Omni-channel retail & small luxury retailers

What are the possibilities of omni-channel implementations for small luxury fashion retailers and how can they benefit from such an approach?
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This research report and the complementary product aim at obtaining the Bachelor’s title from the Amsterdam University of Applied Sciences and have been compiled solely by me.

All quotations used from other sources are recognisable in the report by quotation marks and the sources of all the information have been specifically indicated.

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Preface

Through my background in luxury retail in combination with eCommerce, I have already developed a certain understanding and had the aim to further substantiate my knowledge by writing this thesis. After deepening the quest for selecting the final research subject, I wanted to go one step further and see how technology is able to influence a luxury fashion retailer as a whole and how it is possible to convey a unified perspective towards the customer, no matter how or where the contact is established.

We are aware of surprising retail concepts by major luxury brands and well established department stores, but it triggered me to find out what the technological capacities are for independent luxury boutiques, which are seemingly vanishing from the retail landscape. These stores are the ones supporting and pushing progressive ideas in fashion and helped establishing main fashion houses, but seem to be limited in their abilities to take on new retail developments.

With the hope to contribute to a small body of existing research in this retail segment, I have made it my task to establish an exploratory research paper in finding out how the omni-channel phenomena could contribute to small-scale luxury boutiques.
Executive Summary

Digital contribution to luxury sales growth has been increasingly important (Solca, Bertini, & Fan, 2014) and initiated the transition of power into the customer’s hands, in the fullest sense of the word. The omni-presence of eCommerce platforms made it possible to decide when and where to shop, with the tempting side-effect of full price transparency (Deloitte, 2014). Also the comparison of luxury growth rates (2013-2014) between the two channels, brick-and-mortar with 3% and eCommerce with 20%, would suggest a dwindling away of traditional retail. But when looking at the inherent revenues, brick-and-mortar with €224 Billion and online with €9 Billion in 2014 (Bain & Company, 2015), it cannot be gainsaid that the face-to-face customer engagement remains the foremost form of luxury retail.

Still, the multiple touchpoints to interact with stores, such as brick-and-mortar, desktop, mobile phone or tablet, and their interconnectedness confirm the significant urgency to consolidate online and offline experiences to level with and engage an increasingly demanding customer. As a result the marketplace has been pushed from a multi-channel towards an omni-channel approach, which aims at enabling the usage of all channels simultaneously, with a flow of consistent communication (Pophal, 2015).

Not only the customers seem to benefit from these technological advancements, as they also open up opportunities for small retailers to enter new markets or penetrate existing markets with new products, while enjoying lower risks and more momentum (Quinn et al., 2014). Furthermore, the seamless experience could serve as a key differentiator, giving retailers a competitive leverage if implemented successfully (Forrester, 2014). But are these developments only applicable to big fashion retail players, with significant investment budgets and complex organizational abilities?

This research paper has been compiled to investigate in what way small-scale luxury retailers have a chance to offer a true omni-channel experience for its customer base, by inspecting general omni-channel opportunities and challenges through secondary research and by interviewing relevant retail professionals. The interview with Costanza Nicolosi, a business developer for the technology company Farfetch, has been vital to understand the momentary difficulties in implementing eCommerce, and therefore omni-channel retail, for small luxury
stores. Also conversations with store owners have made it possible to present relevant impressions regarding digital in-store advancements, eCommerce and omni-channel retail.

From a fashion retail overarching point of view, the uncompromising implementation of channel-converging strategies is in a rather early state. But specifically for small luxury retailers, which oftentimes lack in financial resources and have understaffed teams (Nicolosi, interview, appendix), a key inhibitor seems to be the progressively emerging tools and techniques, that are evolving evermore and constitute a challenge in understanding their benefits. The biggest hurdle though could be the establishing of a financially viable eCommerce platform. This is connected to the high costs that are involved in online marketing and search engine optimisation, which is crucial for sufficient exposure and to participate in the online marketplace (Diekmann, interview, appendix). Also, the intricacy of shifting the retail organisation towards a silo-less mode of operation, which would affect nearly every facet in the company, makes it an overly complicated and time-consuming procedure (L2, 2014).

All in all, there are a few realistic and effective techniques to seamlessly combine channels, such as offering “Click-and-Mortar”, QR codes or personalized newsletter campaigns, but the all-encompassing online-offline convergence can only be offered with the right in-store technologies, which are not developed yet. The ultimate step forward would be the digital connection with a customer within the physical store to further enhance their service, by finding out e.g. brand preferences, previous purchases or average purchase amount. These information are available for online analytics, but not yet on a stationary level. Therefore, an all-embracing omni-channel approach remains a dream of the future.

To furthermore present realistic omni-channel attempts for small luxury retailers, the complementary product is a proposal for small-scale luxury retailers, specifically for the store SPRMRKT, and will present an interactive event concept, which aims to blend physical and digital experiences.
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1. Introduction

ECommerce has drastically increased in relevance for retailers all around the world and in general the online purchase is a more and more respected way of shopping, which is also applicable for the luxury segment. This is due to the fact that the market has been sophisticated by names such as Net-a-Porter and Luisa Via Roma, who are among today’s online market leaders (Dauritz et al., 2014). Thus it is not surprising that Colette, MyTheresa and other formerly traditional brick-and-mortar businesses have launched their own webshops in order to penetrate the international online market, rather than solely offering their merchandise through classic retail (Mellery-Pratt, 2014).

Albeit pure online transactions account for only about 6% of the total luxury goods market (Solca, Bertini, & Fan, 2014), eCommerce constitutes the fastest growing retail channel and especially the luxury sector looks promising with its exceptional growth development of 28% over the last four years. (Mellery-Pratt, 2014).

Social media and mobile Internet usage has further fuelled the demand of retailers’ digital presence, which made it possible to seamlessly interact with consumers via various channels. This phenomenon in retailing, where customer touchpoints, such as traditional retail, eCommerce, mobile technology and social media are consolidated, is referred to as omni-channel retail and will be the focus of this thesis.

“Omni-channelling” has been a buzzword for several years now and is associated with tech-savvy luxury players such as Burberry and Gucci (Brooke, 2014). Much research has been done with big names, less attention, however, has been paid to small sized enterprises in the fashion industry, specifically luxury retailers. Small to medium sized enterprises (SMEs) play a significant role domestically and for Europe as whole, as they build the economy’s back-bone. More than 99% of all European businesses are SMEs.

Even if these developments and possibilities represent significant enhancements, omni-channel adaption is tied to challenging managerial, operational and technological processes especially for small retailers. This is due to a limited understanding of technicalities and their
potential, limited financial resources for investments and difficulty in acquiring the necessary staff (European Commission, 2014).

Therefore this thesis will discuss various opportunities and challenges employing omni-channel approaches for small retailers in luxury brand retail, with the aim to shed light on how to benefit from this evolution.

1.2. Research problem

One of the prerequisite in pursuing omni-channel objectives is the development of an in-house eCommerce platform. For small retailers this step can be a big load to tackle in itself to start with. The ramification in terms of the time, effort and costs connected with creating and maintaining an eCommerce platform, which also should complement a physical ‘brick-and-mortar’ store environment, is generally daunting.

According to the European Commission, small businesses, contributing in many sectors to up to 80% of all employment, are the ones suffering the most from limited understanding of ICTs and their potential, limited budget for ICT investments and difficulty in recruiting ICT professionals.

Bernstein et al (2006) states that instead of a profit orientated decision, going online could be a rather strategic necessity for traditional retailers. It is conceivable that the greatest benefit from these altering market conditions could actually go to the consumer. This statement is furthermore supported by Lumpkin & Dess (2004) who stresses the significance for access to and the speed of searching for information as some of the most relevant advances of the Internet.

All in all, this begs the question: What are the complexities in adapting omni-channel strategies for small luxury stores and how can such an approach foster the business?

A store, which would fit into the sector of small contemporary luxury retail, regarding brand selection, exclusivity and target group, is SPRMRKT, located in Amsterdam, Netherlands. SPRMRKT is an eCommerce-integrated and fully fledged retailer existing for over a decade,
showing a deep brand portfolio including ready-to-wear, accessories, shoes, publications and cosmetics. The store independently controls its retailing business from conceptualization to marketing strategies and will be the main focus for the complementary product.

After several eCommerce attempts for SPRMRKT in the past, the above mentioned problems indeed prevail and are confirmed by the challenges faced by the store.

1.3. Research aim

The purpose of this paper is to combine literature review and empirical work to understand and evaluate the opportunities and challenges that lie for small retailers to seamlessly combine all possible marketing channels when offering luxury fashion brands. Thus it should help companies in finding out what omni-channel techniques are relevant and realistic to make those intentions worthwhile.

More specifically, the objectives are to first explore the relevance of a formal omni-channel intervention for small luxury retailer, and second, to understand the issues involved in the implementation process. Understanding omni-channel retail to enhance growth and profitability is not only a priority for small luxury retailers, but also a critical area for academic research. Firstly, empirical knowledge of omni-channel retail within the SME sector will aid business owners in taking account of changing trends and in managing profitable relationships with customers. Second, from an academic standpoint, this research contributes to the study of omni-channel implementation in the retail literature, which has received limited attention relating to the luxury fashion SME sector.

The results of this research will form the base for a suitable product, which will be a comprehensive and clearly defined event concept that aims to translate realistic channel-converging techniques for SPRMRKT, a small luxury retailer in need of international exposure and financial growth. This concept should act as a guideline when setting up digital strategies in the realm of omni-channel objectives, in order to make the most effective use of the Internet as one of the most promising commercial tools.
All in all, the research aim can be divided into three main objectives:

- To comprehensively present insights into a contemporary understanding of luxury and how the corresponding traditional retail landscape and its consumption behaviour has changed with the advent of the Internet.

- To gain an overview on what small luxury retailer’s characteristics are to furthermore deduce their technological capabilities, possibly forming a base for omni-channel activities.

- To investigate what omni-channel retail encompasses and in what way this proposition is applicable to small luxury retailers by providing insight into the possibilities and complexities of these endeavours.

1.4. Research question

After an explorative research towards the above-mentioned aims, hopefully the following research question will be answered:

What are the possibilities of omni-channel implementations for small luxury fashion retailers and how can they benefit from such an approach?
1.5. Central concepts and definitions

Augmented reality:
Augmented reality is a live, direct or indirect, view of a physical, real-world environment whose elements are augmented (or supplemented) by computer-generated sensory input such as sound, video, graphics or GPS data.

Bounce rate:
The percentage of visitors to a particular website who navigate away from the site after viewing only one page.

BRIC markets:
In economics, BRIC is a grouping acronym that refers to the countries of Brazil, Russia, India and China, which are all, deemed to be at a similar stage of newly advanced economic development.

Brick-and-mortar:
A traditional “street-side” business that deals with its customers face to face in an office or store, which the business owns or rents.

Click-through-rate:
The proportion of visitors to a webpage, which follows a hypertext link to a particular site.

Conversion rate:
The act of converting site visitors into a paying customers. However, in some case the conversion can also to be something other than a purchase, such as newsletter subscriptions.
Cross selling:
Cross-selling is a marketing term and means the practice of suggesting related products or services to a customer who is considering buying something. For example if you are buying a book on Amazon.com, you may be shown a list of books similar to the one you’ve chosen.

Data mining:
Generally, data mining (sometimes called data or knowledge discovery) is the process of analyzing data from different perspectives and summarizing it into useful information - information that can be used to increase revenue, cuts costs, or both.

eCommerce:
Ecommerce is the use of the Internet and the Web in order to transact business. It facilitates digitally enabled commercial transactions between and among organizations and individuals. Digitally enabled transactions include all transactions conducted by digital technology. Commercial transactions involve the exchange of value (e.g., money) across organizational or individual boundaries in return for products and services.

Fulfillment:
Fulfillment is the complete process from the moment a purchase occurs until the delivery of a product to the customer. Sometimes referred to as order fulfilment.

Geo-Location:
The technique of identifying the geographical location of a person or device by means of digital information processed via the Internet.

IPTV:
IPTV stands for Internet Protocol television and is a system through which television services are delivered using the Internet protocol suite over a packet-switched network such as a LAN or the Internet, instead of being
delivered through traditional terrestrial, satellite signal, and cable television formats.

*mCommerce:*
The buying and selling of goods and services via mobile/wireless technologies and devices.

*Near field communication:*
NFC is a method of wireless data transfer that detects and then enables technology in close proximity to communicate without the need for an Internet connection.

*New Economy:*
The new economy is the result of the transition from a manufacturing-based economy to a service-based economy.

*Order Management System:*
An order management system (OMS) provides the ability to automate and streamline the flow of an order from point of purchase to the customer. An OMS can process orders from multiple channels (ecommerce, mobile, call center, and more), allocate orders to multiple sources of fulfillment (warehouse, drop shippers, retail stores), and track the order to the customer.

*Organic click:*
Organic search results are listings on a search engine’s results page, that appear because of their relevance to the search terms, as opposed to paid advertisements.

*POS system:*
A retail “point of sale“ system typically includes a cash register (which in recent times comprises a computer, monitor, cash drawer, receipt printer, customer display and a barcode scanner) and the majority of retail POS systems also include a debit/credit card reader.
**RQ Code:**
RQ stands for “Quick Response” and is a machine-readable code consisting of an array of black and white squares, typically used for storing URLs or other information for reading by the camera on a smartphone.

**Showrooming:**
The practice of visiting a shop or shops in order to examine a product before buying it online at a lower price.

**SEO:**
SEO stands for “search engine optimization” and is the process of getting traffic from the “free,” “organic,” “editorial” or “natural” search results on search engines such as Google.

**SixthSense:**
This is a wearable gestural interface that augments the physical world around us with digital information and lets us use natural hand gestures to interact with that information.

**Touchpoints:**
Any product, service, transaction, venue, or experience through which a customer receives a significant impression of a brand.
1.6. Research limitations and suggestions for further research

Secondary data not directly connected to small retailers
Some of the secondary research sources regarding omni-channel opportunities and challenges were not directly informed by small businesses, but have investigated major enterprises. Nevertheless, most of these opportunities and challenges turned out to be universally applicable, because they were at some point confirmed in one of the deducted interview.

Brand discretion
Due to confidentiality reasons some of the information is presented in limited exposure. One of the limitations is a rather superficial description of future omni-channel visions and ideas of the interviewed retailers. A detailed angle could have shed more light on how omni-channel is able to empower smaller stores, helping them to deal with major competitors such as department stores. Additionally, as some store owners did not reveal in which turnover range they perform, it is wasn’t obvious to categorize them in micro, small or medium sized retailers.

Primary research consists of purely qualitative approach
The use of entirely qualitative research might have limited the potential ability to make broader generalizations of the results. Analysing a larger set of data could have increased the robustness of the study. However, the intention was to study the omni-channel phenomenon rather in depth and in an exploratory manner, possibly confirming or disputing previously acquired secondary data. Also, it would have been nearly impossible to interview a representative amount of retailers to achieve generalizations.

Primary research is based on assumptions
The answers of the retailers and omni-channel specialists were from a subjective perspective. All the statements are based on assumptions and most of the time cannot be seen as facts. For example, some of the store owners had entirely different philosophies regarding customer service and customer data collection, and therefore base their answers on different values.
Luxury customer demand

Further research could integrate luxury consumer responds and study whether the assumptions are right. Therefore, for further studies within this area, it would be beneficial to know the consumer’s standpoint regarding e.g. data collection, privacy issues.

2. Methodology

The main body of this research report will make use of a broad selection of literature in order to establish a sound overview of the subject. Important sources of information throughout this study are from market research reports and white papers by global consulting companies and market research centres that are available on the Internet. Also books, newspaper articles, business websites and business talks from YouTube have been referenced, to add a current and relevant angle to the subject-matter.

These secondary research findings have been solidified with help of conducting in-person and Skype interviews with store owners, that positioned themselves within the realm of small-scale luxury retail and had the function to either confirm, contradict or complement previously acquired theoretical research. Additional interviews with omni-channel and omni-channel-service specialists are meant to provide a broader and more realistic view on current developments. All questionnaires are designed to distil a wide range of opportunities and challenges regarding omni-channel adaption for small luxury retailers.

Finally, an in depth interview has been carried out with a Business Developer of Farfetch, which gave detailed insights into the international world of small luxury boutiques and helped understanding current industry trends and in what way outsourcing eCommerce competencies is compatible with omni-channel techniques. This interview was extremely important to understand how eCommerce functions on a bigger scale and how the adaption of technology is imperative for small players to compete within the retail world.

Based on partly theoretical and partly empiric findings the thesis will conclusively present and discuss the result of the data collection.
As omni-channel retail is a global phenomenon the geographical scope of the research had no boundaries. This resulted in a wide-spread collection of information, spanning from stores in the USA to Germany and the Netherlands, and other interviewees from Canada and the UK.

This research thesis is intended to be rather relevant than rigorous and aims to be as close to the thematised industry as possible, in order to be immediate and applicable to practice.

3. The Internet and its force on luxury retail

3.1. Luxury and luxury brands

Luxury is not easy to describe, as the term does not have one definition and depends on perspective. Still, it is necessary to distinguish an actual luxury brand from premium brand and fast fashion, if not, the possibility of a destabilized brand identity and its core values could occur. In general the understanding of luxury differs between individuals and product categories. It depends on the situation and on the biased preconditions of each individual customer, while considering his or her experiences and individual needs. Also, the term luxury itself is becoming an increasingly obscure title, as it can be used arbitrarily (Berry, 1994). Some supermarkets for example claim to offer “luxury for everybody”, while most luxury brands would eschew the declaring of their products as luxurious. These luxury companies actually produce more and more non-luxurious products. On the contrary, non-luxury companies are selling products that have the intention to convey a feeling of luxury (e.g. Michael Kors and Coach) (Silverstein and Fiske, 2003, page 50).

Consequently, there are several opinions on what defines luxury, but researchers across various disciplines share a basic consensus. Generally it can be stated that luxury is defined as something that is more than necessary (e.g. Bearden & Etzel 1982). As a contrast to that, some authors characterize luxury by non-necessity and super-fluidity (e.g. De Barnier 2006).
Dubois’s luxury approach

The most popular approach in framing the concept of luxury is the one from Dubois et al, (2001, p. 8 et seqq.), which takes these six aspects into consideration:

- **Excellent quality:**
  The first notion is that of perceived excellent quality. The mental association between luxury and quality is so strong that these words are almost synonyms.

- **Very high price:**
  The second notion spontaneously associated with luxury, and almost as salient as the previous one, is that of a very high price. Such a perception is established either on the basis of the absolute value of the price or, more frequently, by comparison with non-luxury brands.

- **Scarcity and uniqueness:**
  The third concept associated with luxury is that of scarcity. Scarcity is closely related to the perceived excellent quality and high prices associated with luxury goods. Relevant examples are Ferrari restricting the production of its cars or Hermès’ production of Kelly bags due to the scarcity of the right crocodile leather available.

- **Aesthetics and polysensuality:**
  The forth aspect of luxury involves a strong aesthetic appeal. And according to many consumers, it should always be the case. At the extreme, luxury products become pieces of art, which have to be recognized as such.

- **Ancestral heritage and personal history:**
  The fifth notion associated with luxury is its anchoring in the past. In consumers’ mind, to be luxurious, products and services must have a long history and their elaboration processes as well as consumption should respect tradition.
• **Superfluousness:**

Finally, the concept of luxury implies some perceived superfluousness or uselessness. Luxury products are not felt to be necessary for survival. It is in this sense that consumers as well as researchers oppose luxuries and necessities.

Some of the afore mentioned luxury attributes seem to be somewhat outdated when considering that physical rarity is not welcomed anymore by shareholders of luxury groups, as it prevents rapid growth. In a few stray instances it might still be applicable, for example Hermès holds on to the concept of scarcity, but according to Kapferer (2012) the luxury sector appears to be headed towards a development termed “virtual scarcity”, which conveys the feeling of privilege and exclusivity. This development furthermore stands for an overachievement in quality, which defies modern industrialized production processes, as well as the laws of value analysis (by which costs that connected to product/service features are reduced, while maintaining the features’ target value for the consumers).

**Luxury brands and similar concepts**

The modern consensus of what constitutes a brand is consumer and identity driven. Therefore, brands are regarded as images in the minds of consumers and entire target groups (Heine 2011). According to numerous experts such as Kapferer, luxury brands are highly associated with their core products. The main characteristics of luxury products therefore correspond well with those of luxury brands and lead to the following definition:

*Luxury brands are regarded as images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, scarcity, extraordinarity and a high degree of non-functional associations.*

Next to luxury brands there are similar concepts, such as masstige brands (also termed “popluxe” and “affordable luxury”) and premium brands, which can be distinguished as follows:
• **Masstige brands**

Masstige brands are also known as “mass luxury” or “new luxury”. Valid examples are Coach or Michael Kors, as they are not accepted in the realm of luxury brands but still rate higher than mid-level brands within the characteristics of luxury products. Masstige brands are able to differentiate themselves from mid-level brands through their prestige, but simultaneously from luxury brands due to their more approachable prices (Truong et al, 2009, p. 379). Masstige strategies are also applied by luxury brands by offering an extended product range, which is more accessible to the mid-market (e.g. perfumes and logo-typed accessories) (Kapferer and Bastien 2009b, p. 321, Truong et al, 2009, p. 379). Other strategies are “junior” product lines which are manufactured on a bigger scale (e.g. Bazar line of Christian Lacroix, Sonia by Sonia Rykiel, Must by Cartier) or downscale extension (Nueno & Quelch, 1998; Catry, 2003).

These developments have helped making luxury-like products more attainable for the middle class consumer and resulted in the phenomenon termed “democratization of luxury” (Heine, 2011).

• **Premium brands**

Similar to masstige brands, premium brands also rate higher than mid-level brands within the characteristics of luxury products. Yet, contrary to luxury brands, for premium brands it is still necessary to remain realistic towards the money-for-value ratio. The pricing of luxury goods are determined by scarcity, branding and storytelling, while premium goods can be seen as expensive versions of commodity goods following the mantra “If you pay more, you will get more” (D. Roumeloitis, 2011).

Consequently, premium brands are characteristic for their functional focus, while luxury brands want to establish a symbolic meaning (Kapferer and Bastien 2009b, p. 321).
Some attempts have been made by premium brands to enter the world of the luxury realm by raising the price of a premium product, but with means of strategies in the region of premium. This seems to be a difficult endeavour as premium goods are not connected to deep cultural values or a certain heritage (Brusati, 2013).

![Figure 1: Luxury Brands vs. premium and Masstige Brands](image)

*Concept of luxury, Heine 2013*

Figure 1 demonstrates the positioning regarding luxury brands in comparison with masstige and premium. Different attributes such as price and quality are examined, while luxury brands usually are levelled as the highest within every attribute, yet there are some occasions when this is not applicable. For example it is possible to find premium products from Helena Rubinstein in perfumeries, which are more expensive than similar products from the brand Guerlain, a luxury brand owned by LVMH (Brusati, 2013).

**Current market situation of luxury goods**

Bain & Company (2015) has provided findings regarding the global personal luxury goods market, which reached €224 billion in revenue for 2014. This figure represents a growth rate of 3% compared to 2013. Online sales of luxury goods on the other hand have increased by 20% in 2013, which represents an estimated revenue of €9 billion (Deloitte, 2015).
The main force within the luxury industry performance is tourism. Almost one-third of all luxury purchases derives from China and its consumer spending is the main driver of the shift from domestic consumption to touristic spending, which now makes up half of luxury spending as a whole (Bain & Company, 2015). However, this development has been subdued during the last 1 ½ years, due to a number of factors. The prevailing reason is the anti-corruption and anti-ostentatious display of wealth campaigns initiated by President Xi Jinpin, which resulted in discouraging consumers from purchasing and wearing luxury goods (Schmitz, 2015).

The United States, Europe as a whole and Japan seem to be on the economical rebound (Aitken, 2015), owing to more purchasing power of upscale consumers through attractive asset prices, including property prices. Still, economic growth in three of the four BRIC markets has either been delayed or broke off completely, with the exception of India. Additional turbulences were caused by currency rate fluctuations. Ultimately it can be said that luxury goods companies are looking at a mostly bright future (Deloitte, 2015), as the global growth appears to remain steady in the near future with a predicted rate of approximately 3.8% CAGR according to a report of Transparency Market Research (Chaudhari, 2015).

Within specific categories of luxury goods, accessories captured 29% of the market and grew by 4% in 2014 (at current exchange rates)—more than apparel and hard luxury (jewelry and high-end watches), the next two largest categories. For the first time since 2007, the growth of high-end shoes surpassed that of leather goods, emerging as an evident status symbol, albeit at a lower ticket price than other leather goods.

With the respect to the different channels, in which luxury goods are marketed, traditional face-to-face retail remains extremely important, specifically for the purpose of seeing and touching the products (Deloitte, 2015). Within physical shopping experiences, luxury consumers seem to prefer the mono-brand environment, which accumulates more than half of the market. Yet, in the digital marketplace the multi-brand model still finds more attraction (D’Arpizio et al., 2014). Digital contribution to luxury sales growth is increasingly important (Solca, Bertini, & Fan, 2014) and has put a significant amount of power in the hands of the
consumer. ECommerce platforms have made it possible to decide when and where to shop, with the option of comparing prices transparently (Deloitte, 2014).

As the Internet epitomizes such a revolution for traditional retail concepts and its consumption behaviour, the following chapter will illustrate its progression.

3.2. The traditional retail landscape's transformation due to the Internet

The following chapter highlights the process of the Internet from its start until the way we know it today, encompassing pivotal aspects such as eCommerce and more. Herein, the most relevant technological milestones, which affected the traditional retail market and its consumption behaviour, are being pointed out.

Even though the concepts Internet and World Wide Web are frequently used as substitutes, they are two separate things. The Internet represents a worldwide network of computers, while the World Wide Web is a service provided by the Internet, giving access to about 8 billion web pages (Pearson Higher Education, 2009). The path from where the Internet began until how we know it today has come a rather long way. When simultaneously looking at luxury brands and luxury multi-brand sellers however, they seem to have been sleeping on the Internet’s possibilities and its phases. The forefront of luxury labels such as Hermès and Versace launched their websites in 2003/4 and 2005, whereas there was no intention towards eCommerce yet. At this point the Internet existed for more than 15 years and was heading towards another evolutionary stage (Okonkwo, 2010). The reluctance towards eCommerce by luxury brands is mostly due to the notion of the web being a mass medium, which clashes with the values of luxury brands (Coste-Manière, Hoffmann, 2011). Chanel for example, is a well-established couture maison, while it runs a branded website without direct eCommerce channel.

To understand the pathway of the Internet as a universal phenomenon U. Okonkwo has divided the Internet’s timeline into 5 principle phases, from a pure information-giving medium to communication, then to commerce, to interaction and engagement, and finally to the all-encompassing 360 degree online experience via numerous platforms, personalized applications on always-present devices.
• **Phase 1:**
  The www’s first phase was all about curiosity. Consumers, as well as the industry, had to discover this, still abstract, metier. In fact consumers eventually showed more enthusiasm, leaving the doubting brands behind. The result of consumer initiation and proactivity was an unbalanced development, even though the industry could have been in position to create content.

• **Phase 2:**
  From 1993 and 2005 consumers started trusting the Internet more and more. This phase paved the way for advanced usage through providers such as Yahoo, Hotmail and AOL introducing eMail function and the early stage of the search engine, which gave the consumer more insights regarding offerings. Naturally online shopping website, such as eBay and Amazon started to get popular and gave the Internet a “low price for all” character. This was intensified by the dot com crash in 2000.

  It took the Internet 4 years to recover from this incident; from doubt and suspicion to regaining trust of the consumers. It was when pure online luxury player Net-A-Porter started exploring the opportunities of selling products online.

• **Phase 3:**
  The third phase was the beginning of what we now call the Web 2.0, the age of participation. At this point the use of the Internet was driven by consumers’ generated content and the need to congregate, share and collaborate. Consumers started to have more pull as they were in total control of the participation phase; brands and multi-brand stores had to try engaging with them in order to avoid being forgotten.

• **Phase 4:**
  The forth phase is the three dimensional – 360° web experience, that users started to engage in via virtual worlds such as Second Life. Consumers are
in total control of their online experience, without the direct interference of media or brands, and they seek for authentic consumer-generated content.

- **Phase 5:**
  Phase number 5 could be described as the status-quo. The Internet is intertwined into the daily life on a much higher level via mobile and wearable technologies. Business transactions, networking, entertainment and creating content is possible through multiple devices. This phase is about accommodating numerous digital platforms and mobile applications to make them work seamlessly and in the most effective way with only one ID.

The last phase Okonkwo describes is in need of elaboration, as it had a significant affect on how consumers these days interact between several touchpoints, between digital and physical store experience. Thus, this chapter will continue in zooming in on those developments of the last years, where a transformation of the retail environment has taken place primarily driven by the growing expectations and needs of the customer and the rapid rate in which technology is advancing.

One significant change and challenge for traditional retailers has been the increasing shift away from known metrics for measuring performance, such as sales per square foot or sales per operating hour, due to the omni-presence of eCommerce. The modern day consumer seems to less rely on stores as a means to purchase, but evermore as a source of experiencing the store’s brands and culture in a more sentimental way (Stephens, 2014). This suggests that the higher the share of online sales are, the less these metrics have the ability to reveal relevant business indicators (Rigby, 2011). Furthermore, the abundance of information that is available to the customer not only increases the retailer’s competition, but it also shifts the power towards the customer (Hagel III et al., 2015).

Despite all the mentioned challenges for the traditional brick-and-mortar, the technological advances and digital tools also appear to be opening doors for them, as they make it easier to enter a new market or penetrating a familiar market with a new product (Hagel III et al.,
Deloitte’s (2014) report additionally states that eCommerce can lower the risk and speed up entering, testing, and penetrating international markets (Quinn et al., 2014).

Still, it is safe to say that the classic retail concept is the core retail business. Table 2 illustrates that eCommerce indeed is growing in double-digit range due to the opportunities in market penetration, but the physical retail continues to be the main marketplace, especially when looking at a $38 Billion turnover for eCommerce opposed to $144 Billion for in-store sales (The International Council of Shopping Centers, 2014).

![Figure 2: eCommerce growth outpaced in-store growth, nearly 5 to 1.](image)

Still, the Internet evolved from a quite abstract medium to a very intuitive, unrenounceable element of our everyday lives, which gives us a quite distinct indication that the World Wide Web will be here for a very long time. Concluding this overview on the impact digital technology is having on the evolution of the retail environment, it confirms the significant urgency of the consolidating online and offline retail channels and stresses the potential that eCommerce has for meeting the new standards of the digital consumer. This brings us to look at the broader spectrum of channels enabling retailers to engage their prospective target group.
3.3. A general outline of the channels existing between consumer and retailer

The following passages will give a brief overview of the most relevant platforms for retailers to interact with their customers. These platforms are here referred to as so-called touchpoints and are necessary to guide the consumer of the modern era, from product discovery to purchase and beyond. According to Davis and Dunn (2002, p.7) users can experience brands throughout three stages: the pre-purchase, the purchase and the post-purchase experience. Table 3 illustrates an updated take considering the appropriate touchpoints.

A lot of these touchpoints involve already common retail and marketing scenarios, e.g. passing by a shopping window, visiting a branded eCommerce website, seeing a TV ad or listening to one on the radio (Westenberg, 2010).

![Image](image_url)

*Figure 3: Customer Journeys Trump the Traditional Sales Cycle*
Gary Magnone, n.d.

The digital platforms, which are reached through mobile phone, tablet or desktop are there to create a digital interface where retailer and customer can connect as easy as possible (McQuivey, 2014) allowing for product information and brand image to be the strengthening of the value connection. Especially luxury customers have quite high expectations regarding digital touchpoints, from website design to convenience and functionality (Deloitte, 2014). The touchpoints’ universal purpose is to motivate the consumer towards proceeding to the purchasing channels, such as the online store or brick-and-mortar location.
The mobile phone, and mobile technology in general, seems to have the biggest potential and growth, partially because it becomes increasingly personalized. On this subject’s matter, McKinsey (2013) has interviewed more than 3,000 luxury shoppers in six major luxury markets and found out that more than one-fifth regularly or always does research with their smart phones before a luxury purchase (Dauritz, Remy, & Sandri, 2014). Mobile phone activity and its synergizing role between the digital and physical world will be studied in more detail in a later chapter (4.1.4.).

More and more developments are fuelled by technology and could result in new and engaging chances to interact with the customer, such as iBeacons, Augmented Reality (AR), Near Field Communication, and the “SixthSense” technology. These advances are progressing with steady pace and therefore it is a challenge for retailers to understand and seize these opportunities (Westenberg, 2010).

Additional obstacles are the tasks in consolidating these multi-channel approaches towards a unified retail experience, which is referred to as omni-channel retailing. Store owners are investing a great deal of their marketing budget, time and energy into creating a seamless transition between their touchpoints (Siegfried, 2015). This changeover, from multi-channel to omni-channel will be the focus of the following section.

3.4. From multi-channel to omni-channel retail

With an advanced modern era customer, that embraces new technologies and market transparency, modern-day retail objectives appear to transform from a multi-channel approach towards a customer-centred omni-channel orientation. The main difference between the two is already suggested in the previous sentence and will be elaborated on in this section.

Using several channels to market goods from a business to a customer (multi-channel retail) has been practiced by companies for several years and has developed into a common and ever-present business model (Dorman, 2013). Multi-channel retailers are looking at each touchpoint – physical store, phone, desktop or tablet - with clearly separate purposes and goals. They all have their sole reporting structure and are handled individually with the focus
to maximize their own performance (citing Stacy Schwartz, a digital marketing expert, Pophal, 2015).

While omni-channel retailing indeed also involves all possible/necessary channels that encompass the consumer dialogue, it even more pursues a customer-centred approach, which is fuelled by the contiguous urge to understand and engage with the best-possible customer audiences (Winterberry Group, 2013). Omni-channel objectives therefore realize that not only the crossing of channels is on demand, but evermore the usage of these channels simultaneously. The consolidation of the different touchpoints is in the foreground. One scenario could be a customer comparing prices of a desired shoe on his/her mobile phone, while pondering about them in-store (citing Stacy Schwartz, a digital marketing expert, Pophal, 2015).

Figure 4: Omni-channel shopping flow variations
*Martin & Forsythe, 2014*

The above graphic illustrates that the path of purchase has developed into a complex interconnectedness involving several steps, combining several touchpoints. This significantly differs from the multi-channel concept because there no longer is a distinguished channel A
and channel B consumer. Instead, there is one single consumer base, which interacts with retailers across all available channels simultaneously. The emergence of this phenomenon has brought about the rise of a behaviour named as “showrooming”, which many retailers cite as the cause of the decline in physical store profitability (L2, 2014).

To summarize, here are the two mainstays of the omni-channel approach:

- **Omni-channelling is customer-centred and less about individual marketing silos.** Multi-channel leans more to an inside-out take, while omni-channel is rather outside-in. The consideration of the customer’s experience from his/her perspective, is the main focus.

- **Furthermore omni-channelling attempts to ensure that the received messages of the consumer are as consistent as possible across all channels** (Pophal, 2015).

Even though omni-channel retail appears as being tipped as the pervasive and inevitable retail strategy, it transpires that only in a few cases it is actually executed in an all-encompassing and profitable manner. A study undertaken by JDA (2015), a retail software specialist, discloses that indeed a considerable amount of financial and managerial resources are dedicated to improve omni-competent capabilities, but despite these investments, only 16% of the 410 surveyed retailers are able to fulfil omni-channel demands in a profitable way.

Still, it does seem that customers highly demand what omni-channel stands for: convenient customer-centered service and simplicity regarding product information throughout all possible channels, as pointed out by the Economist Intelligence Unit report (Kapoor, 2014). Therefore it is crucial to understand various impacts of this intervention in order to gauge the extent to which retailers can capture increased sales, and to inform the development of these strategies.
But how do small luxury enterprises adapt to these on-going demands? To further investigate their correlation the following section will define what is understood with and what characterises “small retailers” within this thesis’ framework.

3.5. The small luxury retailer

In order to gain insights into successful omni-channel practices for small luxury retailers and to draw a distinct line separating them within the retail landscape, this thesis will focus on the term “small” within the sector of SMEs. As defined in European law, an SME is a small- to medium sized enterprise, while the main factors for distinction (1) are number of employees and (2) the turnover or balance sheet total.

<table>
<thead>
<tr>
<th>Company category</th>
<th>Employees</th>
<th>Turnover</th>
<th>Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 m</td>
<td>≤ € 43 m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 m</td>
<td>≤ € 10 m</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 m</td>
<td>≤ € 2 m</td>
</tr>
</tbody>
</table>

*Figure 5: What is an SME?*

*European Commission, n.d.*

Furthermore, SMEs form the backbone of the European economy, with about 21 million small firms making up 99% of EU businesses, and employing 87 million people (European Commission n.d.).

**Key characteristics of retailers within the SME realm:**

- **Holding pattern**
  SMEs are usually privately held or even family owned at times, while large enterprises are mostly public limited company, with specific shareholding patterns.

- **Business structure**
  SMEs generally have a flat hierarchy and an integrated set of business-enabling divisions, large enterprises are more likely to have a matrix organization and a set of
business units (or lines of business) which are able focus on specific market segments or business domains.

• **Location**
Large enterprises are mostly operating globally, with a presence in multiple cities across the world, SMEs are usually restricted to limited geographical boundaries (not necessarily a mandatory criterion) and within a specific country.

• **Business Units**
SMEs are limited or have sometimes no separate business units. They are mostly there for support functions and are integrated within each other. Large enterprises characteristically have multiple business units or line of businesses, according to the appropriate business sector.

• **Information Technology Requirements**
The dependence on IT is lower and is treated as an enabler for SMEs. The business tends to suffer less from unavailable IT for a longer time period. Large enterprises on the other hand, depend immensely on IT and it is viewed as their key business driver. An absence of IT would be a significant impact for the business.

(The Open Group, 2013)

The IT requirement statement however is rather questionable, especially in the context of omni-channel retail, where all digital elements are very well dependent on a formal IT infrastructure and its competency, also within the SME realm. In general, it can be stated that particularly ICT and digitalisation have an increasingly powerful role regarding the efficiency and innovation of SMEs (Muller et al., 2014).

However, small retailers are especially struggling with the limited understanding of relevant technology and its potential, limited budget for investing into ICT systems and the difficulty in recruiting tech-savvy professionals (European Commission, n.d.).
Furthermore, as SMEs are most of the time owner managed family or entrepreneurial organizations, their internal systems converge towards a rather collegial and less formalized orientation (Spence & Essoussi, 2010). Due to limited resources regarding finance, personnel, perception of function, skills and attitude, marketing activities also seem to form one of the bigger problems, that owner managers have to face (Reijonen & Laukkanen, 2008).

Still, according to Judson Harmon (interview, appendix), the CEO of ODD store in New York, especially small stores are the ones that generate new ideas and represent the creative hub within the retail landscape. This can be reflected in their approach of buying into more outspoken pieces, but also in the more surprising use of technology. One aspect that could support Harmon’s statement about new ideas, is the fact that the immediacy between small store and its customer base is significantly higher, compared to e.g. department stores and its customer base. In addition, the advantage of small stores lies in its inherent flexibility, which enables them to adapt relatively fast to changing market requirements (Hinojosa-Barragán, 1999).

**Conclusion**

To conclude, the convergence of luxury fashion and technology is moving with significant, and never seen before, pace. Furthermore, it has been identified that stores in general are confronted with a growing number of touchpoints and faced with the challenge to understand their puzzling interconnectedness. These omni-channel approaches have been additionally solidified, but the complexities involved pose the question about the feasibility for oftentimes tech-crude small-scale retailers.

Small businesses seem to be agile and very close to their customer base, but how easy is it for them to adapt to a fundamental change, which encompasses the philosophy of the company as a whole? Now that there is a framework around the subjects luxury, eCommerce, omni-channel retail and the store size, the following chapter delves deeper into answering this question by pointing out key possibilities and the accompanying challenges small retailers could encounter when internalizing omni-channel strategies.
4. Omni-channel and its implementation for small luxury retailers

4.1 Omni-channel possibilities for small luxury stores

To begin with, luxury fashion players are in general further behind with the implementation of technology and are even referred to as the digital laggards (interview with Mimma Viglezio, Financial Times, 2015). This is closely connected to the mindset of limiting accessibility of luxury and the fear of making these products too democratic.

![Figure 6: Omnichannel Retail: Degree to which brand sites drive consumers in-store](L2 intelligence report, 2014)

This statement is reinforced by a report done by L2 (2014), that examines the efforts of 100 retailers to propel customers from online activity to in-store engagement and back again. The retailers came from different sectors, such as big box, sportswear, home accessories and also luxury apparel. The data retrieved was the base for a 10-point scale rating about the sophistication of retailers’ overall omni-channel ability. Figure 6 above shows how well mass product retailers performed, especially compared to luxury players. Exceptions are several department stores such as Neiman Marcus, who for example have been able to implemented real-time inventory visibility and in-store pick up option (figure 7) (L2, 2014).
Even though digital contribution with 6% in regards of luxury revenue is quite low at first sight (Schmidt et al 2015, Chao, 2015), still its significant influence should not be underestimated. A study by McKinsey (2015) has revealed that three out of four luxury purchases, even if they preferably take place in-store, are somewhat influenced by digital media, fuelled by activities such as Instagramming, Facebooking or YouTubing (Remy et al., 2015). Furthermore, the stores that have been interviewed expressed a very high importance towards digital engagement, especially the photo sharing application Instagram seems to be an overly powerful marketing tool for both, brand engagement as well as transactional purposes. The ODD store, a multi-brand luxury retailer based in New York, uses a feature on Instagram (havetohave.it), which enables direct purchasing from a smart phone and is becoming increasingly popular for their customer base (Harmon, interview, appendix).

These developments indeed imply that the appropriate consumer is evolving towards a more savvy and digitally demanding force (Deloitte, 2014), for whom stock accuracy is the same concern as personalized customer service throughout the channels (Maginus, 2014). According to the team of Persomi (interview, appendix), a personalisation software company, 2015 has been dubbed the ‘year of personalisation’. “Personalisation should be the key
priority, as those who don't embrace digital personalisation will not retain their competitive edge. We clearly see the large sales uplifts that retailers, who are personalising customer experiences, are enjoying.” Furthermore, it underlines the increasing immediacy between customer and retailer. The more immediate the relationship is, the better the service can be (Kent and Omar, 2003) and the closer is the connection to omni-channel objectives.

The in-depth research into the possibilities of omni-channel retail for small luxury stores resulted in a segmentation into four main categories and will be explored in the following:

- **More trust through physical presence**
- **Harnessing data for personalized customer communication**
- **Fulfillment: Click-and-mortar**
- **Exploiting mobile technology**

### 4.1.1. More trust through physical presence

Even though the factor trust reveals a crucial aspect of consumers’ purchasing behaviour in eCommerce, its establishment regarding websites is rather difficult compared to the interpersonal situations in-store. Therefore omni-channel retailers have to consider exploiting their physical presence in order to build customers’ trust in their website (Toufaily, Souiden, & Ladhari, 2014). For example the store has the possibility to place in-store imagery and its address, which can increase online trust (Stewart, 2003).

Through direct interaction with a retailer’s physical store, the customer absorbs first-hand information. Basically, a store’s humaneness and integrity are a very powerful indicator of its ability, as these characteristics reflect a store’s purpose and ethos (Alsaif & Ghoneim, 2015).

Although there is no agreement among researchers that an omni-channel approach would improve the store’s performance, the impact it has on the consumer is likely to be significant. Research on this topic has created anticipation about how the consequences of perceived privacy/security and social presence, regarding benevolence and credibility, are more powerful for pure online players. This might be connected to the lack of tangibility. Also the
level of doubt about the outcome, the performance of the transaction, is lower for omni-channel stores (Toufaily, Souiden, & Ladhari, 2014).

A valuable example of how to transfer offline credibility to online channels surfaced during interviewing Judson Harmon (appendix), where he has mentioned his plans to use RQ codes on their shopping windows. These codes represent links to the garments exhibited in the window and enable passing-by consumers to shop them at any time. By scanning the codes with a smart phone, the consumer gets redirected to the appropriate page of the store’s webshop. This way the customer has the direct association with a credible physical presence.

4.1.2. Harnessing data for personalized customer communication

According to a report by Sindou et al. (2013) the potential amount of visitors on an eCommerce channel might be by far higher, but still the conversion rate of physical stores in general is much greater. This, among other things, has to do with the advantage of direct and personal communication between the prospective buyer and sales representative (Pérez, 2014). Therefore it stands to reason that the approach of digital communication should be adjusted towards a similar one, personal and immediate. For example, a live chat customer service touchpoint demonstrates a significant satisfaction rate of 73%, as it combines the advantages of email and phone, but avoids the call charge and waiting in line (Charlton, 2013).

Figure 8: eDigital’s Customer Service Benchmark (2000 consumers were surveyed on their experience with various customer service channels)
Charlton, 2013
Exane and ContactLab (2014), who reviewed where luxury players are today on digital developments, have found out that the acceptance of email dialogues with customers would have a significant benefit, as their spending per capita is higher than of registered non-recipients. This is illustrated in figure 9 and seems to be a global trend, but foremost a trend in two of the most advanced eCommerce markets, the USA and UK.

![Figure 9: Spending per capita](image)

*Figure 9: Spending per capita*

*Solca, Bertini, & Fan, 2014*

However, the resistance by in-store clients towards receiving promotional emails seems to be considerably high (ca. 20% of the total in-store sales) and one reason stated in the report is the frequency and non-personalized approach of email campaigns (Solca et al., 2014).

Therefore a key objective of marketing strategies could be the gathering and use of customer data (Grieder et al., 2014). Collecting, evaluating and using the data in an appropriate way is one of the biggest challenges marketers have these days, as the amount of channels and measurable information are growing (Krainik, 2014). Still, particularly for small businesses, which tend to approach customer information seeking rather opportunistic with decision report tools ranging between static historical reports, analysis spread sheets and gut feel (Canes, 2009), a thorough data collection and retention could make a significant impact.

Digital analytic tools are a good way to get access to statistics of ones eCommerce channel. Specifically Google Analytics is a service free to use for everybody who has a Google account.
and is meant to support small to medium sized retailers in their marketing performance and its evaluation (Rouse, 2011). It is able to provide information about where the visitor comes from, how long he/she stayed on a specific page, if they are new or returning visitors and their bounce rate (Carter, 2011).

![Figure 10: skyglue.com, example of sequence of visitors' interaction](image)

More in depth information, exceeding the standard Google Analytics tools, could be realizable through add-ons such as SkyGlue. SkyGlue, is i.a. able to provide insights into anonymous and registered visitors' individual sequence of interaction by tracking their click path (figure 10). These features can enable the eCommerce department to identify crucial website roadblocks, as well as terms and visuals that motivate visitors towards a purchase (SkyGlue, 2011). As stated earlier in the research problem section, specifically for small retailers limited ICT know-how is the main obstacle in pursuing effective marketing strategies. SkyGlue could constitute a rather convenient way to approximate towards an efficient data accumulation, as of the following reasons (Hughes, 2011):

- **reasonably priced**, compared to similar products such as Omniture
- **manageable to implement**, does not require extensive programming skills, in contrast to using standard Google Analytics Event Tracking
- **the setup time is quick**, compared to standard Google Analytics Event Tracking
- **maintenance is simple**, compared to standard Google Analytics Event Tracking
A first step towards using accumulated information through an email database is the segmentation strategy. Customer segmentation is the grouping of customers with similar attributes, such as location, gender or product group affinity (Rouse, 2015). The most effective use of customer segmentation results from a carefully tailored offering to the appropriate segment. This channeling could help retailers to create email campaigns and pricing strategies to distil value from both high and low profit customers. This, in turn, can have the potential to provide valuable information to other departments, such as buying or sales representatives (K. Rigby, 2015).

The interview with Judson Harmon (appendix) has confirmed, that a focus on segmentation is key for their customer relationship management and additionally brought attention to a general trend of technology companies offering automated features to smaller retailers, which were previously only accessible to big department stores. These services include email marketing specialists such as dotmailer.com, but also rubikloud.com and persomi.com, retail intelligence platforms that strive to turn data into valuable information.

Furthermore, this approach of personalization could improve specific KPIs. The following ratios have been identified through an interview with the personalization team of Persomi and have seen the most impact:

- *Increased sales*
- *Improved conversion rates,*
- *Reduction in abandoned baskets*
- *Fewer email unsubscribes*
- *Improved customer loyalty*
- *Increased up-sells/cross-sells*
- *More repeat visits to store/online*
  *(interview, appendix)*

For envisioning true omni-channel retail it additionally seems to be vital to consider and execute the mentioned techniques throughout all channels, also on a stationary level. For example in-store purchases could be registered to the customer’s digital account (Gottheil & Diekmann, 2013 – eCommerce lohnt sich nicht) and can be used for e.g. reorders by the
customer through the webshop (Archer, 2014). Only by systematically avoiding the barriers between digital and physical, a proper omni-channel experience is achievable.

4.1.3. Fulfillment: “Click and Mortar”

“Click and Mortar” (or also referred to as “Click and Brick” or “Click and Collect”) represents an effective omni-channel approach for physical stores and could be a competitive advantage against pure-play online retailers.

Customers are by far more demanding due to the transparency the Internet provides and they want to be able to order products from wherever and however they feel most convenient. From this, it very well makes sense to provide the “Click and Mortar” option that combines the comfort of online shopping and the immediacy of traditional shopping, by ordering online and picking up the item in-store (Zemor, 2015). A “Click and Mortar” purchase is selected as one of the shipping options and lets online-based shoppers sidestep packaging costs and simplify returns, which is cost- and time-efficient for the customer and the retailer. These pick up and return alternatives offer synergies between offline and online, which cannot be recreated by pure online competitors (Mahar et al., 2014).

Figure 11: Screenshot – KaDeWe checkout with “Shop & Collect” option

Once the customer is present in the store, “Click and Mortar” can have additional advantages, as it presents the retailer an opportunity to add value to the existing purchase through cross selling. A customer is more likely to buy additional products on-the-spot through the help of sales associates (Thomas, 2014).
The “Click and Mortar” purchase behaviour is also possible the other way around when the customer buys online after doing research in-store. These online/offline concepts are becoming more and more popular for brands and retailers and contributed a substantial growth in eCommerce. According to BRC-KPMG Online Retail Sales Monitor they represent more than 30% of the European eCommerce market (Zemor, 2015).

The popularity of “Click and Mortar” is solidified in a report formulated by Barclay’s Richard Lowe, who states that there is an overall trend towards more physical deliveries throughout the United Kingdom. On one hand the deliveries are expected to grow by over 40% from 2013 to 2018, on the other hand direct deliveries, which are those specifically send to the customer’s home address, seem to decline as seen in the figure 12 (Lowe & Rigby, 2014).

![Figure 12: Delivery methods in the UK](Lowe & Rigby, 2014)

Richard Lowe explains this trend with the growing offering of customer collection services constituting a more convenient and cheaper alternative compared to the traditional mail carrier service (Lowe & Rigby, 2014). Another factor could be the growing frustration of
customers towards delivery services like DHL and Royal Mail, as indicated in several review platforms. Apparently these services are not capable of delivering parcels on time and frequently use insufficient excuses (trustpilot.com, 2015).

4.1.4. **Exploiting mobile technology as a bridge between physical and digital worlds**

Even though the share of mobile transactions in regards of the overall global retail value is rather low, it, after all, represents a respectable and fast growing stake of eCommerce (Mobithinking, 2014). Also, the ever-advancing capabilities of smart phone technology are disrupting the traditional shopping concept and the way customers interact with retailers (Larson et al., 2014). Western European penetration of smart phones is estimated at 55% for 2015 and 60.5% for 2016 (Statista, 2015) and is therefore the most widely accessible digital device. According to a report by Google, it has recently outperformed the desktop PC in the amounts of Google searches in over 10 countries, among them the USA and Japan (Oreskovic, 2015, Barr, 2015). Additionally to searching, the smart phone has evolved into an actual transaction device, as conversion rates are growing. Mobile Commerce is now worth 30% of all eCommerce transactions globally, whereas in the USA fashion and luxury retailers have the highest share right before the travel sector, as seen in table 13 (Criteo, 2014).

![Figure 13: Mobile Share of Total eCommerce Transactions](image)

*Criteo, 2014*
Hence it is a crucial step to adapt an already established eCommerce channel to a trimmed mobile version or fully responsive website design, where the webshop is optimized to run in any browser no matter the size of the device, indicated in figure 13 (Knight, 2011). The advantage here, is that if a customer is searching for a specific product through a search engine, the results can be referred to a website already aligned to the appropriate device (Rowinski, 2014).

The general workflow of designing a responsive website would be to start with the full screen desktop version and then working towards the next smaller device. In recent years, however, the “mobile first” trend arose, in which the underneath illustrated approach is reversed. One of the reasons is the idea of focusing only on the most essential features from the beginning, to avoid a possible dismembering of the website’s infrastructure (Wroblewski, 2009).

![Figure 14: The Mobile Trend](Erts 2 Go, 2015)

Interesting to understand for the brick-and-mortar industry is that the mobile phone could possibly be the key enabler in bridging the customer experience gap between the physical and digital worlds (Marti, 2014). An interview with the Sales Director of Orckestra, a software company that offers solutions in converging digital and physical, highlighted how powerful it would be to give a distinguished level of service: “Stores should be able to know what I like or tried on, and as soon as it goes on sale, I should get notified.” He added that there are no systems in place at the moment that could capture those information. Also the interview with the personalization team of Persomi believes “that a killer use case still needs to be brought to
the masses to really push forward mobile as a link from the physical to the digital. Until then, mobile devices essentially give you Internet on the go. That strong link may arise from mobile payments or low power short range radio interactions like Apple iBeacon or Google’s Eddystone.”

In spite of the vast opportunities mobile computing is able to accomplish, these developments should be implemented carefully and could otherwise be counter productive by interfering the purchasing process, therefore in-store mobile phone engagement should not distract from the garment itself, according to an interview with Judson Harmon, the CEO of ODD store.

Additionally, it should be taken into consideration that due to the amount of available information, generally the customer’s on-the-go access to information via mobile phone is a greatly contributing factor to the imbalance of the relationship between customer and sales force. This results from consumers’ tendency to be more self-empowered, enabled by connectedness, knowledge sharing and transparency of choice (Hagel III et al., 2015). Besides that, customer loyalty seems to be dwindling (Larson et al., 2014) and acutely equips other eCommerce players with the chance in competing within the territory of their physical counterparts (Lowe, 2015). These forms of commoditization of luxury products can cause price competitions and could lead to a decrease of the profit margin (Deloitte, 2014).

One phenomenon within the luxury realm is the customer’s “low-touch” lifestyle, which underlines the affinity to digital media and communication. The “touch level” of a purchase is largely influenced by the amount of time spent with a prospective customer, explaining a product or giving advice to any further options (Poulton & Mangnoni, 2014). According to a report formulated by the Shullman Luxury and Affluence Monthly Pulse, the affluent part of the society (specifically, those living in $250K+/year households) prefers to communicate without in-person interaction, telephone conversations included. This trend is most common among the younger generation and can also be applied to the Millennials’ shopping behavior (L2, 2013). Convenience, accessibility and self-reliance, opposed to the customer-indulging approach typically executed in luxury retail, appear to be the main motives of “low-touch luxury” (Maginus, 2014).
The support and implementation of in-store mobile technology therefore represents a valid chance in progressing towards an equal footing between sales person and educated consumer to furthermore establish a sustainable differentiating factor within the increasingly competitive retail environment (Doherty and Ellis-Chadwick, 2010; Euromonitor International, 2010).

4.2. Challenges in implementation

As shown so far in this thesis, the retail market seems to be a rather dynamic one, which is primarily driven by consumers’ ever-changing preferences. The customer these days enjoys the benefits of deciding when, where and how transactions are taking place, while competitors are just one click away.

Besides this, small retailers are usually owner managed family or entrepreneurial organizations. Their internal structures are rather collegial and less formalised (Spence and Essoussi, 2010), while the availability of finance and personnel is scarce and the perception of function, skills and attributes can be unclear. These factors restrict their scope in many ways (ODwyer, et al, 2009) and can lead to arbitrary, informal, unstructured and impulsive decision making (Gilmore et al, 2001).

To further consider the potential benefits of implementing omni-channel strategies it is important to identify key challenges that small luxury retailers must overcome for marketable success. Researching these challenges yielded to a segmentation into four main categories and will be discussed in the following:

- **Financial challenges**
- **Organizational and ownership challenges**
- **Technology and integration challenges**
- **Operational and executional challenges**
4.2.1. Fulfilling omni-channel expectations is cost-intensive

Even though more and more traditional retailers are opening their own online channels, it is a quite complex path to make it financially viable. In fact, the online commerce how it is practiced by most of the retailers that originated from the traditional stationary business, does not pay off (Diekmann, 2013, page 107). Planning, implementing and maintaining an effective eCommerce platform, while constantly feeding your customers with social media and digital marketing content is labour and cost intensive (Butler, 2012). The German eCommerce market sets a worthy example of the momentary situation, where numerous businesses have started their digital sales channel to realize that the turnover has been growing in double digits, but the eventual profit failed to appear. According to an article in TextilWirtschaft (2013), from all the familiar online stores on the German market there are approximately a dozen that are operating with an actual profit. When looking at these complexities it is expected that the eCommerce environment in general will traverse an optimization of processes (Diekmann, 2013, page 107).

Also when going a step further and delving into omni-channel implementation on a global scale, one of the most telling indicators for the difficulties is that only few retailers are able to operate in a profitable way. A survey of retail and consumer goods CEOs conducted by PricewaterhouseCoopers (2014) has found out that only 16 per cent of the participating respondents are able to generate winnings while delivering omni-channel demand, as costs are rising faster than revenue.

Figure 15: The profitability challenge
PricewaterhouseCoopers, 2014
An essential factor is represented by the customer’s expectation of generous return policies, with longer free-to-return periods for products on one hand, but also the omni-channel ability to return an item wherever they like – all to increase convenience (Ternstrand et al., 2015). The average webshop return rate, in the fashion segment is about twenty to forty percent. In some cases, e.g. Christmas, they are even higher (Wang, 2014). To compete with other online stores and also to instil confidence in online shopping, being particularly accommodate with returns and shipping costs seems to be a common practice. This has a major effect on the bottom line and, furthermore, multi-brand stores have to be able to inform the customer about the brand specific garment sizes and the appropriate fit.

Another dilemma for small eCommerce retailers seems to be the expectation of a considerably broad product portfolio, solely for the sake of making online shopping more appealing for the customer. In an interview conducted with Costanza Nicolosi, a business development manager for the eCommerce platform Farfetch, she has stressed the necessity to at least present twelve styles per brand. Only then a proper representation of a brand and the ratio between outerwear, tops and bottoms is ensured. This change in approaching buying in combination with a tight Autumn/Winter – Spring/Summer schedule, plus possible pre-collections, presents a difficult pathway, which will effect the company’s cost performance and cash flow. Consequently a preparation of a remarketing strategy (e.g. YOOX, Amazon, other online store or stationary businesses) is vital to minimize dead stock (Diekmann, 2013, page 110).

4.2.2. Organizational and ownership challenges

The transition from multi-channel retail towards omni-channel is confronted with some organizational hurdles, especially when deriving from a traditional brick-and-mortar business. With a customer being used to multi-channel and multi-device possibilities, the expectations of a consistent brand experience and customer service are high at every level of interaction. Therefore it seems prudent for store owners, but also for the company as a whole, to understand that a consumer’s experience might not be channel-specific anymore (Foresee, 2013).
Nevertheless, most companies are actually still organizing their departments around designated channels. This seems to be a too one-dimensional approach and leads to conflicts between them, preventing effective omni-channel procedures. The main issue, that retailers are facing, is the attribution of cross-channel sales, such as “Click and Collect” (Forrester, 2014). Only a few stores are clearly stating that they measure the customer experience as a whole, not attributing a separate channel. The majority tends to allocate sales credit stemming from a “Click and Collect” purchase in a siloed way, to either offline or online (L2, 2014).

What makes companies additionally hesitant towards implementing omni-channel techniques is the fear of cross-channel cannibalization (Orckestra, n.d.). In aggregate, retailers using multiple distribution channels in their direct-to-consumer activities could significantly increase their customer base and ultimately their potential in generating revenue. This however, is only applicable, if the added channel allows the retailer to cater to a customer segment that hasn’t been previously served. If the new channel merely provides existing customers an alternative of how to purchase, it will most probably cannibalize existing segments and their revenue generating potential. Hence, the addition of new distributing channels is inherently risky, as they could harm the company’s profitability as a whole (Moriarty & Moran, 1990).

From an omni-channel perspective, which has multiple channels as a precondition, maintaining the siloed approach to avoid cross-channel cannibalization does not seem to be a solution, as on the long run the convenience factor for the customer will suffer. A complementary omni-channel organization is able to focus on the benefits of a customer’s brand loyalty and realizes that a disappointed customer who e.g., once in-store, realizes online inventory did not match brick-and-mortar inventory, is less likely to return (Orckestra, n.d.).

4.2.3. Operational and executive challenges

To offer a seamless channel experience for the customer it is vital to realise employee training, as the sales associates are supposed to embody the company’s omni-channel mantra. They are an unrenounceable factor for engaging, converting and retaining customers (Larson et al., 2014). Furthermore, a company with omni-channel objectives requires the staff as a whole, from “marketing and sales to IT and supply chain management” to advocate the brand, rather than the channel they work in (Geddes et al., 2014). Having said that, small stores are not
known for having organized departments. Judson Harmon emphasized the fact that a single employee these days has to execute multiple positions, as the team is significantly small compared to how multifaceted the daily business is (interview, appendix). This problem also arose during the interviews held with SPRMRKT and Moise store and therefore seems to be a quite relevant issue.

Moreover, a survey conducted by Forrester (2014), where 256 US and European retail and manufacturing decision-makers have been participating, supported the toil of in-store fulfilment. Nearly half of the respondents that have already been active in ship-from-store programs have either stated that they are “challenged or heavily challenged” by respective tasks. Even though these results might not directly reflect the situation of smaller stores explicitly, an interview with Farfetch Business Developer Costanza Nicolosi confirmed those challenges of in-store fulfilment for small-scale luxury retailers. She states that the salesforce often does not understand the importance of initiating the process of picking, packing and shipping products. The customer is very eager in receiving the parcel as soon as possible, but general day-to-day tasks for the sales associates seem to get in the way of fulfilling online orders on time.

In a conversation with Ajsha Beganovic, the store manager of the luxury retailer SPRMRKT, additional operational challenges were discussed. One problem that specifically resurfaced her memories was the complexity of the communication between the different channels. For example the planning and execution of sale promotions through the webshop and various social media platforms on one side, and the in-store communication towards the customers on the other, need to be aligned to avoid possible contradictories. These miscommunications are a result of siloed channel strategies and could lead to a disappointment of the consumer. Particularly in luxury shopping, where stock by its nature is seasonal and exclusive, it is vital to get this right (Maginus, 2014).

4.2.4. Technology and integration challenges

In regards to eCommerce, pure online players are basically starting from zero and are equipped with the necessary processes, whereas traditional brick-and-mortar stores have to adjust towards a digital infrastructure. For example the synchronisation between the physical and the digital stock has to be guaranteed, in order to prevent selling the exact same item
twice (Diekmann, 2013, page 108). A brief interview with Monique de Randamie, the owner and manager of the store Moise, has also identified a significant inefficiency when working with disconnected systems. The workload invested in manually levelling digital stock to physical is cumbersome and particularly time consuming.

Many of the difficulties regarding the integration or adjustment of back-office systems, derive from the problem of incompatibility with a dynamic omni-channel environment (Socol, 2014) and result in operating programs that frequently don’t communicate with each other. These legacy systems mostly reflect different stages of retail phases — brick-and-mortar, e-commerce, mobile — and don’t share the same foundation in regards to technology platforms (Intel* Intelligent Systems Framework, 2013).

To enable insights into product information, inventory, order history and customer data across the whole company the integration between all available channels and technology platforms are necessary. Also the in section 4.1.3 mentioned omni-channel fulfillment options, such as Click and Mortar, significantly complicate the backend operations, as they require new adjustments for both online and in-store order processing. One reliable solution to tackle the integration between channels and platforms may well be the application of a centralized order management system (OMS), which is implemented in the entire retail infrastructure. Firstly, the frontend systems are then able to make use of the OMS by facilitating the online customer interaction, and secondly, the in-store point-of-sale and inventory accuracy is integrated to improve customer service (Martin & Forsythe, 2014).

Implementing such an up-to-date OMS system that provides true omni-channel fulfillment opportunities for stores to provide complex order scenarios in reality seems to be overly intricate as it firstly requires a temporary disconnection of fulfillment and enterprise systems. Secondly, a new layer needs to be installed to again connect the platforms and channels, which for most retailers exceeds the familiar level of omni-channel integration (Seidl & Gregory, 2015).

**Conclusion**

To conclude this overview on the possibilities of omni-channel interventions for small-scale luxury retailers, the current chapter has explored the perks of transferring digital
advancements to a business environment that still has to understand the full scope of options and needs to decide for itself in what way these developments are beneficial. Indeed, data collection has been a paramount subject speaking for omni-channel activities, but also could be a powerful contributor for a more formal approach towards decision-making (e.g. buying). But due to the lack of proper personnel, evaluating and using the information appropriately, small retailers seem to be better off with increasingly appealing offers by technology companies.

This chapter furthermore developed an understanding of the primary hurdles of omni-implementation and identified the financial feasibility of eCommerce as one of the key inhibitors. Therefore these digital implementations, at this point, might need to be regarded as a necessary evil and long-term investment. This gives rise to the question, if these competencies can be outsourced to a business partner, while remaining omni-channel capabilities and will be discussed in the following chapter.

4.3. Outsourcing eCommerce with omni-channel goals – possible?

With the afore mentioned significant challenges for small luxury retailers in establishing eCommerce, or more specifically, pursuing omni-channel competencies, the question arose if it would be feasible to assign another company in taking over the digital tasks, such as website hosting, photography, customer service and online marketing. Consequently an interview with Farfetch Business Developer Costanza Nicolosi has been conducted with the aim to find out more about their services and omni-channel compatibility. But before going deeper into this subject, it is necessary to look at one determining factor regarding online marketing and achieving global exposure, namely, the search engine optimization (SEO) and the importance of high Google search results.

In an interview with Markus Diekmann, the author of “eCommerce lohnt sich nicht” (“eCommerce does not pay off”), he has stated that it is crucial for stores to find out essential aspects before delving into eCommerce. Specifically it seems to be highly recommendable to first find out if the goods that one wants to market online are already offered within the worldwide web, and if the answer is “yes”, in what way is it then possible to achieve early positioned Google search results?
As indicated in figure 15, the earlier an eCommerce platform is mentioned in a Google search result, the higher is the click-through-rate and the resulting conversion rate. On average, 71.33% of all Google searches result in first page organic clicks, while page two and three merely get 5.6% of the clicks. The first five results on page one alone are generating 67.6 % and the rest, 6-10 account for only 3.7% (Petrescu, 2014).

![Click-through-rate of organic desktop searches in Google for July, 2014. Petrescu, 2014](image)

The competitiveness of Google search results is more intensified when branded searches are being made. If the online user is clearly searching for information connected to a specific brand, then the first results are most of the time associated with the brand’s own website, but also larger eCommerce players are starting to get involved with placed advertisement, referred to as Google AdWords (Martineau, 2013), which makes it extremely hard for small eCommerce players to position themselves with enough substantial exposure (Diekmann, interview, appendix).

A company that invests heavily in organic and payed Google search results, as well as Google AdWords is Farfetch (Nicolosi, interview, appendix), an eCommerce platform that offers about 330 selected small and independent luxury retailers the opportunity to compete with
the biggest online players (PR Newswire, 2015). However, each individual retailer carries the merchandise and is responsible for fulfilling the online order, which gives Farfetch the possibility to show a rather deep and wide selection of luxury goods, while not having to worry about warehousing and hiring sales associates.

The workflow between retailer and Farfetch can be generalized as follows:

1. Retailer receives new collection from brand.
2. Retailer sends selected samples to Farfetch for product photography.

3. Farfetch receives selected items from retailer.
4. Farfetch creates product pictures and description.
5. Farfetch sends back samples with barcodes.
6. Retailer receives samples back.
7. Retailer scans barcode to activate product on Farfetch platform (scanner previously provided by Farfetch).

8. AN ITEM GETS SOLD

8. Retailer takes care of fulfilling the order, while Farfetch sends out eMail notification to customer.


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On a monthly base the purchase value will be credited to the retailer, excluding a commission fee of 20-25% (depending on retailer’s own VAT) plus approx. 5% operating costs (credit card fees, 1% contribution for free return, packaging and security tag)

(Extracted from the interviews with Costanza Nicolosi + FAQ brochure and Herbert Hofmann, Creative Director/Buyer at Voo Store, currently collaborating with Farfetch)
What makes Farfetch’s concept seemingly interesting for this thesis is the parity of the global/digital perspective on one side and the local/physical on the other. The interview with Costanza Nicolosi has indeed shown the potential of outsourcing eCommerce capabilities, but as this thesis wants to investigate omni-channel possibilities for small luxury retailers, it is necessary to find out if outsourcing would be compatible with these undertakings.

4.3.1. Aspects that speak for compatibility:

• **Browns as omni-channel try-out**
  The high-end retailer “Browns” was bought by Farfetch to test new omni-channel strategies, which then can be rolled out across the full network of retailers (Nicolisi, interview, appendix - Abnett, 2015).

• **Technology, rather than fashion**
  Farfetch as a company is not listed as a fashion company but as a technology company, according to an interview with David Lindsay – SVP of technology at Farfetch (Novoa, 2015), this suggests a high focus on investigating future scenarios in retail infrastructure and customer behaviour, which could result in novel omni-channel possibilities for collaborating retailers.

• **Willingness to invest**
  Marcel Diekmann states in his interview that one of the main aspects to consider when building up omni-channel strategies is the willingness to invest into eCommerce, “Even though it might not be a profitable business for 5-7 years.”, Farfetch has been able to acquire such a high amount of investment that it is listed as a so-called Unicorn company (a start-up company which value is exceeding the 1 billion dollar mark) (Price, 2015). Also it has been stated by PR Newswire that these investments will have the aim to specifically empower omni-channel propositions (PR Newswire, 2015).

• **In-house data accumulation**
  Farfetch operates in-house data mining and is able to segment email newsletters per country, gender, product group and more. Every market has its own newsletter team to create country-specific information. One telling example was the “Japanese
Flowering Cherry” theme, where European markets were shown Japanese designers or kimono inspired cuts, while the Asian market has received product offering by European designers inspired by Japanese prints or the like (Nicolisi, interview).

- **Focus on mobile technology**
  “Farfetch Discover” app lets customers explore boutiques as a sort of travel guide, every store has their own page (Farfetch FAQ), however in the interview with Nicolisi it has been stated that mobile sales are rather minuscule and that the app is in need of restructuring.

- **Collaborating stores as collection point**
The “Click and Collect” concept has been rolled out by Farfetch, where customers are able to purchase an item on Farfetch.com and collect it in one of the other participating stores. This omni-channel discipline has been further investigated in chapter 4.1.3 and constitutes a vital step towards bringing digital and physical channels together. Nicolisi (Farfetch) Hoffmann (Voo Store) and Harmon (ODD store) have stated that there has been initial doubt in the participating stores, but after a while it showed that there has been a substantial demand for this service.

### 4.3.2. Aspects that speak for incompatibility:

- **1:1 stock visibility is not an option**
  1:1 stock accuracy is not visible for customers, which is quite a vital feature in omni-channel propositions, especially in luxury segment where stock is low by nature (Maginus, 2014).

- **Manual system alignment**
The connection between the Farfetch system and the in-store POS system remains to be handled manually by a big majority of collaborating stores. Scattered stores have been able to establish a direct connection, but it seems that it entails considerable expenses and it turned out to be unreliable (Nicolisi, interview). In addition, an interview with Herbert Hoffmann, the creative director and buyer of VOO Store, has
highlighted that the manually operated connection, from time to time, resulted in incapabilities of fulfilling online orders, because the requested item has been sold already in-store.

• **Dependency on Farfetch brand rating**
  Farfetch is selective with brands that are offered via their platform (Nicolisi, interview). This could result in differences of how the store is perceived by the potential customer and does not comply with the essential omni-channel idea of seamless channel convergence.

• **“Showrooming” could lead to different store**
  The “showrooming” scenario, where a customer is seeking information of products in-store and transacts the purchase at home via Farfetch.com, could possibly lead the customer to a different collaborating store, that is offering the same product, but might be closer to the customer’s location or offered with a cheaper price (location and retail price determine what store will be chosen for a specific product) (Farfetch FAQ).

**Conclusion**

The main idea of omni-channel retail, as stated in chapter 3.4, is the customer-centred and unsiloed perspective of marketing channels. All the aspects mentioned among the incompatibilities are preventing the retailer from offering a true omni-channel experience. The possible inconsistency of products/brands offered and inability of showing live stock count could lead to significant barriers between the channels, inconvenience of the customer and does not support the aim of alignment for a constant voice. Therefore a correct omni-channel approach does not seem to be feasible when outsourcing eCommerce competencies to a company, such as Farfetch.

Similar concepts, as for example winkelstraat.nl, shoptiques.com, graziashop.com, Laso Japan (b.laso.jp) or italist.com are offering a similar eCommerce platform for physical retailers and were also considered, but there are essential issues that could make a collaboration adverse from the start and less suitable to include in this thesis:
• limited SEO focus and investment (all)
• more targeted at mid-market customers, rather than luxury (winkelstraat.nl, shoptiques.com)
• no in-house production of product photography, can lead to inconsistent browser experience (Laso Japan)
• national approach with no localization (winkelstraat.nl, Laso Japan)

5. Main Conclusion

This research paper has explored the ways in which the digital and physical retail worlds are coming closer together and how small-scale luxury retail is able to adapt to these omni-channel developments in order to improve the nearness to, and convenience of, an increasingly educated consumer. The empirical part of the findings made it possible to implement a unique angle of the momentary status by filtering out vital impressions of interviews and by confirming or disputing previously acquired theoretical research.

In the beginning of this paper it has been identified that the physical store environment stays the main marketplace for luxury shopping, resulting from the huge impact travelling has on the overall luxury spending on one hand, and the strong urge of consumers to touch and see the products in-store on the other. Nevertheless, the impact that digital media has on the purchasing decision is proven to be significant and therefore needs determined consideration. Furthermore, the digitalisation of retail has made the entrance of penetrating new international markets seemingly easier, yet, through conversations with Nicolisi and Diekmann (interview, appendix) it has been emphasized, that especially small luxury brick-and-mortars will have a tough time competing in the online retail world, as high costs are connected to substantial exposure to make eCommerce worthwhile. Therefore it would have to be concluded, that offering an online store might rather be a strategic prerequisite, than an actual sales tool.

As a fully-fledged online store is rather essential in offering true omni-channel experiences, again, these activities presumably need to be driven out of investment- and service-related
motives. If omni-channel activities are rolled out, there are chances to make shopping a lot more convenient for customers by offering click-and-collect, flexible return options and/or 1:1 stock accuracy. These techniques are realistic to implement, especially for the small-scale luxury retailer with one store and the absence of central warehouses. The other two big possibilities in omni-channel retail appear to be, firstly, the exploiting of mobile technology to consolidate physical and digital, and secondly, the personalisation of online communication by gathering customer information (in-store and online). Embracing mobile technology in an omni-competent way would be a major step forward, but the current retail IT infrastructure is not designed to cope with this novel system set-up. Each retail channel tends to have its independent information and technology silos, hence companies must find a way to integrate these systems together. For example, the connection to the customer’s online account on a stationary level, is not possible at the moment. This link however, could emerge through further developments in regards to mobile payments or low power short range radio interactions, such as Apple iBeacon or Google's Eddystone.

Very essential seems to be the consolidation of all customer information into a single repository, in order to then feed data to all customer touchpoints – an overly complex and costly undertaking. A realistic option of using mobile technology would be the application of in-store and window QR codes, which are connected to online store offers (executed by ODD store), but also the idea of making the floor staff more omni-channel aware by equipping them with a tablet, seems to be a valid way of creating a synergy of various channels to meet the consumer’s rising expectations. Furthermore, utilizing customer data for a more tailored approach to online marketing appeared to be a big task to achieve in-house. Most stores, which were interviewed, are overwhelmed by the combination of digital possibilities and daily tasks, due to being inadequately staffed. A good alternative would be the outsourcing of data collection and evaluation, as these services are getting more and more automated and affordable.

The possibility of outsourcing online store capabilities turned out to be incompatible with a true omni-channel philosophy, as there are too many aspects, such as inconsistency of products/brands offered or inability of showing live stock-count, which prevent the seamlessness of channels. Still, services such as Farfetch need to be considered for small luxury retailers as they have the potential to significantly contribute to the overall
performance of the store. In case of ODD store and Voo Store, two retailers that were interviewed regarding the collaboration with Farfetch, have expressed a healthy and growing partnership.

All in all, this thesis has shown that most stores, no matter the size, have a long way to genuinely master omni-channel retail. The main reason turned out to be the complexity of the transformation which encompasses nearly every technology, system and process in the retail enterprise, making it a daunting and lengthy undertaking. Ironically, technology in this case is both, the driver behind omni-channel and the main barrier. The most advanced form of omni-channel customer service originating from the brick-and-mortar environment, appeared to be operated by department stores such as Matches Fashion in the UK or Neiman Marcus in the USA. This indicates that a big organization around customer service channels needs to be in place (Diekmann, interview, appendix) and furthermore confirms that mature omni-channel interventions are not yet feasible for small luxury stores.

Finally, as this research paper has pointed out the vast complexities of omni-channel retail, but simultaneously identified the readiness of the consumer for those services, it can be conclusively stated that it very well makes sense to start merging existing channels, but this has to happen step by step. Consistency and synchronisation across channels, indeed is an important aim, but perhaps can be initiated through a look-and-feel point of view and can then spread across all customer touchpoints as soon as the systems are in place, so that the buying lifecycle can start in one channel and finish via another. After all, the strength of small luxury retailers is the direct relationship with its customer base, whether it be digital or in-person, and should always be the main inspiration for future retail activities.
References

Figures

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Books, articles, business reports, reviews and websites


Appendix

Hereby an overview of the interviewees and the appropriate questionnaires:

Retailers:

Herbert Hofmann, co-founder, creative director and buyer - Voo Store, Berlin

1. Was ist die generelle Situation des Stores und kannst du was zur generellen Situation sagen in Berlin, bezüglich kleinen Luxusmodeanbietern?

2. Voo Store verkauft jetzt Marken wie Raf Simons, wie läuft das Luxusgeschäft im allgemeinen? Haben Stores wie ihr oder Andreas Murkudis Erfolg mit solchen Marken?

3. Wieviele Mitarbeiter stellt Voo gerade an?

4. Ist der stationäre Laden immernoch core-business oder hat sich das gewandelt? Wenn gewandelt, ist das eher eine ausnahme?

5. Wie läuft die Zusammenarbeit mit Farfetch? Lohnt sich diese collaboration? Was sind die Vorteile? Was sind die Nachteile?

6. Wie wichtig sind omni-channel Strategien für den Voo Store? „Click and Mortar“ z.B., passiert es oft dass Artikel im online bestellt werden und dann aber im Store abgeholt werden? Das smart phone wird als Schlüssellelement im omni-channel gehandelt, weil es die in-store und online Welten zusammen bringt! Arbeiteet ihr in irgendeiner Weise daran das umzusetzen? Z. B. durch diese QR codes?

7. Hast du eine ungefähre Ahnung wie sich die digitale Welt (mit Instagram etc.) auf Eure Verkäufe auswirkt und habt ihr Mittel um das zu messen? z.B. bekommt ihr viele Order über smart phones nach Instagram posts?

8. Gibt es für Euch eine Möglichkeit die in-store Einkäufe mit denen der online Einkäufe zu verknüpfen?

9. Ist es für den Voo Store ausschlaggebend Daten von Kunden zu sammeln?
10. Was denkst du sind die größten Herausforderungen für kleine Stores, um diese omni-channel Strategien durchzuführen?
   - technische Herausforderung?
   - finanziell Herausforderung?

11. Eine der größten Herausforderungen um den online Handel rentabel zu machen sind die returns? Wie sieht das bei euch aus?

**Monique de Randamie, owner - Moise Store, Haarlem**

1. What is the general situation with of the store?
2. Is omni-channel a relevant subject for your store? If yes, in what way and with what objectives?
3. Ecommerce, initial idea or purpose? Has this purpose changed throughout the years?
4. What are the biggest challenges implementing omni-channel strategies or eCommerce?
5. Would you say the digital world is important for your business?
6. What’s your forecasting advice for small luxury fashion businesses?

**Judson Harmon, owner - ODD Store, New York**

1. In what way, as the founder and CEO of ODD, are you exposed to omni-channel developments? Would you say it’s relevant for small stores?
2. What are the opportunities when offering these omni-channel experiences?
   - Do you gather customer information to make eCommerce more personal? (e.g. personalized, segmented newsletters)? Or would you rather outsource those competencies?
   - “Brick and click”, do you offer this service and is it popular?
3. Do you try to engage customers with their mobile phones?
   - What about your staff, are they equipped with a smart phone or tablet?
4. What are the challenges implementing these omni-channel experiences?
   - Is it difficult to make omni-channel profitable?
   - Have there been any organizational challenges?
   - What about technology? (E.g. Synching online and POS)
5. Do you employ someone that is in charge only for the customer experience?
6. Can you think of any good examples in small-scale luxury retail where omni-channel is implemented in an advanced way?

7. I saw on Farfetch’s website that you are among their collaborating stores? What is your general opinion about working with them?
   - Main objectives? More international exposure?
   - Mobile phone application "Farfetch Discover", is it having an impact on ODD?
   - What happens if a garment gets sold on Farfetch? Has there been a lot of double sales?
   - Dependency on Farfetch brand rating? Is that a problem for you?

8. What’s the percentage of Farfetch sales on the overall revenue?

9. What is your forecasting advice for small luxury retailer who are planning to embrace digital opportunities?

**Technology and omni-channel specialists:**

**Neelesh Mistry, partner and sales director – Orkestra, Montreal, CA**

1. 5% conversion rate online is considered to be good, whereas the in-store average conversion rate is between 20-40%. What is necessary to make eCommerce more human?

2a. In what way is personalized customer communication important for luxury fashion retailers?

2b. And in what way is this relevant for their overall omni-channel strategy?

3. How important is personalized data in regards of in-store customer experience? (e.g. mobile technology)

4. The mobile phone seems to be the enabler in bridging the gap between the digital and physical retail worlds. In what way is personalized data important to cross this bridge?

5. What are the key challenges for small retailers and their personalized customer experience planning?

6. In what way can data accumulation help other departments, such as buying or customer service?

7. Is Google Analytics sufficient for small retailers, who have omni-channel ambitions?

8. What are the key KPIs that could be improved by a personalization of customer communication?

9. What is your forecasting advice for small luxury retailer who are planning to embrace digital opportunities?
1. I met a lot of store owners, especially during fashion week in Paris. Loads of them are actually represented by Farfetch! What are the key advantages to get out of a collaboration with FF?

2. What are the biggest challenges of retailers in creating their own eCommerce channel?

3. What is the average size of the retailers that are represented on FF? (average amount of employees and annual turnover)

4. How high is the commission for Farfetch? Is it always the same or does it vary?

5. How much of the boutiques total turnover is generated through FF?

6. In what way is Farfetch trying to involve omni-channel strategies for boutiques they represent?
   - Is “click and collect” possible?
   - inventory accuracy for customers?
   - personalized data?

7. Research found out that recipients of email newsletters spend more per capita! Do you work on email campaigns with individual stores? Are they personalized?

8. How can the synchronisation of physical and digital stock be ensured? Does that work with every POS system retailers work with?

9. There are big price discrepancies between the stores own website and Farfetch? (Example Craig Green, H. Lorenzo in LA) How is this justified and how does it affect the customer?

10. What if brands are overlapping with similar boutiques? What determines what will be offered by whom?

11. Mobile browser or app, what is works better for you? How is mobile commerce performing?

12. Farfetch is a pure online player? Does you in some way try to make the eCommerce experience as human as possible, if so how? (telephone, live chat)

13. What is your forecasting advice for small luxury retailer who are planning to embrace digital opportunities?
Sally Hamlyn, marketing manager – Persomi, London

1. 5% conversion rate online is considered to be good, whereas the in-store average conversion rate is between 20-40%. What is necessary to make eCommerce more human?

2. In what way is personalized customer communication important for luxury fashion retailers?

3. And in what way is this relevant for their overall omni-channel strategy?

4. How important is personalized data in regards of in-store customer experience? (e.g. mobile technology)

5. The mobile phone seems to be the enabler in bridging the gap between the digital and physical retail worlds. In what way is personalized data important to cross this bridge?

6. What are the key challenges for small retailers and their personalized customer experience planning?

7. Is Google Analytics sufficient for small retailers, who have omni-channel ambitions?

8. What are the key KPIs that could be improved by a personalization of customer communication?

9. What is your forecasting advice for small luxury retailer who are planning to embrace digital opportunities?

Marcus Diekmann, author of the book “eCommerce lohnt sich nicht”, analyst and online-strategist – Gescher, Germany

1. Ist der omni-channel Ansatz heutzutage auch für Kleinunternehmen schon relevant?

2. Was sind realistische omni-channel Ansätze für Kleinunternehmen?

3. Gibt es nennenswerte Beispiele von Kleinunternehmen die omni-channel erfolgreich umsetzen?

4. Haben Sie auch schon Kleinunternehmen zum Thema omni-channel Retail beraten können? Falls ja, welche Aspekte stellen ihrer Meinung ...
   - die größten Chancen für KMUs dar?
   - die größten Herausforderungen für KMUs dar?

5. Das Sammeln von Kundeninformationen ist zunehmend wichtig um personalisiert auf Kunden zuzugehen (z. B. email Kampagnen wie post-purchase marketing). Es gibt Services von Firmen wie Orckestra und Persomi, die kostengünstig echtzeit Analytik oder Kundensegmentierung anbieten. Was halten sie von solchen SaaS Anbietern? (vielleicht schwierig zu verallgemeinern, aber vielleicht haben sie schon Erfahrungen damit gesammelt)
6. Welche Mindestvoraussetzungen (operativ, aber auch bezogen auf Firmenphilosophie) sind Ihrer Meinung erforderlich, um den omni-channel Handel anzugehen?

7. Welche Aspekte im omni-channel Retail sind vor allem von Luxusanbietern zu beachten? (Besonderheiten wie Klientel, Exklusivität oder geringer Preiselastizität)

8. Glauben Sie dass in-store Events, unterstützt von mobiler Technologie (in-store iPads / smart phones etc.), dazu beitragen können den Kunden ein omni-channel Erlebnis zu vermitteln?
   - Wenn ja, was wäre hier der richtige Ansatz?

9. Gibt es bestimmte Vorteile die Kleinhändler gegenüber den Großen haben, die sie unbedingt ausnutzen sollten? Wenn ja, welche?
   - Agilität durch flache Hierarchie?
   - Es wird immer wieder davon berichtet dass das sogenannte silo-denken der verschiedenen Firmenabteilungen gegen das omni-channel Prinzip arbeitet. Ist es für kleinere Unternehmen evtl leichter diese Hürden zu überwinden, da nicht so viele Instanzen involviert sind?

10. Inwiefern sind omni-channel Absichten und das outsourcen vom eCommerce-Kanal (z.B. Farfetch) vereinbar oder nicht vereinbar?

11. Abschließende Frage, was ist Ihr zukunftsweisender Tipp für kleine Luxushändler und deren omni-channel Vorsätze?