



Does the e-retailing of luxury brands really damage their brand image?

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Abstract

With an increasing focus on e-commerce and the lack of research in the respected area within the luxury industry the underlying thesis assumes particular relevance. The main concern was to contribute to existing theory and provide new insights into consumers' image of luxury brands practicing e-commerce.

More precisely, the main purpose of this thesis was to find out more about e-commerce in the luxury industry and to provide a clear overview about the image of luxury brands being sold online. The main outcome of the theory chapter was that brand identity is an essential concept in luxury branding, along with brand image and brand equity. In addition, the differences between traditional branding and luxury branding were highlighted. This provides the background to better understand, what luxury managers will have to be careful about while practicing e-commerce.

The paper was split into two parts, firstly to confute arguments against selling luxury brands online and secondly, to investigate the image of luxury brands selling online. In addition to secondary research, primary data regarding the latter concern was collected from 192 respondents through a quantitative online-survey.

The results indicate that the general image about luxury brands in an online environment is neither extremely positive, nor extremely negative. Moreover, unlike previous research, no further evidence that the image will be diluted once a luxury brand is sold online could be found. Despite that, most of the arguments against luxury brands selling online could not be confuted. However, evidence that luxury brands are already selling online exists. Furthermore, both the underlying research and theory suggest that in luxury branding, brand identity and the brand image are the most important concepts in this regard.

All in all, both managerial and theoretical implications could be generated. Theoretically, the underlying thesis adds new insights to the image of luxury brands selling online and gives a clear overview about the current 'state of the art' in luxury branding and e-commerce. In addition, the following managerial implication on how to integrate e-commerce in a luxury strategy can be drawn. Provided that the identity is conveyed consistently from the beginning, e-commerce in luxury can be implemented without problems and proves to be successful.

Preface

After two years of studies, this thesis represents the final step towards my graduation as Master of Science in Economics and Business Administration, majoring in Marketing and Brand Management.

With regard to his support during the process of writing this thesis, I would especially like to thank my supervisor Professor Leif Egil Hem for his constant supervision, including the valuable tips he provided me with.

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1. INTRODUCTION

1.1 Part I: Background

In the underlying thesis, consumer oriented attitudes towards the e-retailing process of luxury brands will be investigated. The luxury industry sector is a very stimulating and interesting area. Researchers are struggling to find definitions of the term “luxury management” and as many authors suggest, principal marketing and brand management rules do not apply for a luxury strategy. Luxury as itself goes back to the beginning of human mankind and has developed over centuries. From being limited to small elites of people, luxury has changed over time, now becoming more and more accessible to the ‘upper range’ middleclass. So have consumption patterns and consumers’ behavior.

With the increasing importance of the internet in people’s lives, the luxury industry is facing yet another challenge. It seems like the two concepts ‘luxury’ and ‘e-business’ are contradicting each other. While luxury is very exclusive and rare, the internet on the other hand is a mass medium characterized by its ubiquity (Laudon & Traver, 2012).

Reports show that the number of luxury consumers more than tripled over the past 20 years, from about 90 million in 1995 to 330 million consumers at the end of 2013 (D'Arpizio, 2014), whereas luxury goods spending power was estimated to grow to € 217 billion (+ 2 %) at current exchange rates within the year 2013 (D'Arpizio, 2013). At the same time, compared to the rest of the market, online sales in luxury continue to grow faster, e.g. reaching nearly 5 % of the total luxury sales in Germany (D'Arpizio, 2013). Additionally, the super-affluent consumers were found to be the fastest-growing segment in the online world (Nielsen, 2004). As a result, the luxury industry is becoming more and more complex and luxury companies will have to keep up with these consumer trends.

Despite that, experts still seem to be resistant. As Kapferer & Bastien (2012) claim in their book about luxury strategy, “selling real luxury brands online will dilute the brand value of luxury brands”. As opposed to this, other authors only suggest being especially careful and precise when it comes to the integration of e-commerce into a luxury brand’s strategy (Okonkwo, 2005; 2010).

Nevertheless, without doubt the growth of e-commerce during the past years is the most tremendous development in the history of commerce and there seems to be no predictable slowing-down in the future, which has dramatically altered the path of human behavior (Meyers & Gerstman, 2001).

1.2 Part II: Research Question

In the previous chapter we saw that e-commerce was not successfully considered and integrated in luxury strategies. In addition to that, the literature in the respected field is lacking relevant sources. Despite the increasing importance of the internet as a marketing tool in conventional marketing there has not been a lot of research in this area within the luxury industry. Only some authors examined the use of communication strategies for luxury brands in an online environment (Riley & Lacroix, 2003). While there was some research conducted on the early use of e-commerce in luxury, the investigation of consumers' attitudes towards e-commerce in luxury, which are a very important driving factor in their buying behavior, remained untouched so far.

Summing up existing theory, Kapferer & Bastien (2012) argue very strongly against the use of e-commerce in luxury whereas other authors (Okonkwo, 2005; 2010) are favoring the use of e-retailing with some profound examples. This raises the question, who is right and what can luxury brands learn from it?

Therefore, the underlying thesis will address a relatively unexplored area of research and aim to give an insight into how consumers perceive the use of e-commerce in the luxury industry and whether the use of this channel influences consumers' attitudes towards a luxury brand. Another interesting question that will be addressed in the underlying thesis is whether and how luxury brands could use e-commerce in conjunction with their basic brand values and identity, without diluting their brand image among customers.

Based on that, the following Research Questions (RQs) were drafted:

RQ 1: How do consumers perceive the use of online-stores for luxury brands?

RQ 2: Does the image of a luxury brand change negatively once it is sold online?

1.3 Part III: Structure

The underlying thesis will be constituted based on theories by Kapferer & Bastien (*The Luxury Strategy - Break the rules of marketing to build luxury brands*, 2012) and Okonkwo (*Luxury Online - Styles, Systems, Strategies*, 2010) and will be structured as follows:

First, chapter 2 serves as a literature review of the underlying thesis. An introduction about the luxury industry, the development of the internet as a marketing tool in special regards to e-commerce and the potential coherences between those two areas will be provided. At the same time this will give an overview about the topic and the respected current situation within the field of research.

Second, in chapter 3, relevant theory will be explained, including the main underlying concepts. Further, e-commerce and luxury will be defined and described. Moreover, the differences between traditional branding and luxury branding will be elaborated and concepts like Brand Equity, Brand Image and Brand Identity will be explained.

In chapter 4 a description of the methods used will be illustrated. The chosen research objectives, research strategy and design will be explicitly explained and argued for. Moreover, the research process will be explained and the final section of this chapter will focus on the data analysis, including issues like validity and reliability.

Next, in chapter 5 the result section will present the main results of the underlying study.

In chapter 6 the discussion will combine the underlying results with the presented theory. Based on this, some recommendations will be given and also the limitations of this research will be addressed.

Finally, in chapter 7, the conclusion will round off this paper with the main originated findings of this thesis.

Additional graphs and information will be attached in the Appendix.

2. HISTORY / DEVELOPMENT

2.1 Areas of Interest – Literature Review

In the subsequent chapter the two main concepts underlying this thesis will be further expanded. First, insights into the history and development of “luxury” will be illustrated and second the development of e-business, more specifically, e-commerce will be further elaborated.

2.1.1 The Development of Luxury

Bain & Company (2013), the main advisor for the luxury industry, estimates the worldwide luxury goods market revenues to grow as much as 50 % faster than the global GDP, expecting to break the € 250 billion sales threshold by mid-decade. In the long run, the global luxury goods market will be very likely more than five times bigger in 2025 than it was in 1995. Bain & Company (2013) further suggest that “the key for winning in the luxury market over the next 10 to 15 years, is to get ready for Luxury 2.0, where the success will be defined by a relentless focus on three luxury goods management principles: Superior customer experience, flawless retail management and people excellence.”

Considering this growing importance, it is rather suspicious that research about luxury and the marketing of luxury products had been limited and seemingly almost not been addressed before 2005. Only between 2000 and 2004 did research in this area really begin and a significant number of studies was conducted. However, there were still many areas in the luxury field that had been hardly, or not researched at all (Ciornea et al., 2012). Dubois & Paternault (1995b) were among the first to recognize the importance of and to characterize international luxury brands, and in 1997 (Kapferer) looked at the luxury brand as a concept and linguistically traced the actual meaning of the word “lux”. It was almost 10 years later, when Brioschi (2006) investigated the role of advertising in relation to luxury brand meaning and following this, it was shown by Cartry (2003) that luxury brands are very much based on an illusion of actual scarcity. Looking at research about online luxury it was even less explored. Dall’Olmo Riley & Lacroix (2003) were the first and one of the few to investigate managers’ attitudes towards luxury brands online.

The mentioned authors were some of the most significant contributors to the field of luxury brand research among a growing - but still relatively small - amount of academic research within the field. One of the reasons for that could be the global disagreement on universal definitions of the concepts in luxury. Moreover, when adding the online context to the complex luxury brand sphere, this requires even more necessary research.

While most authors argue about a universal definition of “luxury”, what they agree on is that the concept of luxury goes back to ancient history (Kapferer & Bastien, 2012; Hoffmann & Coste-Maniere, 2012; Dubois et al., 2001). The first humans who were to discover luxury consumption were the Egyptians, who clearly practised all codes of luxury and had a highly hierarchical and stable society. Ceremony and great splendour during the living period and a strong ritualistic approach to the afterlife were part of their culture. Having originated in the ancient Egypt, today the religious and ceremonial part in luxury is still very important (Kapferer & Bastien, 2012).

It was merely the turn of the 19th century, which was very beneficial for the development of luxury. Several occurrences during the 18th and 19th century like the liberalism, the growing importance of philosophers, who provided justification for luxury, the general democratization, the Industrial Revolution, and the emancipation took part in smoothing the way for the gradually development of luxury making it accessible to all (Kapferer & Bastien, 2012). Until the turn of the 19th century luxury has been very isolated from the rest of the economy. It was reserved for a very small elite but since the 19th century “luxury is basically out to conquer the world”, as Kapferer & Bastien (2012) state in their book. Big luxury groups like LVMH founded by Bernard Arnault, the original PPR [Pinault-Printemps-Redoute] - since 2013 better known under the name Kering - and Richemont have emerged around that time (Hoffmann & Coste-Maniere, 2012).

It would go beyond the scope of this thesis to focus on the different cultural approaches to luxury in various countries, which is why I will focus on the two dominant approaches in luxury brand building resulting from two different cultures and business models for luxury brands (Kapferer & Bastien, 2012). The first approach stems from the European way of interpreting luxury brands, including brands with a long history, emphasising on the product, its craftsmanship and the uniqueness and rarity of the luxury product. The second approach contains rather new brands lacking history, with a greater focus on merchandizing, the atmosphere and the image communicated in their stores and by the brand. This approach

originated in US-based companies. Hence fundamentally, one can distinguish between the American and the European way of interpreting luxury (Danziger, 2005).

However, no matter in which cultural context, luxury will always be a sociological issue in any society, since it has to do with social stratification, the notion of practical utility and waste, and the decisions relating to the distribution of wealth, simultaneously. But even though it has been a sensitive topic, due to several drivers of change such as democratization, globalization, the increase in spending power and communications, luxury has established a very good position throughout the 21st century. It is still growing and seizing the market because social stratification is necessary and in a democratized globalized world luxury is the one way to stratify (Kapferer & Bastien, 2012).

Whereas in the 18th and 19th century the focus was on the product, during the 1920s it shifted to the creator and in the 1970s luxury was dominated by the media and images, where luxury became the brand. During the 21st century we are witnessing another tremendous shift towards the online environment, which raises new challenges for luxury managers. Additionally, the innovative design of new marketing methods will become an increasingly important component in luxury marketing (Okonkwo, 2007). Moreover, these days luxury marketers have to focus on consumer behavior and potential shifts in that regard. Sicard (2006) believes that changing consumer behavior and competition in the luxury market explain the shifting notion of luxury.

Moreover, research suggests that even though literature disagrees on that, consumers themselves seem to understand how luxury products differ from more utilitarian or value brands and what luxury products are. Consumers value the hedonic and sensory pleasure they provide and sometimes they may overestimate the amount of pleasure or happiness attached to luxury products (Hoffmann & Coste-Maniere, 2013). Consumers will want to identify themselves with the identity of the brand. They want to be part of the brand's universe and share the brand's values as well as give away something about who they are with the pertinent brand (Kapferer, 2012; Kuksov, 2007).

2.1.2 The Development of E-commerce

Nowadays it is nearly impossible to open any newspaper or trade journal, watch the news or click on a website, blog or podcast without witnessing some new development in the digital

space. Being a good marketer means that someone always has to be aware of that tremendous change in the online environment and by implication as well in online-marketing (Adamson, 2008). It is predicted that the 21st century will be the age of a digitally enabled social and commercial life of which the outlines can barely be assessed. Moreover, analysts are forecasting the international sales for US online retailers to amount to 16 % of total volume by the year 2020, compared to only 7 % of total volume this year (Multichannel Merchant, 2014).

Simultaneously, luxury consumers are changing and the online environment is becoming more important. Guy Salter (deputy chairman of the British luxury goods association Walpole, 2006) already realized that ‘lots of marketers have deluded themselves that online business is not relevant to their customers. But the specialist online retailers who have stepped into the breach have shown how wrong they were’ (in Tungate 2009). Now upmarket consumers are getting younger and feel far more comfortable in the digital environment. Hence, luxury marketers have to appeal to the young affluent who have different ideas about luxury and different priorities in how they spend their wealth (Unity Marketing, 2014). Another proof of this young, net-savvy generation of high-end consumers is the existence of ASmallWorld.com. This invitation-only networking site was launched in 2004 by former banker Erik Wachtmeister and works like a private members’ club for the elite. Luxury brands have already identified this as an ideal platform to target only a chosen authority and are therefore extensively advertising on it (Tungate, 2009; ASmallWorld.com, 2014).

Back to the beginning, the whole online revolution started when most business people in the early 1990s started to enjoy the first years of life online, when computers and a few simple applications were used to make office life more easy and efficient. Then, in the late part of the 1990s the rise of eBay, Google and Amazon started, introducing support for people in doing usual things, such as researching vacation areas online. Furthermore, things like sending emails and paying bills were simplified. While the internet became more affluent, consumers started to become worried about whether they understood the life online. It was again in the late 1990s when marketers realized the potential and further huge implications for their jobs. The establishment of online presences of more and more respected brands began, while the challenge was to keep the original brand promise (Adamson, 2008).

Finally, the revolution of the internet having been primarily used as transactional medium towards a relationship building model has been the biggest shift. Recently, brands need to be

where people are and they need to be there first. Organizations that do not understand this significance and the scope digital resources play in their branding will be left behind (Adamson, 2008). New terms like e-commerce, e-retailing, e-CRM, e-procurement, social media marketing, social networks, e-marketing or e-business and others are emerging.

Similar to the development of the internet was the development of e-commerce. Not since the Industrial Revolution of the 19th century has a development so dramatically altered the path of human behavior. The growth of e-trade during the past years is the most striking development in the history of commerce and a slowdown is not foreseeable in the near future. Starting in the midst of the 1990s e-commerce was driven by technology and innovation. It then turned into a consolidation phase that was business driven from 2001 until 2006 and finally arrived to a re-invention phase after 2006, being more audience-, customer- and community-driven. This now offers great opportunities and consumers will contribute and benefit from e-retailing, since it is targeted to them. Authors further predict that new ways will emerge (Meyers & Gerstman, 2001; Laudon & Traver, 2012; Soopramanien et al., 2007).

2.1.3 E-commerce in Luxury

These days more and more marketers are jumping on the wagon leading to future success, including e-commerce and e-marketing in their strategies. But there is one industry, which has been resistant so far, almost scared of this online world - the luxury industry. Kapferer & Bastien (2012) for example fear the dilution of the luxury brand's value once it is sold online, because in their opinion the two concepts 'online' and 'luxury' seem very contradictory.

However, as already mentioned, online sales continue to grow faster and will reach nearly 5% of total sales in luxury by the year 2013 in Germany (D'Arpizio, 2013). Marketers have now reached a point, where luxury brands also have to treat their online channel as a seamless part of their overall channel strategy. In general, retailers will have to realize that the digital and the physical areas are complementing each other rather than competing. Acknowledging that would thereby increase sales and lower costs. Studies show that there is a revolution in customer expectations every 50 years or so. Hence, retailers that learn to take advantage of both the innovations and the free flow of information and ideas will be best positioned for success (Rigby, 2001).

What is more, luxury clients are apparently the reason why so many luxury brands were forced to go online these days, because the wealthy segment of the consumer population was mostly represented online. Beyond the usual information search and social networking, they are actually using the internet to shop online. Thus, wealthy consumers have high expectations towards luxury brands in terms of their online innovations. They seek a ‘wow’ experience from brands, which is in line with what the brand offers in the physical world. Interestingly, luxury online currently has no brand leader. Most of the luxury brands online use the same strategy and design and forget about being innovative and using the internet as a multi-dimensional channel that can further contribute to the brand’s success (Okonkwo, 2010).

What marketers have to consider though is the fact that the online market is not homogeneous. Whereas the American and especially the Asian market are more affine to online marketing, Europe is still lacking behind about two years in this regard and the cultural diversity of the market is greater, which makes it more difficult for marketers. But interestingly, especially in the Asian market - the often predicted ‘future customers’ in luxury - the online-market is very dominant (Seringhaus, 2002).

Consequently, digital luxury is more and more increasing in importance, and some companies as Louis Vuitton, Chanel or Cartier have realized that and have included blogs and social networks in their strategies (Tungate, 2009). Moreover, Louis Vuitton and Gucci were the first to pioneer in luxury e-commerce (Okonkwo, 2010). In fact, research shows that the reality is that luxury can be successfully positioned online and today several luxury brands have even already adopted e-commerce and identified this channel to be one of their fastest growing distribution channels. An understanding of the scope and the extent of the digital world is required, but after taking that into careful consideration, luxury managers will do wisely in fully integrating e-commerce into their strategies (Okonkwo, 2009).

Kim & Park (2005) found that the creation and enhancement of consumer attitudes towards the offline store may also be the key point which could positively influence the attitude towards the online store. Moreover, the store image and the service consistency may be beneficial for retailers to enhance consumers’ attitude towards the online store, which further influences the online shopping behavior.

One important aspect that needs to be worked on however, is the still existent trust issue in e-commerce. Comparing online luxury consumers with offline luxury consumers, it can be found that online luxury consumers have a higher level of trust, which represents one of the main underlying obstacles in e-commerce. Therefore, building trust and maintaining good customer relationships among the offline customers would enhance e-commerce of luxury goods (Liu & Burns, 2013). Furthermore, the brand image and the quality of the products are predicted to have a strong influence on consumption behavior (Husic & Cicic, 2009). Hence, the brand image of a luxury brand within e-commerce will to some extent predict the consumption behavior, which in turn can be of interest for luxury strategists.

Another important challenge that luxury marketers will have to face is the fact that luxury goods are classified as sensory goods and that the atmosphere usually communicated in a physical store will somehow have to be transferred to the online store (Okonkwo, 2005). Yet, there constantly are new technologies emerging and probably soon this won't be the biggest problem anymore. Recently, technologies to include visuals, sound, movement and even scent and flavor into the online experience were developed (Okonkwo, 2010). Luxury brands will have to create an online experience that is a magnificent encounter, an indulging incident and an extra event for the consumer. Luxe Corporation even crafted a term - 'Luxemosphere' - to describe the prestigious atmosphere every luxury brand's website should aim to attain – both the online and offline atmosphere should be alike. This means that luxury brands have to create a unique and special universe that the consumer will be entangled in as soon as they enter the website (Okonkwo, 2010). Some luxury brands did very well on creating such an experience. Two examples are Van Cleef & Arpels and Louis Vuitton (van Cleef & Arpels, 2014; Louis Vuitton, 2014).

Finally, to illustrate the development of e-commerce in luxury and how brands are using it, I decided to focus on the following 4 brands, which will also be used in the empirical part. In order to be able to make a comparison it was made sure that only some of the chosen brands have developed e-commerce, while the rest is only using it to some extent or not at all. The brands considered in this underlying research are: **Louis Vuitton, Cartier, Chanel** and **Chopard**. These brands were picked after careful research and based on their awareness level among consumers. In order to conduct valid research, the brands that had the highest awareness level among customers were chosen. Further literature such as Okonkwo (2010) and secondary online research helped in this process.

The first example, Louis Vuitton, a French luxury goods producer, is the most advanced player in the e-business. The company has a Facebook page with 16 million fans, a Twitter account and a very well integrated website (Louis Vuitton, 2014). The German homepage was used for the study, but since there seems to be no significant difference between different country-based webpages, the results can be generalized. As previously mentioned, Louis Vuitton was one of the first to offer e-commerce, which is fully integrated into their webpage. Thereby, the company communicates its full commitment to e-commerce. The items are presented as they are in brochures and the prices are displayed discreetly. Not all items are available online and one can ask for further information on special items. Further, Louis Vuitton offers a private account for customers and very interestingly also offers a “click to call” and a “live chat” option within the buying process. Finally, the creation of an account is necessary if a customer wants to buy something online, meaning that the trustworthiness of the webpage is highlighted in several ways (Louis Vuitton, 2014).

The second company, Cartier, a player in the jewelry and watch manufacturing sector, has a Facebook page with 2.4 million fans and a webpage that partly includes e-commerce. The option of e-commerce is prominent on the main page and even consumers without an account can buy items online. The e-commerce section is well integrated into the main webpage and secure shopping is highlighted. For more expensive items, consumers need to ask for further information but several pieces can be ordered online, while a telephone number is always present in case of further questions (Cartier, 2014).

The third example, Chanel, a luxury goods manufacturer, offers a Facebook page with 11 million fans, is active on Twitter and YouTube, and has a website but does not offer e-commerce at all. Via their Facebook page, the brand communicates with its customers and provides the latest news about everything related to Chanel. The website additionally offers a separate “Inside Chanel” section with videos about Chanel’s history and a “Chanel News” page with the latest news. The main webpage is kept very simple and clean. Not a lot of animations are used and the products are displayed on plain white background, reminding of a product catalogue. Overall the website is hard to navigate. Compared to the other fashion luxury house, Louis Vuitton, in terms of e-commerce, Chanel does not offer any kind of e-commerce and prices are not displayed (Chanel, 2014).

Finally, the last example, again from the jewelry business sector, Chopard, offers a Facebook page with 634 thousand fans, and a website. The webpage is very plain and it is not possible

to create an account. Chopard does not restrict access to its website, but it also does not offer e-commerce. However, the company offers the possibility of putting items on a wish list and to ask for further information (Chopard, 2014).

These examples of brands display that some brands use e-commerce, whereas others don't. The question that arises is, whether there is a difference in consumers' perception of those brands. Are the brands that use e-commerce less of a luxury brand than the ones who don't?

2.2 Problem Statement

As the previous section suggests, luxury and e-business might seem contradictory at first. However, we saw that more and more big luxury companies are integrating this new business form into their strategies and recently even authors seem to address this issue and argue strongly in favor of it (Okonkwo, 2010). By this time, even the reserved luxury industry will have to discern the tremendous development in the online-environment and the implications that it will have on future consumption behavior.

The subsequent chapters will address Kapferer & Bastien's (2012) position towards the threat of e-business, especially e-commerce, to the luxury industry. Even though Kapferer & Bastien have slightly adapted their position from being "absolutely against selling real luxury products online" (Kapferer & Bastien, 2009a, p. 207) towards "selling a luxury product online is extremely dangerous" (Kapferer & Bastien, 2012, p. 249) over the years, the authors still argue against practicing e-commerce in "real" luxury.

The respected authors think that "E-commerce will dilute the luxury brand value through three processes, underestimated because they do not operate in traditional or even premium markets: (Kapferer & Bastien, 2012, p. 249)

- It undermines the feelings of exclusivity attached to the brand
- It reduces to nil the efforts to access to luxury (they are a core part of the creation of desire in luxury)
- It diminishes the personalization of the transaction, the one-to-one essential part of the relationship".

The same authors describe the brand value as the value consumers find in the luxury brand. Therefore, the brand value will be interpreted simultaneously with brand image, which originates in consumers' minds.

Kapferer & Bastien (2012, pp. 250-253) further state additional arguments against selling luxury products online:

- “On today’s web, the personal relationship disappears quickly: the internet is an anonymous universe
- Today’s internet world is a sensually reductive world: it is not experiential enough; luxury is holistic
- The internet world is transparent and explicit; luxury is implicit
- The internet world is a virtual universe, luxury strategy is for real world (illusions – dream)
- The internet is a world of instantaneous, the immediate, much closer to fashion than to luxury”

Taking Kapferer & Bastien’s point as stimulus, I will challenge their argument that selling luxury products online will dilute the brand value and subsequently the brand image, and therefore try to find arguments that falsify this position. In order to do that and simultaneously answer the 2 research questions (RQs):

RQ 1: How do consumers perceive the use of online-stores for luxury brands?

RQ 2: Does the image change negatively once a luxury brands is sold online?,

a quantitative consumer survey that will address consumers’ attitudes towards luxury brands, and especially those luxury brands that are practicing e-commerce, will be conducted. After analyzing and discussing the results, a conclusion will follow and hopefully provide proof against Kapferer & Bastien’s arguments that e-commerce dilutes the brand value of a luxury brand. Based on that, ideally it will be possible to draw some managerial and theoretical implications for luxury strategists.

To my knowledge, so far there have not been any specific consumer-studies in this field, therefore the underlying thesis will be the first research in this area and thus depict a new contribution to the research area of interest.

3. THEORY

Subsequently, the main underlying theory concepts e-commerce, luxury, brand equity, brand image, the differences between luxury and traditional branding, and brand identity will be defined and explained.

3.1 E-commerce

The term “electronic commerce” has been supplemented by additional terms such as e-business, e-marketing and i-commerce. Some authors have a very broad definition of e-commerce, also including pre-sale and post-sale activities across the supply chain to the actual buying and selling of products (Chaffey, 2004). Zwass (1998) for example refers to e-commerce as “the sharing of business information, maintaining business relationships, and conducting business transactions by means of telecommunication networks”.

In this thesis I will however refer to Laudon & Traver’s (2012, p. 49) definition of e-commerce as “the use of the Internet and the Web to transact business. More formally, digitally enabled commercial transactions, which involve the exchange of value (e.g. money) across organizational or individual boundaries in return for products and services.” This basically means the selling of products or services in an online environment.

Hence, when talking about luxury e-commerce, e-retailing or e-selling in this thesis, I will refer to the selling of luxury products online, which involve an exchange of value in return for products or services.

E-commerce literature can be investigated from three different perspectives: the retailer perspective, the consumer perspective and the technological perspective. The retailer perspective addresses the internet’s market potential, the factors affecting e-retailing success and management issues associated with online-operations. The consumer perspective investigates mainly consumers’ perceptions of e-commerce, their attitudes as well as their experiences with e-commerce. The final perspective deals with technological issues such as web-site design and software tools or e-commerce infrastructure (Doherty & Ellis-Chadwick, 2006). For this thesis, especially the consumer and the technology perspective are of relevance and will be discussed subsequently.

The internet and e-commerce are changing, even revolutionizing the way individuals and organizations interact (Soopramanien et al., 2007; Rosen & Howard, 2000). On the one hand, e-commerce offers efficiencies in form of increased market access as well as information and decreases operation and procurement costs for retailer. On the other hand, it offers benefits in form of enhanced price competition, customization of products and greater shopping convenience for consumers. Further, with the rise of the computer-oriented generation Y consumers as well as the growing number of two working members in one household and a resulting emphasis on expedience, e-commerce has the potential to help those households in better utilizing their scarce time resources (Rosen & Howard, 2000).

Childers et al. (2001) elicited both utilitarian and hedonic dimensions regarding the motivations to engage in online shopping. Further research found that internet shoppers were more innovative and impulsive with a higher desire to seek variety and had a more positive attitude towards online shopping than non-internet shoppers (Donthu & Garcia, 1999). In case the prior online shopping experiences resulted in satisfactory outcomes and were evaluated positively, consumers continue to shop on the internet. It is therefore recommended that e-retailers emphasize the enjoyable aspect of online shopping and subsequently insure that consumers have a positive shopping experience each time they visit an e-store (Monuwe et al., 2004; Helander & Khalid, 2000). However, for products where personal interaction with a sales person or pre-trial of the product is required, consumers' intention to shop online is low (Monuwe et al., 2004).

Another important factor in connection with e-commerce is the customer loyalty in electronic marketplaces. In addition to web design issues and user-friendliness, factors such as fast response time and server reliability represent key technical issues influencing customer loyalty in e-stores (Gommans et al., 2001). Lynch et al. (2001) further found that site quality, trust and positive affect towards e-stores are critical in explaining both the purchase intentions and loyalty towards an e-store.

One final, very important characteristic of e-commerce worth mentioning in this context is its ubiquity, which strongly contradicts with the rarity concept of luxury. Ubiquity means that 'it is available just about everywhere, at all times', which does not play along with the desired inaccessibility of luxury items (Laudon & Traver, 2012, p. 50; Kapferer & Bastien, 2012)

3.2 Luxury

Dijk (2009) suggests that the term luxury is defined ‘as something that is an indulgence rather than a necessity, however being very subjective in itself.’ Nevertheless, even though the meaning of luxury is subjective, general agreement on luxury being synonymous with pure pleasure and indulgence exists (Okonkwo, 2010, p. 13). Further, several authors argue that luxury is ‘a world in its own’ and that the usual marketing rules do not apply to this sector (Hoffmann & Coste-Maniere, 2012; Kapferer & Bastien, 2012; Danziger, 2005).

Kapferer & Bastien (2012, pp. 47-50) state that “there are many different ways to define luxury but since none of them is an absolute answer to the question, there is a more radical option: to deny the specificity of luxury”. However, in order to be recognized as such, there should be a common core made of six criteria in luxury (Kapferer, 1998; Barnier, Falcy, & Valette-Florence, 2012):

- “A very qualitative hedonistic experience and product made to last
- Offered at a price that far exceeds what their mere functional value would command
- Tied to heritage, unique know-how and culture attached to the brand
- Available in purposefully restricted and controlled distribution
- Offered with personalized accompanying services
- Representing a social marker, making the owner or beneficiary feel special, with a sense of privilege”

Chevalier & Mazzalovo (2008) on the other hand suggest that a luxury product only has to satisfy three criteria: it must have a **strong artistic element**, it must be the **result of craftsmanship** and it must have a **global brand reputation**. This already visualizes the dissonance in terms of definitions within the sector. Nevertheless, what is essential in order to be able to market luxury is that at first one has to understand what luxury is all about. Therefore, the historical part and luxury’s inner dynamics are very important in luxury management (Kapferer & Bastien, 2012).

Kapferer & Bastien (2012) further distinguish between premium and luxury brands, whereas “premium brands are based on objective superiority when comparing alternatives, luxury on the other hand is non-comparable”. This distinction is very important for further

consideration, since Kapferer & Bastien (2012) only fear a dilution of brand value, when selling luxury brands online.

However, then it could be argued that the perception of a good being luxury solely lies in the consumers' perception of the good or the brand. Hence, if the consumer perceives the good or the brand to be luxurious, then for this consumer the good is a luxury item (Radón, 2010). This is why branding is of such importance in the luxury sector. According to Keller (2009), luxury brands are perhaps one of the purest examples of branding, as the brand and its image are often key competitive advantages that create enormous value and wealth for the luxury brand company.

3.3 Brand Equity / Brand Value

According to Keller & Lehmann (2006), within the last decade branding has emerged as a top management priority, due to the growing realization that brands are one of the most valuable intangible assets that firms have. Brands have thus become a major player in modern society and they are now recognized as part of a company's capital. Brand equity is the underlying concept that can be measured (Kapferer, 2012).

Brand equity has been viewed from a variety of perspectives but in general brand equity can be defined as "marketing effects uniquely attributable to the brand", when for example certain outcomes result from marketing only because of the brand name that would not have occurred without the brand name (Keller, 1993). Keller & Lehmann (2006) define brand equity from the customer's point of view as part of the attraction to - or repulsion from - a particular product from a particular company, generated by the 'nonobjective' part of the product offering. While a brand might initially be synonymous with the product itself, over time it can further develop a series of attachments and associations that exist beyond the objective product itself (Keller & Lehmann, 2006). Further, Keller (1993, p. 8) claims that "a brand is said to have positive (negative) customer-based brand equity if consumers react more (less) favorably to the product, price, promotion, or distribution of the brand than they do to the same marketing mix element, when it is attributed to a fictitiously named or unnamed version of the product or service." Hence, brand equity includes three important concepts: Differential effect, brand knowledge and consumer response to marketing (Kapferer, 2012).

Moreover, brand equity is yet another way to estimate the value of the brand. Thus, when Kapferer & Bastien (2012) talk about brand value, it will be interpreted as the brand equity and consequently brand image.

3.4 Brand Image

This thesis will elaborate on consumers' image towards luxury brands. Thus another important concept that will have to be explained is the one of brand image.

Brand image has long been recognized as an important concept in marketing. Keller (1993, p. 3) defines brand image based on Herzog & Newman as “perceptions about a brand as reflected by the brand associations held in consumer memory. Brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers.” Brand associations in each form may serve as important sources of brand image and can be evaluated based on their strength, favorability and uniqueness (Keller, 1993). These brand associations can further be classified into three categories: attributes, benefits and attitudes.

Attributes are descriptive features that characterize a product or service. They describe what consumers think, the product or service is or has, and what is involved with the consumption process (Keller, 1993).

Benefits are the personal value consumers attach to the product or service attributes. It describes what the consumers think the product or service can do for them. There are three categories: functional benefits, experiential benefits and symbolic benefits, depending on the underlying motivations they relate to (Hoyer & MacInnis, 2008).

The last category is brand attitudes. They are defined as consumers' overall evaluations of a brand that expresses how much one likes or dislikes the brand. Brand attitudes are important because they guide our thoughts, they influence our feelings and they affect our behavior (Hoyer & MacInnis, 2008).

According to Keller (2009) ‘much of the equity with luxury brands is intangible, and resides in its imagery. This brand imagery deals with the extrinsic properties of a product or service, including the ways in which the brand attempts to meet customers' psychological or social needs. It indicates how people think about a brand abstractly rather than what they think the

brand actually does. These images can be derived directly from consumers' experience or indirectly via advertisements and other sources of information, such as word of mouth (Keller, 2009).

In the past brands have been widely used to identify product origin and its physical characteristics, but more recently brand images were increasingly used as forms of personal statements. Consumers feel that at least some of the things they own or do, give something away about its owner (Kuksov, 2007).

This relates to the theory, that the personality of a brand enables a consumer to express his or her own self, an ideal self, or a specific dimension of the self through the use of a brand (Belk, 1988; Malhotra 1988 and Kleine et al. 1993 in Aaker, 1997). Brand personality is thus defined formally as 'the set of human characteristics associated with the brand' (Aaker, 1997, p. 347) and tends to serve a symbolic or self-expressive function (Keller, 1993). Researchers further found that the preference for a brand increases proportionally with the increase of congruity between human characteristics and those characteristics describing the brand (Malhotra, 1988; Sirgy, 1982).

Considering such brand personalities, consumers are thinking about brands as if they were human characters. Due to the fact that consumers want to add meaning to their lives, they engage in brand relationships. For such a relationship to truly exist, interdependence between the partners must be evident. The partners must collectively affect, define, and redefine the relationship. In addition, the brands have to highlight ways, in which they are animated, humanized, or somehow personalized. What matters in those brand relationships is not only what managers intend for them, but rather what consumers do with brands to add meaning to their lives. The final concept that derives from those brand relationships is brand loyalty as a long-term concept. Brand loyalty is then a consumer's commitment to repurchase or otherwise continue to use the brand (Fournier, 1998).

3.5 Traditional vs. Luxury Branding

Opposed to normal consumer goods, luxury is a culture you have to understand in order to be able to practice it with flair and spontaneity (Kapferer & Bastien, 2009b). The same authors (2009b, p. 313) state in their article: "The reason why marketing does not seem to work with

luxury goods the same way it does with everyday consumer goods, even top-of-the-range or premium consumer goods, is that the two are fundamentally different.”

Contradicting with normal consumer goods, luxury goods can be seen as Veblen goods. Those are goods for which someone’s interest for purchasing a product increases as a direct result of their high price level. This further suggests that if the price of a Veblen good decreases, the amount of purchases of the product will decrease as well, because these products are then no longer perceived as exclusive or luxury products. The respective term is thus used to describe conspicuous consumption, which could also be described as status-seeking consumption, and which is primarily practiced by consumers in order to display their wealth, superiority to the society and status. Conspicuous consumption is then used to describe the consumer characteristics of a new class of wealthy consumers that emerged in the 19th century, based on their psychological expectations and emotional needs (Veblen, 1899).

According to Keller (2009), luxury branding involves the creation of many intangible brand associations, as well as an aspiration image. ‘Storied histories’ and rich heritages accompany many luxury brands, which also carry symbolic value in their status and achievement. In order to justify the premium price luxury brands must create strong intrinsic and extrinsic value for their customers. Further, next to brand names, other brand elements like logos, symbols, packaging, signage, and so on can be important drivers of brand equity for luxury brands (Keller, 2009).

Luxury always serves as a social marker, which is why there is a need for such brands. But in addition to that, luxury should further have a very strong personal and hedonistic component, otherwise it is no longer luxury but snobbery. These two dimensions or facets are better known as luxury for others and luxury for oneself (Kapferer & Bastien, 2009b).

Already having illustrated the kind of paradox in luxury consumption (see problem statement in chapter 2.2) and the differences compared to traditional consumer goods, Kapferer & Bastien (2012) further identify 24 management principles in luxury branding that contradict with the rules of conventional brand management, some of those are mentioned subsequently:

Luxury is all about brand identity, not about positioning. The product needs to have enough flaws and it should not pander to customers’ wishes. It has to keep non-enthusiasts out and cannot respond to rising demand. Further, it has to dominate the client, it has to make it

difficult for clients to buy it and it has to protect clients from non-clients. The role of advertising is not to sell and you have to communicate to those you are not targeting. The presumed price should always seem higher than the actual price, luxury has to set the price and prices have to be raised as time goes on, in order to increase demand. Stars have to be kept out of advertising, the average price of the product range has to be risen and the goal is not primarily selling. The closeness to the art has to be cultivated, factories cannot be relocated and consultants should not be hired. Further testing is not advised, luxury should not look for consensus and cost reduction and finally, it should only be sold marginally on the internet.

Taking all the previously mentioned aspects into consideration, it becomes clear that luxury is a special industry, which follows very specific rules.

3.6 Brand Identity

At the heart of every brand strategy in consumer marketing, one will find the concept of positioning of the ‘unique selling proposition’. However, nothing is more contradictory to this approach than luxury. Being unique is what counts in luxury not any comparison with a competitor. Therefore, in luxury the ‘brand identity concept’ is far more important than in consumer marketing (Kapferer & Bastien, 2009b). Moreover, consistency should be at the heart of any luxury brand management, as well as selectivity, legitimacy, creation and perfect quality (Roux, 1991).

According to Kapferer (2012), brand identity is the concept conveyed by the sender, whereas brand image is the concept acknowledged by the receiver. Brand identity aims to specify the brand’s meaning and self-image. Image is then both, the result and the interpretation thereof. In terms of brand management however, identity precedes image, meaning that before a company can project an image to the public, it has to be absolutely clear what the firm wants to project. An image on the receiver’s side then results from decoding a message, extracting meaning and interpreting signs (Kapferer, 2012).

As Kapferer (2012, p. 152) states, ‘positioning a brand means emphasizing the distinctive characteristics that make it different from its competitors and appealing to the public’. Positioning however, does not allow to fully explore the identity and singularity of a brand. Brand identity on the other hand, provides the framework for the overall brand coherence. It is

thus a concept, serving to offset the limitations of positioning and to monitor the means of expression, the unity and durability of a brand (Kapferer, 2012). Kapferer's position is that for traditional marketing, both tools, brand identity and brand positioning, are needed to manage the brand. The connection between those two concepts is the degree of freedom between them, which enables a brand to change minimally over time while still remaining true to itself (Kapferer, 2012).

Kapferer (2004, S. 96) defines brand identity as "the common element sending a single message amid the wide variety of its products, actions and communications". Hence, the brand identity is a brand's personality, consisting of the core values the brand imparts. A brand identity is further the capacity of a brand to be recognized as unique over time, where the identity resembles the substance of the brand. Moreover, the brand identity consists of brand ethics [the values] and brand aesthetics [elements/characteristics] (Chevalier & Mazzalovo, 2008).

The brand identity expresses the tangible and intangible specific characteristics of the brand, the ones that make the brand what it is and therefore incomparable to other brands. Translated as the DNA of the brand, the luxury brands' identity is cherished from the brand's roots and routed in its history. As a result, it cannot be something that changes tremendously over time (Kapferer & Bastien, 2012). Brand identity means being true to one-self, driven by a personal goal, which is both different from others' and resistant to change (Kapferer, 2012).

Further, brand identity has six facets, which Kapferer (2012) calls 'brand identity prism'. These six facets should be presented by a hexagonal prism, which constitutes the brand's DNA, or core values. The six facets include:

- the *physique* of the brand, made up of a combination of either salient or emerging objective features
- the *personality* of a brand, building up its character and human characteristics
- the *culture* of the brand, including the underlying culture values and historical elements
- the *self-image* of a brand, being the target's own internal mirror, how they see themselves
- the *reflection* of the brand, being the typical customer of a brand, not identical with a brand's target

- the *relationship* facet, indicating in what kind of relationships the brand finds itself with its customers

This brand identity prism reflects the different facets of a brand’s long-term singularity and attractiveness and constitutes one of the most important elements in luxury branding and will be illustrated in the following Figure 1.

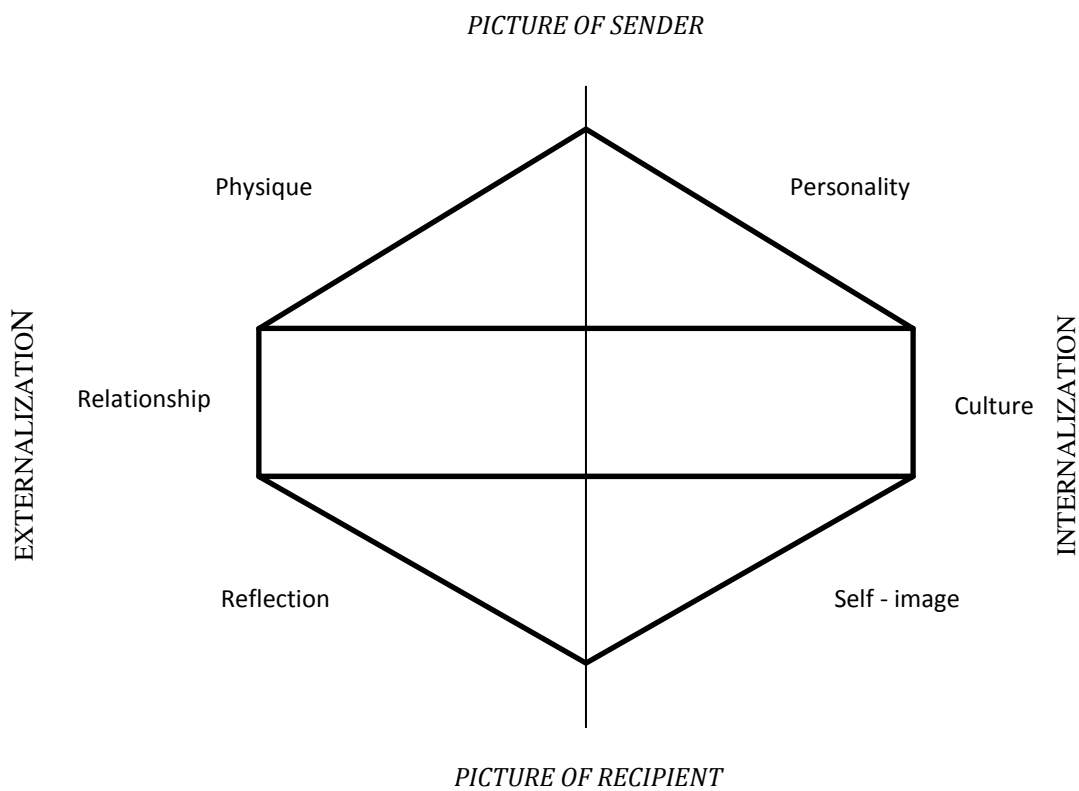


Figure 1: Brand Identity Prism by Kapferer (2012)

4. METHOD

The following chapter will explain the underlying method. For the whole chapter, the theory will be based on the Research Methods book by Saunders et al. (2007).

4.1 Research Strategy

The choice of the research strategy based on multiple methods is in line with Saunders et al. (2007). To begin with, **secondary research** in form of a literature review was conducted to get a clear overview about the area of interest. To my knowledge, so far there is no literature available about the image and perceptions of luxury brands sold online among consumers. Thus, in order to answer the underlying RQs and to explore the image and perceptions of luxury brands being sold online among consumers, **primary research** in form of a **quantitative survey strategy** was adopted. Choosing between a qualitative approach in form of in-depth interviews and a quantitative survey strategy, the latter seemed to be the better option to gain empirical data and to address the final aim of this thesis. This was to get the most precise and useful data from a large number of respondents and to give a clear picture and an overview about the target populations' perceptions. It can be expected that with a quantitative survey the results can be generalized from the sample to a wider population and build up the base for future managerial implications within the luxury industry.

4.2 Research Design

The following section will illustrate how this research project was initiated and how the sample was chosen.

First, the research objectives, which give exact information about what kind of information will be collected, from whom and in what format, were defined. The research objective of the underlying thesis, resting upon the research question, is to gather data and gain information from the target group **consumers** regarding the **image and perception of luxury brands in connection with e-commerce**. The **target group** will be limited to preferably affluent consumers of any age and nationality, who **respond to the survey invitation**.

Constructs like the awareness of luxury brands, the immersion in luxury, the general attitudes towards luxury brands both online and offline, and the online buying behavior of consumers will be measured quantitatively. More specifically, due to resulting time constraints, the perceptions of only two out of the four brands mentioned will be tested. One including e-commerce and the other one excluding e-commerce. The units of measurement will be scales.

Based on the research objective, the research design was defined. There are three types of research design: descriptive, exploratory and explanatory. An explanatory design establishes causal relationships between two variables and gives a clear overview about those relationships. Therefore, this approach was considered as less appropriate for this research. Rather, both, descriptive research, which portrays an accurate profile of a person, event or situation and exploratory research, which seeks new insights and answers questions in a new light, were considered as research design.

The research will be in part descriptive, when trying to answer the RQs and portraying an accurate profile of consumers' perceptions and image towards luxury brands. But at the same time, the research will be exploratory, first, when conducting secondary research to get an overview and background knowledge about the area of interest and second, when seeking new insights on the RQs. Therefore, the underlying research is a mix of both, a descriptive and an exploratory design.

The data will be collected via a self-administered questionnaire in an internet mediated online survey, which can actually be both, descriptive and exploratory. After thinking about an additional paper-based drop-off survey at NHH, it was decided to only focus on the online survey for two reasons. Firstly, the drop-off survey would have targeted mostly Norwegians and might have raised additional biases, since it would not have been the same platform. Secondly, respondents would have been more or less forced to answer the questionnaire. On these grounds, next to a paper-based survey, an online survey was considered as the better and only appropriate option because this way it is easier to reach a wide range of respondents, an interviewer and corresponding biases can be excluded, and it is more time and cost efficient. The survey will further be cross-sectional because according to the time restrictions associated with a Master thesis a longitudinal study was not possible.

4.3 Research Process

The data was collected via a self-administered questionnaire in an online survey. The survey was available within the period from 21st March 2014 to 12th April 2014.

The questionnaire consisted of 26 questions, was anonymous and was created with Qualtrics. Qualtrics is an online survey tool that helps to create and administer surveys online (Qualtrics, 2014). To guarantee correct and valid results, the questionnaire was pre-tested on 20th March 2014, before the actual data collection, which outlined small misunderstandings and some problems with the questionnaire. Based on that, the questionnaire was improved for the final outline and was activated for respondents on 21st of March 2014. For the analysis, only completed questionnaires were counted. A completed questionnaire was one where all the analysis-relevant questions and the screening question were answered.

The questionnaire itself began with an introduction about the topic and the author, giving the respondents the possibility to learn about the purpose of the study. In order to get the best question flow, the questionnaire started with a basic demographic question and some questions about attitudes towards, and the involvement in luxury in general. Next, some questions about the awareness of luxury and the online-shopping behavior of respondents followed. Then, more specifically, the attitude towards the online-retailing of luxury brands was tested. After that, some questions about the perceptions of specific luxury brands, both selling online and not selling online were included. Finally, the questionnaire finished again with some demographic questions. Established scales to measure certain constructs were included in order to guarantee a more scientific and reliable questionnaire. Those scales included the BLI-scale to measure perceptions of brand luxury (Vigneron & Johnson, 2004), the possession and activity scale to measure how involved customers are into luxury (Dubois & Laurent, 1995a), and a 5 point attitudinal scale to measure attitudes towards the concept of luxury (Dubois & Laurent, 1994), as well as elements of a scale to measure perceived benefits and risks of online shopping (Forsythe et al., 2006).

Moreover, the questionnaire consisted of different types of questions to get the most precise answers for the analysis and to keep the respondents interested throughout the process. The question types used were dichotomous (yes/no), multiple choice, likert scales (level of agreement) and rating scales. Further, to make the questionnaire as accurate as possible and to

avoid misunderstandings, the questions were easy to read, especially grammatically, short and precise and there was only one subject for each question.

For further information, a full transcript of the questionnaire can be found in Appendix 1.

4.4 Data Collection

In order to reach a broader spectrum of consumers, the target group was addressed online via the social media platform 'Facebook'. Acquaintances and friends of the author were invited to share the survey among their acquaintances, guaranteeing a wider range of respondents. A non-probability sampling was used because even though it is more scientific, probability sampling was not possible according to money and time restrictions associated with a Master thesis. The questionnaire was administered in an online environment, where only those respondents, who were willing to answer, would do so. This outlined a self-selection sampling, which was, again because of time and money restrictions, chosen over quota and snowball sampling. Throughout the process the potential respondents were reminded and kindly invited twice to take the survey. Further, respondents were able to answer the questionnaire either in English or German. The data collection only took place within the previously defined time from 21st March until the 12th April 2014. After 12th April the survey was no longer available and only the fulfilled questionnaires up to that date were considered.

The final sample size amounted to 222 completed interviews within the previously defined target group. From those 222 interviews, **192** were considered to be completed questionnaires and could thus be used for the analysis. The rest of the interviews were either lacking some important information throughout the questionnaire or contained invalid answers. Based on this number of completed interviews, the response rate was defined.

The response rate = number of eligible units in sample / total number of completed interviews

$$\text{Response rate} = 192 / 222 = \mathbf{0,86}$$

This amounts to an overall response rate of 86 %.

4.5 Data Analysis

For the data analysis, the program SPSS, which is a data analysis tool provided by IBM, was used. By using SPSS, an accurate view of the results and a big variety of different types of analyses was possible. The dataset contained numerical data, whose values were measured numerically as quantities, where each data value was assigned a position on a numerical scale (Saunders et al., 2007).

The data was downloaded from the online survey tool Qualtrics. Variables were defined, the data was organized and cases that were not relevant for the analysis were deleted. For the demographics, frequency functions were used to create pie and bar charts. Crosstabs and Correlations were created to find out about relationships between different variables. Such analyses were used for the analysis of the luxury immersion, the relationship between online-shopping frequency and the image of a luxury brand selling online, and the relationship between evaluating different brands including and excluding e-commerce from their strategies.

For the more advanced analysis of hypotheses that have been formed, an independent sample t-test was used to determine if there had been a difference in sample means within the responses between affluent and non-affluent, young and old, and female versus male respondent groups. Further, a factor analysis was conducted to test the reliability of scales for the measurement of attitudes towards luxury sold online.

Throughout the planning and execution of the data collection, the data reliability and validity was continually evaluated in order to reduce the likelihood of erroneous information (Saunders et al., 2007).

4.5.1 Reliability

Reliability refers to the degree to which the method of data collection and analysis will lead to consistent findings (Saunders et al., 2007). To be reliable, the questionnaire has to be consistent and respondents are expected to interpret questions as they were intended to be interpreted, which is not easy to control. There are three ways to test reliability. First, researchers can test and re-test the questionnaire in different surroundings with a different sample under near equivalent conditions as possible. Second, internal consistency involves the correlation of responses to each question with those to other questions in the questionnaire,

which is most commonly done with Cronbach's alpha. Finally, reliability can be tested with an alternative form. Here the same question is implemented twice, usually in longer questionnaires and serves as *check question*. This is done in order to test whether respondents answer to the same question with the same answers as before. For the underlying research the last option was chosen, since the other two options were not manageable within the given time frame. Respondents had to rate the statement "I could talk about luxury for hours" twice within the questionnaire. In addition, established scales that already had been tested and been found as reliable before had been used in order to guarantee a more scientific research.

4.5.2 Validity

Validity is an important aspect that has to be considered. It indicates whether the research is valid and to which extent the data collection methods accurately measure what they were intended to. The internal validity refers to the ability of the questionnaire to measure what is intended to be measured and whether it actually represents the reality of what it is measuring. This can be assured through making the questions as simple and easy as possible to understand, avoid grammatically complex structures and to avoid more than one subject within one question. Further, the questionnaire was pre-tested in order to find out about problems and misunderstandings, which were corrected after the pre-testing.

Additionally, the whole research process was conducted according to theory and based on my knowledge. Each step of the research process was considered and thought about very carefully. Hence, the research is expected to measure the intended objective and therefore considered as internally valid.

The external validity addresses the opportunity one has to generalize the data. In this research I conducted a quantitative survey, so it would have been desirable to generalize the results in order to apply them to the entire population under consideration. However, due to the fact that the majority of respondents were students from Austria, the results can only be generalized to this population. In other words, unfortunately the external validity is not given for the entire population under consideration, consumers in general. In order to provide such a general overview about consumers' attitudes towards online luxury, further research will have to be conducted. However, the purpose of this thesis was to give an overview about the image of luxury brands in connection with e-commerce and to gain a larger understanding about the field of interest, which has been successfully achieved.

5. RESULTS

The subsequent chapter will present the main results of the survey. Additionally, a full transcript of all analysis parts, which won't be discussed in this part, can be found in the Appendix.

First, a general overview about the sample will be given, which will be followed by some hypothesis testing to find out more about the sample and different subgroups within the given sample. Next, some image related results will help answering the research question. Lastly, the relationships between some variables will be tested, to compile a closer and larger understanding about e-commerce in luxury strategies.

5.1 Demographics

The sample was divided into 61.1 % female and 38.9 % male respondents, which can be seen on Figure 2.

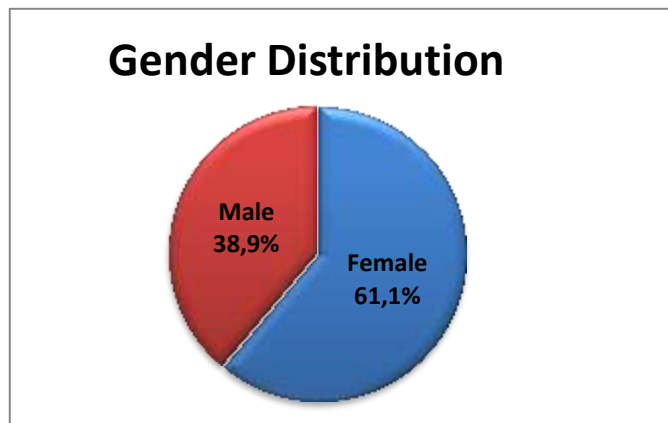


Figure 2: Gender distribution

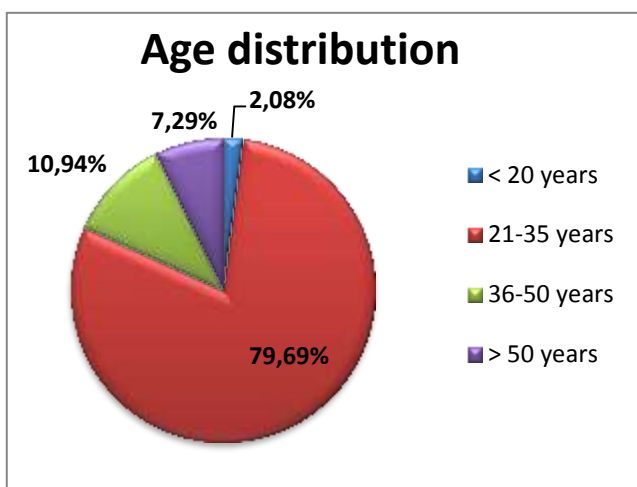


Figure 3: Age distribution

The individual age of the respondents was divided into groups of '< 20 years', '21 to 35 years', '36 to 50 years' and '>50 years'.

In Figure 3 it can be seen that the majority of respondents (79.69 %) were between 20 and 36 years, which also makes up the appropriate target group for e-commerce.

The profession chart shows that more than half of the respondents were students (57%), while 33 % were employed and 6 % were self-employed.

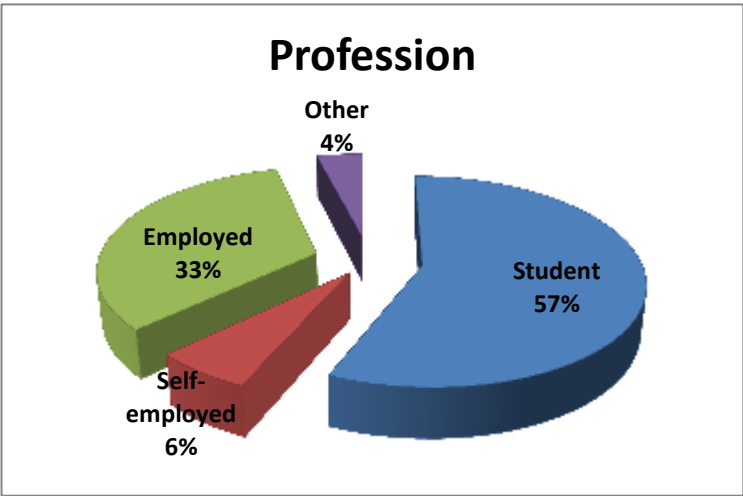


Figure 4: Profession

When looking at the nationality of the respondents, it can be seen that the majority of 192 respondents either comes from Austria (76 people), Germany (30) or Norway (14). The rest is a mix of European countries, as well as some respondents from Asia and America.

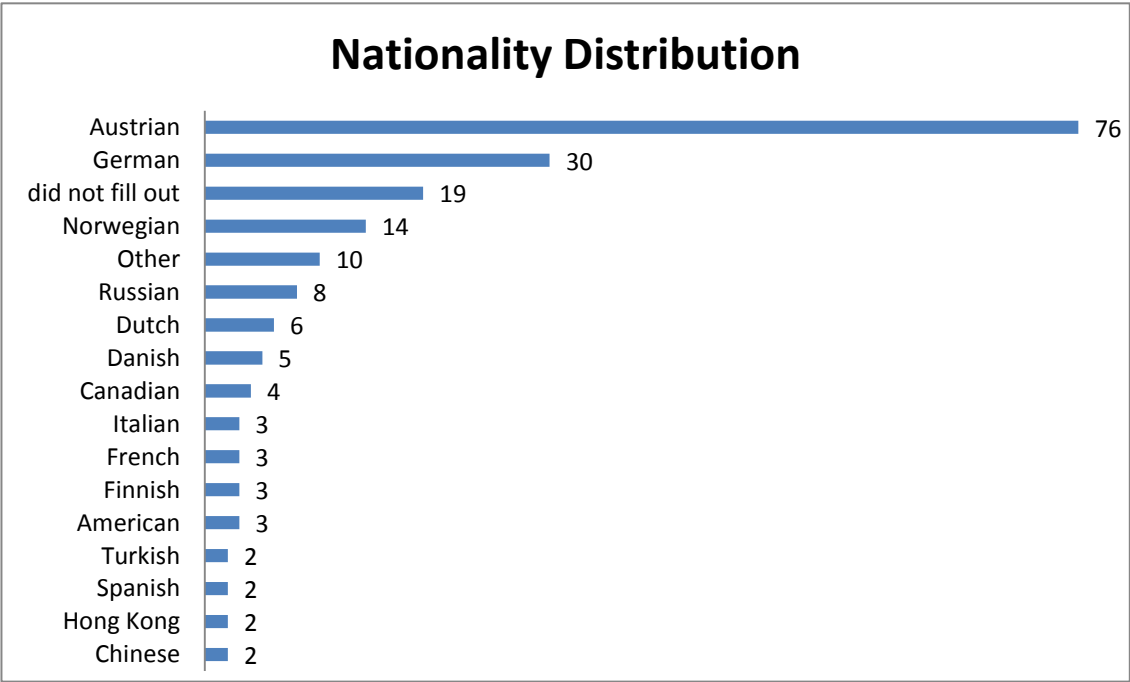


Figure 5: Nationality distribution

5.2 Immersion in Luxury

The next section will focus on the representativeness of the whole sample. Luxury companies primarily want to address affluent consumers. The aim is to find out if the whole sample was representative or if there were differences in responses between affluent and non-affluent consumers. As the graphs on the previous page suggest, the majority of respondents were students, which might contradict with the expectation that these respondents are affluent.

In Table 2 the results of how immersed respondents are in luxury can be found. The relationship between two variables was investigated, the items respondents own as well as the luxury activities that respondents have done within the last year. In general, the whole sample was at least to some extent immersed in luxury.

In order to determine the group of affluent consumers, I chose the following criteria. Those respondents who either have been *a) travelling by air in first or business class* **OR** own *a) a gold watch* **AND** *b) a gold fountain pen* **AND** *c) a second home*, were identified as *affluent consumers*. These were then considered for further analysis in order to find out whether there might be differences in responses between the affluent and the non-affluent consumers. In total 17 out of 192 cases were identified as affluent consumers.

5.3 Reliability

Further, the reliability of the survey was tested with a reliability analysis of the two identical questions (screening questions) regarding the agreement of the following statement: ‘I could talk about luxury products for hours’, which was asked twice throughout the questionnaire. The reliability analysis resulted in a Cronbach’s alpha value of 0.940, which means that 94 % is attributable to true scores. In general a Cronbach’s alpha value above 0.7 assures internal reliability, which means that the underlying results fulfill this criterion (Saunders et al., 2007).

Table 1: Cronbach's alpha

Reliability statistics	
Cronbach's-Alpha	Number of items
.940	2

Table 2: Immersion in luxury

		Which of the following items do you have / or own?							Total
		a gold fountain pen	a designer tie	a second home	a set of crystal glassware	a gold watch	a golf club	a car	
Which of the following activities have you been doing LAST YEAR?	having lunch or dinner in a first class restaurant	11	30	28	23	24	19	68	100
	having put on a tuxedo (or evening dress)	8	20	20	18	13	17	44	69
	having gone to the theater	8	24	25	26	22	15	54	87
	having bought an antique	2	5	7	7	4	3	7	13
	having travelled by air in first or business class	3	4	7	6	5	4	10	13
	having listened to classical music	11	28	27	25	17	19	43	75
	having spent a week-end abroad	12	39	34	30	28	22	80	125
	Total	12	43	40	34	31	23	93	149

5.4 Hypothesis Testing

First, it is important to find out, whether the results of the whole sample can be used or whether there were significant differences in responses between subgroups within the sample. Therefore, hypotheses were constructed and Independent Samples T-tests were conducted for the subgroups of affluent versus non-affluent respondents, female versus male and young versus old respondents.

For the succeeding section, I will only focus on the most relevant questions that contribute to answering the 2 RQs:

RQ 1: How do consumers perceive the use of online-stores for luxury brands?

RQ 2: Does the image change negatively once a luxury brands is sold online?

The following variables were identified to best portray these RQs: Answers to the question ‘whether luxury brands should sell their products online’ and ‘whether the image changes negatively once a luxury brand is sold online’.

The first hypotheses that have been tested analyzed, whether there had been a difference between affluent and non-affluent consumers’ thoughts about (1) whether luxury brands should sell online or not and (2) what they thought about the image changing negatively once a brand is sold online.

H0: Affluent consumers = non affluent consumers

H1: Affluent consumers \neq non affluent consumers

This was done in order to predict attitudes of future luxury clients towards the e-commerce of luxury brands. The definition of affluent consumers discussed in chapter 5.2 will be the same for the hypothesis testing. In order to identify the affluent cases in SPSS, a new variable ‘affluent’ was computed and used for the Independent Sample T-test. An Independent Sample T-test was initiated to determine whether two sample means, in this case the affluent and the non-affluent, are significantly different. The independent variable ‘affluent’ consisted of two groups, affluent respondents and non-affluent respondents, and the dependent variables consisted of scores.

Table 3 on the following page shows the results of the Independent Samples T-test. The Levene's test for equality of variances has a value of 0.498. This is greater than 0.05, hence equal variances are assumed. The T-test value amounts to 0.499, which is greater than 0.05, thus not significant. This means that there are no significant differences between the two groups, affluent and non-affluent consumers, in their opinions about RQ 2. Another T-test for the equality of means within the two groups affluent and non-affluent consumers was tested for the variable 'Do you think luxury brands should sell their products online?'. Similarly, the results showed no significant differences in how the two groups responded and can be found in Appendix 2.

It can thus be assumed that there are no significant differences in responses between affluent and non-affluent consumers regarding the analysis relevant questions dealing with luxury e-commerce. This indicates that the whole sample can be used in order to predict consumers' attitudes towards luxury brands in an online environment.

Table 3: Independent Samples T-test results for affluent vs non-affluent

Group Statistics

Affluent	N	Mean	Std. Deviation	Std. Error Mean
For the following statements, please indicate to what extent you agree / disagree. The image of a luxury brand changes negatively once it is sold online affluent	16	3,56	,964	,241
non-affluent	167	1,66	11,181	,865

Independent Samples Test

	Levene's Test for Equality of Variances		T-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences	
								Lower	Upper
For the following statements, please indicate to what extent you agree / disagree The image of a luxury brand changes negatively once it is sold online equal variances assumed	,462	,498	,677	181	,499	1,898	2,803	-3,633	7,429
equal variances not assumed			2,113	180,719	,036	1,898	,898	,126	3,670

The next hypotheses that have been tested relate to differences in sample means between old and young respondents. The age of respondents ranges from the youngest respondent being 19 to the oldest respondent being 70. The mean was calculated and used to split the file into respondents younger than 45 and respondents older than 45. This was done in order to get a split sample of old and young respondents.

Then, it was tested whether there is a difference in what respondents think about (1) whether luxury brands should sell online or not and (2) if in their opinion on the image changes negatively once a luxury brand is sold online differs. The following hypotheses were constructed.

H0: young consumers = old consumers

H1: young consumers \neq old consumers

As Table 4 on the next page indicates, the Independent Sample T-test for the variable ‘The image of a luxury brand changes negatively once it is sold online’ is not significant. The Levene’s test amounts to 0.000, which means that equal variances cannot be assumed. Hence the T-test has to be analyzed in the second row. The T-test value amounts to 0.155, which is greater than the significance level at 0.05 and means that no significant differences in responses between the two groups old and young respondents can be expected.

An additional T-test for the variable ‘Whether respondents think luxury brands should sell their products online’ was executed. The results can be found in Appendix 3. There was again no significant difference found in this variable.

To conclude, neither a significant difference in how respondents rate the image of luxury brands, nor how they evaluate the inclusion of e-commerce in a luxury strategy has been identified between young and old participants. It can thus be assumed that the whole sample can be used for the results.

Table 4: Independent Samples T-test results for old vs young

Group Statistics

How old are you?	N	Mean	Std. Deviation	Std. Error Mean
For the following statements, please indicate to what extent you agree / disagree The image of a luxury brand changes negatively once it is sold online >= 45	22	-6,45	29,974	6,391
< 45	160	2,96	1,213	,096

Independent Samples Test

	Levene's Test for Equality of Variances		T-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences	
								Lower	Upper
For the following statements, please indicate to what extent you agree / disagree The image of a luxury brand changes negatively once it is sold online	68,535	,000	-4,020	180	,000	-9,417	2,342	-14,039	-4,795
equal variances assumed			-1,473	21,009	,155	-9,417	6,391	-22,708	3,874

The final hypotheses that have been tested relate to the gender of the respondents. The goal was to find out if there is a difference in answers between female and male respondents related to (1) whether luxury brands should sell online or not and (2) if in their opinion the image of luxury brands selling online changes negatively. The following hypotheses were constructed:

H0: female consumers = male consumers

H1: female consumers \neq male consumers

Table 5 on the following page illustrates the results of the T-test for the variable ‘Does the image of a luxury brand change negatively once it is sold online’. The Levene’s test amounts to 0.576, which is greater than 0.05 and therefore assumes equal variances. The T-test value amounts to 0.734, which is greater than 0.05 and therefore assumes no differences in the means of female and male respondents regarding the underlying variable. The other Independent Sample T-test for the variable ‘Do you think luxury brands should sell online’ showed similar results. The results of the second T-test can be found in Appendix 4 and were again above the significance level. Therefore, the assumption that there are no significant differences in responses between female and male respondents will be adopted.

To conclude, all the previously mentioned hypotheses indicate that there are no significant differences in responses between the tested subgroups. It will therefore be assumed that the whole sample is representative and can be used to predict consumers’ attitudes towards and perceptions of luxury brands in connection with e-commerce. By implication, the following presented results will focus on the whole sample.

Table 5: Independent Samples T-test results for female vs male

Group Statistics

Please indicate your gender.	N	Mean	Std. Deviation	Std. Error Mean
For the following statements, please indicate to what extent you agree / disagree The image of a luxury brand changes negatively once it is sold online Male	68	1,44	12,421	1,506
Female	107	2,02	9,928	,960

Independent Samples Test

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences	
									Lower	Upper
For the following statements, please indicate to what extent you agree / disagree The image of a luxury brand changes negatively once it is sold online	equal variances assumed	,314	,576	-,340	173	,734	-,578	1,700	-3,933	2,778
	equal variances not assumed			-,323	119,952	,747	-,578	1,786	-4,114	2,959

5.5 Online Behavior

The whole sample was very online affine, 96 % of the respondents have already bought something online, whereas 4 % have not bought anything online, yet. Looking at the intensity of their online-buying behavior, 41 % do buy online sometimes, 33 % shop rarely, 22 % buy often and 4 % never buy online. As a result the majority of respondents are involved in online-shopping (Appendix 5 and 6).

5.6 Attitude towards Luxury

Respondents were asked about their first associations with the term 'luxury'. A full transcript of the analysis can be found in Appendix 7. The most frequent associations were: Money, expensiveness, freedom of choice, diamonds, needlessness, beauty, comfort and holidays.

Appendix 8 indicates consumers' attitude towards luxury more specifically. The general picture shows rather positive attitudes towards luxury. 65.5 % of the respondents think luxury is not old-fashioned, 79.1 % think luxury is pleasant and 72.7 % of the respondents think people buy luxury primarily for one's pleasure. 43 % claim to know much about luxury but 61.7 % claim they could not talk about it for hours. Interestingly 29.4 % do not feel relaxed in luxury stores and 35.1 % of the respondents think luxury is flashy. Luxury makes 49.2 % of the respondents dream but 40.8 % do not think those people who buy luxury are refined people. Finally 72.7% of the respondents agree that luxury products reveal a bit about who we are.

In addition, a factor analysis was conducted in order to determine possible relationships and groupings that are present among the set of statements. The results of the factor analysis showed that within all the statements three constructs were identified, which can be used to generally explain the attitudes towards luxury. Those factors were identified as pleasure, show-off and luxury-averse behavior. A full transcript of the underlying factor analysis results can be found in Appendix 9.

5.7 Attitude towards Luxury Brands selling online

Regarding the attitude towards luxury brands selling online, the sample was evenly distributed. While 52.1 % think luxury brands should sell their products online, 47.9 % think they should not sell their products online. Regarding the question whether luxury brands should restrict the access to their online stores or not, the majority of the respondents thinks that luxury brands *should not restrict* the access to their online stores (78 %) (Appendix 10).

Taking this analysis one step further, including a text analysis of why or why not luxury brands should sell their products online, the following results can be elicited. The arguments in favor of luxury brands being sold online were: Convenience, it would not be restricted to opening hours, it allows an easier access (especially when certain brands are not available nearby) and in general e-commerce is growing, so luxury e-commerce should grow as well. Arguments that were mentioned most as concerns regarding luxury brands selling online are: The experience of buying luxury is one of the most important elements, where all senses should be involved, the sales personnel and personal consulting is essential, and luxury should be limited and not be made available for the mass (Appendix 11).

Table 6 on the following page show the attitudes towards luxury sold online more explicitly. Whereas 31.7 % think luxury sold online is pleasant, 28.5 % do not think so. 54.7 % on the other hand, claim to not know much about the online luxury world. 48 % of the respondents would not feel more relaxed when buying luxury online, while 43.2 % of the respondents don't think online sold luxury is flashy. Only 19.1 % of the respondents makes online sold luxury dream and 47.5 % of the respondents don't think refined people buy luxury online. Finally, 38.2 % of the respondents believe that luxury sold online will dilute the brand image of a luxury brand.

Once more, in addition to the frequency analysis, a factor analysis was conducted in order to determine possible groups within the statements towards online sold luxury. However, the factor analysis showed no significant results towards certain factors within these statements. As a consequence, if this scale is used for future research, further establishment on the factor analysis and possible relationships between the different attitudes towards luxury sold online will be required. The full transcript of the factor analysis can be found in Appendix 12.

Table 6: Attitude towards luxury sold online

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Luxury sold ONLINE is pleasant	8,7%	23,0%	39,3%	21,9%	6,6%
I don't know much about the ONLINE luxury world	13,7%	41,0%	19,7%	18,0%	5,5%
I could talk about luxury products for hours	4,4%	16,4%	16,9%	40,4%	19,7%
I would feel more relaxed when buying luxury online than in a luxury shop	2,2%	14,2%	34,4%	32,2%	15,8%
ONLINE sold luxury is flashy	2,2%	15,3%	38,3%	35,5%	7,7%
ONLINE sold luxury makes me dream	3,8%	15,3%	35,0%	31,7%	12,0%
Those who buy luxury products ONLINE are refined /elegant people	0,0%	5,5%	45,9%	33,3%	14,2%
The image of a luxury brand changes negatively once it is sold online.	13,1%	25,1%	24,0%	27,3%	9,3%

Besides all the established scales, the previous scale is one that has been introduced through this research and has not been tested before. Therefore, it is important to test its normal distribution in order to determine the credibility of the results. To test that, the descriptives of the following statements were analyzed by Mean, Mode, Median, Standard Deviation, Skewness and Kurtosis. To guarantee a close to normal distribution, both values of the ratios of Kurtosis and Skewness to their Standard errors have to be between $[-2, 2]$. In case the ratios are between those two values, the results are applicable and can be interpreted without problems.

The following Table 7 indicates that most of the statements are close to being normally distributed. Consequently, the mean can be interpreted without any problems. For the statements 'I don't know much about the ONLINE luxury world' and 'I could talk about luxury products for hours', as well as 'The image of a luxury brand changes negatively once it is sold online' on the other hand the results show deviations from a normal distribution. For the first statement the ratio of Skewness to its Standard error is above 2 and for the second

statement it is below -2. This indicates a departure from symmetry, however, both statements are close to be normally clustered (Kurtosis). For the third statement the Kurtosis ratio is below -2 and therefore platykurtically distributed, which means that the curve is rather flat, whereas the Skewness ratio ranks very close to a perfectly normal distribution.

This indicates that especially for the analysis of these three statements, I have to be cautious with the interpretation. Even though the results can still be valid, they will require other types of conditions that request for more advanced analysis.

Table 7: Normal distribution analysis of online statements

		Luxury sold ONLINE is pleasant	I don't know much about the ONLINE luxury world	I could talk about luxury products for hours	I would feel more relaxed when buying luxury online than in a luxury shop	ONLINE sold luxury is flashy	ONLINE sold luxury makes me dream	Those who buy luxury products ONLINE are refined / elegant people	The image of a luxury brand changes negatively once it is sold online
N	Valid	182	179	179	181	181	179	181	181
	Missing	10	13	13	11	11	13	11	11
Mean		2,95	2,60	3,56	3,46	3,31	3,34	3,57	2,94
Median		3,00	2,00	4,00	3,00	3,00	3,00	3,00	3,00
Mode		3	2	4	3	3	3	3	4
Standard Deviation		1,034	1,109	1,122	,997	,904	1,011	,804	1,201
Skewness		-,011	,474	-,558	-,174	-,210	-,218	,291	-,029
Standard Error of Skewness		,180	,182	,182	,181	,181	,182	,181	,181
Ratio of Skewness to its Standard Error		-0,06	2,61	-3,07	-0,96	-1,16	-1,20	1,61	-0,16
Kurtosis		-,420	-,618	-,555	-,520	-,241	-,390	-,570	-,990
Standard Error of Kurtosis		,358	,361	,361	,359	,359	,361	,359	,359
Ratio of Kurtosis to its Standard Error		-1,17	-1,71	-1,54	-1,45	-0,67	-1,08	-1,59	-2,76

Despite that there were no significant differences in means between affluent and non-affluent respondents and considering the problems with the normal distribution, it was decided to compare the results of the whole sample with the affluent respondents. Due to the fact that it composes RQ 2, especially the last question ‘The image of a luxury brand changes negatively once it is sold online’ was considered.

Affluent consumers tend to be less likely to evaluate a luxury brand’s image based on whether the brand is sold online or not. The following Table 8 shows that only 1 out of the 16 affluent respondents thinks that the image of a luxury brand will change negatively once it is sold online. Looking at the whole sample on the other hand, 24 respondents strongly agree and 46 respondents agree with the statement. 50 respondents, on the contrary, disagree and 17 respondents strongly disagree with the statement. That is a proportion of 70 to 67 people agreeing vs not agreeing, which is almost evenly distributed. This further corresponds with the distribution regarding the question, whether luxury brands should sell online or not. There, 52.1 % think luxury brands should sell online and 47.9 % think they should not sell their products online.

Table 8: Attitude towards luxury brands being sold online_affluent vs. whole sample (in numbers)

		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Whole sample	The image of a luxury brand changes negatively once it is sold online.	24	46	44	50	17
Affluent consumers	The image of a luxury brand changes negatively once it is sold online.	1	0	6	7	2

5.8 Attitudes towards luxury brands

When analyzing the four discussed brands: Chanel, Louis Vuitton, Cartier and Chopard, the results show that there is no significant difference in how respondents rate the brands in terms of having an online store or not having an online store.

For Cartier, 78 % think it deserves to be a luxury brand, whereas 6 % don't think so and 16 % did not know what to answer. For Chopard 54 % think it deserves to be luxury brand, 27 % think it does not deserve to be a luxury brand and 19 % did not know what to answer. For Louis Vuitton 65 % of the respondents think it deserves to be a luxury brand, 20 % think it does not deserve it and 15 % did not know what to answer. And finally regarding Chanel, 79 % think it deserves to be a luxury brand, 11 % think it does not deserve to be a luxury brand and again 10 % did not know what to answer (Appendix 13 - 16). This indicates that all four brands are considered to be luxury brands and no differences in evaluating the brands can be found based on having an online store or not.

Further, when comparing two luxury brands in order to find out which brand is considered to be more luxury, respondents considered Chanel to be more luxury compared to Louis Vuitton and Cartier to be more luxury compared to Chopard (Appendix 17 & 18). Keeping in mind that Louis Vuitton and Cartier are the brands that offer e-commerce, this leads to no conclusion that e.g. the brand without e-commerce will be considered to be more luxury. Differences in rating the brands could also have originated from the varying knowledge about the brands. When testing the aided awareness, about 80 % of the respondents are aware of Louis Vuitton and Cartier being part of luxury brands, but only about 47 % are aware of Chopard being a luxury brand (Appendix 19).

5.9 Brand Perceptions of Louis Vuitton and Chanel

Taking the perceptions analysis one step further, the subsequent section will illustrate the respondents' perceptions of the two chosen brands Louis Vuitton and Chanel. Those brands were picked in order to elicit the difference in perceptions of a luxury brand that includes e-commerce (Louis Vuitton) and a luxury brand that does not include e-commerce (Chanel). The BLI scale, an established scale from Vigneron & Johnson (2004) was used to study the respondents' perceptions of those two brands. Those respondents had to rank the brands on a

6 point-likert scale according to 5 subcategories: Conspicuousness, uniqueness, quality, hedonism and the extended self.

The following two graphs (Figure 6 & 7) show the results. The closer the curve is to the middle of the circle, the more the brand is perceived as a luxury brand. Both brands are rather close to the center, meaning that both brands are rather perceived as luxury brands.

However in categories like the extended self, quality, uniqueness and hedonism, Chanel is slightly more centralized than Louis Vuitton. Only on the conspicuousness level, Louis Vuitton is perceived a bit more as a luxury brand. Considering that Chanel does not include e-commerce in its strategy and Louis Vuitton does include e-commerce, this indicates that there are only slight differences.

These results did not lead to any assumptions of differences regarding the perceptions of luxury brands including e-commerce or not including e-commerce into their business.

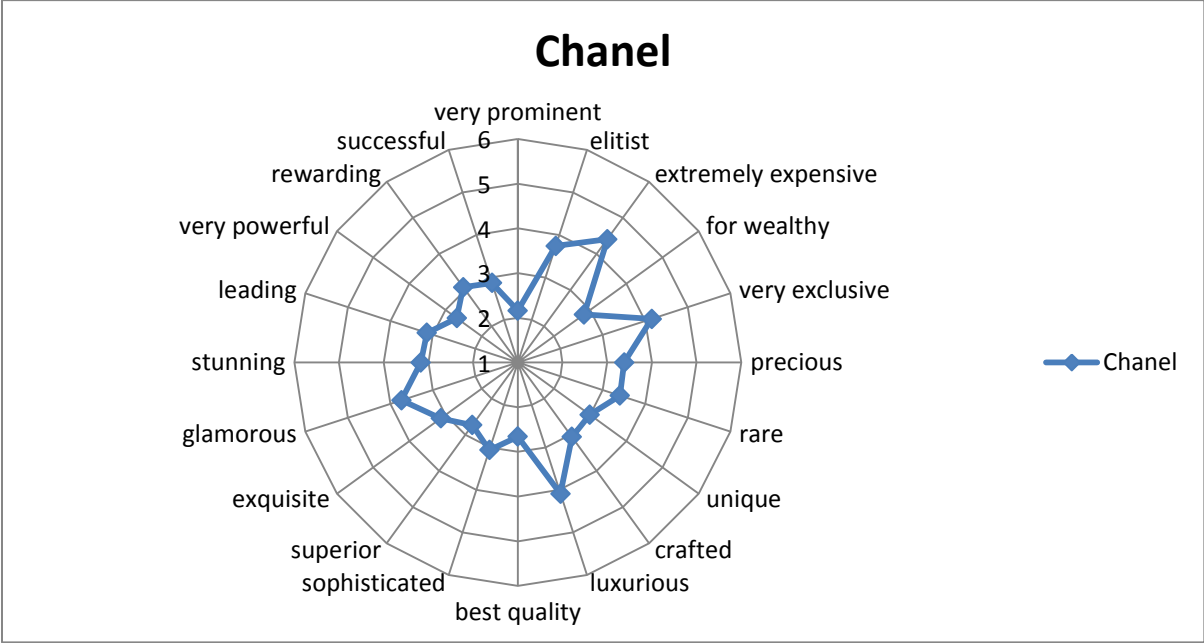


Figure 6: Perceptions of Chanel

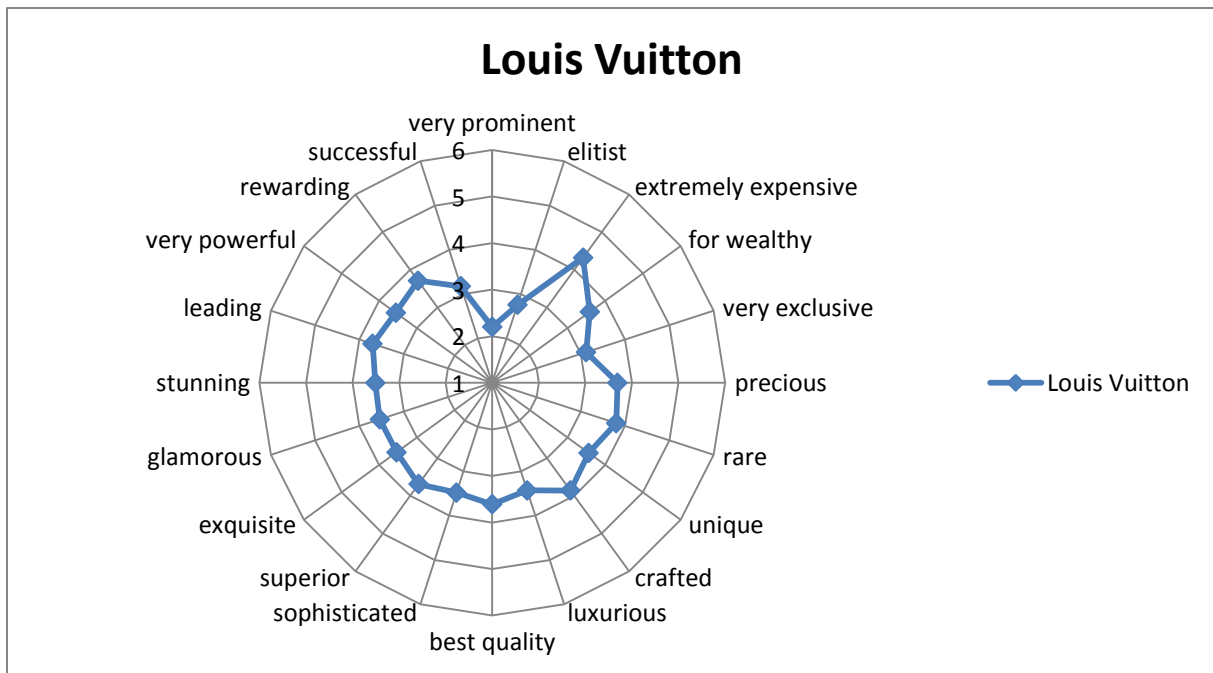


Figure 7: Perceptions of Louis Vuitton

5.10 Relationships between additional Variables

In this chapter, the results of certain relationships between two variables will be presented, to find out more about the image of luxury brands selling online and to give a clear overview about the respondents' attitudes towards luxury brands and e-commerce.

The following Table 9 shows the results of the relationship between the variable 'how often consumers shop online' and 'whether they think luxury brands should sell their products online'. The table illustrates that only for those respondents, who never shop online, the question 'whether luxury brands should sell their products online' was answered with 'no' by the majority of the respondents. For the rest of the respondents who shop at least rarely, sometimes or often, there were more respondents answering with 'yes'. What the Table also indicates is that with the increase of the online shopping frequency the number of respondents who think luxury brands should sell online increases proportionally (marked in blue). In contrast to this, the number of respondents who think luxury brands should not sell online decreases with the increase of online buying frequency. However, to determine the strength of the relationship, lambda has to be applied. Lambda amounts to 0.02, indicating a very weak relationship between the two variables.

Table 9: Relationship of Shopping frequency and whether consumers think luxury brands should sell online or not (in percentage of the shopping frequency)

			How often do you shop online?				Total
			Never	Rarely	Sometimes	Often	
Do you think luxury brands should sell their products online?	Yes	% in How often do you shop online?	25,0%	50,8%	51,9%	56,1%	51,3%
	No	% in How often do you shop online?	75,0%	47,6%	46,8%	41,5%	47,1%
Total		% in How often do you shop online?	100,0%	100,0%	100,0%	100,0%	100,0%

Further, the Spearman's Correlation Coefficient resulted in no significance (0.257), indicating very weak associations between the two variables, which are not significant.

Table 10: Spearman's Correlation Coefficient

Correlation			How often do you shop online?	Do you think luxury brands should sell their products online?
Spearman's rho	How often do you shop online?	Correlation coefficient	1,000	-,082
		Sig. (2-tailed)		,257
		N	191	191
	Do you think luxury brands should sell their products online?	Correlation coefficient	-,082	1,000
		Sig. (2-tailed)	,257	
		N	191	191

In order to test the relationship between the four luxury brands Cartier, Chopard, Louis Vuitton and Chanel, a Cross Tabulation analyzing if there was a connection between brands that offer e-commerce and between the brands that do not offer e-commerce was implemented. On the following Table 11 the results can be seen. In order to assume a relationship between those brands, the bold numbers in the table should be the highest. Respondents that voted Louis Vuitton to be more of a luxury brands should have voted for Cartier to be more of a luxury brand, since both utilize e-commerce. The same should apply for Chanel and Chopard respectively. As Table 11 shows, this is not the case.

Table 11: Relationship between Luxury Brands in the jewelry & fashion sector

		Which of the following brands do you think is more a luxury brand?				Total
		Cartier	Chopard	Both the same	I don't know	
Which of the following brands do you think is more a luxury brand?	Louis Vuitton	22	2	2	6	32
	Chanel	39	13	8	11	71
	Both the same	27	2	31	19	79
	I don't know	1	0	0	8	9
Total		89	17	41	44	191

On the other hand, the Pearson's r Correlation Coefficient indicating the strength, direction and significance of the associations between the two variables is significant and amounts to 0.344. This means that the two variables are positively associated. The positive value suggests that an increase in one variable will lead to an increase in the second variable, however being close to 0, the associations are rather weak (Table 12).

Nevertheless, this does not provide any results related to the hypothesis that brands with e-commerce are considered to be less of a luxury brand. Hence, the hypothesis that luxury brands not offering e-commerce are perceived as better / higher luxury brands could not be confirmed. It will be assumed that there are no significant differences in the evaluation of luxury brands that do not have e-commerce and those that do include e-commerce.

Table 12: Pearson's r Correlation Coefficient

		Correlations	
		Which of the following brands do you think is more a luxury brand? Cartier - Chopard	Which of the following brands do you think is more a luxury brand? Louis Vuitton - Chanel
Which of the following brands do you think is more a luxury brand?	Pearson Correlation	1	,344**
	Sig. (2-tailed)		,000
	N	191	191
Which of the following brands do you think is more a luxury brand?	Pearson Correlation	,344**	1
	Sig. (2-tailed)	,000	
	N	191	191
Louis Vuitton - Chanel			

** . Correlation is significant at the 0.01 level (2-tailed).

The following Table 13 analyzes, whether there is a relationship between the statement ‘Luxury makes me dream’ and the statement ‘Online luxury makes me dream’. In this case the ‘online luxury dream’ is dependent on the ‘luxury dream’. Percentages were measured based on the rows (Luxury makes me dream).

Table 13 investigates how many of the respondents who answered the first variable ‘luxury dream’ in a certain way, exhibit a consistent answer on the second variable ‘online luxury dream’. The bold numbers in the table elicit that there is a tendency of answering similarly to both questions. This means, if respondents agreed with the first statement they were likely to agree with the second statement as well. Hence, when luxury in general makes consumers dream, online luxury is very likely to affect them in the same way.

Table 13: Results of luxury vs. online luxury makes me dream

		Please indicate to what extent you agree / disagree. ONLINE sold luxury makes me dream					Total
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	
Please indicate to what extent you agree / disagree. Luxury makes me dream	Strongly Agree	22,2%	27,8%	33,3%		11,1%	100,0%
	Agree	4,2%	26,4%	31,9%	30,6%	6,9%	100,0%
	Neither Agree nor Disagree		8,7%	54,3%	30,4%	6,5%	100,0%
	Disagree			23,5%	58,8%	17,6%	100,0%
	Strongly Disagree			9,1%	18,2%	54,5%	100,0%
Total		3,8%	15,3%	35,0%	31,7%	12,0%	100,0%

The Pearson’s r Correlation Coefficient of those two variables amounts to 0.48 and is significant, which means the two variables are positively associated. A change in one variable will lead to a change in the same direction in the other variable. Hence, the two variables are correlated, being close to 0 however the associations are not very strong.

Table 14: Pearson's r Correlation Coefficient

		Luxury makes me dream	ONLINE sold luxury makes me dream
Luxury makes me dream	Pearson Correlation	1	,480**
	Sig. (2-tailed)		,000
	N	189	178
ONLINE sold luxury makes me dream	Pearson Correlation	,480**	1
	Sig. (2-tailed)	,000	
	N	178	179

** . Correlation is significant at the 0.01 level (2-tailed).

Next, Table 15 analyzes the relationship between respondents who ‘do not feel relaxed in luxury stores’ and those who ‘feel more relaxed when buying online’. The second variable depends on the first variable. Percentages were measured based on rows (I would not feel at ease / relaxed in a luxury shop). The results show that of those respondents, who strongly don’t feel relaxed in a luxury store (marked in green), 40 % would feel more relaxed shopping luxury good online, whereas 20 % would not feel more relaxed buying luxury goods online, the rest (40 %) is indifferent. Of those respondents who do feel strongly relaxed in a luxury store on the other hand (marked in blue), only 6.3 % would feel more relaxed buying online and 62.6 % would not feel more relaxed buying online, the rest (25 %) was again indifferent.

Table 15: Results of where do you feel more relaxed_ online vs real store

		Please indicate to what extent you agree / disagree. I would feel more relaxed when buying luxury online than in a luxury shop					Total
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	
Please indicate to what extent you agree / disagree. I would not feel at ease / relaxed in a luxury shop	Strongly Agree	13,3%	26,7%	40,0%		20,0%	100,0%
	Agree		28,2%	41,0%	17,9%	12,8%	100,0%
	Neither Agree nor Disagree	2,0%	5,9%	41,2%	37,3%	13,7%	100,0%
	Disagree		11,7%	26,7%	46,7%	15,0%	100,0%
	Strongly Disagree		6,3%	25,0%	31,3%	31,3%	100,0%
Total		2,2%	14,2%	34,4%	32,2%	15,8%	100,0%

When testing the strength of the associations, Pearson’s r Correlation Coefficient amounts to 0.285 at a significant level. This indicates weak, but positive associations between the two variables.

Table 16: Pearson's r Correlation Coefficient

		I would feel more relaxed when buying luxury online than in a luxury shop	I would not feel at ease / relaxed in a luxury shop
I would feel more relaxed when buying luxury online than in a luxury shop	Pearson Correlation	1	,285**
	Sig. (2-tailed)		,000
	N	181	180
I would not feel at ease / relaxed in a luxury shop	Pearson Correlation	,285**	1
	Sig. (2-tailed)	,000	
	N	180	189

** . Correlation is significant at the 0.01 level (2-tailed).

The following table illustrates the results of the relationship between the two jewelry brands Chopard and Cartier. While Cartier is offering e-commerce, Chopard has a strict non e-commerce policy. The percentages are measured based on the evaluation of the brand Cartier (row percentages). This was done in order to find out whether the existence of e-commerce influences respondents in how they evaluate luxury brands.

Table 17 shows that only 30 % of those who think Cartier does not deserve to be a luxury brand, think that Chopard deserves to be a luxury brand instead. If there was an influence of e-commerce on the evaluation of a luxury brand, this number should have been much higher. Equally, of those respondents who think Cartier deserves to be a luxury brand, only 24.6 % think Chopard does not deserve to be a luxury brand, but 62 % of those who think Cartier deserves to be a luxury brand, also think Chopard deserves to be a luxury brand.

Table 17: Relationship between the evaluation of Cartier and Chopard

		On the following image of their homepage you can see that Chopard does not offer an online store. Please indicate whether you think the brand deserves the term "luxury brand"?			Total
		Does not deserve it	Deserves it	I don't know	
On the following image of their homepage you can see that Cartier offers an online store. Please indicate whether you think the brand deserves the term "luxury brand"?	Does not deserve it	70,0%	30,0%		100,0%
	Deserves it	24,6%	62,0%	13,4%	100,0%
	I don't know	23,3%	26,7%	50,0%	100,0%
Total		26,9%	54,4%	18,7%	100,0%

The Correlation Coefficient amounts to 0.299 and is significant, which means there are weak positive associations between the two variables. Nevertheless, this result is not sufficient to conclude that respondents evaluate luxury brands on whether they include e-commerce or not.

Table 18: Pearson's r Correlation Coefficient

		Correlations	
		Does Cartier deserve the term 'luxury brand' ?	Does Chopard deserve the term 'luxury brand' ?
Does Cartier deserve the term 'luxury brand' ?	Pearson Correlation	1	,299**
	Sig. (2-tailed)		,000
	N	183	182
Does Chopard deserve the term 'luxury brand' ?	Pearson Correlation	,299**	1
	Sig. (2-tailed)	,000	
	N	182	182

** . Correlation is significant at the 0.01 level (2-tailed).

The same analysis was done for the two fashion luxury brands Louis Vuitton and Chanel. Whereas Louis Vuitton is offering e-commerce, Chanel is not. The percentages are measured based on the evaluation of the brand Louis Vuitton (row percentages). This was done again in order to find out if the existence of e-commerce influences respondents in how they evaluated the two luxury brands.

Table 19 shows that out of those respondents, who think Louis Vuitton does not deserve to be a luxury brand, 72.2 % think Chanel deserves to be a luxury brand. But out of those who think Louis Vuitton deserves to be a luxury brand, 88 % think Chanel deserves to be a luxury brand as well. This suggests that Chanel is in general perceived as more of a luxury brand than Louis Vuitton.

Table 19: Relationship between the evaluation of Louis Vuitton and Chanel

		On the following image of their homepage you can see that Chanel does not offer an online store. Please indicate whether you think the brand deserves the term "luxury brand"?			Total
		Does not deserve it	Deserves it	I don't know	
On the following image of their homepage you can see that Louis Vuitton offers an online store. Please indicate whether you think the brand deserves the term "luxury brand"?	Does not deserve it	22,2%	72,2%	5,6%	100,0%
	Deserves it	6,8%	88,0%	3,4%	100,0%
	I don't know	11,1%	48,1%	40,7%	100,0%
Total		11,0%	78,6%	9,3%	100,0%

The Correlation Coefficient was not significant. The associations between the two brands were therefore created by chance. Hence, it cannot be assumed that the existence of e-commerce would influence how respondents evaluate the respected luxury brands.

Table 20: Pearson's r Correlation Coefficient

		Correlations	
		Does Louis Vuitton deserve the term 'luxury brand'?	Does Chanel deserve the term 'luxury brand'?
Does Louis Vuitton deserve the term 'luxury brand'?	Pearson Correlation	1	-,006
	Sig. (2-tailed)		,935
	N	182	182
Does Chanel deserve the term 'luxury brand'?	Pearson Correlation	-,006	1
	Sig. (2-tailed)	,935	
	N	182	182

Finally, the relationship between the frequency of online shopping and how respondents respond to the statement ‘The image of a luxury brand changes negatively once it is sold online’ was evaluated.

In the following Table 21 a tendency can be elicited that the higher the frequency of online-shopping among respondents, the more they disagree with the statement that the image changes negatively once a luxury brand is sold online.

Table 21: Relationship between online-shopping frequency and the image of a luxury brand sold online

		Please indicate to what extent you agree / disagree. The image of a luxury brand changes negatively once it is sold online					Total
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	
How often do you shop online?	Never	1	3	3	0	1	8
	Rarely	6	16	17	16	2	58
	Sometimes	10	20	16	23	8	78
	Often	7	7	8	11	6	39
Total		24	46	44	50	17	183

In order to determine the strength of the associations between the two variables, the Correlation Coefficient was calculated. The results are not significant. Therefore, any associations between the two variables happened by chance.

Hence, it cannot be assumed that the more respondents buy online, the less likely they are to see the image of luxury brands changing negatively due to e-commerce.

Table 22: Pearson's r Correlation Coefficient

Correlations			
		How often do you shop online?	The image of a luxury brand changes negatively once it is sold online
How often do you shop online?	Pearson Correlation	1	,079
	Sig. (2-tailed)		,287
	N	191	181
The image of a luxury brand changes negatively once it is sold online	Pearson Correlation	,079	1
	Sig. (2-tailed)	,287	
	N	181	181

6. DISCUSSION

The purpose of this study was to examine consumers' attitudes towards and perceptions of the e-retailing of luxury brands, and to develop a broad understanding of those, in connection with giving a clear overview about the image of luxury brands selling online. Simultaneously, the two research questions RQ 1: 'How do consumers perceive the use of online-stores for luxury brands?' and RQ 2: 'Does the image change negatively once a luxury brands is sold online?' should be answered. This field is one that is still lacking former research. Hence, the main objective of this thesis was to provide new discoveries and insights to the phenomenon e-commerce in luxury. In the subsequent section these issues will be discussed and elaborated based on the theory and the results of the underlying study.

6.1 General Findings

In the first part of this section, the findings will be compared to theory and based on that, disagreement or agreement with Kapferer & Bastien's (2012) arguments will be elicited. In an earlier chapter of this thesis the literature review has already displayed an incongruity in opinions towards luxury brands selling online. The results of the analysis further elaborated on that issue, making the following contributions to existing research.

To begin with, the findings contradict with Kapferer & Bastien's (2012, p. 249) second argument:

- "It reduces to nil the efforts to access to luxury (they are a core part of the creation of desire in luxury)".

While the consumers of the underlying study desire an easier access to luxury brands, Kapferer & Bastien (2012) consider this inaccessibility to be one of the basic rules of a luxury brand. Here again, the consumer and the marketer are far beyond the same stance, but if one considers the most important marketing rules of luxury branding, one should know that luxury always has to be superior and should not consider what consumers wish for (Kapferer & Bastien, 2012) (Keller, 2009). Hence this argument cannot be confuted.

When asked about the most important aspects in terms of online-shopping, consumers prefer comfort of shopping and a diverse product selection over shopping convenience and security

of an e-store. The design of the e-store and the hedonic experience are far less important for the respondents (Appendix 20). In addition, 78 % of the respondents do not think the access to a luxury e-store should be restricted. All in all, this indicates that trust is not that important for the respondents. These findings to some extent contradict with theory, which states that trust in an e-store is one of the most important issues (Liu & Burns, 2013), whereas site quality was identified as having an important impact on trust towards e-stores (Lynch, Kent, & Srinivasan, 2001).

However, most of the respondents are involved in e-commerce and theory states that online luxury consumers show higher levels of trust and more positive attitudes towards e-commerce compared to offline luxury consumers (Donthu & Garcia, 1999; Liu & Burns, 2013). Nevertheless, in the underlying study trust seems to be less important for respondents than shopping comfort and a diverse selection of products. To conclude, using some of the mentioned elements while creating a special e-store and simultaneously introducing innovative ways to use these e-stores in a multi-dimensional channel, could further contribute to a luxury brand's success.

What consumers in the study fear about e-commerce in luxury is the missing component of personal sales contact and consulting, as well as the experience element and the opinion that luxury should be only available for the elite, not for the mass. This is in line with Kapferer & Bastien's (2012) first and third argument:

- 'It undermines the feelings of exclusivity attached to the brand' and
- 'It diminishes the personalization of the transaction, the one-to-one essential part of the relationship' (Kapferer & Bastien, 2012, p. 249).

Further support for these arguments was elicited by Monsuwe et al. (2004), who found that especially for those products that require a pre-trial before purchase as well as the support of sales personal, the interest in online shopping is lower than for other products. Luxury products fall into that category. This is why other ways to secure exclusivity and personal interaction throughout the e-commerce process should be investigated. As described in chapter 2.2.2, some brands already found ways to implement such tools and could serve as good examples.

First, the exclusivity of an online-store and luxury brands in general can be created with what Okwonkwo (2010) introduces as 'luxemosphere'. A prestigious atmosphere that creates a unique and special universe as soon as the consumer enters the online world of a luxury brand could foster the development of an exclusive feeling. Van Cleef & Arpels already does very well on creating such a 'luxemosphere' in its online world, letting the brand appear very exclusive and special even in a mass market world like the internet (van Cleef & Arpels, 2014). Who is to say that the same cannot be done in e-commerce for other luxury brands?

In addition, luxury brands are facing a challenge where they have to balance a broader distribution, while reasserting the singularity of their offerings. To address this problem of brand legitimacy some brands (Louis Vuitton, Dior, Chanel) have further linked their traditional legitimacy based on craft skills and know-how to the charismatic legitimacy based on the director, who designs the products and who often has an exceptional charismatic personality (Dion & Arnould, 2011).

Second, there are more and more new technologies emerging that could support luxury brands in establishing new personalized online sales tools. As mentioned earlier, Louis Vuitton already includes a 'click-to-call' and a 'live-chat' option in its e-store. These examples undermine Kapferer & Bastien's (2012) argument that 'on today's web, the personal relationship disappears quickly; the internet is an anonymous universe'. Further, research shows that there are new technologies that include visuals, sound and movement, some are even able to create scent and flavor (Okonkwo, 2010). This progress will continue and probably soon luxury brands will be able to provide a full sensory experience in their online-stores, which again contradicts the second of Kapferer & Bastien's (2012) additional arguments 'Today's internet world is a sensually reductive world: it is not experiential enough; luxury is holistic'. However, if luxury brands will remain resistant towards e-commerce, it might be too late for them to enter at a point when all those technologies have evolved.

All in all, e-commerce is changing the way consumers act (Tungate, 2009; Sicard, 2006) and the e-commerce market is growing (Bain & Company, 2013). Consumers are having high expectations about luxury brands, which luxury managers will have to fulfill. Considering that a positive experience with online shopping will draw customers to more involvement in online-shopping in the future (Monuwe et al., 2004; Helander & Khalid, 2000), luxury marketers could benefit from a holistically integrated, successful e-commerce strategy.

6.2 How do consumers perceive the use of online-stores for luxury brands?

First, it was found that the opinion about luxury brands selling online was evenly divided among the respondents. When asked directly, 52.1 % of the very online affine respondents thought luxury brands should sell online, whereas the rest (47.9%) voted for luxury brands not selling their products online. Further, when asked for reasons why luxury brands should sell online, a tendency towards convenience, easier access, and a general growth trend in e-commerce could be ascertained. The growing trend in e-commerce was supported by theory and comes along with Okonkwo's (2010) point of view that even the luxury industry will have to discern the tremendous development in the online-environment and the implications that it will have on future consumption behavior.

Moreover, the results of the study show that the majority of the respondents perceive 'general luxury' as something positive. Comparing those results with a closer analysis of how respondents perceive 'online luxury', the following results were found: 31.7 % of the consumers perceive luxury that is sold online as pleasant, whereas 28.5 % of the consumers do not perceive online sold luxury as pleasant. Only 17.5 % of the respondents on the other hand think luxury sold online is flashy. Some of the respondents (16.4 %) would feel more relaxed buying online compared to buying in a luxury store, and 19.1 % of the respondents are inspired to dream about online sold luxury, whereas 43.7 % of the respondents do not dream about luxury sold online. Kapferer & Bastien (2012) argue that 'the internet world is a virtual universe, opposed to luxury strategy being for the real world'. Despite that, even though it is a small number, 19.1 % of the respondents are still inspired to dream about online sold luxury.

As a result, online luxury and 'real' luxury do not necessarily have to be inconsistent. Who is to say, it is not possible to combine both and create a higher luxury umbrella covering both worlds, as long as it is done precisely and a holistic and coherent image is conveyed throughout the whole e-commerce strategy. This would be consistent with Keller (2009) and Okonkwo (2010).

Interestingly, almost half of the respondents (47.5 %) do not think that people who buy luxury online are refined / elegant people. And finally, overall 54.7 % of the respondents do not know much about the online luxury world. While the overall attitudes towards luxury sold

online vary within the respondents and result in various directions, what most of the respondents have in common is that a general education about online sold luxury is missing. Consumers do not know much about luxury sold online and thus lack the understanding of online sold luxury and how e-commerce could be included in a luxury strategy. These findings however could be supported by the theory of Kapferer & Bastien (2009) that consumers possess a certain image about a luxury brand, which was created long before the inclusion of e-commerce, and that this image won't change easily.

Furthermore, as theory suggests, marketers will have to appeal to younger and far more comfortable consumers in the digital world, who also have different ideas about luxury and different priorities concerning how they spend their wealth (Tungate, 2009; Okonkwo, 2010). Concomitant with that, the findings show that 96 % of the respondents do involve in online shopping at some point, which further supports this growing trend among future luxury customers. At the same time, the findings revealed that for those respondents who were more involved in online shopping, the attitudes towards luxury sold online were proportionally better than for the rest of the respondents. This can be accompanied by theory, indicating that online sales continue to grow faster and will reach nearly 5 % of total sales in luxury by the year 2013 in Germany (D'Arpizio, 2013).

What this all amounts to, is that in order to completely answer

RQ 1: How do consumers perceive the use of online stores for luxury brands?

further research has to be conducted.

The underlying study provided a general overview about attitudes towards luxury sold online, the results however were not explicit and obvious enough. Unfortunately, since only a rough overview could be provided, no precise conclusion about the direction of perceptions (negative versus positive) can be drawn from the underlying results.

6.3 Does the image change negatively once a luxury brand is sold online

Regarding a possible effect towards the image of luxury brands selling online the findings do not support the opinion that all of the previously discussed arguments will automatically dilute the brand image of a luxury brand using e-commerce.

Even though consumers to some extent agree on and support the arguments of Kapferer & Bastien (2012), the findings of the underlying study contribute to the luxury consumer literature by showing that the brand image of certain luxury brands is not influenced by the existence of e-commerce. The study included 4 luxury brands: Two brands having e-commerce included in their strategy (Louis Vuitton and Cartier) and two other brands not offering any kind of e-commerce (Chopard and Chanel). The results showed that there was no connection between the perception of those brands and their e-commerce. The findings led to no conclusion that the existence of e-commerce has any influence on consumers' perception of a luxury brand and accordingly on consumers' image towards luxury brands.

Further, a closer analysis of perceptions of the two brands Chanel and Louis Vuitton showed no significant differences, despite Chanel does not offer e-commerce and Louis Vuitton does offer e-commerce. Both brands were perceived as luxury rather than premium brands, since no significant differences could be elicited between them.

However, when asked directly, 38.2 % of the respondents (strongly) agreed with the statement that *'the image of a luxury brand changes negatively once it is sold online'* and 36.6 % of the respondents (strongly) disagreed with the statement. This shows an evenly split distribution, indicating no further evidence in favor of or against.

RQ 2: Does the image change negatively once a luxury brands is sold online?.

Therefore, all in all, the findings show no further evidence that the image of a luxury brand changes negatively once it is sold online. On the contrary, luxury brands that do sell online still benefit from their strong image as a luxury brand. *RQ 2 can thus be answered with 'No, the image does not change negatively once a luxury brand is sold online'.*

6.4 Recommendations

As Bain & Company (2013) suggests, the key for winning in the luxury market over the next 10 to 15 years will be to get ready for Luxury 2.0, where the success will be defined by a relentless focus on three luxury goods management principles: Superior customer experience, flawless retail management and people excellence.

Opposed to traditional consumer brands, especially for luxury brands branding is of tremendous importance (Keller, 2009; Keller & Lehmann, 2006). Whereas the brand image

relies on consumers, the brand identity is the tool that forms a brand's personality or its DNA and is communicated to the customer. For luxury brands it should thus be especially important to convey a holistic and consistent brand identity, also within their e-commerce strategy. As discussed earlier, the brand identity of a luxury brand should be formed at the very beginning and cannot be changed overnight. Hence, luxury brands do not have to be afraid of diluting their brand image only via selling online. Both, results and theory supported the claim that an image cannot be changed easily, subjected to the condition that its identity is conveyed consistently throughout all communication channels.

Luxury brands should therefore focus on establishing a convincing brand identity from the beginning and can then implement an e-commerce strategy without diluting brand image at a later point. However, the e-commerce strategy has to be carefully planned and executed, based on the principals that have been explained throughout this thesis. It is important to fully integrate an e-commerce strategy in the overall strategy and establish a consistent appearance in an online environment that is in line with the overall brand identity of the luxury brand. Only then can e-commerce work in the luxury industry.

Both, the findings and the theory further indicated that a luxury brand's goal is to stay in memory and create loyal customers through the establishment of brand relationships. This could be done by guaranteeing an experience that derives from sensation, feelings, moods, perceptions and emotions aroused during the entire activity of consuming or experiencing the product or service. The same principles should apply in an online environment. Therefore, luxury brands have to create an online experience that is a magnificent encounter, an indulging incident and an extra event for the consumer. Such a term is already known under the name 'luxemosphere'. Emerging new technologies that support human senses and interactive communication via the internet will support this opportunity and lead to new ways of communicating. In case luxury brand managers consider these criteria, most of Kapferer & Bastien's arguments will be disproved and there will be no doubt about the success of a luxury brand's e-commerce strategy.

What this all amounts to is that luxury strategists will definitely have to consider e-commerce in their luxury strategies, since the consumer demand is increasing and the general marketing techniques are shifting towards an online environment. Despite some authors claiming luxury is not for online sales, there has not yet been any proof, neither has this study provided any additional proof for not selling luxury brands online.

6.5 Limitations

This paper was written as a master thesis, with its limitations regarding resources and time. As a result of the limited scope of the paper, a few limitations arose that will be highlighted in the following chapter.

Considering the total amount of responses being only 192, there would have been more potential to get a bigger sample if the time had not been limited to the period of 4 months.

In addition, only 16 out of 192 respondents were identified as affluent consumers. Due to the fact that this was an investigation about luxury clients, it was very difficult to reach significant results for the relevant target group. Despite the fact that no differences between affluent and non-affluent respondents could be elicited within this research, the sample was not representative enough to give a general overview about the entire population.

Furthermore, most of the respondents were students, who luxury brands will normally not consider as their first targets. Secondly, the majority of respondents was from Austria and Germany, which made the sample not representative for providing a global picture of consumers' attitudes.

The fact that the study was conducted online via the social network 'Facebook' further limited the sample. It can be expected that those respondents who were targeted are online affine. Consequently, other respondents that might not be especially involved in the online world were thereby left out. In addition, only acquaintances of acquaintances and friends of the author were targeted.

To conclude, all of these limitations indicated that the external validity was not given. The reliability of the underlying results however was given, since each step of the research process was carried out carefully and Cronbach's alpha was within the expected area, which had already been discussed in the results section.

6.6 Further Research

By implication, in order to produce valid results that can be generalized to a broader target population, which is of relevance for luxury marketers, further research is highly recommended.

The established scales used in the study proved to be successful and effective in measuring the underlying concepts. However, the newly created scales to measure attitudes towards online sold luxury require further analysis before they can be used in future research.

The underlying study elucidated the current state of the art in e-commerce and luxury. A clear overview about the practices of e-commerce in luxury was provided. Further, branding principals of luxury branding were summarized and the arguments of Kapferer & Bastien (2012) were challenged. Nevertheless, a more extensive research on luxury consumers' attitudes towards e-commerce in luxury will be necessary to provide explicit managerial recommendations and support the existing theory on e-commerce in luxury presented in this thesis. This extensive research can make use of the underlying research and extent the study to a more representative sample.

7. CONCLUSION

Taking all the previously mentioned aspects into consideration, it can be concluded that the underlying research provides new insights for the luxury industry. As such, the key idea of this thesis was to undermine Kapferer & Bastien's arguments against luxury brands selling online and parallelly answer the two research questions regarding the image of and perceptions about luxury brands selling online. This research has both theoretical and managerial implications.

Theoretically, the following can be concluded. First, it was found that the image of a luxury brand does not change negatively once the luxury brand is sold online. Opposed to Kapferer & Bastien's arguments, no further evidence for that presumption could be elicited through the conducted research. Second, in terms of elucidating how consumers perceive the use of online-stores for luxury brands, the results were not explicit enough to provide reliable and valid findings. Due to the fact that the image of a luxury brand is one of the most essential assets the brand has, further research in that regard is highly recommended. Further, the arguments of Kapferer & Bastien against selling luxury brands online could not be disproved. All three arguments - that selling online undermines the feeling of exclusivity attached to the brand, that it reduces to nil the efforts to access luxury and that it diminishes the personalization of the transaction, and the one-to-one essential part of the relationship - were supported by both theory and the findings of the underlying research.

A managerial conclusion for this research can also be drawn. If all the discussed aspects will be taken into account when implementing an e-commerce strategy for a luxury brand, the previous arguments should not pose a threat. As discussed in this thesis, a luxury's brand identity is the most important tool in luxury branding. Consequently, the respective brand image, which marketers are so afraid to dilute, derives from the brand identity concept. Provided that this luxury brand identity is conveyed consistently from the beginning and over time, e-commerce will not harm the brand identity or brand image. By contrast, e-commerce can be perfectly integrated into a luxury brand's overall strategy and its identity. Further support for that arises from emerging technologies and changing consumer behavior among luxury customers. Considering all that, huge potential lies within this new emerging sector, even for luxury brands.

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Appendix

Appendix 1: Questionnaire

QUESTIONNAIRE – IMAGE STUDY OF LUXURY BRANDS IN AN ONLINE ENVIRONMENT

My name is Katharina, and I am currently writing my **thesis** about **the image of luxury brands in an online environment** at the **Norwegian Business School of Economics**.

In order to produce valid research I would really appreciate your help. The following questionnaire is **anonymous**, includes **26** questions and will take you **about 10 minutes** to complete.

If interested, I am more than happy to share the final results of the study.

Thank you for your participation.

Q1: How old are you? _____

Q2: Which of the following items do you have/ or own? (multiple answers possible)

- A gold fountain pen
- A designer tie
- A second home
- A set of crystal glassware
- A gold watch
- A golf racquet
- A car

Q3: Which of the following activities have you been doing LAST YEAR? (multiple answers possible)

- Having lunch or dinner in a first class restaurant
- Having put on a tuxedo (or evening dress)
- Having gone to a theater
- Having bought an antique
- Having travelled by air in first or business class
- Having listened to classical music
- Having spent a week end abroad

Q4: Please write down the first word/association that comes to your mind when thinking about luxury:

Q5: For the following statements please indicate to what extent you agree / disagree.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Luxury is old-fashioned					
Luxury is pleasant					
One buys luxury goods primarily for one's pleasure					
I don't know much about the luxury world					
I could talk about luxury products for hours					
I would not feel at ease/ relaxed in a luxury shop					
People who buy luxury goods seek to imitate the rich					
Luxury is flashy					
Luxury makes me dream					
Those who buy luxury products are refined people					
The luxury products we buy reveal a little bit who we are					

Q6: Please write down the first 2 LUXURY brands that come to your mind?

Q7: Which of the following brands do you consider as a luxury brand? (Please tick as many as you want)

- Louis Vuitton
- Fabergé
- Chopard
- Cartier
- Dior
- IWC
- Patek Philippe
- Van Cleef & Arpels
- Maserati
- Aston Martin
- Gucci
- Tommy Hilfiger
- Ralph Lauren
- Tesco
- Stormberg
- Mont Blanc
- Tiffany & Co
- Other: _____

Q8: Which of the following brands do you think is more a luxury brand?

Louis Vuitton Chanel Both the same I don't know

Q9: Which of the following brands do you think is more a luxury brand?

Cartier Chopard Both the same I don't know

Q10: Have you ever bought something online?

- Yes
- No

Q11: How often do you shop online? (Please chose only one)

- Never
- Rarely
- Sometimes
- Often

Q12: Do you think luxury brands should sell their products online?

- Yes
- No

Q13: Please specify your answer in Q12, why Yes or why NO?

Q14: For the following statements please indicate to what extent you agree / disagree.

	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Luxury sold ONLINE is pleasant					
I don't know much about the ONLINE luxury world					
I could talk about luxury products for hours					
I would feel more relaxed when buying luxury online than in a luxury shop					
ONLINE sold luxury is flashy					
ONLINE sold luxury makes me dream					
Those who buy luxury products ONLINE are refined /elegant people					
The image of a luxury brand changes negatively once it is sold online.					

Q15: What aspects are most important for you, when you think of online-shopping? (multiple answers possible)

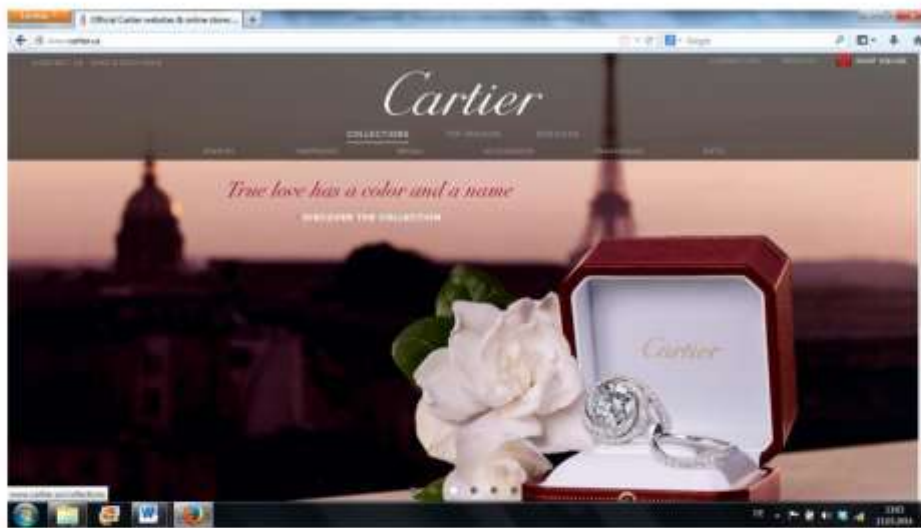
- Shopping convenience
- Product selection
- Design of e-store
- Comfort of shopping
- Hedonic enjoyment
- No risk should be involved /security of e-stores
- Other: _____

Q16: Do you think luxury brands should restrict access to their online stores? (Customers will have to create an account before / Customers will have to send in an application to be able to register)

- Yes
- No

Q17: If you answered yes, can you please indicate why:

Q18: On the following image of their homepage you can see that Cartier offers an online store. Please indicate whether you think the brand deserves the term "luxury brand".

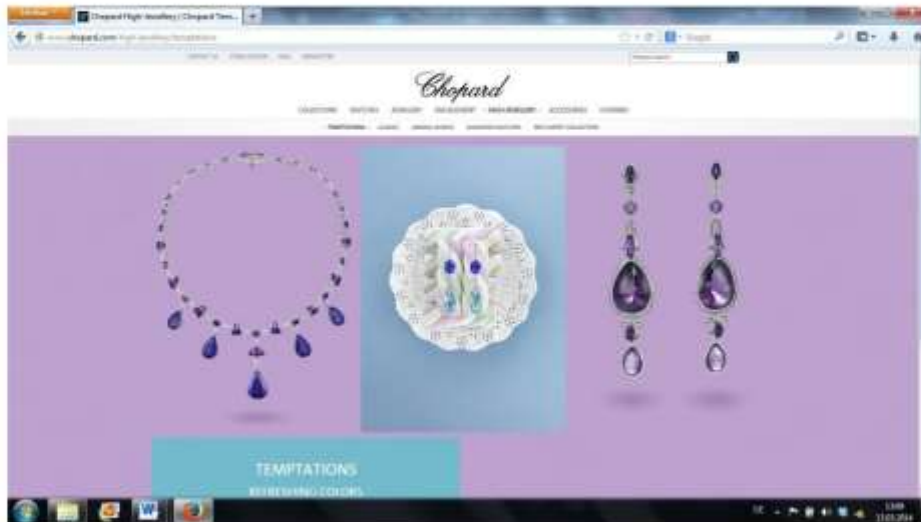


DOES NOT DESERVE

DESERVES

I don't know

Q19: On the following image of their homepage you can see that Chopard does not offer an online store. Please indicate whether you think the brand deserves the term "luxury brand".

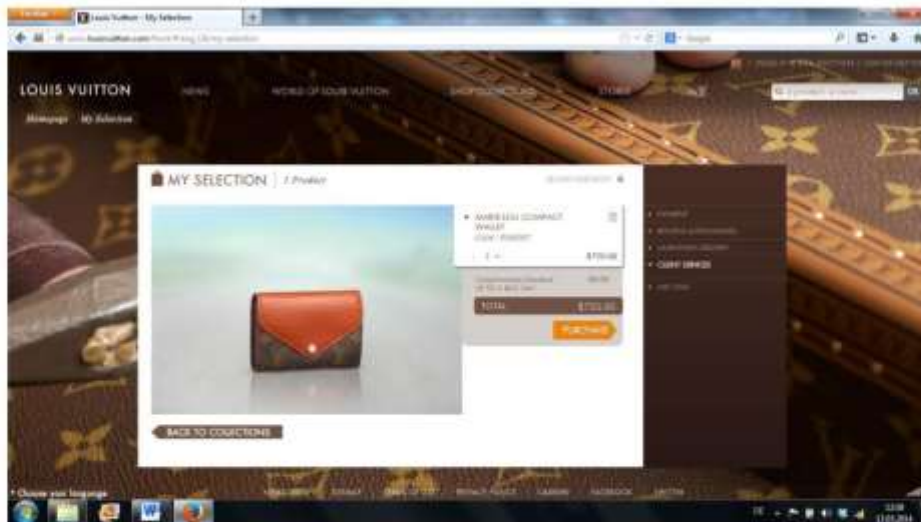


DOES NOT DESERVE

DESERVES

I don't know

Q20: On the following image of their homepage you can see that Louis Vuitton offers an online store. Please indicate whether you think the brand deserves the term "luxury brand".

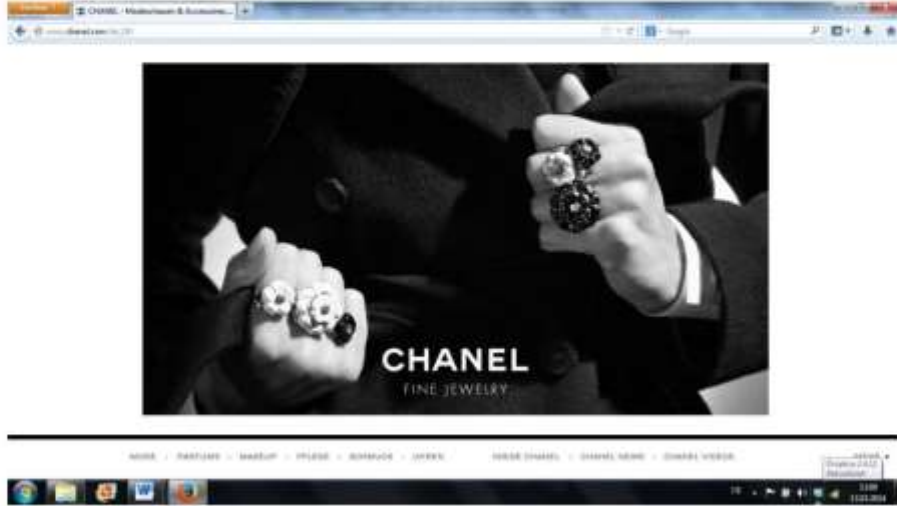


DOES NOT DESERVE

DESERVES

I don't know

Q21: On the following image of their homepage you can see that Chanel does not offer an online store. Please indicate whether you think the brand deserves the term "luxury brand".



DOES NOT DESERVE

DESERVES

I don't know

Q22: Please indicate on the following scales from 1 to 6, where you would place **LOUIS VUITTON**.

very prominent		Noticeable
Popular		Elitist*
Affordable		Extremely expensive*
For wealthy		For well-off
Fairly exclusive		Very exclusive*
Precious		Valuable
Rare		Uncommon
Unique		Unusual
Crafted		Manufactured
Upmarket		Luxurious*
Best quality		Good quality
Sophisticated		Original
Superior		Better

exquisite		Tasteful
Attractive		Glamorous*
Stunning		Memorable
Leading		Influential
Very powerful		Fairly powerful
Rewarding		Pleasing
Successful		Well regarded

Q23: Please indicate on the following scale from 1 to 6, where you would place **CHANEL**.

very prominent		Noticeable
Popular		Elitist*
Affordable		Extremely expensive*
For wealthy		For well-off
Fairly exclusive		Very exclusive*
Precious		Valuable
Rare		Uncommon
Unique		Unusual
Crafted		Manufactured
Upmarket		Luxurious*
Best quality		Good quality
Sophisticated		Original
Superior		Better
exquisite		Tasteful
Attractive		Glamorous*
Stunning		Memorable
Leading		Influential
Very powerful		Fairly powerful
Rewarding		Pleasing

Successful  Well regarded

Q24: Please indicate your profession:

- Student
- Self-employed
- Employed
- Other:

Q25: What is your nationality?

Q26: Please indicate your gender:

- Female
- Male

Thank you very much for your participation.

Appendix 2: Independent Samples T-test for affluent vs non-affluent 1

Table 23: Results of the T-test for the variable 'Do you think luxury brands should sell their products online'_affluent vs non-affluent

Group Statistics

affluent		N	Mean	Std. Deviation	Std. Error Mean
Do you think luxury brands should sell their products online?	affluent	17	1,18	,393	,095
	non-affluent	174	-,22	13,130	,995

Independent Samples Test

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences	
									Lower	Upper
Do you think luxury brands should sell their products online?	equal variances assumed	1,022	,313	,439	189	,661	1,401	3,192	-4,897	7,698
	equal variances not assumed			1,401	176,026	,163	1,401	1,000	-,573	3,374

Appendix 3: Independent Samples T-test for young versus old 1

Table 24: Results of the T-test for the variable 'Do you think luxury brands should sell their product online'_old vs. young

Group Statistics

How old are you?	N	Mean	Std. Deviation	Std. Error Mean
Do you think luxury brands should sell their products online? >= 45	24	1,75	,442	,090
< 45	166	-,37	13,430	1,042

Independent Samples Test

	Levene's Test for Equality of Variances		T-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences		
								Lower	Upper	
Do you think luxury brands should sell their products online?	1,451	,230	equal variances assumed	,773	188	,441	2,123	2,748	-3,297	7,544
equal variances not assumed			2,030	167,418	,044	2,123	1,046	,058	4,189	

Appendix 4: Independent Samples T-test for female vs male 1

Table 25: Results of the T-test for the variable 'Do you think luxury brands should sell their products online'_female vs. male

Group Statistics

Please indicate your gender.	N	Mean	Std. Deviation	Std. Error Mean
Do you think luxury brands should sell their products online? Male	68	1,50	,504	,061
Female	107	-,42	13,678	1,322

Independent Samples Test

	Levene's Test for Equality of Variances		T-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Confidence Interval of Differences		
								Lower	Upper	
Do you think luxury brands should sell their products online?	equal variances assumed	3,971	,048	1,156	173	,249	1,921	1,661	-1,358	5,199
	equal variances not assumed			1,451	106,452	,150	1,921	1,324	-,704	4,545

Appendix 5: Online buying behavior



Figure 8: Online buying behavior

Appendix 6: Frequency of online shopping



Figure 9: Shopping frequency

Appendix 7: Associations towards luxury – Text analysis

Table 26: Text analysis of what respondents associate with luxury

sparkling	money	beautiful	color red	expensive	value	Yacht	Rolls Royce	money
rich people	independence	indulgence	prestigious	spa	Lamborghini	unnecessary	chanel	LV
money	diamonds	Special	Money	expensive	elegance	expensive	holiday	time
money	Rolls Royce	very expensive	Money	rolex	comfortable	joy	high end	holiday
money	money	pride	holiday	Power	Snop	unnecessary	pretty	beauty
money	Precious	jewelry	affluent	individual	travelling	Yacht	money	Designerlogo
Mercedes	holiday	family	Expensive	yacht	money	expensive	money	travelling
designer & jewelry	family	beautiful	expensive	Rolex	money	time	Mercedes	exclusivity
sleeping	confidence	leisure time	money	car	service	worldtrip	Social status	richness
health	money	real estate	Armani	unnecessary	enjoying	desired	money	expensive
great	comfort	richness	money	gold	high class	expensive	Quality	Free choice
holiday	pleasure	snobbery	holiday abr.	rich	Premiumbr.	time	image	notordinary
nice	elite	not affordable	time	Designer	fur	not essential	Classy	diamonds
money	a villa	designerclothes	money	Money	money	leisure time	Granting self	diamonds
gucci	indifference	expensive	villa seaside	unnecessary	Chanel	time	prestige	fashion
expensive	expensive	expensive	pleasure	exclusive	money	high	jewelry	
fashion	leisure time	gold	joy	watch	expensive	Rolls Royce	expensive	
leisure time	Extra	Abundance	money	in addition	unnecessary	money	unnecessary	
Haute couture	expensive	expensive	money	Porsche	expensive	expensive	Quality	
money	comfort	richness	Lots money	exclusivity	quality	Exclusive	costly	
yacht	money	watch	Free choice	money	style	jewelry	Style	
time	live	holiday	bags	rolex	leisure time	Rolex, Mercedes	expensive	

Appendix 8: Attitudes towards luxury

Table 27: Attitude towards luxury

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Luxury is old-fashioned	2,6%	3,7%	26,7%	39,3%	26,2%
Luxury is pleasant	23,6%	55,5%	14,7%	4,2%	1,0%
One buys luxury goods primarily for one's pleasure	20,9%	51,8%	12,6%	13,1%	1,0%
I don't know much about the luxury world	3,7%	20,4%	32,5%	32,5%	10,5%
I could talk about luxury products for hours	4,2%	14,1%	18,3%	36,6%	25,1%
I would not feel at ease/ relaxed in a luxury shop	7,9%	21,5%	27,2%	33,0%	9,4%
People who buy luxury goods seek to imitate the rich	4,2%	28,3%	37,7%	20,4%	8,9%
Luxury is flashy	4,7%	30,4%	38,2%	20,9%	4,7%
Luxury makes me dream	9,4%	39,8%	24,6%	18,8%	6,3%
Those who buy luxury products are refined people	1,6%	19,4%	36,6%	30,9%	9,9%
The luxury products we buy reveal a little bit who we are	14,1%	58,6%	13,1%	9,9%	3,7%

Appendix 9: Factor Analysis of attitudes towards luxury

Table 28: Analysis of the main component_luxury

Component	Total Variances Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variances	Cumulative %	Total	% of Variance	Cumulative %
1	3,391	30,823	30,823	3,391	30,823	30,823	2,724	24,764	24,764
2	1,514	13,759	44,583	1,514	13,759	44,583	2,066	18,783	43,546
3	1,181	10,740	55,322	1,181	10,740	55,322	1,295	11,776	55,322
4	,904	8,214	63,537						
5	,865	7,867	71,404						
6	,717	6,520	77,924						
7	,650	5,911	83,835						
8	,535	4,861	88,697						
9	,442	4,018	92,715						
10	,427	3,885	96,600						
11	,374	3,400	100,000						

Table 29: Correlation Matrix_luxury

Correlation Matrix

	1	2	LUXURY AVERSE	3	4	5	6	7	8	PLEASURE	SHOW OFF
Sig. (1-tailed) Luxury is old fashioned		,000	,453	,000	,000	,000	,000	,001	,000	,004	,009
Luxury is pleasant	,000		,072	,001	,000	,000	,000	,012	,000	,127	,046
One buys luxury goods primarily for one's pleasure	,453	,072		,061	,023	,260	,217	,020	,267	,465	,488
I don't know much about the luxury world	,000	,001	,061		,000	,000	,000	,002	,000	,071	,001
I could talk about luxury products for hours	,000	,000	,023	,000		,000	,005	,054	,000	,000	,000
I would not feel at ease / relaxed in a luxury shop	,000	,000	,260	,000	,000		,000	,000	,000	,112	,003
People who buy luxury goods seek to imitate the rich	,000	,000	,217	,000	,005	,000		,000	,011	,360	,339
Luxury is flashy	,001	,012	,020	,002	,054	,000	,000		,032	,024	,493
Luxury makes me dream	,000	,000	,267	,000	,000	,000	,011	,032		,000	,000
Those who buy luxury products are refined / elegant people	,004	,127	,465	,071	,000	,112	,360	,024	,000		,000
The luxury products we buy reveal a little bit who we are	,009	,046	,488	,001	,000	,003	,339	,493	,000	,000	

Appendix 10: Online selling of luxury brands



Figure 10: Should luxury brands sell online



Figure 11: Should luxury brands restrict the access to their online-store

Appendix 11: Text analysis of arguments for selling luxury online

Table 30: Arguments for selling luxury online_ Text analysis

Most Answers in favor of selling online	Most answers against selling online
Convenience Not restricted to opening hours Easier access (brands are not available) E-commerce is growing	Experience is important – (all senses involved) Sales personal and consulting are essential Luxury is limited – should not be for mass

Appendix 12: Factor Analysis of attitudes towards luxury sold online

Table 31: Analysis of main component_online luxury

Total Variances Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variances	Cumulative %	Total	% of Variance	Cumulative %
1	2,535	31,689	31,689	2,535	31,689	31,689	1,915	23,935	23,935
2	1,476	18,448	50,136	1,476	18,448	50,136	1,662	20,779	44,713
3	1,136	14,201	64,337	1,136	14,201	64,337	1,570	19,624	64,337
4	,885	11,061	75,399						
5	,637	7,968	83,367						
6	,542	6,774	90,141						
7	,427	5,335	95,475						
8	,362	4,525	100,000						

Table 32: Correlation Matrix_online luxury

Correlation Matrix

	1	2	3	4	5	6	7	8
Sig. (1-tailed) Luxury sold ONLINE is pleasant		,000	,023	,000	,004	,000	,000	,000
I don't know much about the ONLINE luxury world	,000		,000	,151	,004	,323	,324	,004
I could talk about luxury products for hours	,023	,000		,249	,028	,001	,029	,410
I would feel more relaxed when buying luxury online than in a luxury shop	,000	,151	,249		,146	,000	,001	,000
ONLINE sold luxury is flashy	,004	,004	,028	,146		,449	,445	,002
ONLINE sold luxury makes me dream	,000	,323	,001	,000	,449		,000	,001
Those who buy luxury products ONLINE are refined / elegant people	,000	,324	,029	,001	,445	,000		,001
The image of a luxury brand changes negatively once it is sold online	,000	,004	,410	,000	,002	,001	,001	

Appendix 13: Is Cartier considered to be a luxury brand?

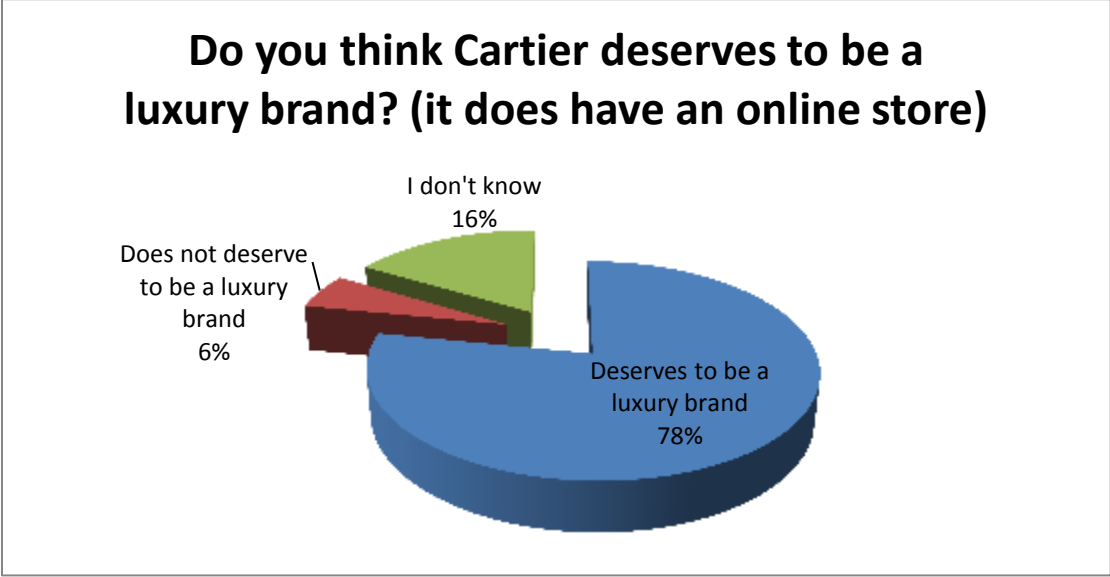


Figure 12: Do you think Cartier is a luxury brand?

Appendix 14: Is Chopard considered to be a luxury brand?



Figure 13: Do you think Chopard is a luxury brand?

Appendix 15: Is Louis Vuitton considered to be a luxury brand?



Figure 14: Do you think Louis Vuitton is a luxury brand?

Appendix 16: Is Chanel considered to be a luxury brand?

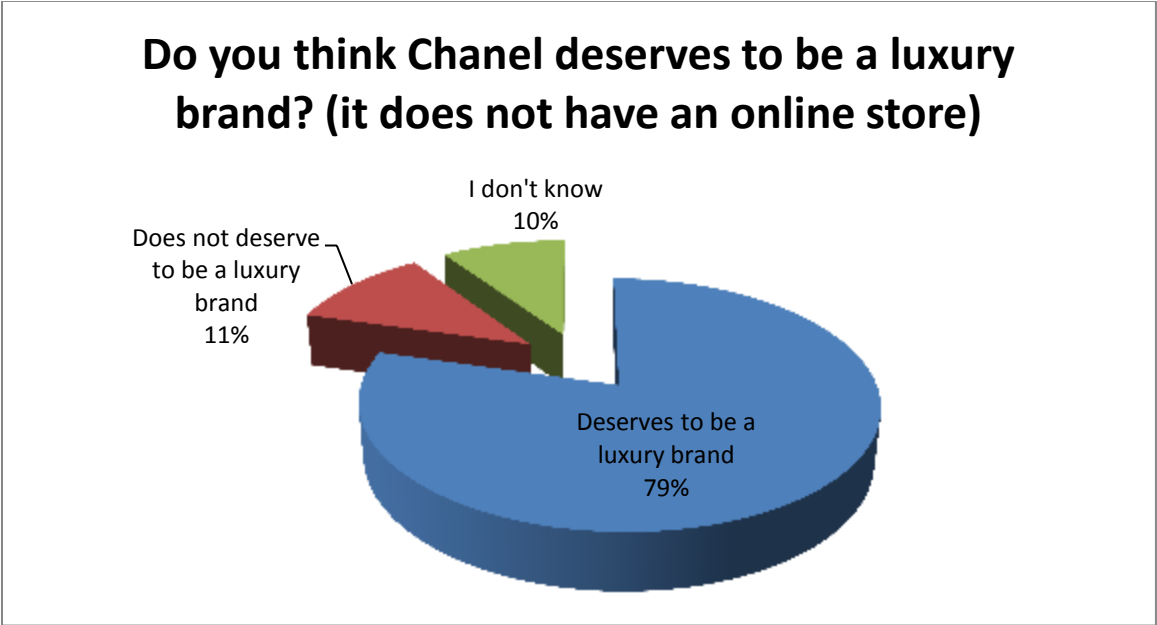


Figure 15: Do you think Chanel is a luxury brand?

Appendix 17: Which brand is considered to be more luxury?



Figure 16: Comparison of Louis Vuitton and Chanel

Appendix 18: Which brands is considered to be more luxury?

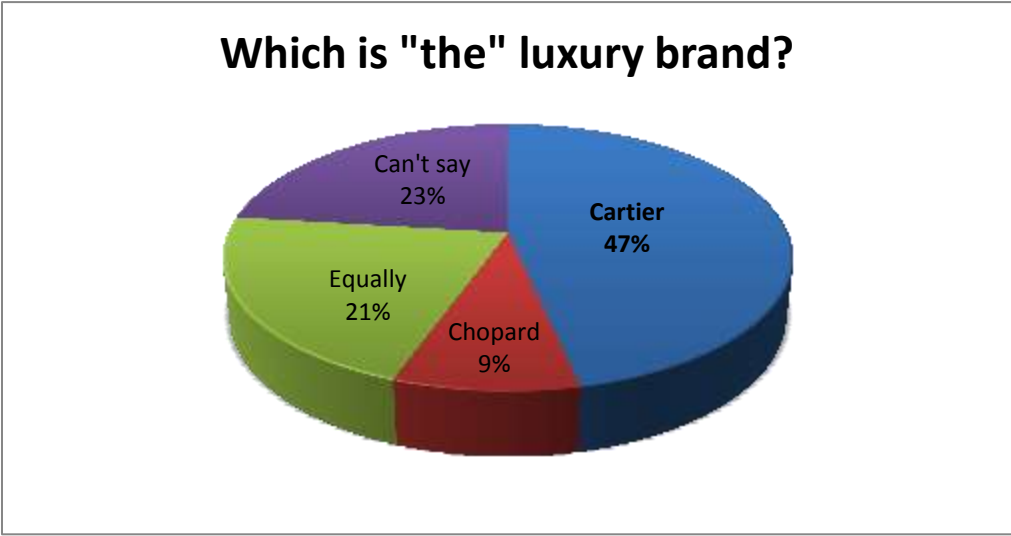


Figure 17: Comparison of Cartier and Chopard

Appendix 19: Luxury brand awareness

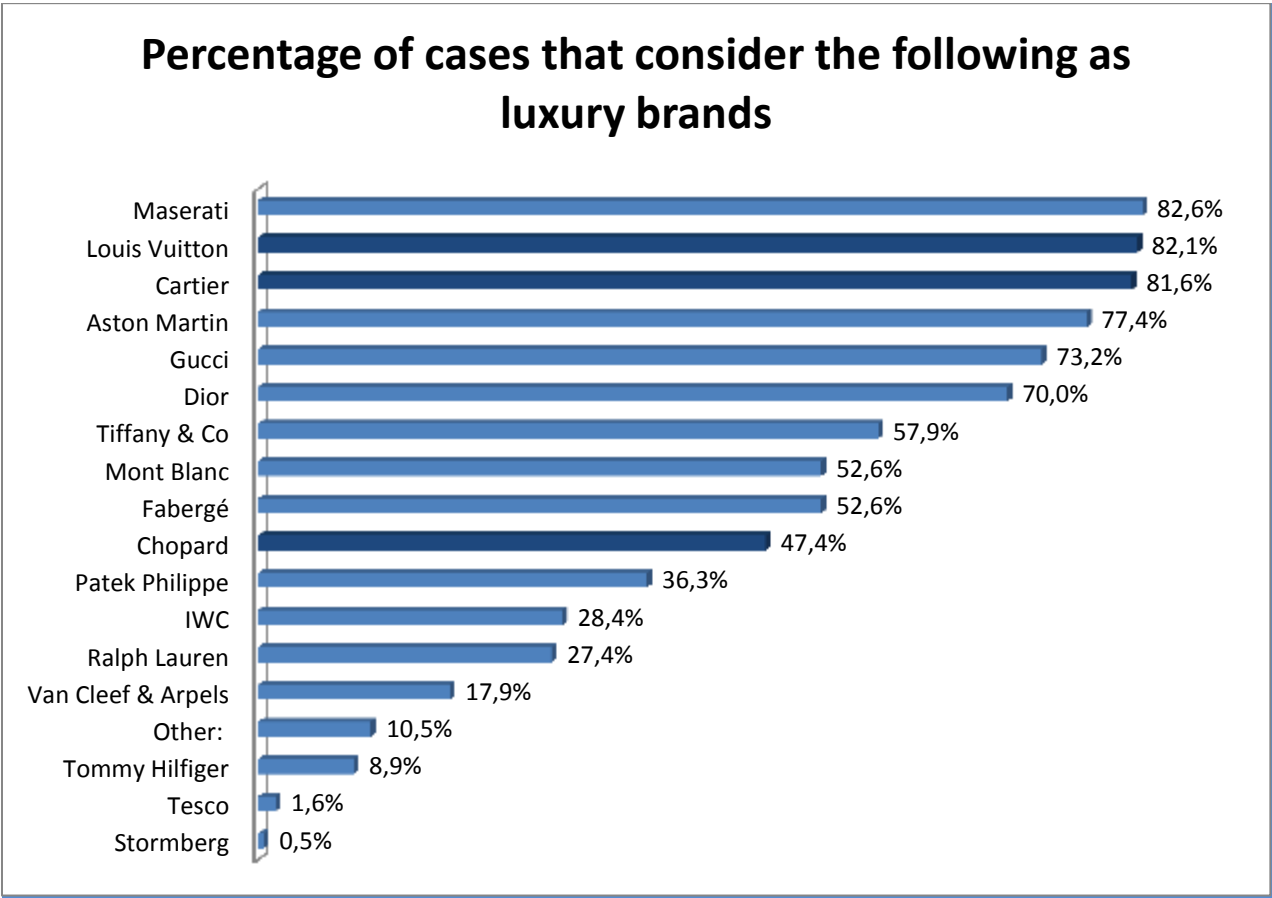


Figure 18: Luxurybrand Awareness

Appendix 20: Important elements in an online-shopping experience



Figure 19: Important elements in an online-shopping experience