

## Keeping Exclusivity in An E-Commerce Environment: The case of Farfetch.com and the market of luxury clothes.

Irina Balasyan\*

Beatriz Casais\*\*

### ABSTRACT

Brands are facing the challenge of using mass marketing strategies and simultaneously accentuating the exclusivity dimension of their products in order to get a higher market value. This fact rises the need of a better understanding about the presence of luxury brands in the electronic commerce. While some luxury fashion groups have already launched their e-commerce websites, most of luxury goods' companies still lack guidance on how to preserve luxury brand identity within the ubiquitous digital world. This paper is focused on e-commerce in luxury clothes industry and analyses how companies may overcome the ambivalence between the importance of exclusivity in luxury brands and ubiquity allowed by the Internet. Farfetch.com was used as a case study. Based on secondary data from Farfetch.com, a luxury fashion company, the authors discuss eight propositions created based on literature review. Findings show that it is possible to keep the sense of exclusivity in online platforms, providing appropriate service related to the concepts of luxury. Other factors that enable the existence of luxury in ubiquitous environment and differ luxury e-commerce platforms from mass market are product range, the web design, delivery and return policies. The paper explores challenges for the theory and practice of e-commerce in luxury brands.

**Keywords:** E-commerce, luxury fashion industry, exclusivity and ubiquity, luxury marketing, omnichannel retail.

---

\* Faculty of Economics, University of Porto, Portugal. E-Mail: balasyanirina@gmail.com

\*\* School of Economics and Management, University of Minho; Polytechnic Institute of Cávado and Ave; IPAM Porto, Portugal. E-Mail: bcasais@eeg.uminho.pt

**Received on:** 2018.07.24

**Approved on:** 2018.11.16

Evaluated by a double blind review system

## **1. INTRODUCTION**

The luxury concept has been built based on the principles of excellent quality, uniqueness and high price (Cristini et al., 2017). It is a culture and philosophy that requires understanding before the adoption of business practices, because of its differences from other types of goods, such as commodities (Okonkwo, 2007), due to the exclusivity dimension consumers are expecting (Quack and Thaichon, 2017). As a result of the growing importance of e-commerce in today's society, luxury brands are facing the challenge of using mass marketing strategies and simultaneously accentuating the exclusivity dimension of their products (Ishihara and Zhang, 2017; Okonkwo, 2010), which leads to the necessity of a better understanding of consumer behaviour in the digital marketplace (Hennings et al., 2012). Many luxury brands still treat the Internet with caution, worrying that the online presence will dilute sense of exclusivity (Sherman and Cohn, 2009). The aspect of exclusivity is widely understood as the key characteristic of luxury products. In this context, limited accessibility and rarity are cornerstones of luxury and justify their premium price (Ishihara and Zhang, 2017; Kapferer and Bastien 2009). However, due to the Internet's increased ubiquity, shopping convenience and product accessibility are the key decision factors forcing luxury brands to develop innovative strategies for the transition into e-commerce (Okonkwo, 2009; 2010).

While analysing this theme, the question which arises is how luxury brand companies, defined as the highest level of prestigious brands that encompass several physical and psychological values, can be managed in the digital age, since e-commerce is not only for the online selling, but also a way to attract consumers to the physical point of sale (Motta et al., 2014). The objective is to adopt a balance between exclusivity and ubiquity. This concern has been already assumed in the literature (Quack and Thaicon, 2017; Ishihara and Zhang, 2017). To answer the research question, this paper focuses on

a case of one of the most successful companies in luxury clothes' e-commerce industry, Farfetch.com, which unites more than 500 of the world's best independent fashion boutiques and 200 direct brand partners, offering fashion lovers more than 3,200 brands on one easy-to-shop website (Farfetch.com). This study analyses this case and discuss how the brand get the desirable balance between ubiquity and exclusivity.

## **2. LITERATURE REVIEW**

### **2.1 Luxury and exclusivity**

Luxury captures the irrationality (Okonkwo, 2007), excellent quality, high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history, and superfluosness (Cristini, 2017). Luxury brands as those whose ratio of functional utility to price is low, while the ratio of intangible and situational utility to price is high. The concept of luxury is subjective and primarily built on consumer perceptions, as the meaning of luxury is determined by personal and interpersonal motives (Vigneron and Johnson, 2004), with a well-known brand identity, brand awareness and perceived quality (Phau and Parendergast, 2000). Luxury brands compete on the ability to evoke exclusivity (Kapferer and Bastien 2009; Okonkwo 2009), which says that the prestige of the brand gets eroded if too many people own it (Dubois and Paternault, 1995). Establishing and maintaining a strong brand identity is the only way for successful management and competition (Okonkwo, 2007). This leads to the importance of keeping exclusivity to the luxury fashion market. A strong brand identity can be achieved through several factors, including exclusivity, recognizable style, and/or premium pricing (Chevalier and Mazzalovo, 2008). Those characteristics of the luxury brands deliver multi-faced benefits such as social status, sense of belonging and identity affirmation (Peng et al., 2011). Exclusivity is a great marketing tool to give the certain value to loyal clients (Ishihara and Zhang, 2017).

### **2.2 E-commerce and online brand communities**

The Internet is an important part of brand communication strategies for ordinary consumer goods as well as luxury products (Dall'Olmo and Lacroix, 2003). The growth of the Internet technology has enormous potential as it reduces the costs of product and service delivery and extends geographical boundaries in bringing buyers and sellers together (Thompson and Corner, 2005). Interactivity (Beuckels and Hudders, 2016; Chaffey et al., 2003; Ind and Riondino, 2001), intelligence (Chaffey et al., 2003), speed

and accessibility (Chaffey et al., 2003), loss of control (Viot, 2009) are characteristics which makes the Internet an adapted channel of distribution and communication to the mass audience (Okonkwo, 2009).

E-commerce consists of buying and selling products or services over the electronic system such as the Internet and other computer network (Kumar and Farooqi, 2012), enabling customer interaction and real time pricing getting information (Beuckels and Hudders, 2016). As information is a source of revenue, digital marketplace can be reproduced and distributed approximately with no costs. Besides, e-commerce allows both customer and supplier to reduce transaction costs significantly and to enable information to reach more people without sacrificing the richness of content. For that reason, many luxury brands have a different marketing approach in physical and online stores creating the differentiation of mass and exclusive luxury (Quack and Thaichon, 2017).

A brand community is a customer to customer to brand triad which is formed by two types of relationships (Muniz and O'Guinn, 2001). The first type is the relationship between the brand and customer, and the second is the relationship established between community members (Sicilia and Palazón, 2008). The success factors of the brand communities are the relationships and interactions between community members (Shang et al., 2006). Shared information among the community members creates strong word of mouth effects. This significantly influences brand image and stimulates sales (Park and Cho, 2012; Ouwersloot and Odekerken, 2008). They are effective means to influence customers' purchasing behaviour (Adjei et al., 2010) and they allow companies to increase their understanding of customers by monitoring their opinions, information and suggestions (Kozinets et al., 2010).

### **2.3 Luxury brands in e-commerce platforms**

In academic research, as well as in managerial practice, a controversy has evolved whether luxury brands should use the Internet purely as a means of communication or whether as a sales' channel as well (Hennings et al., 2012). Due to rapid technological advancement and globalization of the luxury industry, luxury customers are presenting with many brand options which leads to fierce competition among firms (Cristini et al., 2017).

Ubiquity or omnipresence is the property of being present everywhere. Adapting to ubiquitous digital connectivity is now essential to competitiveness of a company (Iansiti

and Lakhani, 2014). In view of the fact that global need of the luxury grows, luxury brands trying to focus on online marketing and sales, however, they still hesitant when it comes to innovative online marketplace (Atwal and Williams, 2009). The main reason for the scepticism of luxury brands to engage in online retailing lies in the seeming contrasts of luxury and the Internet: while luxury stands for rarity, inaccessibility, and exclusiveness (Kapferer and Bastien 2009), the Internet is characterised by accessibility and democracy (Hennings et al., 2012). Kapferer and Bastien (2012) coined the term “Internet dilemma” for luxury brands in this context.

*Proposition 1 (P1) Luxury brands and the Internet are not reconcilable.*

For some luxury companies e-commerce is the only or the main marketplace, for others it is a way of providing information to the customers, sales channel or marketing tool. Some brand managers create websites and decide to be present in e-commerce just because it is fashionable, for some managers it is realised new potential and for most of them, it is a risky selling tool for luxury products, especially for clothes (Dall'Olmo and Lacroix, 2003).

*Proposition 2 (P2) Most of luxury brand managers do not believe that the internet can be a vital selling tool for their products, especially for clothes.*

From the customer’s viewpoint, the problems associated with luxury online purchases are financial and product risks. Their concerns are related to online payment and counterfeiting (Hennings et al., 2012). Luxury e-commerce customers are more cost driven than in-store customers are. Online browsing and information search provide them with an opportunity to compare prices and explore alternatives.

*Proposition 3 (P3) The concerns of customers regarding luxury online shopping are associated with financial and product risks.*

Online luxury shoppers highly value convenience and product availability. Online shopping environment is more attractive to those consumers who like to make comparisons before they choose the best suitable style and prefer online stores because of no salesperson pressure (Xia et al., 2013).

*Proposition 4 (P4) The factors which motivate customer to purchase luxury goods online are the lack of stores in neighbourhood, limited products in the stores, possibility to compare prices (luxury e-commerce customers are more cost driven), lack of salesperson's pressure.*

Female and young consumers (18-30 years) prefer to buy luxury goods on-line more than male or older customers do (Besler, 2007).

*Proposition 5 (P5) Female and young customers buy luxury goods online more than male and older customers.*

Considering that luxury brands have understood the potential of e-commerce for fastest growing sales channel in the luxury sector they should provide a web experience that can be described according to three major factors: functionality, psychology and contents (Constantinides, 2004). Table 1. shows the key elements of the digital experience in the field of the luxury.

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

**Table 1.** Key elements of the digital experience in the field of the luxury

The elements which have strategic importance for e-tailers' websites are the environment design and customization (e.g. interface, product, music, colour) (Perez-Schafer, 2008). Luxury homepage design should differ from conventional homepages. That significantly affects consumers' perceptions of conspicuousness and uniqueness (Kluge et al., 2013). Based on those ideas propositions 6 and 7 are developed.

*Proposition 6 (P6) The most important factors of luxury online shopping are efficiency and speed of online shopping.*

*Proposition 7 (P7) The most important elements in luxury e-commerce website are design and customization as the website's design significantly affects consumers' perceptions of luxury and uniqueness.*

Nowadays, consumers can instantly access a wide variety of fashion goods on the Internet and share brand experiences with other consumers (Brogi et al., 2013). Due to the growing online presence of the luxury companies, Internet marketers focus their attention on Online Brand Communities (Füller et al., 2007), which allow fashion customers to communicate with each other without any restrictions of time and place (Brogi et al., 2013).

*Proposition 8 (P8) Online Brand Communities are effective tools for building stronger relationships with the luxury fashion brand's customers and influencing their purchasing behaviour.*

### **3 METHODOLOGY**

#### **3.1 The Case study: Farfetch.com**

A Case Study is chosen as the most appropriate research method for this study. This is the most suitable research method for this study as it gives the possibility to cover contextual conditions that are relevant to the phenomenon under study (Yin, 2003). The chosen case is Farfetch.com, which is a very successful luxury e-commerce platform. Farfetch.com was founded in 2008, with its offices in London, New York, Los Angeles, São Paulo and Porto, which displays over 3200 fashion labels from 500 independent fashion boutiques and 200 direct brand partners worldwide. Those boutiques are carefully selected for their unique approach to merchandising and diversity of brands. When customers order through Farfetch.com, their orders are delivered directly from the boutique to their doors.

#### **3.2 Data collection and data analysis**

Secondary data collection method is used as the most appropriate tool for gathering data that answers the research questions and helps to reach the research goal (Rowley, 2002 ). The sources of secondary data are Internet websites, articles from magazines, journals and newspapers, different statistics, interviews done by other researchers, websites, TV and documentary sources. The data is related to key luxury

fashion brand elements that are crucial in the creation and maintenance of brand proposition and luxury e-commerce; understanding of the critical dimensions for effective and efficient luxury fashion brand online management; customer's attitudes toward luxury brand online sales and other problems related to this area.

As a result of the data collection procedure, 33 sources of data were collected, from which 15 interviews with Farfetch.com CEO or top managers, 6 videos and presentations, as well as 12 articles, as shown in Table 2.

Nº	Titles of the Interviews	Date	Source
1	The CEO: Jose Neves, Farfetch.com	02.07.2014	<a href="http://felt.com">http://felt.com</a>
2	Fashion 'Unicorn' Farfetch Raises \$86 Million at \$1 Billion Valuation	04.04.2015	<a href="http://www.businessoffashion.com">www.businessoffashion.com</a>
3	Fashion Marketplace Farfetch Raises \$86M Led by DST At A \$1B Valuation	04.05.2015	<a href="http://techcrunch.com">http://techcrunch.com</a>
4	5 Minutes with Farfetch.com founder, Jose Neves	07.01.2015	<a href="http://www.ella-lapetiteanglaise.com">www.ella-lapetiteanglaise.com</a>
5	CEO Talk   José Neves, Founder and Chief Executive Officer, farfetch.com	07.09.2009	<a href="http://www.businessoffashion.com">www.businessoffashion.com</a>
6	Boutiques at his fingertips	04.03.2014	<a href="http://www.ft.com">www.ft.com</a>
7	Basics Fashion Management 02: Fashion Promotion	29.10.2012	Book section
8	Luxury Tech: We meet José Neves CEO and founder of Farfetch	10.10.2014	<a href="http://pwc.blogs.com">http://pwc.blogs.com</a>
9	Q &A with Farfetch's Jose Neves	22.01.2013	<a href="http://www.informilo.com">www.informilo.com</a>
10	FARFETCH.COM's Jose Neves on his business beginnings, retail in emerging markets and multi-channel thinking	16.01.2012	<a href="http://www.disneyrollergirl.net">www.disneyrollergirl.net</a>
11	José Neves on founding farfetch	27.03.2014	<a href="http://www.oystermag.com">www.oystermag.com</a>
12	Farfetch, an Online Boutique, Enjoys Its Moment	30.04.2014	<a href="http://www.nytimes.com">www.nytimes.com</a>
13	Meet the Rising Star Advertiser: Farfetch	01.10.2014	<a href="http://blog.marketing.rakuten.com">blog.marketing.rakuten.com</a>
14	Farfetch's José Neves on where digital meets fashion (video)	24.09.2013	The Guardian
15	Chris Morton (Lyst), Suzan Mutlu (Trendyol), and Jose Neves (FarFetch) Talk Haute Couture Online with Colleen	2013	<a href="http://www.ovguide.com">www.ovguide.com</a>

	<b>Titles of the videos and presentations</b>	<b>Date</b>	<b>Source</b>
1	Farfetch, the link to hundreds of high-end boutiques	2014	www.cnbc.com
2	Universo Farfetch – Legendado	11.2012	Farfetchbrasil
3	Farfetch Case Study	12.2013	QubitProducts
4	Tech valuations: is a second dotcom bubble on the way?	03.2015	Financial Times
5	The Farfetch Success Story, Rachel Waller   Qubit Bright Sparks	11.2013	Bright Sparks event
6	Farfetch CEO on what's in store for high street retail	12.2014	WIRED Retail
	<b>Titles of the Articles</b>	<b>Date</b>	<b>Source</b>
1	Farfetch's Global Platform Play	05.04.2015	www.businessoffashion.com
2	Bits & Bytes   Farfetch, Ringly, Wearables, Chanel	09.04.2015	www.businessoffashion.com
3	Do All Roads Lead to Farfetch? E-Tailer Purchases Browns London Boutique	13.05.2015	http://arabia.style.com
4	Farfetch Champions Future of Retail with Acquisition of London-based Fashion Retailer Browns	12.05.2015	www.vitruvianpartners.com
5	Farfetch, the 'unicorn' that may be worth \$1 billion	08.03.2015	www.cnbc.com
6	Farfetch Acquires Browns to Create Stores of The Future That'll Be Equipped with Artificial Intelligence	07.04.2015	www.bustle.com
7	Farfetch Brings Home \$66 million In New funding	01.05.2014	https://indexventures.com
8	Farfetch Champions Future of Retail with Acquisition of London-based Fashion Retailer Browns	2015	www.vitruvianpartners.com
9	Farfetch Builds Trust and Drives Sales with Personalized Content	20.11.2013	www.retailtouchpoints.com
10	The fashionable tour guide: FARFETCH's new travel App	01.10.2014	www.harpersbazaar.com
11	Farfetch.com	20.10.2013	https://prezi.com
12	Farfetch Launches Discover App For iPad	27.04.2015	www.fashiontimes.com

**Table 2.** List of the Interviews, presentations and articles analysed

The above-mentioned sources are providing information about Farfetch.com, its strategies, challenges and solutions towards its partners and customers, key success factors and future vision.

Based on propositions and research question 12 categories of data were created: (1) Compatibility of luxury and Internet; (2) Why does the customer avoid luxury?; (3) Efficiency of online retailing service; (4) Luxury ecommerce webpage; (5) Online vs. In-store shopping; (6) Luxury e-commerce customer segment; (7) Luxury brand managers' attitude toward the e-commerce; (8) Online brand communities; (9) Future of luxury shopping; (10) Interconnection between online and offline luxury shopping; (11) Multi-brand vs mono-brand online luxury shopping platforms; (12) Key success factors of luxury e-commerce.

In the coding stage the linkages were built between the data collected from the secondary sources and the 12 categories, which became basis for theory development. As a coding software, Qualitative Research Software NVivo was used that is a platform to analyse all forms of unstructured data, get a big picture to the situation and rigorously justify findings using powerful visualization tools.

## **4 RESULTS AND DISCUSSION**

### **4.1 Compatibility of luxury and Internet**

The luxury e-commerce market cannot be considered as mass market like other e-commerce websites such as Amazon. That is the reason why luxury brands don't want to be seen in eBay or Amazon (Interviews 8 and 15). Farfetch.com is specialised in high-end luxury segment of fashion and the website is designed for narrow segment like the physical stores and boutiques who sell luxury clothes (Video 4, Interview 6). The customers have an opportunity to discover up-and-coming talents alongside world-renowned brands (Interview 4). However, "*fashion is not supposed to serve for ubiquity and fashion cannot be downloaded, unlike books or music*". For this reason, high-end fashion actually is an industry where the omni-channel path will not only evolve very fast, but in fact be an exacerbated trend (Interview 9).

Proposition 1 is partly in accordance with the findings, because it is possible for luxury clothes to create exclusive online presence and combine it with offline presence, creating omni-channel model of luxury shopping.

## **4.2 Luxury brand manager's attitude toward the e-commerce**

The most significant advantage given by online presence to luxury brand or independent boutiques is a unique opportunity to become global yet remaining a truly personal brand. For instance, *“e-commerce may be the perfect platform for Australian designers and brands to rationally attack the global audience”* (video 6). Designers will be able to address international customers, so Farfetch's added value would be tapping into that global demand (Interview 1).

*“The Farfetch.com' concept is a real win-win for the boutiques, because they would never be able to create a world-class team and infrastructure on their own”* (Interview 8). Even very old fashion retailers are facing a need of online presence (Interview 10 and video 1). *“Those boutiques were afraid of the Internet, they had the best curators, the best buyers, best products, and the idea was to take them online”* (Interview 11). The online presence of luxury retailers and brands is not only beneficial for them, but also very important for fashion industry in overall (Interview 14). Farfetch.com CEO and team try to address any concerns that brands may have in terms of pricing, styling directions, in terms of discount, which they are very careful with. The main reason for some brands not to go online is that they do not feel any need and there is no reason to change (Article 1).

Proposition 2 is in accordance with the findings. Despite of growing opportunities in online luxury fashion sales, there are still brands who hesitate on online presence.

## **4.3 Why do customers avoid luxury e-commerce?**

Research shows that the online luxury customers are not price driven and are quite rich (Article 10). Those customers are looking for something special and a little bit different and willing to pay for those products. They do not afraid of technologies and like being modern (Interview 12). Customers can try product when it is delivered to them and if they are not satisfied with their order, they can return it without any fee or other problems (Interview 13).

Proposition 3 is not in accordance with the findings, which show that luxury e-commerce customers are rich and they are willing to pay much just for having something different. Besides, if customers are not satisfied with the product for any reason, they have an opportunity to return the product without any fee and problems.

## **4.4 Online Shopping vs In-Store Shopping**

Farfetch.com allows its customers all over the world to experience independent

boutiques that they may not have found accessible. Besides, Farfetch.com provides free global returns, making it low risk for a first-time customer (Interviews 13 and 9). A wide range of exclusive products is a key success factor of luxury e-commerce. Customer wants to have a unique piece that no one else will have (Interview 8). In overall, luxury e-commerce is working both for customer and luxury clothes' retailers which are provided with a chance to 'meet' each other via the Internet (Article 5).

Proposition 4 is partly in accordance with the findings. The lack of stores in neighbourhood and limited product range are the most vital reasons for luxury online shopping. However, the abovementioned aspects, such as cost, lack of pressure from customer or possibility for comparing prices, are not prominent reasons.

#### **4.5 Luxury e-commerce's customer segment**

Women are visiting luxury e-commerce platforms much more frequently and the products for women are performing much better than men's, although, this is not a surprise for Farfetch (Interviews 9 and 15). Men once may do bigger purchase than women (Interview 6). Young customers (18 to 35 years old) are more technological, value online presence of brands and use e-commerce more than elder customer (Interview 12).

Proposition 5 is in accordance with the findings, as those findings also show that women and young customers are visiting luxury e-commerce websites and prone to online shopping more than men and elder customers do.

#### **4.6 Efficiency of online retailing service**

Service quality is a very significant factor for Luxury e-commerce's customers and they enjoy good service (Interview 8). Data analysis allows to identify the following factors of the efficiency of online retailing service in luxury industry, which are:

- *shopping experience*: it is important to keep the same atmosphere of luxury shopping by its service. Customer should feel the same experience buying online as buying offline. Farfetch.com makes sure the experience is consistent and it is well curated (Interview 1); *worldwide presence*: the main value of luxury e-commerce for customers is their ability to purchase items from different countries and shops. This makes clear that possibility of doing purchases from everywhere is crucial (Interview 13);
- *service based on customer's geography*: the luxury e-tailer has to keep pace with preferences that vary based on consumers' geographic locations. Farfetch.com

addresses this issue by personalizing multiple areas of the e-Commerce site (Article 9);

- *offer and Product Range*: product is the most important element which makes the platform Luxury, and vice versa. To build an interesting website the company need to have an amazing offer and product range (Interview 8). For luxury e-commerce shoppers, it is essential to find special, unique and hard-to-find pieces from the best designers and brands (Videos 2, 3 and 5);
- *payment conditions*: the other challenge, which is also related to the international nature of this market, is the payment method differences and security. Farfetch.com has a variety of payment methods and it offers split payments (3 months) (Interview 10);
- *delivery*: in service level, concerning delivery, the important aspects are time-to-customer and accuracy of delivery forecast (article 11). Farfetch.com plans to use the \$86 million to introduce or expand value-added services like same-day delivery and its customer loyalty program (Article 5 and interview 2);
- *return Policy*: due to the high prices of luxury e-commerce, the need of appropriate return policy is essential for customer. Providing free global returns makes it low risk for a first-time customer (Interview 13).“A shopper can get the same dress from multiple retailers and it’s all about which retailer is giving the best experience throughout the entire shopping journey” (Article 9).

Proposition 6 is partly in accordance with the findings. Speed and easiness of shopping experience are surely important factors of efficient service, but, there are many other aspects, such as payment, delivery conditions and flexible return policy which are crucial for luxury shopping experience.

#### **4.7 Luxury e-commerce webpage**

We found the following important elements of luxury e-commerce websites:

- *multilinguality of the websites*: this year Farfetch.com is going to launch new local language sites in German, Korean and Spanish (Article N° 1) and launch local-language websites (Article 5 and Interview 3);
- *sizing System*: this is also a big challenge for the e-commerce companies and customers (Interview 10). Furfetch.com solved this problem using Qubit’s deliver tool to create localized US sizing filters and a size guide toggle (**videos 3 and 5**);

- *communication*: Farfetch.com utilises visitor's history and geotargeting to show a free shipping code to non purchasing visitors. Besides, it created info-graphics and in-content applications, designed to keep people on the site and help them find the right items (videos 3 and 5). It also prompts new visitors to engage with the site's FAQ page to answer any questions that may hold them back from purchasing (video 3 and Article 9); *currency*: in case of Farfetch.com, it has catered to Canadian publishers by adding Canadian currency to the feed, optimized with well-developed content sites in other countries (Interview 13).

Proposition 7 is in accordance with the findings. Findings indicate the importance of factors such as website design, customization and language, payment methods, currency, communication, product range, information and sizing.

#### **4.8 Online Brand Communities**

Farfetch.com is a community that tries to create community focused editorial content inviting the members of the global fashion community to contribute to the content production (Interview 10). This is the wonderful future of being able to create global communities around a common mission (Interview 1). Thanks to the evolution of the web and the social media revolution, now fashion is much more global than before (Interview 9).

Bloggers are a big part of this community so it seems natural for Farfetch to associate itself with them in exciting projects such as BEACH IN THE EAST (Interview 10). Fashion bloggers are paid for posting pictures on Instagram wearing a dress from known brand (Article 2). *"Farfetch is a fashion community made of boutiques, but one which also wants to engage others, such as designers, bloggers, stylists, and fashion enthusiasts at large"* (Interview 7).

Proposition 8 is in accordance with the findings and creating global communities around a common mission have a huge influence on fashion industry.

#### **4.9 Future of Luxury shopping**

There is a stereotype that online kills offline. The fact is that online is a good tool for developing offline shopping (Interview 8). There is no need for separating offline from online, there is a strong connection between these two (Article 7). Shops are fastly becoming showrooms, as well as service points. This means that people may use online and buy in stores (Interview 9). Farfetch.com is in close collaboration with its offline partners (Interview 15). E-commerce is somehow enabler of physical businesses from

traditional channels (Interview 1), it makes designers and brands more popular for global audience (Article 1) and the old model, where digital and physical are defined as being separate, is going away (Article 1). The future belongs to the omni-channel commerce (Article 4).

Future of retail is seen as the merger of the physical and digital experience (Interviews 8, 10, Articles 3, 8). Mobile commerce has been becoming more popular and making it easier to purchase online really from everywhere and anytime (Interview 12).

There is a big advantage of being multi-brand e-commerce website. Having a single website where users could find products from 35 retailers instead of browsing 35 separate sites would greatly improve the customer experience and enable platforms to advertise the portal properly (Interview 5). Multi-brand luxury e-commerce websites usually sell more of any single brand than the brands in their own websites (Interview 15).

Taking into account the online luxury shopping experience and the case of Farfetch.com, we can see that the key success factors of luxury e-commerce websites are high-qualified team, quality of provided service, product range, distribution and return policies. It is crucial to have a qualified team both in fashion and in technologies (Interview 8). Maybe in a more usual retail environment there would be a tech team and a brand team. In Farfetch.com it's just one seamless team (Article 1). Besides, people like a good service. *“They like the fact that they can buy items from Stockholm which arrive a couple of days later in a beautiful personalised package with a little card of the city and something written in local language”* (Interview 8). It is also important to have an *“appropriate webpage which should give customer the exclusive shopping experience feelings”* (Interview 15).

The other key success factors are: services like ‘click and collect,’ same-day delivery, omnichannel model of retail (Article 1) and the European origin, where all the famous companies come from (Interview 6). Table 3 shows the results of propositions discussed.

Propositions	Research Results	Apt or Not
P1	Ubiquitous nature of the Internet is not suitable for exclusivity, but for luxury clothes’ retailers it is possible to create exclusive online presence, as well as Omni-channel model of Luxury shopping (Interviews N° 4, 6, 8, 9, 15, Video N° 4).	Partly

P2	Despite growing opportunities in online luxury fashion sales, there are still many brands, who hesitate online presence. However, this market keeps growing (Interviews N° 1, 5, 8, 10, 11, 14, Videos N° 1, 6, Article N° 1).	Yes
P3	Luxury online shoppers usually are rich, they are not price sensitive and they do not afraid of technologies (Interview N° 12, Article N° 10).	Not
P4	The lack of stores in neighbourhood and limited product range in the shops are the most vital reasons for customer for buying luxury products online. However, practice shows that online luxury customers are well heeled and not price sensitive (Interviews N° 8, 9, 13, Article N° 5).	Partly
P5	Women's products are performing much better than men's. However, men may spend more than women during one purchasing experience (Interviews N° 6, 9, 15).	Yes
P6	The most important aspects of luxury e-commerce services are payment and delivery conditions, sizing system, flexible return policy, service based on customer geography and worldwide presence (Interviews No 1, 3, 2, 8, 10, 13 , Videos No 2, 3, 5, Articles No 1, 9, 11).	Partly
P7	The important elements of luxury e-commerce websites are product range, information about the product, language choices, currency and sizing systems, communication and pleasant atmosphere (Interviews No 4, 13, Videos No 3, 5, Articles No 5, 9).	Yes
P8	Thanks to the evolution of the web and the social media revolution, fashion is now much more global than ever. There is a global fashion community out there, and a global zeitgeist. Collaboration with fashion communities and blogs is the key success factor for luxury e-commerce websites (Interviews No 1, 4, 7, 9, 10, Article No 2).	Yes

**Table 3.** Discussing of Propositions by research results

Source: Authors

Findings confirm the propositions based on the literature review, while others do not. Moreover, as a result of the research some new themes are emerged, which can serve as topics for further research. It is crucial to mention that the luxury e-commerce market is not a mass market. This market is using the high-end luxury segment of fashion. Luxury e-commerce websites are for narrow segment as the physical stores and boutiques which sell luxury clothes.

Speaking about the establishment of trust at customers, the most important tool is appropriate level of provided return policy. With this, the problem of touching and feeling the product no longer exists. Products are delivered directly to customers' doors, where they can try the product in the comfort of their home, with items from their own wardrobe and if for some reason customers are not fully satisfied with the order, they may return as many items as they wish without any payment or other problems. Relaxed return policy makes online shopping experience complete and more enjoyable.

Besides, the findings give many answers on how companies can keep a sense of exclusivity and luxury atmosphere in online marketplace, and which are the key success factors that will guarantee the further development in luxury e-commerce industry.

In a nutshell, the findings highlight three important factors to keep exclusivity in ubiquitous online market. Those factors are:

- Product Offer (product range, information about the product, sizing, etc.);
- Service (omnichannel strategy, personalization, payment and delivery conditions, flexible return policy, service based on customer geography and worldwide presence);
- Webpage (language choices, currency, sizing systems, easy-to-shop structure, pleasant atmosphere, etc.).

The abovementioned should be analysed and explored in the framework of online luxury retail in the future research papers.

## **5. CONCLUSIONS**

The study presents a research on e-commerce in luxury clothes industry. Some researchers indicate that luxury should avoid e-commerce whilst the others state that the Internet is purely a channel of communication for luxury brands. However, the question of the influence of e-commerce on luxury retailing remains unexplored. Due to the globalization and democratization of luxury, fashion retailers are facing the challenge of

using mass marketing strategies. This situation leads to the necessity of deeper understanding of the rules in the e-commerce.

Based on the literature review eight propositions were developed and discussed in the framework of the research results drawn from the case study and secondary data analysis.

Findings show that the most significant advantage given by online presence to luxury brands is the unique opportunity to become global. Besides, online is a good tool for developing offline shopping and making brand more recognized. E-commerce is enabler of physical business. The offline shopping experience is influencing online shopping, because once customers know the product or brand they will easily become online clients. Identifying the key success factors as well as the strategies for the future development, the study has a significant contribution to the practical problems existing in the field and strongly influence the development of fashion e-commerce retailing in overall.

In brief, the key success factors of luxury e-commerce are product range, qualified team, provided service and webpage. Besides, there are some suggestions on how brands can involve new customers to their e-commerce platforms or how they should differ their service based on their customers' geography. If brands want to build a sustainable business, profitable in the long-term, they should know where the future is and the future of fashion retail is 'Omni-channel' model of retail.

The research gives many important findings about the future development of luxury e-commerce and fashion commerce in general. This can serve as a basis for the further research in this field.

### **5.1 Limitations and directions of further research**

The main limitation of this study is lack of the primary data. Further research should analyse primary data developing semi-structured interviews to have more internal view to the problems in this sphere.

Researchers should continue to explore the problem of keeping exclusivity of product in virtual environment, and mostly concentrate on the question of counterfeit market which is the biggest bother for luxury retailers.

It is up to future research to analyse the influence of OBCs on luxury e-commerce and further development of this sphere. Further research may also investigate the effectiveness of the social communities on luxury consumers' purchase intention and

brand attitude in general.

Future research may also analyse effective strategies targeting luxury mobile commerce and Omni-channel model of fashion retail. Besides the opportunities that artificial intelligence (AI), voice-controlled commerce, and augmented reality (AR) can bring to the avant-garde luxury brands should also be furtherly explored.

## REFERENCES

- Adjei, M.T; Noble, S.M. and Noble, C.H. (2010), "The influence of C2C communications in online brand communities on customer purchase behaviour", *Journal of the Academy of Marketing Science*, 38(5): 634-653.
- Atwal, G. and Williams, A. (2009), "Luxury Brand Marketing – The Experience is Everything!", *Journal of Brand Management*, 16(5/6): 338-346.
- Beuckels, E. and Hudders, L. (2016), "An experimental study to investigate the impact of image interactivity on the perception of luxury in an online shopping context", *Journal of Retailing and Consumer Services*, 33: 135-142.
- Broggi, S.; Calabrese, A.; Capisi, D., Capece, G.; Costa, R. and Di Pillo, F. (2013), "The Effects of Online Brand Communities on Brand Equity in the Luxury Fashion Industry", *International Journal of Engineering Business Management*, 5(32): 1-9.
- Casaló, L.V.; Flavián, C. and Guinalú, M. (2008), "Promoting Consumer's Participation in Virtual Brand Communities: A New Paradigm in Branding Strategy", *Journal of Marketing Communications*, 14(1): 19 – 36.
- Chaffey, D.; Mayer, R.; Johnson, K. and Ellis-Chadwick, F. (2003), *Internet marketing*. Harlow, Prentice Hall: Financial Times.
- Chen, S. (2001), "Assessing the impact of the Internet on Brands", *Brand Management*, 4(5): 288-302.
- Chernatony, L. and Harris, J.C. (2001), "Corporate branding and corporate brand performance", *European Journal of Marketing*, 35(3/4): 441 - 456.
- Chevalier, M. and Mazzalovo, G. (2008), *Luxury Brand Management: A World of Privilege*, Singapore: Wiley.
- Clauser, R. (2001), "Offline rules, Online Tools", *Brand Management*, 8(4/5): 270-287.
- Constantinides, E. (2004), "Influencing the online consumers' behaviour: the Web experience", *Internet Research*, 14(2): 111-126.
- Cristini, H., Kauppinen-Raisanen, H., Barthod-Prothade, M. and Woodside, A. (2017), "Toward a general theory of luxury: advancing from workbench definitions and theoretical transformations", *Journal of Business Research*, 70: 101-107

- Dall'Olmo, R.F. and Lacroix, C. (2003), "Luxury branding on the Internet: lost opportunity or impossibility", *Marketing intelligence & Planning*, 21(2): 96-104.
- Dubois, B. and Paternault, C. (1995), "Observations: Understanding The World of International Luxury Brands: The Dream Formula", *Journal of Advertising Research*, 35(4): 69-76.
- Füller, J.; Jawecki, G. and Mühlbacher, H. (2007), "Innovation creation by online basket-ball communities", *Journal of Business Research*, 60(1): 60–71.
- Hennings, N.; Wiedmann, K.P. and Klarmann, C. (2012), "Luxury brands in the digital age- exclusivity versus ubiquity", *Marketing Review St. Gallen*, 29(1): 30- 35.
- Hsu, S.H. (2008), "Developing an Index for Online Customer Satisfaction: Adaptation of American Customer Satisfaction Index", *Expert Systems with Applications*, 34(4): 3033-3042.
- Iansiti, M. and Lakhani, K., (2014), "Digital Ubiquity: How Connections, Sensors, and Data Are Revolutionizing Business", <https://hbr.org/2014/11/digital-ubiquity-how-connections-sensors-and-data-are-revolutionizing-business>, [accessed on 5 May 2015].
- Ind, N. and Riondino, M.C. (2001), "Branding on the Web: A Real Revolution", *Brand Management*, 9(1): 8-19.
- Isaac, H. and Volle, P. (2008), *E-commerce: de la stratégie à la mise en oeuvre opérationnelle*, Paris: Pearson Education.
- Ishihara, M. and Zhang, Q. (2017), "Balancing Exclusivity and Accessibility: Patterns of Brand and Product Line Extension Strategies in the Fashion Luxury Industry", *Luxury*, 4(1): 31-57.
- Kapferer, J.N. and Bastien, V. (2012), *The Luxury Strategy: Break The Rules of Marketing to Build Luxury Brands*, 2, London: Kogan Page.
- Kapferer, J.N. and Bastien, V. (2009), *The Luxury Strategy – Break the Rules of Marketing to Build Luxury Brands*, London: Kogan Page.
- Kluge, P.N.; Königsfeld, J.A.; Fassnacht, M. and Mitschke, F. (2013), "Luxury web atmospherics: an examination of homepage design", *International Journal of Retail & Distribution Management*, 41(11/12): 901 - 916.
- Kozinets, R.V.; De Valck, K.; Wojnicki, A.C. and Wilner, S.J. (2010), "Networked narratives: Understanding word-of-mouth marketing in online communities", *Journal of Marketing*, 74(2): 71-89.
- Kumar, D.D. and Farooqi, R. (2012), "Emerging Impact of E-Commerce on CRM", *International Journal of Computer Networks and Wireless Communications*, 2(1): 41-45.
- Larbanet, C. and Ligier, B. (2010), *The Internet use by the Luxury industry. An*

*interactive tool for a very demanding sector*, Saarbrücken: Lambert Academic Publishing.

Motta, J., Filipe, S., Barbosa, M. (2014), “Estratégia de Comunicação e Venda On-line na Joalheria de Luxo”, *International Journal of Marketing, Communication and New Media*, 2(2): 119-132.

Muniz, A.M. and O’Guinn, T.C. (2001), “Brand community”, *Journal of Consumer Research*, 27(4): 412–432.

Okonkwo, U. (2007), *Luxury Fashion Branding*, London: Palgrave Macmillan.

Okonkwo, U. (2009), “Sustaining the luxury brand on the internet”, *Journal of Brand Management*, 16: 302-310.

Okonkwo, U. (2010), *Luxury Online – Styles, Systems, Strategies*, London: Palgrave Macmillan.

Ouwensloot, H. and Odekerken, S.G. (2008), “Who’s who in brand communities-And why?”, *European Journal of Marketing*, 42(5/6): 571–585.

Park, H. and Cho, H. (2012), “Social network online communities: information sources for apparel shopping”, *Journal of Consumer Marketing*, 29(6): 400-411.

Peng, N., Hackley, C., Tiwsakul, R.A. and Chou, C.L. (2011), “Antecedents of luxury brand purchase intention”, *Journal of Product & Brand Management*, 20(6): 457-467.

Perez-Schafer, E. (2008), “Consumer Behaviour Luxury Consumer - Online Satisfaction”, Palermo.

Phau, I.Y., and Prendergast, G. (2000), “Consuming luxury brands: the relevance of the 'rarity principle'”, *Journal of Brand Management*, 8(2): 122-138.

Quach, S. and Thaichon, P. (2017), “From Connoisseur luxury to mass luxury: value co-creation and co-destruction in the online environment”, *Journal of Business Research*, 81(December): 163-172.

Rowley, J. (2002), “Using Case Studies in Research”, *Management Research News*, 25(1):16-27.

Shang, R.A.; Chen, Y.C. and Liao, H.J. (2006), “The value of participation in virtual consumer communities on brand loyalty”, *Internet Research*, 16(4): 398-418.

Sherman, L. and Cohn (2009), “The Yale biographical dictionary of American law”, in R. K. Newman (Ed.):191-192, Yale University Press.

Sicilia, M. and Palazón, M. (2008), “A theoretical explanation for consumers' participation in virtual communities: Uses and gratification paradigm”, *Corporate Communications: An International Journal*, 13(2): 255-270.

Thompson, F. and Corner, J.L. (2005), “Perceived Risk, the Internet Shopping Experience and Online Purchasing Behavior: A New Zealand Perspective”, *Journal of*

*Electronic Commerce in Organizations*, 13: 324-326.

Vigneron, F. and Johnson, L.W. (2004), “Measuring perceptions of brand luxury”, *Journal of Brand Management*, 11(6): 484-506.

Viot, C. (2009), *Le e-marketing à l’heure du web 2.0*, Paris: Lextenso editions.

Xia, L.A., Burns, C. and Hou, Y. (2013), “Comparing online and in-store shopping behavior towards luxury goods”, *International Journal of Retail & Distribution Management*, 41(11/12): 885-900.

**How to cite this article:**

Balasyan, I. & Casais, B. (2018). “Keeping Exclusivity in an E-Commerce Environment: The case of Farfetch.com and the market of luxury clothes”. *International Journal of Marketing, Communication and New Media. Special Issue 4 – Luxury Marketing*, 6 – 27. Available at <http://u3isjournal.isvouga.pt/index.php/ijmcnm>