				Sep.15				Oct.15			
	% of Sessions	% of People Who Visited Website*	% of People who Registered	% of People Who Purchased**	% of Sessions	% of People Who Visited Website*	% of People who Registered	% of People Who Purchased**	% of Sessions	% of People Who Visited Website*	% of People who Registered	% of People Who Purchased**
Paid Search	24%	22%	23%	36%	20%	20%	20%	21%	19%	14%	21%	23%
Organic Search	20%	18%	21%	22%	24%	21%	19%	30%	20%	19%	18%	24%
Social	18%	20%	18%	2%	19%	18%	20%	2%	25%	26%	25%	4%
Affiliates	12%	6%	6%	4%	8%	4%	10%	5%	7%	3%	8%	3%
Direct	11%	20%	19%	25%	14%	23%	20%	31%	13%	24%	16%	31%
Email	10%	9%	-	8%	12%	10%	-	9%	14%	10%	-	11%
Referral	5%	5%	13%	3%	3%	4%	11%	2%	2%	4%	12%	4%

	Nov.15				Dec.15			
	% of Sessions	% of People Who Visited Website*	% of People who Registered	% of People Who Purchased**	% of Sessions	% of People Who Visited Website*	% of People who Registered	% of People Who Purchased**
Paid Search	19%	16%	21%	20%	17%	14%	21%	25%
Organic Search	20%	20%	19%	25%	18%	18%	20%	25%
Social	24%	24%	26%	5%	28%	30%	27%	5%
Affiliates	5%	4%	6%	2%	6%	2%	8%	3%
Direct	12%	22%	15%	32%	12%	19%	12%	26%
Email	17%	12%	-	12%	16%	13%	-	13%
Referral	3%	2%	13%	4%	3%	4%	12%	3%

Note: *The total % of people who visited the website is: (1) 70% of the total sessions in the website in August; (2) 72% of the total sessions in the website in September; (3) 67% of the total sessions in the website in October; (4) 65% of the total sessions in the website in November; (5) 66% of the total sessions in the website in December. ** The total % of people who purchased is: (1) 0,3% of the total people who visited the website in August; (2) 0,4% of the total people who visited the website in September, October, November and December 2015.

Source: Created by case writer based on information provided by the company.

Exhibit 26: Results of the Newsletter Experiments performed based on the results obtained from the survey

Newsletter Theme	Open Rate	CTR	Conversion Rate
Body Shape Styles	10%	25%	0.25%
Ball Season	13%	8%	0.29%
Shape Trend	11%	16%	0.24%
Occasions	11%	15%	0.75%
Sizes (2nd Round)	3%	18%	0.28%
Rami Al Ali	13%	10%	0.65%
Celebrity	17%	18%	0.43%
New Dresses SS16 (2nd Round)	8%	15%	0.00%
Cocktail Weddings	12%	12%	0.16%
Sizes	12%	17%	0.39%

Source: Table created by the case writer according to the information about the practical application of the results of the survey performed.

Note: This experiments were performed by the Marketing team of Chic by Choice that included the case writer and intended to test whether segmenting the content of a newsletter according to the main results of the survey conducted would have an impact on the three variables depicted: open rates, click through rates (CTR) and conversion rates. In fact, as it can be seen by the results, these newsletters registered high levels of CTR, especially the “Body Shape Styles” one and also, considerable conversion rates, being the highest attributed to the “Occasions” newsletter. The results then show the importance for the company to keep a constant track of this type of information and use it carefully in order to achieve more efficient results.

Exhibit 25: Example of a Social Media Post from Chic by Choice – Facebook



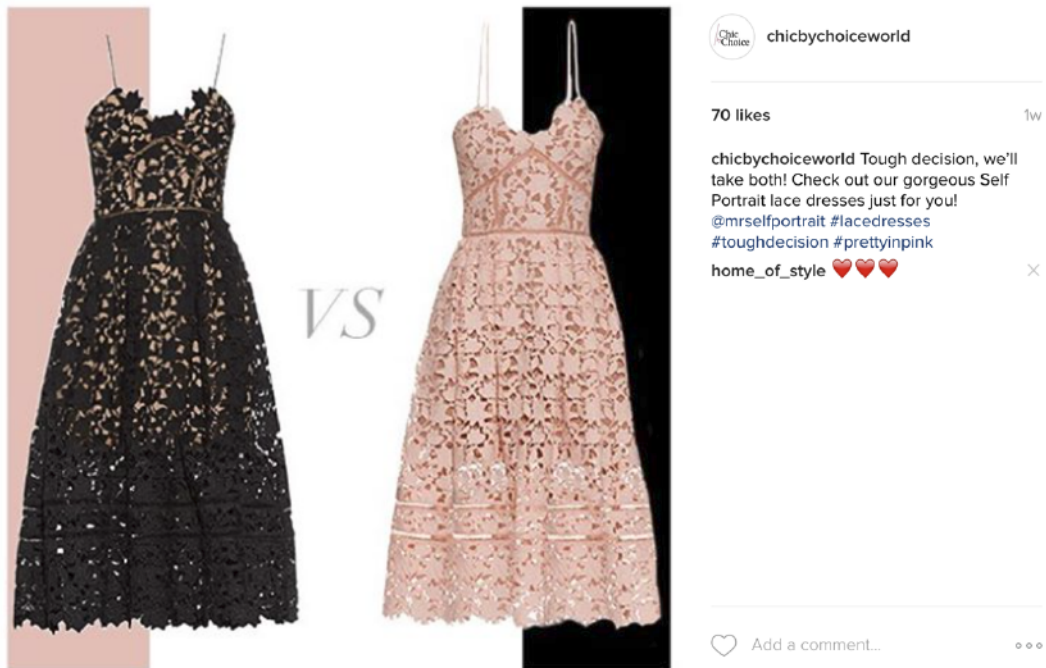
Source: <https://www.facebook.com/chicbychoiceworld/>.

Exhibit 26: Example of a Social Media Post from Chic by Choice – Twitter



Source: <https://twitter.com/chicbychoicecom>

Exhibit 27: Example of a Social Media Post from Chic by Choice – Instagram



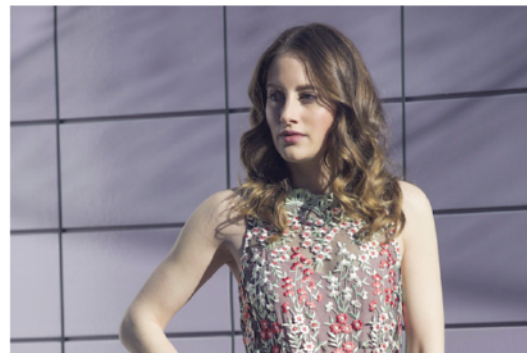
Source: <https://www.instagram.com/chicbychoiceworld/>.

Exhibit 28: Example of a Referral from an English Blogger about Chic by Choice – Rosie Fortescue

At Fashion Forte



— GETTING WEDDING READY WITH CHIC BY CHOICE —



Source: <http://atfashionforte.com/getting-wedding-ready-with-chic-by-choice/>.

Exhibit 29: Example of a Newsletter sent to Chic by Choice's subscribers

Chic ^{by} Choice
WHAT'S NEW DRESSES DESIGNERS



ALMOST SOLD OUT
BOOK NOW OR REGRET FOREVER

FIND YOUR DRESS >

With summer swiftly approaching and the mercury slowly rising, we thought it was about time we bring you a fresh batch of warm weather outfits! We understand how stressful this time of year can be, with so little time to get ready and a lot riding on your look! So browse through our top picks and you can thank us later!

under £60
THE COCKTAIL DRESS EDIT >



NICOLE MILLER	CYNTHIA ROWLEY	BCBG MAX AZRIA
♥ 764 LIKES	♥ 432 LIKES	♥ 879 LIKES

under £100
THE WEDDING DRESS EDIT >



THEIA COUTURE	NICOLE MILLER	ML MONIQUE LHULLIER
♥ 979 LIKES	♥ 1 443 LIKES	♥ 813 LIKES

under £150
THE BLACK TIE DRESS EDIT >



ML MONIQUE LHULLIER	HALSTON HERITAGE	CRISTALLINI
♥ 863 LIKES	♥ 788 LIKES	♥ 2 570 LIKES

— SHOP BY SIZE —

SIZE UK 6 & 8 >

SIZE UK 10 & 12 >

SIZE UK 14 & 16 >

24HOURS
We're always here

FREE
shipping

NO REGRETS
policy

EXCLUSIVELY
SOLD OUT FOR YOU

NEED HELP?
Contact us via phone **+44 20 3095 7117**, email contact@chic-by-choice.com or **Live chat**. We're always happy to help!


f t p

You are receiving this email because you opted in or signed up for services. To ensure that our message arrives (and don't go to your junk or bulk email folders), please add chic.news@chic-by-choice.com to your address book.
[Privacy Policy](#) • [About Chic](#)
[Remove me from this list](#)

Source: Email sent to my personal account from the company.


Exhibit 30: Newsletter's templates of the experiments performed with the data from the survey – Sizes Template

Chic/Choice
WHAT'S NEW DRESSES DESIGNERS



NEW IN
OUR FAVOURITE DRESSES
IN SIZE UK 6 & 8
DISCOVER SS16 >

Browse through our selection of new in dresses in sizes UK 6 and 8 which are perfect for the most special events and occasions in your calendar this season!



RAMI AL ALI NICOLE MILLER NICOLE MILLER

CATHERINE DEANE NICOLE MILLER M. MONQUE LHULLIER

From Rami Al Ali to Marchesa Note, we have the perfect dresses for any occasion, you have the occasion and we've definitely got the dress in your size!

WEDDING DRESSES >

EVENING DRESSES >

PROM DRESSES >

24 HOURS TRY ON SERVICE | FREE SECOND SIZE | NO REGRETS POLICY | EXCLUSIVELY BOOKED FOR YOU

NEED HELP?
Contact us via phone +44 20 3995 7117 email contact@shic-by-choice.com or Live chat. We're always happy to help

Source: Provided by the company to the case writer.

Exhibit 31: Newsletter's templates of the experiments performed with the data from the survey – Occasions Template

Chic by Choice
WHAT'S NEW DRESSES DESIGNERS



EVENING DRESSES

NEW COLLECTION >

Feeling nervous after receiving an invitation to a black tie gala? Chic by Choice makes evening dress hire glamorous and easy. Exclusive selection of designer evening gowns. Rent the perfect formal dress and all eyes will be on you.
[Bodgley Mischa Dress](#)



WEDDING DRESSES >

Whether you're looking to hire a wedding guest dress for a formal wedding or knee length cocktail styles or daytime, at Chic by Choice we will help you find the dress which will make you look and feel fabulous all day long.


[Erin Fetherston dress](#) | [Katur clutch](#) | [Mawi necklace](#)



PROM DRESSES >

Looking for exclusive designer prom dresses? Browse a selection of short prom dresses or classic prom ball gowns and get set for the perfect prom night with a spotlight-stealing dress.

[ML Monique Lhuillier Dress](#) | [Katur clutch](#) | [Mawi earrings](#)



COCKTAIL DRESSES >

Whether you are looking for a lace cocktail dress or a white minimal cocktail style, dress rentals are the perfect way to achieve a flawless look on a budget!

[ML Monique Lhuillier Dress](#) | [Mawi necklace](#)

NEED HELP?

Contact us via phone [+44 20 3095 7117](tel:+442030957117) (email: contact@chic-by-choice.com or Live chat We're always happy to help

Source: Provided by the company to the case writer.


Exhibit 32: Newsletter's templates of the experiments performed with the data from the survey – Body Shape Styles Template

Chic^{by}Choice
WHAT'S NEW DRESSES DESIGNERS

THE BEST DRESSES FOR YOUR BODY TYPE >



SHOP BY BODY TYPE

Whether you can relate to being an Apple, Rectangle, Hourglass or Pear, we have the perfect dress for your every special occasion. You will be spoilt for choice this season with so many designer dresses that will create the most flattering silhouette for your body shape.

 APPLE > CURVIER AT YOUR WAIST SLIMMER ON YOUR LEGS	 RECTANGLE > SLIM STRAIGHT UP AND DOWN
 HOURGLASS > CURVIER AT YOUR THIGHS & BUST. SLIM WAIST	 PEAR > CURVIER AROUND YOUR HIPS & THIGHS. SLIMMER UP TOP

24HOURS TRY ON SERVICE | FREE SECOND SIZE | NO REGRETS POLICY | EXCLUSIVELY BOOKED FOR YOU

NEED HELP?
Contact us via phone **+44 20 3095 7117** email **contact@chic-by-choice.com** or **Live chat**. We're always happy to help

Source: Provided by the company to the case writer.

Exhibit 30: Example of a Display Banner to use in Paid Search



Source: Provided by the company to the case writer.

Exhibit 31: Preview of the Mobile App to be launched in June



Source: Provided by the company to the case writer.

Appendix 2

Important Definitions and Concepts

Affiliate program – having text links, banners or products in a web site, put in by companies to make a commission on all purchases that are obtained through that same channel (Strauss and Frost 2014);

Average Order Value (AOV) – Amount of revenue obtained divided by the number of orders²³.

Banner ad – A rectangular or squared space that is placed on a web site paid for an advertiser that allows the online user to click on it and get redirected to the advertiser's platform (Strauss and Frost 2014);

Click through rate (CTR) – A metric that consists on the number of clicks an ad receives divided by the number of times that same ad is shown²⁴;

Conversion – The proportion of all online users who visit the web site and end up purchasing on that visit (Strauss and Frost);

Cost per thousand (CPM) – The cost to deliver 1,000 impressions whether in a physical or a digital medium. It is calculated by taking the ad's cost, dividing it by the audience size and multiplying by 1,000 (Strauss and Frost 2014);

Customer Acquisition Cost – Total costs spent on acquiring customers divided by the number of orders obtained in the same period²⁵.

Organic Search (also known as Natural Search) – It is an SEO strategy that is based on a web site optimisation in order for the latter to appear as close to the first results of a search engine tool as possible (Strauss and Frost 2014);

Paid Search – When an advertiser pays a reputation aggregator a fee for listing, directory submission, inclusion in a search engine index, or to display their ad when users type in particular keywords (Strauss and Frost 2014).

²³ Retrieved from: < <http://digitalmarketing-glossary.com/What-is-AOV-definition>>.

²⁴ Retrieved from: < <https://support.google.com/adwords/answer/2615875?hl=en>>.

²⁵ Retrieved from: <<https://blog.kissmetrics.com/customer-acquisition-cost/>>.

Cost per action – Model where the advertiser pays an agreed amount to the web site for each visitor who clicks on the ad. Payment can be also based for each conversion, each conversion lead or each registered user (Strauss and Frost 2014).

Search Engine Optimisation (SEO) – The method of maximizing the number of visits to a web site by making sure that the name of the platform and links appear as high as possible in search engine results for the preferred keywords or ads on search engine sites get a high CTR (Strauss and Frost 2014).