



Department of Management

Fashion Management

**The E-commerce experience in the high-end fashion industry:
Exploring new technologies and channels to drive traffic and improve the online
user experience**

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Abstract

The purpose of this work is to explore, by market analysis researches, new technologies and channels used by luxury brands to improve e-commerce practices.

High-end fashion industry has been shaped by the growing popularity of E-shopping. Since 2010 most brands are selling online changing part of their business model and a likewise redesign of the supply chain. According to the Boston Consulting Group's study 60% of luxury sales are digitally driven, among which 41% are ROPO. Given this online purchasing behavior, firms which own an e-commerce have understood the necessity of improving the user experience avoiding confusion in navigation and creating a familiar environment for the customer. Brands listen carefully to their clients and to what they expect, though, they provide digital solutions enhancing investments in IT and addressing these efforts to experience personalization. Accordingly, they are exploiting AI technologies, strategic to the customer service improvement and personalization of the journey. Websites are also branding tools, which deliver to consumers the brand idea and identity. This is the reason for which efforts are addressed also to visual elements and storytelling, to successfully communicate the brand DNA. On the consumer side, the growing usage of social media has pushed retailer to delete barriers among channels trying to provide cross-channel specific digital services with interaction between the E-commerce and social networks audience. This has created different challenges, such as the importance of a good one-to-one relation, community management and mobile solutions. Given these assumptions, the work will show that there are practices which may provide valuable benefits to both users and brands. The general research is conducted by market analysis and it is articulated in five chapters; each of them is devoted to the examination and evaluation of the following issues.

The first chapter gives a general view of which are key traits of the overall landscape faced by luxury brands, with a focus on changes in consumer behavior pattern, which has become increasingly digital demanding, and the key points of the luxury branded experience. The business model of a luxury brand is built on delivering memorable in-store experiences and excellent services, elements which brands are trying to reproduce online. Market practices show that both the level of digitalization achieved and

investments in new technologies give hope about the future. Today IT provisions have improved a lot, permitting cost reduction, personalization and easy access to technologies. The second chapter goes deeply in the analysis, focusing on e-commerce infrastructure and architecture, highlighting strengths and weakness of different typologies of this business model. Combining market researches of the luxury brand online presence and e-commerce KPIs monitoring, it is emerged a general snapshot which shows good performances in terms of traffic visits improvements, engagement and technologies invested on websites. Leading brands emerged are: Louis Vuitton, Gucci, Fendi, Chanel, Dior, Valentino, and other four brand, with more than 40 technologies and an average value of about 5 million of traffic visits. The findings of a direct analysis methodology show that luxury e-commerce differentiate their offer from other non-luxury players principally with these elements:

- Storytelling;
- Products presentation;
- Additional services.

Storytelling entails the visual language, which is strictly functional to the representation and communication of the brand identity online. Luxury fashion brands communicate through visuals rather than verbal language, since products are connected to aesthetic dimension involving at first the sight sense.

These websites must express an overall aura of exclusivity and charm: first impressions are determined by colors, themes, videos and images, whose contents are built on the brand essence. Storytelling is the driver of this process, an active tool which involves the customer making feel him part of the tale.

Concretely, storytelling is made by the brand itself, it tells its history anchoring the tale to the brand's creator history, first product, city or country of origins creating something unforgettable, authentic and of high creativity.

There is a positive and increasing trend according which luxury brands are focusing on content marketing strategies, which are based on the creation of compelling, relevant and valuable contents which are addressed to involve consumers on websites.

Efforts are sustained by statistical evidences, which proof that there are concretely positive relations between storytelling efforts and brand values.

Histories are always present on a brand website in different forms, such as mini film, videos and image with descriptions and they tell not only the brand's history but also rumors and lifestyle linked to the brand itself, in order to nurture the dream and enhancing engagement. A smooth experience on the website is of course something that is needed but to tell a story with e-commerce make certainly customers come back.

The band wagon is that luxury fashion companies are acting like media companies when using storytelling; today the experience is everything and consumers want to feel involved.

Considering the sociological aspect, the tendency is linked to "the social media fever" which, through high interconnection, accessibility and global participation, makes people perceive to be more at the center. Millennials and Generation Z are new classes of luxury consumers, they seek and expect new appealing and involving experiences, from events to exhibitions, from restaurants to place to visit, they want to reflect their selves in something more than a product; that's why storytelling has totally evolved, amplifying contents which are attraction-oriented and users-created. Contents delivered need to be of high-quality, because they are expressing the uniqueness, authenticity and exclusivity of the luxury world which before it was expressed only by craftsmanship, elegance and the physical store. In a context in which communication has shifted to omnichannel approaches, contents are drivers of attraction and strategy itself, because users must perceive same contents across all the touch points. A great example of the storytelling evolution and quality is Gucci, which during last years has showed its ability to change its spirit, going further while preserving identity and reshaping expressions. With the revolutionary fashion designer Alessandro Michele, the Brand has dramatically changed its approach to communication embracing and adapting it to new digital code.

Gucci storytelling is different because it has extracted the narrative from the brand history, telling stories about lifestyle, events and appealing and "sharable" initiatives for Millennials. Moreover, the striking point is that brands like Gucci, Louis Vuitton or Fendi are tailoring contents on targeted markets; concretely, given the great importance of Chinese clients, which are the heaviest segment in customers (32% of \$313billion of

luxury personal goods sales), brands are adapting their website contents to their tastes, showing different products, storytelling and captions when the countries settings are , perhaps, on China. That shows high content strategy efforts, strategical for the future, since source of website traffics comes principally from USA, China and Japan.

Going ahead, another element which should distinguishes luxury e-commerce is the products presentation. High-end products have dense symbolic-value, thus the representation format must be capable of arousing as much as possible same psychological feelings, those individuated by Maslow, inducted by physical products. Moreover, the high prices of high-end products induce consumers to make evaluations differently from other kind of goods, accordingly, the quality of the presentation must be very high in order to give same information in detail which consumers would have in the physical store by human interaction. Through a direct personal analysis, different drivers of quality are emerged:

- High definition pictures;
- Videos;
- Zooming tool to view details;
- Compelling narrative and detailed descriptions;
- Sizes and availability indication.

Additional services are what make the online experience different and valuable.

Luxury and non-luxury E-commerce present in the customer service section basic tools to provide right assistance, which are:

- free shipping methods;
- returns and refunds policy;
- FAQ;
- Payments methods (Visa, Mastercard, American express, PayPal).

Additional services are exclusives and additional to those mentioned and they generally provide cross-functional and cross-channel features.

Main services individuated are:

- Store locator function, which enables users to find store within his/her address or postal code through geo-localization. Visitors can easily find cross-functional information about the nearest boutique where to purchase the desired good, such as the distance, available products and opening hours. This tool is innovative and provide integration between online and offline stores;
- Collect-in-store, which provides a cross-channel service through the online reservation of the item and the physical collection of it in-store;
- Book an appointment, a cross-channels service, provides online reservation of an appointment in-store to evaluate a specific product;
- Gift packaging, which provides a special wrapping for the item ordered. It may be free or with an additional fee;
- Additional shipments methods.

These services have high value potential, considering that customers general buying habits are represented by ROPO. These trend lies in the general reluctance of online payments, which is due to the lack of enough security on Internet, especially when high prices are involved. Additionally, it is explained considering that the selling ceremony and the human interaction are something vital and crucial in the luxury journey.

The third chapter dissects this issue: how e-commerce websites are trying to provide personalized experience through the usage of Artificial Intelligence technologies, which should replace the competitive advantage given by human interaction.

Artificial intelligence can be defined as behavioral analytics. They are part of computing science and machine learning which are programmed to be intelligence machines able to reproduce the human consciousness. In fact, the purpose of AI is to mimic the human way of thinking, performing task as a human being. Practically, these are intelligent machines able to think and learn about data using different combination and types of algorithms; the outcome is that through the connection and matching of algorithms, artificial intelligence catches the meaning of an activity which is consequentially learnt.

Market intelligence company international Data have found that within next year, at least of 40% of retailer will be using AI platforms to improve their businesses through the user

experience and according to TechEmergence, that the 85% of customer interactions will be performed without humans being, substituted by AI.

AI are planned to learn about the consumer history using gathered data, enabling the technology to deliver the consumer real-time tailored insights. Sale assistants are not able to derive, from the face to face interaction, real-time insights about the consumer entire history. That's why the high-end fashion retail industry has been reshaped by the AI usage, to provide higher personalization than ever. Nowadays, they are the main driver of the customer experience and, consequently, of the sales increase.

There following are three main building blocks necessary to the successful implementation of AI for the customer experience: data unification, real-time insight delivery and business context.

1. AI are behavioral analytic and that means they must work with enormous amounts of data which today are easy and cheap to get thanks to new generation of technologies for daunting; thus, software and processes for data unification are the engine for AI;
2. In order to grant high level of engagement, insights about the customer need to be delivered in the moment of the touchpoint usage, accordingly, it is said real-time insight delivering; all happen integrating the whole data collection pursuing the omnichannel strategy;
3. AI delivers consistent value if it is given a context, meaning for context not a single interaction but both the interaction carried out by the user and the level of significance that those interaction has on KPIs and consumer behavior. The customer journey is something strictly individual which is driven by each client behavior, for this reason AI combines data with the context in order to grant a matching between the "next best action" produced and the specific user experience.

In AI applications two are the main trends of the new user experience: customer service automatization and experience personalization.

The starting point of the entire process is the "intelligent user profiling".

Firstly, every time a consumer enters a luxury e-commerce website it is prompted to accept cookies policies, which enable the system to start information gathering and provide smoother navigation.

After this, users generally register their account to build their online profile; at this point AI can provide tailored facilities.

For what concerns customer services, AI embedded system capable of responding in real-time, automatically avoiding problem for the user, such as waiting for responses, queries and complaints. The purpose is to make the interaction faster, clear and useful in order to increase consumer satisfaction and care, key element in a luxury brand communication strategy.

These systems offer support through automated messaging or through virtual service assistant which are embedded in:

- Live chat, which are radical innovation for e-commerce sites, able to reproduce the welcoming and assistance of the in-store selling ceremony. Entering the website, users are welcomed and greeted by a friendly and professional virtual assistant, in some cases the service is automated in other cases not. Brand efforts that need to be mentioned are, perhaps, Louis Vuitton, Dior, Prada, Gucci, Burberry and Balenciaga, which are using live chats. These means a substantial improvement in this sense. Luxury consumers always want to be perceived as valuable customers, both in-store and online, and this implement ensures care and attention to customer;
- Chatbots are social media version of live chat. These systems exploit social network platforms, especially Facebook messenger, giving the opportunity of engagement directly there.

The other meaningful AI application individuated is directed to enhance the user experience personalization, which occurs by means of specific algorithms. They can learn and trace the user profile, depicting the specific buying user behavior.

This practice is necessary to offer tailored experiences to targeted audience and to build value-added relationships with them. E-commerce luxury sites, following giants of mass-market E-bay, Amazon or Netflix, chooses to use recommendation systems which are

increasingly popular today. These types of recommendation engines are generally used to suggest products to user and improve research of items on the website. The result has two consequences: the facilitation of the user purchases and researches, together with sales improvement. The latter is proofed by BCG and Accenture studies, which have found out that retailers have seen sales gains of 6-10% and that they would advance profitability rates of 35%, with the adoption these technologies.

From a technical point of view, recommender systems can be of three types: content-based recommendation engines, collaborative filtering and hybrid systems.

Luxury e-commerce are generally planned on collaborative filtering methods, based on collecting data about user behavior online, his/her preferences and routine activities, matching them with other link-minded users. These systems work creating groups of users according to similarities after associated and matched to predict what users will like. The ratio behind this is that users will think the same in further actions, thus the prediction about behaviors of the same group is possible because a user preference will be the same of another user in a second time.

During the creation phase, products are linked with others by cross similar features such as style, materials, design or prices; algorithms reproduce online this practice, selecting additional products that might be of interest to the customer.

By direct monitoring of websites, it has emerged that engines follow three main lines of action which may be named differently according to the site:

- Items suggestion to complete an outfit, proposing complementary products;
- Items suggestion to facilitate navigation and researches of recently viewed items;
- Items suggestion proposing alternative products of the same category;

Furthermore, recommendation can create value-added relationships with customers because they may entail up-selling marketing techniques.

Going ahead, in the fourth chapter, I took in consideration which are the actual main sources of traffic for online luxury brands, in order to considerate the social media channel. Specifically, from various enquires and reports consulting, findings show that the four main sources are:

- Search engines, which account for 49,7% of the total traffic, among which Google drive “the lion share” with 96% of searches;
- Shopping sites, which account the 21,4% of the total, among which only the 4,6% is represented by high-end brands website;
- E-mail services, which account the 3,3%. E-mail are key sources for timely seasonal offers, among which Gmail represents the 65% and yahoo the 25%;
- Social media, which account the 5,9%.

Comparing these results, it is interesting to notice that social media entail a great driver of traffic. In force of that, during last years, the market is facing a new phenomenon due to the growing popularity and addiction to social media platforms. These have opened innovative and strategical opportunities for luxury brand and for all the economy in general, giving life to a new e-commerce business model which involve social media platforms in transaction: the social commerce.

Social commerce should be considered as a subset of e-commerce business model. It is an internet-based social media which involves Web 2.0 technologies to assist user online interactions and transactions, combining by so social and commercial activities. Moreover, the profitability of this system is provided leveraging community and word of mouth effect.

This tendency is strictly linked to the “reputational economy”, a concept which explains how people exchange value and esteem with each other; people on social media exchange values according to esteem and trust based especially on their status on social media.

Considering that, benefits are directed to influence brand equity, in terms of brand awareness, reputation, loyalty and consumer purchase intentions because social media are places where users can share advices from trusted people and collaborate exerting high influence among them.

Social commerce is above all a selling tool, which is useful to drive traffic and enhance conversion for e-commerce website. Considering its features, it goes hand to hand with mobile commerce, in fact firms have been forced to find mobile solution to develop social commerce platform and strategies. Mobile commerce has been briefly described in the

second chapter, it is an extension of e-commerce website which entail the buying and selling activity through smartphones and mobile devices. Considering that social networks accesses generally occur through mobile devices, luxury fashion brands have gradually developed mobile commerce version of their website, partnering with high skilled developers, to target also smartphone and mobile users. M-commerce services are available “on the move”; they satisfy consumers necessity of being always connected to check collection and what’s new.

Given this general landscape, high-end brands are managing social media channel as a selling tool and source of their website traffic. Considering main social networks utilized by luxury fashion brands, digital reports show the following:

- Instagram is the most popular social, with a 23% of YOY growth and higher engagement with 95% in comments, likes and share;
- Facebook is the second, with 20% of growth, with lower 4% engagement;
- Twitter with 11% YOY growth and 1% engagement with 11M of interactions;
- YouTube with about the 11% YOY growth and 0,1% engagement with about 1M of comments, likes and dislikes.

Companies use not only the four mentioned socials, but also other platforms such as Pinterest, Snapchat, Flickr and Tumblr which are basically visual social networks where users can collect, save and share preferred images, like if it were a virtual fashion library, so they seem to be used mainly for advertising and branding purposes. In the digital revolution advertising exploit especially TTL tool to communicate and all these socials are example of this. What is more interesting is that brands like Versace, Dolce & Gabbana, Fendi, Gucci, Chanel and Dior are landed on Chinese and Japanese social networks, perhaps Weibo, the famous WeChat by Tencent, Youku and Line, which are strategical to target China and Japan, since they exert very high influence on these societies. Moreover, most of these platforms have developed specific tools dedicated to enterprises giving life to the up-mentioned social commerce practice. Main tools are exploited through Instagram and Facebook, among which the most relevant are:

- Link website sharing;
- Swipe up on Instagram stories;

- “Buy now” on Facebook brands pages;
- Products tagging, which come from the Instagram strategic partnership with Shopify.

At this point, it will be traced out which are main technologies and channels of the today online practices. Different variables to make evaluation emerge:

- storytelling quality, represented by both innovation and coherence to heritage and contents adaptation to targeted customers;
- product presentation quality, embedded in descriptions and tools to virtually reproduce items;
- AI technologies, embedded in cookies and recommender systems;
- AI in customer service, utilized in live chat and virtual assistants;
- Additional services;
- Social media usage;

All these variables are combined and applied to four e-business cases in the fifth and last chapter, in order to evaluate best luxury fashion e-commerce strategies.

Introduction

The argument of this work comes from the integration of personal attitude and the interest for the luxury digital revolution that I have developed during my educational journey.

I will be focused on the luxury fashion sector because I find it inspiring and intriguing, since it concerns wide aspects of our life: economy, art, psychology, sociology, exerting influence on most of our choices and actions, even without our awareness.

The digital revolution is like other revolutionary moment which have interested our story, although it has different connotations.

In accordance with that, I retain motivating to investigate on how these changes affect the business of one of the most influential sectors, which few years ago was considered a closed and distant world apart.

The high-end fashion industry has been shaped by the growing popularity of E-shopping. Since 2010 most brands are selling online changing part of their business model and a likewise redesign of the supply chain. According to the Boston Consulting Group's study 60% of luxury sales are digitally driven, among which 41% are ROPO. Given this online purchasing behavior, firms which own an E-commerce have understood the necessity of improving the user experience avoiding confusion in navigation and creating a familiar environment for the customer. Brands listen carefully to their clients and to what they expect, though, they provide digital solutions enhancing investments in IT and addressing these efforts to experience personalization. The concept of personalization and tailored e-commerce sites are critical points for the success; today customers ask for personalized contents and experiences in order to access easy and high-quality services but, at the same time, they need to be managed with specific tools. Accordingly, brands are exploiting AI technologies, strategical to the customer service improvement and personalization of the journey; through customer-related Data collecting, AI can target right customers with right products, and it is needed to adjust contents with individual preferences too. There is a growing importance of such recommendation engines which make the research and transaction easier and personalized. Websites are also branding tools, which deliver to

consumers the brand idea and identity. Brands websites are enriched by charming storytelling and high-level of visual presentations and descriptions to recreate feelings and atmosphere typical of a luxury physical store. Nevertheless, online experiences are still far from reproducing the in-store journey because there is the necessity for the customer of seeing, touching and trying the product as well as living directly the brand atmosphere. This is the reason for which efforts need to be addressed also to visual elements and storytelling, to successfully communicate the brand DNA. Moreover, on the consumer side, the growing usage of social media has pushed retailer to delete barriers among channels trying to provide cross-channel specific digital services with interaction between the E-commerce and social networks audience. Considering a good channels integration, it is interesting to observe that since new luxury consumers are Millennials and new generations, heavy users of mobile devices and social networks, most brands have increased their presence online by social media usage. Today, customers can check a product rating in every moment and time, asking for something to someone, obtaining comments on products and services by others directly from the social media used. This has created different challenges, such as the importance of a good one-to-one relation, community management and mobile solutions. Given these assumptions, the general research is conducted by real practices analysis and it is divided in five chapters; each of them is devoted to the examination and evaluation of the following issues. The first chapter gives a general view of which are the key traits of the overall landscape faced by luxury brands, highlighting the essential changes which have interested the consumer behavior pattern and the key points of the luxury branded experience.

The second chapter goes deeply in the analysis, focusing on E-commerce infrastructure and typologies. Then, the focus is on luxury websites element of differentiations, which entails for the most the visual language and additional exclusive services. Going ahead, the third chapter dissects the issue of how they are trying to provide personalized experience by means of Artificial Intelligence technologies, behavioral analytics which should replace the competitive advantage given by human interaction. Though, the chapter is also focused on which are main AI and algorithm applications on E-commerce sites. In the fourth chapter, I take in consideration which are the actual main sources of traffic for online luxury brands, in order to considerate the social media channel

performances as branding and selling tool, stressing the importance on the social commerce phenomenon. Finally, in the fifth and last chapter, I consider four e-business cases, evaluating them applying a qualitative method supported by the KPIs emerged during the whole analysis. This chapter responses to the main question: how are brands managing digital tools to improve the online customer journey and profitability? Answers will be given in the conclusions.

1.The luxury market goes online

1.1 The luxury democratization

In the Past society, luxury consumption was a privilege reserved to the aristocratic classes, who used to consume goods in order to mark their status and social superiority. After the industrial revolution there was a tendency towards the increase in general wealth; social stratification gradually disappeared and luxury goods demand increased thanks, above all, to the technique of production improvement and better product quality. In the 19th century, the luxury world was still virtually isolated from the rest of the economy but across times it has gradually developed its own rules. From the 20th century this world of luxury gradually ceases to be closed apart: an ever-growing slice of population is beginning to have access to it, and this has contributed to its development across societies. The luxury evolution has been driven by four elements: democratization, globalization, communication and increase in spending power.

Democratization is the most important driver of the luxury change and it determine two important effects; firstly, this means that the luxury world become more accessible to everyone and this is the reason for which the consumer base has increased during the last decades.¹

Secondly, the process has determined the disappearing of the social stratification, but at the same time it brings a great risk which is the vulgarization, a threat that should be prevented because it would entail a loss of value.

The increase in the spending power, in a non-luxury specific driver, but it represents an obvious engine which brought an increase in the general wealth in terms of available money and time directed to improve luxury goods demand. Globalization is also an engine of the luxury evolution; it has boosted the power spending increase and it has contributed to the fall of most manufactured good prices; by so, it has offered accessibility to a great variety of product which can be sources of luxury, that's why today, some luxury brands produce in low cost countries. This new trend cause problems in terms of

¹ Tungate, M. , Fashion Brands: branding style from Armani to Zara. London: Kogan Page, 2005

brand awareness and identity: a luxury product is rooted in its history and thus “it has to remain faithful to its origins and be produced in a place which holds same legitimacy for it”.²

Finally, communication is the last of the present-day drivers of change that has a high impact on luxury.

The development of technologies and mass medias has revolutionized the world of luxury and how it communicates with the market. Luxury brands nowadays, deal with consumers through digital touch points, opening a big ground of possibilities for them.

Nowadays, in the 21th century, the luxury world is increasingly popular and in fashion and each of us wants to be in. Consumers drives the sector and in order to gain competitive advantage each luxury brand should know its consumers who are increasingly evolving, so it is necessary to constantly monitor their changes in the behavior pattern.

1.3 The luxury goods industry

The luxury market has a continuous and dynamic growth and it is characterized by a broader availability to consumer than ever before.

According to empirical researches it has been identified six facades which describe the core elements of a luxury brand such as excellent quality, very high prices, scarcity and uniqueness, aesthetic and poly sensuality, ancestral heritage and personal history and superfluosness.³

Specifically, excellent quality and high prices are strictly connected; a luxury product should entail the maximum in terms of quality, and this is the reason for which the consumer associates a luxury item to quality in design, material and experience offered. Consequently, the high prices are justified by this and the consumer is willing to pay more in order to obtain and to access high quality products.⁴

² Kapferer, J.-N., & Bastien, The luxury strategy: break the rules of marketing to build luxury brands. London and Philadelphia: Kogan Page, 2009

³ Berry, C. The idea of luxury. Cambridge: Cambridge Univeristy press, 1994

⁴ Simon, K. Perceiving luxury and necessity, in “Journal of Economic and Psychology”, 1998

Scarcity and uniqueness are two other main elements of the luxury industry which are strictly close to high price and high quality; the craftsmanship, original design, the essential requested skills and the special manufacturing techniques make the luxury product unique and different from mass-produced items. By so the whole market is depicted by unique product. Scarcity is referred not only to the distribution but also to the availability and usage. Thus, a luxury brand will have a selective distribution of products and the availability of them is made through a careful selection.⁵

For what concerns the fourth dimension, it involves the aesthetical aspect since luxury goods are characterized more than any others by intangible elements such as brand, DNA, codes, history and lifestyle. A luxury good should be appealing and pleasant communicating beauty to the consumer mind through the five senses involvement (smell, taste, hear, touch, view). The product should be able to create a dream and desire around itself, it become a form of art, by so, the aesthetical dimension involves also the context in which the luxury product is presented. Furthermore, the concept of luxury is associated by the consumers with “excessiveness and extravagance” or research and desire of “ostentatious object and experience” since ever. What differentiate a luxury good from other non-luxury goods is its ability to satisfy psychological needs of self-actualization, those individuated by Maslow’s study “The Hierarchy needs”.⁶

Therefore, poly sensuality is a main notion within the luxury environment.

When we interact with luxury goods, we are also exposed to the history behind them; in the consumer mind a product of this type is anchored to an old history, which is told through the brand, DNA and codes. Luxury gain value across the time and this is also an element in favor of the scarcity, because every luxury product and every brand have a specific history and historical heritage which differentiate them from others. Though, in this context, the ancestral heritage is an important concept because a luxury brand must have a story to tell and should portray a legend.⁷ Finally, another main element associates with luxury is the superfluousness; the luxury consumption is totally driven by the

⁵ Dubois, B., Gilles, L., & Czellar, S. Consumer rapport to luxury: analyzing complex and ambivalent attitudes. Paris: HEC, 2001

⁶ Kemp, S. Perceiving luxury and necessity, in “*Journal of economic psychology*”, 1998. 19, 591-606

⁷ Clifton, R. Brands and Branding.. London: Profile books.,2003

consumer satisfaction in terms of “superfluous” needs.⁸ Actually, luxury products aren’t directed to satisfy functional needs; the consumption is superfluous and the consumer doesn’t feel this product as necessary for survival.

To conclude, these are all the notion individuated to describe at better the luxury market and its hedonistic perception.

For what concerns numbers, the market is significant and amount to US\$217 billion of aggregate net sales of the top 100 worldwide companies in 2018. Today revenues in this market are about US\$314,358M and they are expected to grow annually by 2,1% in the upcoming a four year. It has significantly outpaced that of other consumer goods and the rate of growth has been driven by a rich variety of factors.

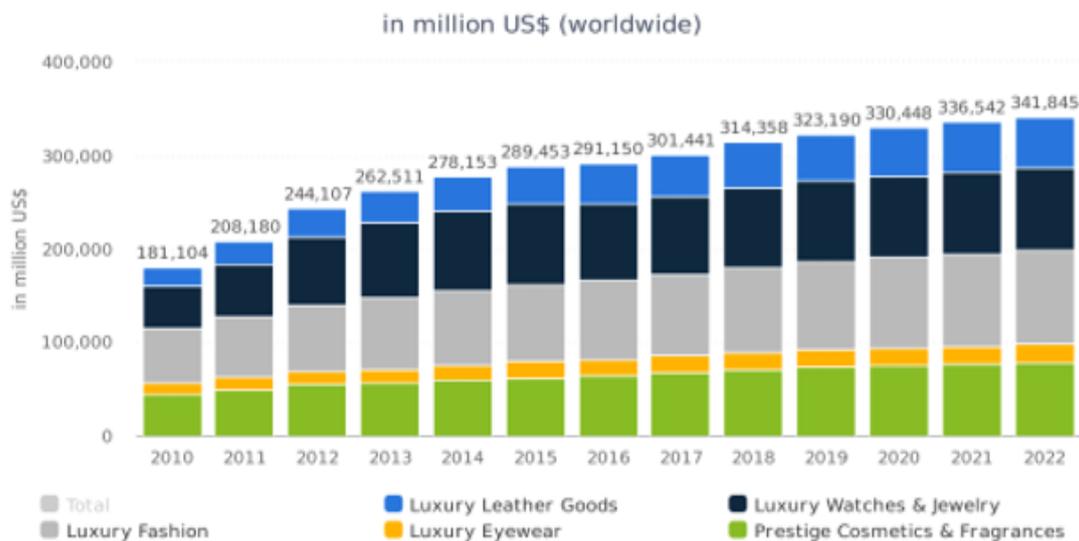


Table 1 Source: Statista. Revenues in the luxury goods market worldwide⁹

⁸ Simon, K. Perceiving luxury and necessity, in “Journal of Economic and Psychology”, 1998

⁹ (Statista, 2018)

The graph shows us that, in global comparison, in US are generated most revenues. We can also observe that the market's largest segment is represented by the Luxury Fashion goods, with a volume of US\$91,623M.¹⁰

This industry is not independent, and it is characterized by high barriers. Within the luxury market there is an ever-expanding offer of different products grouped in different categories, which are fashion couture, ready to wear and accessories, perfumes and cosmetics, wine and spirits and watches and jewelry. However, the luxury offer provides consumers symbolic and experiential benefits – such as status and prestige – that mostly come from the intangible attributes of their brands.¹¹

Historically, this market was characterized by a wide number of small artisan family owned business, valued for the high level of quality and craftsmanship of their outputs. Nowadays, with the strong presence of large conglomerates, such as LVMH, Kering, Richemont or Gucci group, the market has gradually changed its framework. Specifically, some conglomerates still emphasize their heritage and superiority of products to attract and retain the most affluent group of consumers others improve their performances combining their high prestige with more affordable prices, in order to appeal middle-classes consumers. Still there are other groups which diversified into new international markets to increase their customer base. Thus, the positive outcome is that the luxury market is grown up in market size, product range and customer diversity. According to the latest trends of this industry the common driver for the growth of all the conglomerates is the commitment to Brand building, that's why the most number of firms has invested on it by collecting revenues , increasing market size and showing great results in competitive positioning especially respect to those “whose core values were linked more to products and services than to branding”.¹² The focus on the brand building is really important in this industry because the consumers purchasing behavior is particularly

¹⁰ Statista. *Personal luxury goods market value worldwide, by market segment (in billion euros)*. Source: <https://www.statista.com/statistics/883902/personal-luxury-goods-market-value-by-product-category-worldwide/>, 2018

¹¹ Moore, C., & Fionda, A. The anatomy of the luxury fashion brand . *Journal of Brand Management*, 2009

¹² Okonkwo, U. *Luxury Fashion Branding: Trends Tactics Techniques*. New York: Palgrave MacMillan, 2007

driven by their perception of luxury products in term of self-esteem and social status enhancement; a luxury product goes beyond the creative design and high quality because it tells an history and conveys a particular symbolic meaning, which is caught by the consumer's perception. Therefore, creating an appealing brand image and building a strong identity are strategical choices which enable the addition of value to the company and its products.¹³

1.4 The high-end fashion industry

In this paragraph, I introduce the high-end fashion industry, because my analysis of the e-commerce practices will be restricted to this sector.

It's hard to well define a luxury fashion brand but there is a strong difference between luxury and fashion which is based on different attributes. We can individuate the differences using a segmentation-based, criteria which highlight market segments. A mass market or branded mass segment is targeted with affordable products, low prices and fast and broader distribution, in order to make the consumption faster; the design is tailored to the current fashion trends, so it changes frequently. Moreover, these products are manufactured in low cost countries, since the origin doesn't affect purchase decisions. Another distinction is in the discount policy, because this kind of product usually have period of discount in order to attract more consumer and this is a not advisable practice in the luxury industry. Premium brands are generally closer to the luxury segment, but they have lower price than luxury ones and they are more affordable and diffused, indeed they have multi-local distribution. Finally, the luxury segment is divided into affordable, aspirational and absolute luxury and, as we have seen in the previous paragraph, this sector is characterized by unique and precious goods, with very high price and selective distribution, heritage and craftsmanship.¹⁴

¹³ Kapferer, J. *The new strategic brand management*. London and Sterling Virginia: Kogan Pag, 2004

¹⁴ Kapferer, J. *Managing Luxury Brand*. *The journal of Brand Management*,1997

High-End Fashion is the heaviest sector in terms of global sales of personal luxury goods. The luxury fashion industry is a multi-billion-dollar market comprising of a multitude of brand with high relevance. As we can see in the graph below, Revenues of the luxury fashion segments amount to US\$91,623m in 2018 and it is expected a positive trend, within 2022, with a growth of about the 3% in global comparison.

The market analysis is made up taking in account top 100 luxury fashion brands and their performances.

According to outcomes in 2018 most revenue is generated in US with a market volume of about US\$25,300M.¹⁵

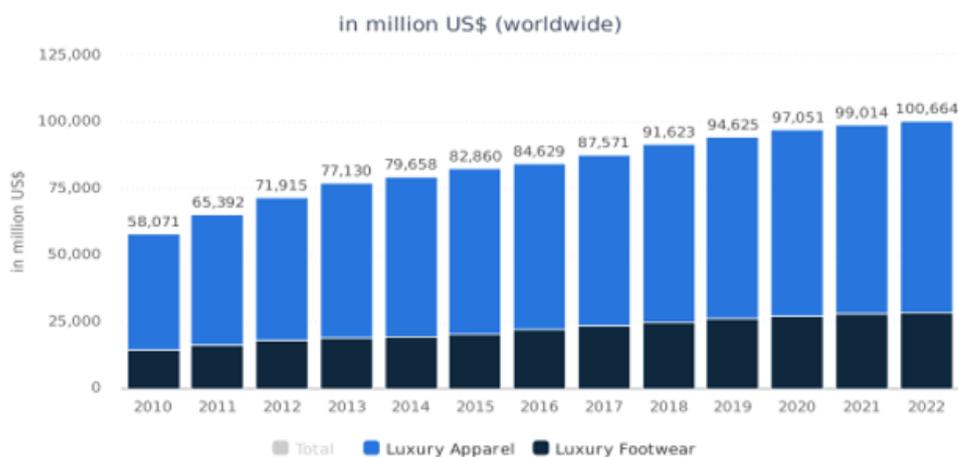


Table 2 Source: Statista. Luxury fashion goods market worldwide¹⁶

The market is skimmed by two categories of players which operate in the same segment, as we said before small-medium companies and group of conglomerates.

Small-medium size enterprises are generally referred to those whose products are made according to the artisan tradition. These types of firms are family-owned / controlled businesses with high concentrate ownership which are usually managed by the founders and some family members. These companies have strong awareness among customers such as Prada, Armani, Tod's and many others.

¹⁵ Statista. Source: Statista: <https://www.statista.com/outlook/21030000/100/luxury-fashion/worldwide>, 2018

¹⁶ (Statista, 2018)

On the other side we have large group of conglomerates, the “big” of fashion which own more than 100 Brands: Louis Vuitton Moet Hennessi (LVMH), Kering, Richmont and Swatch group. During the last decades the market saw an interesting transformation in which such diversified groups are the principal actors to drive the market. They are pursuing vertical integration strategy causing different supply problems to the those still independent, thus, today, these independent brands must decide to go out of business or to end up being as acquired.

All the actors involved have developed businesses which seek to maximize their services to consumers; they have strengthened the products availability through a greater geographical coverage or improving their dedicated points of sale.

1.5 Luxury consumer segments in 2018: an overview to new targets

Who is the new luxury fashion consumer? At first glance, we can make up a distinction based on financial assets possessions: High net worth individuals and Ultra high net worth individuals (HNWI and U-HNWI).

HNWI are people who possess more than \$1m in assets, conversely people who possess more than \$30m are U-HNWI. “The highest number of HNWI has been registered in US at the end of 2016 with an expected growth of 10%, by the way the global number of these consumers is grown up to 11,7%. Moreover, about the 62% of HNWI reside in the United States, China , Japan, German and India.¹⁷ For what concerns U-HNWI, they are self-made man and women and, as we said, this is the richest consumer segment which is grown up by almost the 70% from 2015 and especially in emerging Countries such as Russia, Brazil, India and China. Today, half of U-HNWI usually live in North America, one quarter in Europe and Asia-Pacific Countries, except China, host 13% of them.”¹⁸

Once we have considered financials, we can individuate the characteristics of the luxury fashion consumer in developed Countries considering that luxury brands are now catching new middle-class consumers, launching new product or making brand or product

¹⁷ Investopedia. Source: Investopedia: <https://www.investopedia.com/terms/h/hnwi.asp>, 2018

¹⁸ Investopedia. Source: Investopedia: <https://www.investopedia.com/terms/u/ultra-high-net-worth-individuals-uhnwi.asp>, 2018

extension. This is part of the democratization explained before and shows the reshaping of the luxury consumer framework. The process come up together with the development in communication technology; consumers have changed enormously as the society has embraced the Web 2.0 and luxury fashion brand have been forced to establish online business models as a means of reaching a more demanding and digital-savvy public.

Specifically, two are the main segment evolved in the last decades: Emerging affluent, generally HNWI, and the “Old money”, which now are the U-HNWI. These segments have specific traits. Emerging affluent are fashionable, they share advice on fashion, and they use mass communication; they are the “new rich”, usually influenced by brands. They see money as success and something as inseparable, they are looking for experiences and lifestyle rather than for quality. Despite the up-mentioned traits, they are also people dress down as well as up, following the same digital and cultural cues of their generation. Another important trait is their mobile device usage; they are heavy users of e-commerce and m-commerce as well as they are ultrasocial. Emerging affluent are people aged between 18 and 34, also defined as Millennials, the generation of the third millennium, generally creative people, digital savvy, open to change and confident in them self and in the future. They are expected to the be the largest segment in fashion luxury consumption within 2026.¹⁹ It is interesting to observe that this consumer segment is marked by the technical savvy and that is an element of differentiation from the “old money”: emerging affluent are digital navy, they don’t percept distinction between online and offline. They are constantly influenced by their peer in the purchasing process and the seek feedbacks by their community.

Specifically, the graph below shows us the emerging affluent digital habits.

Emerging affluent show a heavy usage of technologic devices during all day (at home, for leisure, at work, at lunch...) and for different purpose.

“Approximately, most of these luxury buyers have at least one smartphone, the first truly personal device which we carry with us wherever we want. This is a critical insight which

¹⁹ Claire Raines Managing Millennials. In C. Raines, *Connecting Generations: The Sourcebook*. Source: <http://www.generationsatwork.com/articles/millennials.htm>, 2002

is driving the general consumer behavior pattern in always on, anytime, anywhere, but only when and where I want attitude.”²⁰

Moreover, Millennials are constantly exposed to social network, such as Facebook, Instagram, twitter; they are highly digital, social and mobile and that is a key element for all the Luxury Fashion Brands’ marketing strategies through which they communicate to customers.

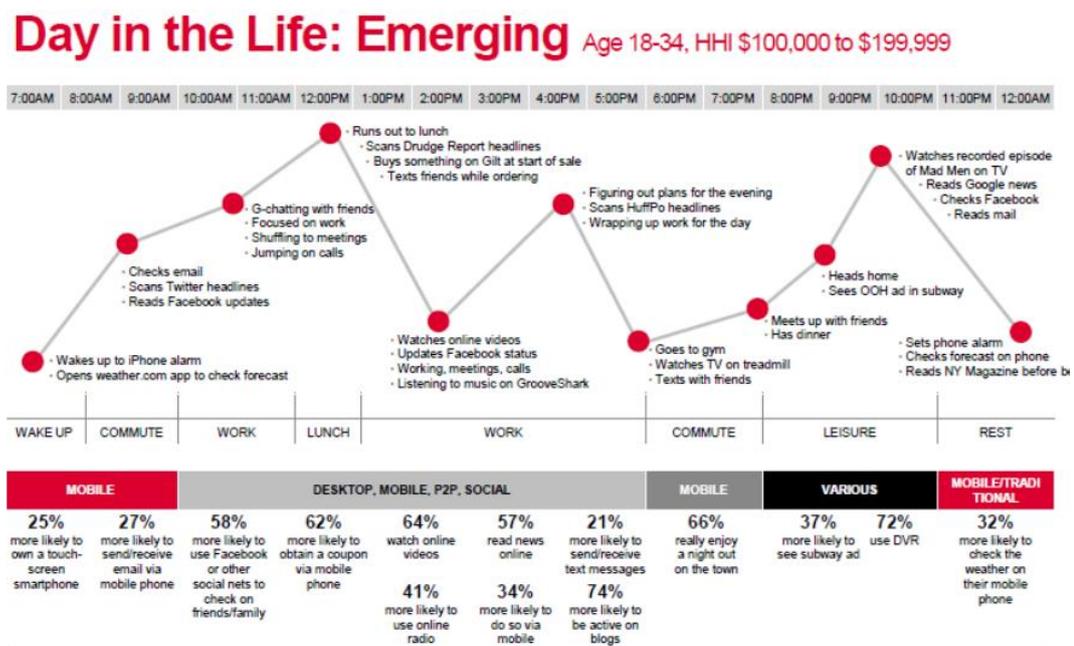


Figure 1 Source: Festa class notes Luiss, 2018

On the other side the other main segment is “Old money” which is composed by ultra-high net worth individuals who has been in the luxury world since ever. They generally have a flat view of the world, they practice philanthropy activities in the free time and perceive themselves as leaders. They consume media related to luxury and to cultures, but they still prefer offline brand, indeed they still consume newspaper as a main source of information. Nevertheless, they have a social network and use technologies as well as Millennials. The digital transformation has involved also the so called “baby boomers”; they own a similar number of mobile devices on average and spend approximately the

²⁰ Festa Class notes. Luiss University, 2018

same amount of time on internet. The real generational gap is in the social media usage as showed by the table below. Emerging affluent and Old money are the two actual segments targeted by luxury fashion brands and their differences create a challenge which need to be managed by specific marketing and communication strategies.



Figure 2 Source: Altagamma and McKinsey study²¹

Not all the segments want the same level of technology interaction; a brand communicates to customers through all its channels delivering the same message, thus the challenge is to reach different customers, trying to keep coherence and consistency across all the online and offline touch points in terms of DNA and codes. (Apparel, fashion and luxury group, July 2015)

1.6 Luxury Fashion Branding and the Internet dilemma

As we have seen before the luxury and fashion industry is ever changing but the brand principles and strategies are basically the same. A luxury fashion brand exhibits the following, principal features:

- 1) Unique, innovative, creative and appealing products;
- 2) Consistent delivery of premium quality;
- 3) Exclusivity in goods production;
- 4) Tightly controlled distribution;
- 5) A heritage of craftsmanship;

²¹ McKinsey *Digital inside: Get wired for the ultimate luxury experience*. McKinsey, 2015

- 6) A distinct brand identity;
- 7) A global reputation and high visibility;
- 8) Emotional appeal;
- 9) Premium pricing;²²

Therefore, we can observe that a Brand is rich of tangible elements but, what differentiates it from others is the ensemble of intangible feature, because today the luxury brand value is built on consumer's perceptions. A high-end fashion brand, indeed, lets an indelible impression, it has a strong country of origin linkage and it creates emotional appeal. For instance, when we see a particular leather or a special fabric we are able to link them to a specific Luxury brand and of course we also make association to the "made in", because some countries, such as Italy and France, has a strong reputation in the Luxury environment in terms of heritage.²³ Intangible aspects also include the psychological responses of consumers toward a luxury fashion brand "in terms of emotional attachment to the specific products and services. Moreover, the emotional appeal deals with consumer's sub-conscious, intelligence, creativity and personality, creating a strong bond between brands and their customers. Thus, the key in Luxury fashion branding is to preserve and deliver the specific brand image and identity to the segment targeted, trying to create and nurture the bond between them. Therefore, to gain competitive advantage, luxury branding strategy will be focused on four elements; strategic thinking, clarity, creativity and consistency. Specifically, it is necessary to set out a defined Brand vision, acting toward the achievement of long-term brand benefits.²⁴ In order to create a strong Brand image, it is necessary that all the elements are created with creativity, imagination and innovation, taking in account a clear idea of what the brand stands for. A luxury fashion brand strategy is built balancing exclusivity that drives the image and accessibility that drives awareness and sales. By so, luxury brands are exposed to a challenge: keep consistency and exclusivity, driving the brand's identity and

²² Okonkwo, U. *Luxury Fashion Branding: Trends Tactics Techniques*. New York: Palgrave MacMillan, 2007

²³ Kapferer, J. *The new strategic brand management*. London and ASterling Virginia: Kogan Page, 2004

²⁴ Kapferer, J. Why are we seduced by luxury brands, in " *Journal of brand management*", 44-46, 1998

dream, trying to maintain a high level of innovation (paradox of luxury). Given these ultimate goals, luxury firms are now choosing IT tools in communication strategies and selling activities, embracing internet as a channel to deliver the brand image to consumers. This creates what we call “internet dilemma”, a challenge faced by luxury brands as they seek to maintain balancement between the exclusive image of the brand and their increasingly technologic offer of product and services.²⁵ As we have seen before, the main customer segment is represented by millennials, heavy users of internet and e-commerce. Internet is the most accessible tool, useful to sales and communication, but high-end brands are about scarcity and rarity thus, they have been reluctant for long in embracing internet, respect to non-luxury sectors, while digital marketing is mainstream. Nevertheless, after years of ignoring E-commerce, luxury brands have woken up to this new profit opportunity and have started embracing it.

Luxury fashion brands, nowadays, communicate with the market through different online touch points, which are display advertising, social media, e-commerce, mobile, search engines. In the chart below, it is showed the online presence of the top 15 luxury Brands, selected from the Deloitte studies. The table also shows the high level of engagement, traffic and audience gained through digital touch points.

Rank	Brand	Share of Search Interest	Web Traffic	Social Media Audience	Social Media Engagement
1	Gucci	22.34%	9.440.000	54.144.179	13.600.000
2	Chanel	11.79%	4.270.000	67.499.041	2.591.803
3	Louis Vuitton	9.67%	7.700.000	56.886.821	7.400.000
4	Hermès	9.29%	1.770.000	10.356.812	1.380.000
5	Rolex	8.03%	4.530.000	15.813.354	438.000
6	Tiffany	7.69%	2.130.000	20.874.200	801.000
7	Dior	5.62%	2.910.000	48.306.113	6.290.000
8	Armani	5.47%	1.990.000	24.685.216	974.000
9	Prada	4.97%	1.530.000	23.934.422	2.186.210
10	Balenciaga	4.39%	2.180.000	9.158.109	1.696.459
11	Cartier	3.63%	1.280.000	12.279.311	314.015
12	Burberry	3.62%	2.790.000	43.329.468	1.485.372
13	Lancôme	1.90%	107.070	13.290.575	338.781
14	Yves Saint Laurent	0.89%	1.760.000	11.825.457	804.593
15	Bulgari	0.70%	1.200.000	11.277.114	696.071

Table 2 Source: luxe digital. The top 15 most popular luxury brands online in 2018²⁶

²⁵ Chaffey, D., E-business and E-commerce management, in “*Financial Times*”, 2002

²⁶ Luxe digital. (2018). *The top 15 most popular luxury brands online in 2018*.

Source:<https://luxe.digital/digital-luxury-ranking/most-popular-luxury-brands/>

Specifically, most high-end brands have been open to e-commerce, for instance we can mention Oscar De la Renta, Gucci, Bottega Veneta, Christian Dior, Hermès or Burberry and some late comers, such as Louis Vuitton, Prada, Yves Saint Laurent, Stella McCartney, Pucci, Calvin Klein and Versace. Online stores and Websites can be useful to increase accessibility, to boost sales and to spread the brand's awareness but, at the same time, they create a challenge: being able to handle the scarcity and selective distribution on internet, the most democratic community.

About that, there are different opinions and the most discussed point is the firm's website purpose. Providing information and doing business on the internet are divergent propositions; a firm's website acts like a branding tool, which ensure flows of information and interactions between consumers and brands , but when the website acts also like a selling tool a dilemma comes up.²⁷ It is discussed that internet strategies of a luxury firm must be limited to communications: selling online could undermine the feeling of exclusivity and rarity attached to a luxury brand, it could significantly reduce consumers efforts to access this world and to diminish personalization of transactions. On one side, we have researchers which think that when a luxury product is sold on internet it is available to a broader mass and for this it could lose luxury features; on the other side, researchers which sustain internet as source of purchase and information for affluent consumers.

Despite this controversial reputation, at the moment , there is no reason for which internet-based technologies would erode Brand image or profitability; furthermore, luxury firms have showed willingness to invest in IT engaging in online selling, because they have clearly realized the improvement potential of revenues online and they have responded to the consumers' desire for convenient interactions, in all the phases of the decision making process. When luxury firms can use internet to leverage movement, music, texture, space, and community to successfully and artfully communicate the brand identity online, they can align the overall image to the internet experience, creating a luxurious consumer

²⁷ Sam, A., & Blanckaert, C., The road to luxury: the evolution, markets and strategies of luxury brand management. Singapore: Wiley., 2015

journey.²⁸ Finally, there is an increasing acceptance of Internet and e-commerce by luxury brands, indeed they are no longer asking whether to sell but how to optimize and improve tools to provide the better user experience.

The objective is still to achieve an optimal balance between innovation (online platform and e-commerce) and exclusivity (scarcity, identity and heritage), building a perfect system of scarcity control, while keeping coherence and consistency among all the channels of communication.²⁹

1.7 Omnichannel communication and customer centricity

As discussed in the previous paragraph, the growing deployment in IT such as smart mobile devices and social networks, together with the strong necessity of building an integrated system of communication, have left the ground to big challenges for the high-end fashion industry.

A brand communicates the dream and its principal purpose through its channels of communication, both physical and digital and it is necessary that the message is driven in the same way across all the channels used with coherence and consistency. In relation to this objective, firms have developed new models and frameworks of marketing communication based on what is called Multichannel communication strategy; this strategy ensures high levels of integration, in order to grant the best user experience as possible.

²⁸ Baker, J., Ashill, N., & Diab, E. The internet dilemma: an exploratory study of luxury firms'usage of internet-based technologies, in "*Journal of retailing and consumers services*", 2017

²⁹ Okonkwo, U. *Luxury Fashion Branding: Trends Tactics Techniques*. New York: Palgrave MacMillan, 2007

Multichannel communication can be defined as the implementation of a single and uniform strategy across multiple channels or platforms, thus maximizing opportunities of interaction with prospective customers.³⁰

There are different benefits which arise from multi-channel marketing strategies, such as the integration of marketing departments, integration and consistency of messaging, the creation of a unified and personalized customer experience and finally, a better understanding of the consumer, who strongly drives sales and brand's performances. In this context multi-channel strategies certainly have positive outcomes and benefits, they permit faster interactions with more costumers and at a high frequency, increasing profits, clients and consumers satisfaction, but it is still anchored a silos mentality and indeed it is only one part of the picture.

Hence, to create a completely holistic experience, firms are shifting to a new approach which is the omnichannel online communication. The line between online and offline is blurred thus the necessity of a new way to integrate online and offline platforms which aims to deliver the seam customer experience regardless of the channel. By so, Omnichannel is perceived as an evolution of multi-channel strategies because, while the multi-channel implies a division between physical and online stores, in the omnichannel customer are freely to move across online platform (pc, smartphone or tablet) in one unique transaction process which will be smoother than before.

Multichannel Marketing vs. Omnichannel Marketing



Figure 3 Source: *emerj* ³¹

³⁰ Piotrowicz, W., & Cuthberston, R., Introduction to the special issue information technology in retail: toward Omnichannel retailing, in “*International Journal of electronic commerce*”, 2014

³¹ emarsys. (s.d.). *Multichannel omnichannel*. Source: emarsys: <https://www.emarsys.com/en/resources/blog/what-is-multichannel-marketing/>

Through the omnichannel communication consumers will perceive an interaction with the brand and its value because channels are managed together and driven by high quality contents; this is different from before because users perceived interactions were with different channels. This is a great outcome which highlight the centrality of the consumer’s role and its generational shift.³² Today most clients start their research for a high-end product from a device concluding the purchase through another device; they can search for a product online as well and effectively purchase offline or vice-versa. According to the Boston Consulting Group’s study 60% of luxury sales are digitally driven and in-store purchases often happen after researches online (41%).³³

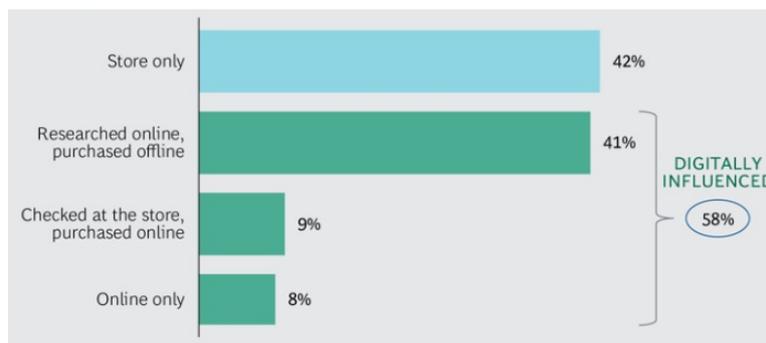


Figure 4 Source BCG study: percentage of digitally influences luxury good purchases

Given this online purchasing behavior, firms which own an E-commerce have understood the necessity of ameliorate the user experience avoiding confusion and creating a familiar environment for the customer. Furthermore, today IT provisions have improved a lot, permitting cost reduction, personalization and easy access to technologies; on the consumer side, the growing usage of social media and the high connection between them have pushed retailer to delete barriers among channels trying to provide cross-channel specifics digital services, such as “click and collect”, “order online, return to store”, “order in-store, deliver at home”, “showrooms” which are combination of online and

³² Audrey, J., & Judge, D., Re-imagine retail: why store innovation is key to a brand's growth in the "new normal" digitally-connected and transparent world, in “*Journal of brand strategy*”, 2012

³³ BCG study. *Percentage of digitally influences luxury good purchases*. BCG, 2016

traditional retail activities. The main point is to design a defined strategy which ensures a unique customer experience integrating the e-commerce with other online and offline services. To conclude, we can catch on that luxury brands have focused their strategy and investments on the e-commerce and social media operations in order to build a sustainable competitive advantage.³⁴

1.8 The E-commerce impact on high-end fashion retail

The high-end industry has been shaped by the growing popularity of E-shopping. Luxury fashion brand have stepped up to the digital side of their business. Even if high-end retailers have been so reluctant in embracing internet and e-commerce, the attitude has totally changed, and they are searching for the best solutions in order to improve the end-user experience.

Since 2010 most luxury fashion brands are selling online adopting social media to drive traffic on their website and interactive digital technologies to improve the product presentation and customer involvement. Essentially, the impact of IT on retail has determined different changes and necessities both on the firms and consumers side. As showed in the previous paragraph, there is a growing necessity of cross-channels integration in order to enable customers to shift from one device from another without perceiving changes in contents and, together with the need of integration, strategical choices are also focused on mobile solutions and facilitations. Luxury firms have altered the role of physical store moving their shop online and they have also caused a likewise redesign of supply chain. In force of that, the table below it is showed the growing percentages of sales which take place online or offline according to consumers and different markets.

³⁴ Bhalla , R. The omni-channel customer experience: Driving engagement through digitisation. *Journal of digital and social media marketing*, 2014

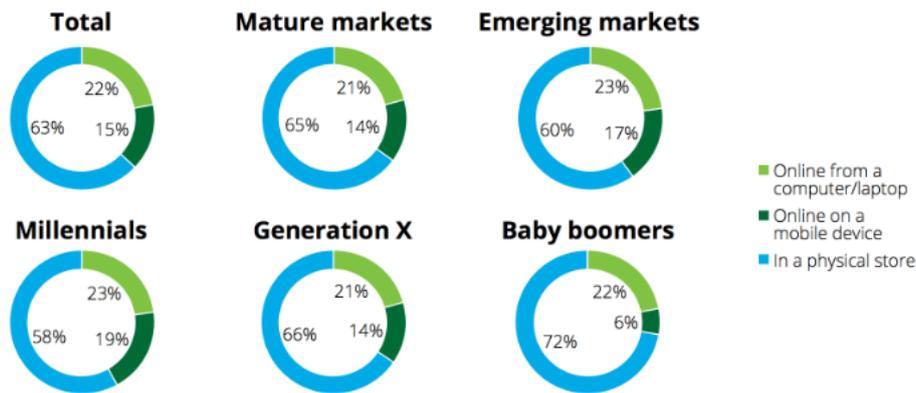


Figure 5 Deloitte Luxury multi-country survey of global powers 2017

Thanks to the e-commerce's key success factors, most firms have recorded successful results in terms of performances, profits and customers attention; for instance, one of the Biggest luxury fashion brands performed well in 2016: Gucci's E-commerce sales rose by 86%, millennials accounted for the 50% of revenues and total Gucci Brand's sales increased by 42% to €6.2 Billion.³⁵

Brands listen carefully to customers and to what they expect, that's why they have already achieved good levels of digitalization and hence they are focused on investing in IT in order to improve the end-user experience in terms of interconnection, interactions and personalization of the journey, using e-commerce specific algorithms and AI technologies. During times indeed there have been successful developments in such digital technologies showed by higher online turnovers and sales; luxury brands have enriched their websites with charming storytelling and high level of visual presentations and descriptions, recreating by so feelings and atmosphere, typical for a luxury fashion store. Given these good results brands are still far from reproducing the luxury experience because there is still the necessity for the customer of seeing, touching and trying the product as well as living directly the brand atmosphere there is the reason for which efforts need to be addressed to visual elements and storytelling, to successfully communicate the brand identity. AI are also needed to personalize the shopping experience: they basically collect personal customer-related Data in order to target right customers with right products and adjusting contents with individual preferences. There

³⁵ Deloitte report, *Global powers of Luxury goods: shaping the future of luxury industry*. Deloitte, 2018

is a growing importance of such recommendation engines which make the research and transaction easier and personalized. Moreover, considering a good integration of channels, it is interesting to observe that since the new luxury consumers are basically millennials and new generations, most brands have strongly increased their presence online by social media usage. Customers can check a product rating in every moment and time, he could ask for something to someone, obtaining comments on products and services by others directly from the social media used; furthermore, a customer is totally free from sharing something such as product picture, thoughts and comments hence he can publicly express his satisfaction or dissatisfaction. This has created different challenges such as the importance of a good one-to-one relation, community management and mobile solutions. Considering that, luxury fashion brands are still keen and cautious about their image and messages control because of their reputation among consumers and this could be shown by the lack of contact details por two-way conversations.

Despite this, luxury fashion brands are continuously working on how to use AI and algorithms, improve visual elements, social media strategy and high-quality personalized contents in order to provide exceptional experience, creating dream value and enabling more interaction with costumers.

Thus, the question is about how they are managing these tools to improve the online customer journey and profitability, in terms of traffic and sales.

I will explain these topics in later chapters.

2. The luxury E-commerce: practices and communication

2.1 The future of e-retail

In the last paragraph of the previous chapter I focused on the strong E-commerce impact on luxury retail. E- business embraced the whole economy so today the most part of the high-end fashion brands is selling luxury products online, altering the typical selling cycle. Nowadays, the landscape is totally changed; the consumer behavior pattern is different together with the way of doing business. These brands have built an awareness among new audience with higher brand expectations than before. Specifically, the concept of E-retail is the core aspect of the global luxury business which sees internet as a means of information and distribution. Today, we are totally familiar with internet technologies and online shopping, though high-end brands are working on how to improve their online presence and performances. They are arrived at a good point of digitalization and they have been able to create a luxury online environment, meeting the new customer demands. The point is that there are still a wide variety of e-commerce specific elements that need to be improved in order to grant the best end user experience; there is still a gap between the physical store and the online representation of it; the business model of a luxury brand is built on delivering memorable in-store experience and excellent service. In this context, the focus is on how to fill this gap given the already achieved results; digitally savvy luxury brands are prioritizing content, personalization and customer service, though they are making huge investments in Information Technologies and Artificial Intelligence.³⁶

At this point, I briefly explain what the e- commerce is and how it works, in order to better understand the key issues on which high-end fashion brands are working on.

³⁶ Jing Daily, *Rémi Blanchard*. Source: Jing daily: <https://jingdaily.com/ai-luxury-brands/>, 2018

2.2 E-commerce essentials

The E-commerce (electronic commerce) can be defined as the buying and selling of goods and service, or the transmitting of funds and data, over an electronic network, primarily the internet. By so it is generally said that when a firm engages in trade through e-commerce platforms is doing e-business, in fact e-commerce and e-business are two interchangeable terms. The beginning of e-commerce can be traced up in the 1960s when businesses started using the Electronic Data interchange system to share business documents with other companies. After years, in 1980, the individual usage of this means of sharing documents increased and in 1990 the rise of e-bay and Amazon revolutionized the e-commerce industry.³⁷ There are different types of e-commerce according to the type of business: business-to-business, business-to-consumer, consumer-to-consumer and consumer-to-business. Nowadays, in a context in which transactions occur through mobile devices, we also deal with mobile-commerce.

- The b2b e-commerce type refers to an exchange of products, services and information between businesses rather than between business and consumers. Examples of b2b e-commerce websites generally include online directories and, above all, product and supply exchange platforms that allow firms to find product, services and information starting transactions online;
- The b2c e-commerce refers to the exchange of goods, services and information directly between businesses and consumers. This the most common type of e-commerce (Amazon is an example) which dominates the online market. The retail e-commerce worldwide sales are about \$3453 billion in 2019. As showed by the graph below, they have followed an increasing path during the last decades and they are expected to grow within 2021 to \$4878 billion;³⁸

³⁷ Combe , C., Introduction to E-business: management and strategy. In Oxford: Elsevier ltd, 2006

³⁸ eMarketer, *Annual retail e-commerce sales growth worldwide from 2014 to 2021*. Source: Statista: <https://www.statista.com/statistics/288487/forecast-of-global-b2c-e-commerce-growth/>, 2018

Worldwide B2C e-commerce sales growth

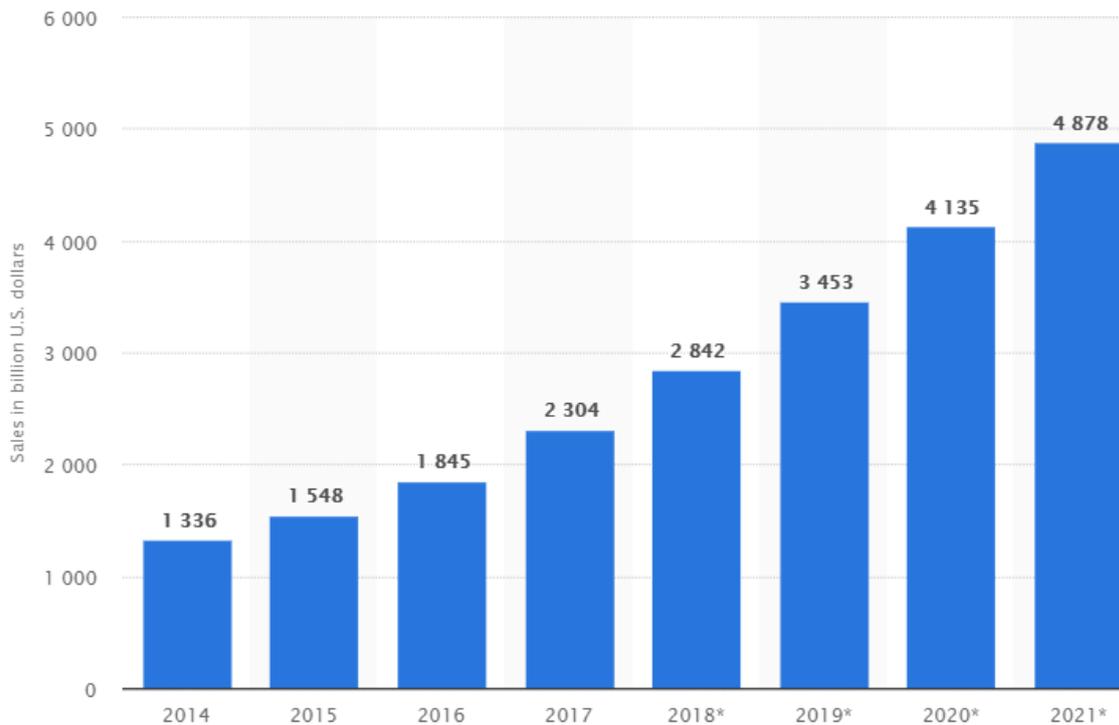


Table 3 Source: Statista Worldwide b2c e-commerce sales³⁹

- With C2C e-commerce consumers can exchange products, services and information with each other online on platforms provided by third parties. They are generally online auctions or classified advertisement and the most common example is eBay;
- The C2B e-commerce, it is the less common type online and it refers to the general practice through consumers provide their own goods, services and information to companies to bid on and purchase. A general example could be a platform through which consumers make available design elements, royalty free photography and images (i-stock) or job boards;

³⁹ Statista. (2018). *b2c-e-commerce*. Source: Statista:

<https://www.statista.com/markets/413/topic/457/b2c-e-commerce/>

- Mobile-commerce can be interpreted as an extension of the e-commerce; with m-commerce transactions are carried out through mobile devices such as smartphones and tablets;⁴⁰ As I said in the previous chapter, during last years the market faced what we can call “the smartphones invasion”. People is increasingly shopping online through mobile devices and high-end firms are shaping their own business model to this new supply chain, in order to gain incremental revenues from those consumers who prefer to buy every time and everywhere with their mobile devices. It is not surprising that m-commerce will be a growing trend in the upcoming years. The global revenues of mobile retail commerce will increase of about 53,2% to \$3,556 billion within 2021.⁴¹

Mobile retail e-commerce worldwide sales

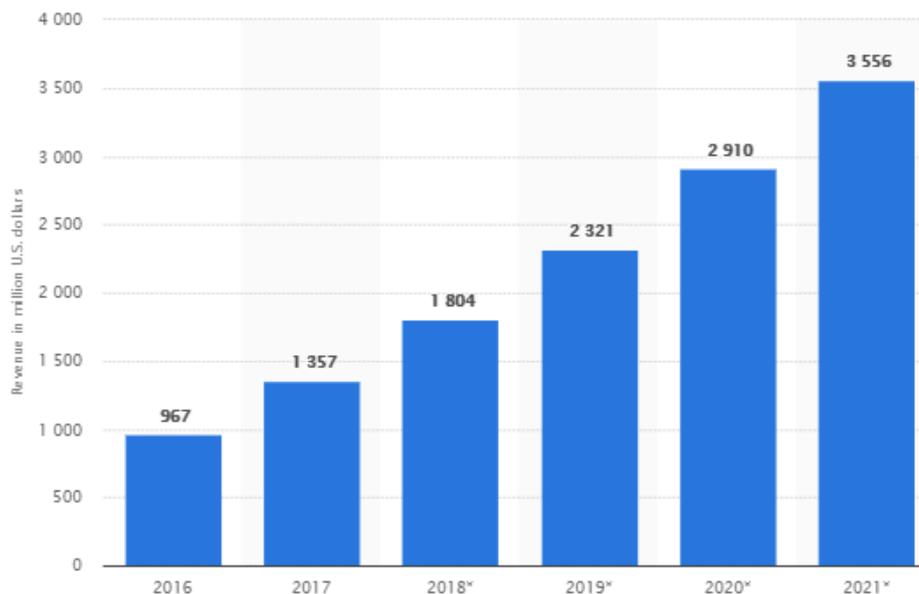


Table 4 Source: Statista mobile retail e-commerce worldwide sales

The classification of the up-mentioned types of e-commerce is made up considering the direction of the business activity between the specific transacting partner involved.

⁴⁰ Kutz, M., *Introduction to E-commerce: combining business and information technology*. bookboon.com The ebook company, 2016

⁴¹ eMarketer, *Mobile retail commerce sales as percentage of retail e-commerce sales worldwide from 2016 to 2021*. Source: Statista: <https://www.statista.com/statistics/806336/mobile-retail-commerce-share-worldwide/>, 2018

Another way to classify the type of e-commerce is to consider the physical and digital parts involved in the activities; specifically, the distinction is based on the degree of digitization of the product or the services, the processes and the delivery agent. According to this framework it exists:

- The traditional e-commerce in which all the actors involved are physical;
- Pure e-commerce, in which the actors involved are all digital. Examples are software provider services such as Microsoft, Cisco or eBook downloading;
- Partial e-commerce, in which either one or two of the actors involved are physical. The high-end brands e-commerce is a b2c partial e-commerce.⁴²

2.3 The E-commerce architecture: technology and infrastructure

The E-commerce has an own logic of work developed through the combination of different specific components according to a proper architecture. The whole mix of these components outline the infrastructure necessary to the e-commerce success, in fact they must be selected according to the specific need of the e-commerce application. For what concerns the architecture, e-commerce sites are generally developed through the so called “client-server”, which is a producer- consumer computing architecture where the server acts like a producer and the client as the consumer.

Specifically, the server houses provide to the consumer specific computing intensive services on demand, managing all the data involved and establishing communications with users. This is the general technology which drives the e-commerce platform and its components. According to a simplified model we can trace out three main system of components which enable the e-commerce activities: web server, database and shipping system.

⁴² Ghislandi, R., *Il manuale dell'e-commerce*. Apogeo, 2012

- Web server enable the connection between the server itself and the end-user and manages the process of the online store. Specifically, it enables the elaboration of transactions ensuring right linkage with banks for the credit card verification;
- Database is a critical component for the e-commerce success; they basically control articles availability online and they need to be constantly updated in order to keep up with the consumer requests. Moreover, a database record data about consumer and, as I will deepen ahead, this is a key element to provide a personalized customer experience; a point on which all the high-end firms are betting on, in order to supply a totally simplified and personal service;
- Finally, the shipping system is necessary to complete the e-commerce; it needs to be constantly linked to the storage and updated in order to meet consumer requests.⁴³

2.4 E-commerce key success factors and weaknesses

The World Wide Web is a new place for young and established brands and the e-commerce platform is obviously a thing that has changed the way of doing business of the most part of the economy. It has different key success factors and of course disadvantages for the consumer and the producer itself. Let's see which are.

Key success factors

- Flexible shopping hours: the online store is always available 7x24hr and the costumer is always able to access the store every time he wants covering the anytime factor;
- No crowd and queues: if the software is designed well this wasting time problems are avoided, which are typical in a physical store;

⁴³ Shannon, B., & Elad, J., *Starting an online business all-in-one*. Wiley & sons., 2012

- Shopping at home or wherever the customer wants: the end user is always able to shop online from home or from the office and wherever it wants; this reduce times and improve the shopping flexibility covering the everywhere factor;
- Individual needs are covered better: if the e-commerce is planned to offer personalization and customization services, the end-user is able to find each time its own environment created with previous visit; this is the main driver for the customer experience improvement and for the customer services carried out by the firm, because it is able to deliver to the right customer the right and desired experience;
- Faster communication and transactions;
- Advanced and modern technologies finalized to the end-user experience improvement (artificial intelligence, machine learning and Information Technologies).

Weaknesses

- Security risks such as data theft, identity theft or abuse are some of the main risks brought by internet. Data theft can arise because internet is an open door: someone could steal consumer personal data such as, credit card number, accounts, personal information, that's why today there are a lot of privacy problems and related debates to find optimal solutions. Users generally have the fear of being frauded online, an example can be the anticipated payment method, which is one of the things for which consumers are still reluctant to use e-commerce, especially when big amounts are involved. Identity theft is another threat spread which occurs when someone acts under the stolen name or user account, causing problems to the consumer itself;⁴⁴
- The concept of personalization and tailored e-commerce sites are critical points for the success; today customers ask for personalized contents and experiences in order to access

⁴⁴ Ackermann, T., *IT security risk management*. Springer fachmedien weisbaden (ebook), 2013

easy and high-quality services but, at the same time, they hardly need to be managed with specific tools and practices. Personalization goes together with technology and today they change at very high speed, for these reasons, firms need to constantly invest on technological resources and experts while adapting their organizational structures. To conclude, personalization needs to be constantly updated and controlled, this determines incremental costs and activities without which the sustained efforts would be useless;⁴⁵

- Another main point of weakness, especially for the fashion and luxury sector, is the lack of the 5 senses involvement. Firstly, consumer generally want to touch a product to assess materials and quality, they want to see how the product fit trying it for real, to make question to the sales assistant or to receive information immediately. From the consumer perspective these personal touch and relationship with the sales assistant are missing things on the online store in which the product is described by captions and presented through photos. Moreover, today the five senses involvement is a strategical tool for the brand itself, the smell the sound involvement improves the consumer experience making it a kind of entertainment. Thus, the e-commerce could turn off the internal light of the spirit expressed by the brand and that's why today, especially fashion brands are constantly working on which technologies can fill that gap between the physical experience and the digital one: they are increasingly pointing out strategies focused on the e-commerce visual elements such as the product presentation, website design basically recreating what we call the visual language of the brand. An example of emergent technology can be the augmented reality, which gives the opportunity to see the product in a 3d dimension enhancing the online journey.⁴⁶

In this perspective the e-commerce provides additional features to physical stores. As I have said above, there are also benefits are referred to costs cutting, time saving and above all customer services. With new and emergent technologies entrepreneurs bring to the consumer experiences really targeted and personalized in a context in which the service provided is more important that the good itself. Indeed, e-commerce site sets out different

⁴⁵ Karat, C.-M., Blom, J. O., & Karat, J., *Designing personalized user experience in e-commerce*. New York: Kluwer academic publisher (s.d)

⁴⁶ Cyberware. Source: Cyberware : <http://www.cyberware.com>

technological challenges which are necessary to differentiate the supply from competitors and improve revenues.

2.5 An overview to luxury fashion E-commerce best practices by the numbers

As already said, luxury fashion brands have been forced by digital business transformation to embrace e-commerce as selling tool. There is more risk-taking in this sector, which is due to innovative changes and necessities expressed by new demographics, such as Millennials and Gen Z, but results by numbers show that there is a growing and general acceptance of internet as a selling and communication tool.

The global sales of personal luxury good is worth about \$313 billion in 2018. USA is the largest market for this sector with 30% share of personal luxury goods consumption, instead in terms of consumers China represent the heaviest by 32%. The 9% of these sales is represented by online ones which are expected to grow by 25% in 2025. The 30% of these purchases is made by American Millennials, heavy users of internet and e-commerce sites.

According to my researches, the general snapshot of the online environment by brands presence can be synthetized in the pie chart below.

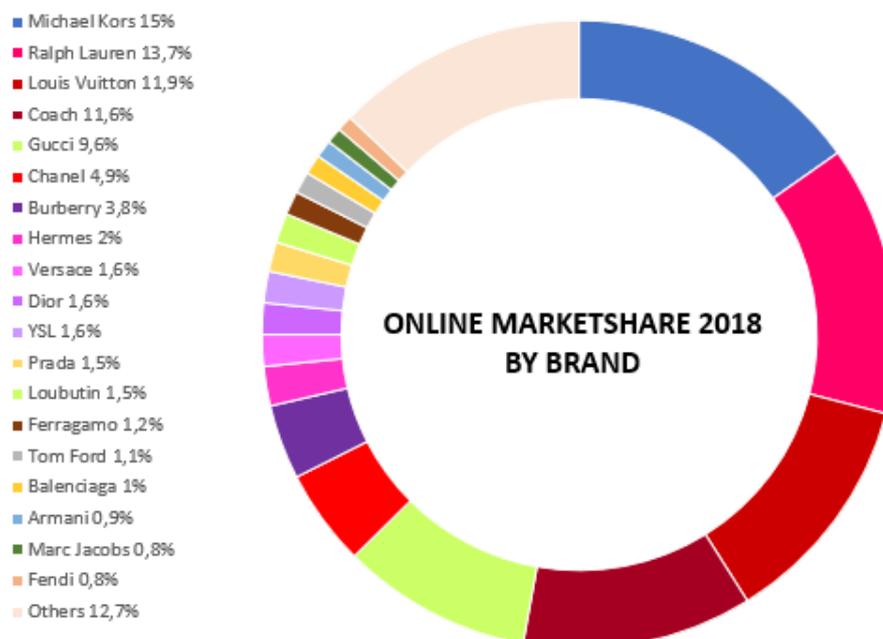


Table 5 Source: personal elaboration made using PMX Agency'report data

In the chart I have inserted main players by their online presence expressed by market share. Michael Kors, Ralph Lauren, Louis Vuitton, Coach and Gucci are in the top five comprised in a 15% - 9,6% range. They are leader of the online market followed by Chanel with 4,9% and Burberry with 3,8% market share. Specifically, for what concerns website traffic the histogram below shows top eleven brands in terms of visits on their E-commerce platforms.

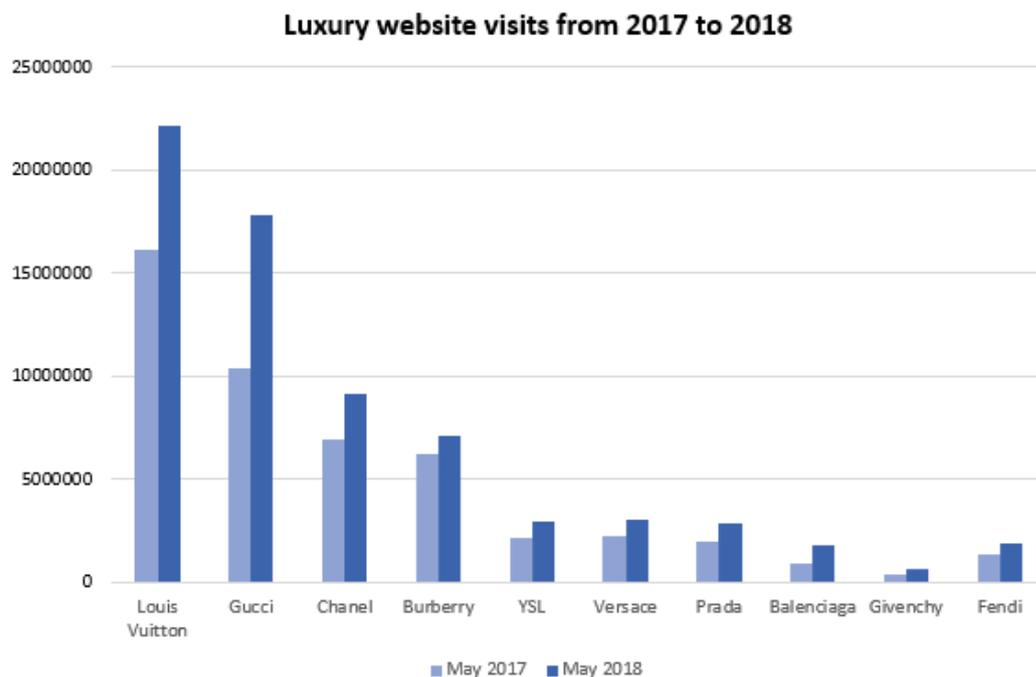


Table 6 Source: personal elaboration made using PMX Agency's report Data

The table shows brands website visits from May 2017 to May 2018. Louis Vuitton, Gucci and Chanel are in the top three respectively with \$22M, \$18M and \$9M in 2018. They are followed by Burberry, YSL and Versace with lower values of visits but still consistent. Moreover, it is possible to observe that from 2017 to 2018 there is a growing trend in terms of visit/ traffics, showing the rise of online resonance. The global trend is showed in the upcoming graph.

GROWTH PERCENTAGE OF WEBSITE VISITS FROM 2017 TO 2018

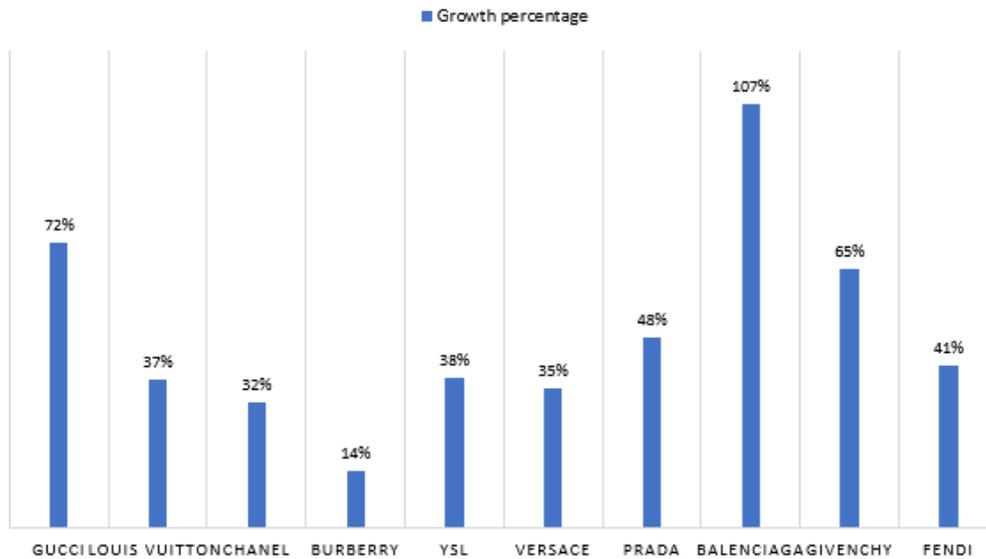


Table 7 Source: personal elaboration made using PMX Agency's report Data

The histogram bars show the overall trend of the global increase in traffics for each brand from 2017 to 2018. Balenciaga performed very well, improving its traffic by 107%; it is followed by Gucci with 72%, Givenchy with 65%, Prada and Fendi with about 40%. Other Brands performed similarly increasing their traffic of about 30% each. They show increase in visit due to increasing popularity achieved through different channels, among which the most powerful is represented by search engines and social media. Only Burberry shows lower improvement of about 14%.⁴⁷

In the previous graphs I have showed the overall performance in terms of visits and online presence of online leading brands. In order to go deep in the analysis, I consider some E-commerce KPI to clarify engagement performances achieved today in 2019.

⁴⁷ PMX Agency., *Luxe-Trend report : luxury brands online 2018*. NewYork, 2018

Leading Luxury Fashion Brands E-commerce KPIs

Brand	N°Technologies used	Visits	Visit duration (hours)	Visited pages	Bounce rate	Visits by Country	Traffic source
Louis Vuitton	45	9,83M	4,24	7,98	37%	US=31,3% Japan=11,5% Italy= 4,5%	Search=68,9% Direct= 24,88%
Gucci	46	10,79M	3,09	9,52	41%	US=28,3% UK=9,7% Italy 4,8%	Search=59,6% Direct=31,6%
Fendi	41	1,90M	2,08	3,1	55%	US= 23,5% Japan=9,9% Italy=6,6%	Search=69,2% Direct=20,3%
Prada	17	2,02M	2,02	6,6	45%	US=27,2% Japan=8,9% Italy=4,9%	Search=72,4% Direct=19,6%
Balenciaga	30	2,89M	2,16	2,9	34%	US=21,9% France=1,9% Italy=3,8%	Search=71,5% Direct=19,5%
Givenchy	30	812,58K	2,03	4,3	41%	US=20,7% China=10,2% Italy=4%	Search=80,3% Direct=15,3
Dior	67	4,21M	2,1	3,1	52%	US=18% France=13,40% Italy=5,40%	Search=66,70% Direct=20,90%
Versace	36	2,10M	2,41	2,1	44%	US=25,60% UK=10,40% Italy=5,70%	Search=68,60% Direct=25,40%
Chanel	60	6,92M	2,14	5,02	43%	US=28% France=7,80% Italy=5%	Search=64,10% Direct=20,90%
Valentino	41	896,05K	1,3	4,7	47%	US=18,50% UK=10,80% Italy=6,60%	Search=76,20% Direct=17%
Burberry	53	3,6M	4,3	5,27	35%	US=28,3% UK=11,4% Italy=4,5%	Search=58,93% Direct=29,89%

Table 8 Source: personal elaboration made using Similar Web and CrunchBase data

The table shows some E-commerce KPIs of the online leading brands. KPIs considered are the number of technologies used on websites, number of total visits from July 2018 to December 2018, average duration of visits expressed in hours, average numbers of visited pages, bounce rate, percentage of visits by Country and traffic source. All the KPIs are referred to desktop usage.

The most part of the brands considered display good level of engagement in terms of visits and duration, which is frequently about 2 hours. This means that if users surf on the website for more than 1 hours it is possible that they are making a purchase or simply that they are interest in contents. Louis Vuitton has the highest value of average duration, 4,24 hrs.⁴⁸ and it is followed by Gucci with 3,09 hrs., meaning that engagement is successfully

⁴⁸ Similar Web., Source: Similar Web: <https://www.similarweb.com/website/louisvuitton.com> , 2019

reached.⁴⁹ The others achieved an average of 2 hours which are also good results. Valentino reached an average of 1,3 hrs. which is relatively low considering that it isn't frequent to purchase a luxury good in this short time.⁵⁰

Louis Vuitton and Gucci display highest values also in terms of visited pages, meaning in case too that engagement is high. Visitors come especially from US, France, Japan, China and Italy. Moreover, it is also showed that the sources of traffic are mainly search engines and direct research on the web. Values of search engines as source of traffic are close to an average of 70% of total visits, instead direct researches are generally about 20%. What about the bounce rate? This metric explains the percentage of total visitors who decide to leave the page after few minutes. Generally, the bounce rate value must be under the 50% for this kind of E-commerce. Fendi and Dior display higher values than 50%, namely 55% Fendi and 52% Dior. The issue that these values are higher than they should be may come from different problem, such as visitors don't find what they were searching for, contents aren't interesting, or pages aren't organized as well. In these specific cases it may seem controversial, considering the high number of visits, duration and percentage of traffic by search engines, instead it is likely that there is a quite slice of users who is addressed by search engines on the website even if they don't want to. Other Brands display lower values, but still near to 50%.⁵¹ To conclude, the overall performance in terms of engagement can be defined as good, considering that it is forecasted a general growing trend.

⁴⁹ Similar Web, Source: Similar Web: <https://www.similarweb.com/website/gucci.com>

⁵⁰ Similar Web, Source: Similar Web: <https://www.similarweb.com/website/valentino.com>

⁵¹ Crunchbase, Source: Crunchbase: <https://www.crunchbase.com/>

2.6 Element of differentiation: storytelling, product presentation and additional services

2.6.1 Brand identity and customer experience

Once I have considered the general snapshot of luxury fashion players online, let's see what distinguishes this type of E-commerce from non-luxury ones.

Luxury fashion companies use E-commerce sites for two main purposes: communicating and selling their dream online. Websites are also branding tools, which deliver to consumers the brand idea and identity and today, these players are using mainly with this drive.

“The Brand is the idea, the story that exists in the consumer’s mind”:⁵² it is a living person able to seduce through the dream it creates and so it has an its own identity. The identity represents the ensemble of tangible and intangible elements of the brand and expresses what the brand is and without which it would be another thing. The Brand identity is not something that that can be bolted on, it is nurtured by the brand’s roots and heritage, it is everything that gives unique authority and legitimacy in a context of values and benefits. Identity is built on DNA, values and codes such as colors, logos, images and all that kind of stuff which enable consumers to make direct association with a specific brand.⁵³ The Versace medusa head, Fendi F logo or the Chanel matelassé bag are all elements of the brand identity. These are tangible elements which together with intangible ones build the brand identity as whole structure. Intangible elements express the holistic component of a brand; intangible values are everything and they are what enable consumers to reflect their selves in the brand and in its history, creating a specific idea of it in their mind. By so, luxury brands must transfer their values and identity to consumers together with the dream they have created; but how do they deliver these elements. They communicate creating a fairy tale, transmitting taste and recharging brand’s values. Communication is what enable luxury fashion brands to share their lifestyle and dreams with consumers

⁵² Fei, *Class notes, Luiss University, 2017*

⁵³ Aaker, D., Dimension of brand personality, in “*Journal of marketing research*” 1997, 347-356

while engaging them. The main objective of communication is to keep coherence and consistency in delivering the identity, this happens through different channels and tools which are necessary to build loyalty and long-lasting relationships with consumers. The principal tool to transmit brand core identity and values is the consumer experience which entails a bridge between the consumer and the brand; it is a key driver for luxury brand for the up-mentioned reasons without which the brand's dream and lifestyle wouldn't be delivered. Brand as entity strongly interacts with the business to generate growth because it is like a proxy for the business itself, driving products and awareness in the market among competitors. Though, it is necessary to coherently deliver unforgettable and consistent experience, through all the touch points to enable this process.

Considering that, luxury brands are communicating their identity online trying to fill the gap between the customer experience in-store and the online customer journey. What really differentiates a luxury e-commerce from non-luxury ones is the customer buying journey, which is totally enriched by high-quality content, visual elements and luxurious products presentation. These elements are strictly functional to the representation and communication of the brand identity online which is dense of visual language. Luxury fashion brands communicate through visuals rather than verbal language because luxury is connected to aesthetic dimension and it involves at first the sight sense. Luxury websites must express an overall aura of exclusivity and charm: first impressions are determined by colors, themes, videos and images, whose contents are built on the brand essence. Products are presented by high quality images and descriptions, in some cases by videos or fashion shows and this is another element of distinction of the luxury e-commerce because products must be presented with clarity, in order to make evaluation easier and like if it happens in a physical store, and with consistent descriptions. Descriptions are meaningful, because they tell the products story, material and they express luxuriousness by verbal forms, so they are presented with compelling narrative.⁵⁴

⁵⁴ Allen, C., *Effective online merchandising techniques*. Tratto da <http://www.allen.com/cgi-bin/gt/tpl.h,content25>, 2006, May, 20

2.6.2 The art of selling the dream online: E-commerce Storytelling

There is not luxury without storytelling, which express the brand's heritage, values and lifestyle. Storytelling is a tool necessary to create emotional impact, love-mark feelings and bonding; people love story loaded of shared values, they get more involved when the story is told like a fairy tale and storytelling do it so: it tells the brand history in its mythical aspect, creating a legend around the brand itself.⁵⁵ Concretely, storytelling is made by the brand itself, it tells its history anchoring the tale to the brand's creator history, first product, city or country of origins creating something unforgettable, authentic and of high creativity. Today, a growing trend is that luxury brands are focusing on content marketing which is based on the creation of compelling, relevant and valuable contents on their website which are addressed to involve consumers and generate positive behaviors by them. Histories are always present on a brand's website in different forms such as mini film, videos and image with descriptions and they tell not only the brand's history, but all the rumors and lifestyle linked to the brand itself, in order to nurture the dream and enhancing engagement. A smooth experience on the website is of course something that is needed but to tell a story with e-commerce make certainly customers come back. The general trend is that now luxury fashion companies are acting like media companies when using storytelling; today the experience is everything and consumers want to feel involved.⁵⁶ This is a growing trend strictly linked by "the social media fever" which make feel people more at the center; Millennials and Generation X are the new classes of luxury consumers, they seek and expect new appealing and involving experience from the luxury world, from events to exhibitions, from restaurants to place to visit, they want to reflect their selves in something more than a product; that's why storytelling has totally evolved, amplifying contents which are attraction-oriented. Contents delivered need to be of high-quality because they are expressing the uniqueness, authenticity and exclusivity of the luxury world which before it was expressed only by

⁵⁵ Okonkwo, U. *Luxury Fashion Branding: Trends Tactics Techniques*. New York: Palgrave MacMillan, 2007

⁵⁶ Dion, D., & Arnould, E. , Retail luxury strategy: assembling charisma through the art and magic. *Journal of retailing*, 2012

the craftsmanship, elegance of a products and the physical store. In a context in which communication has shifted to omnichannel approaches, contents are drivers of the attraction and the strategy itself, because users must perceive same content across all the channels.⁵⁷

In order to make practical evaluation, I take in consideration some brand and its stories. The purpose is to show storytelling quality and to make comparison where they are differently presented. The first example is Gucci, which during last years has showed its ability to change its spirit, while preserving identity and reshaping expressions. With Alessandro Michele the Brand has dramatically changed its approach to communication embracing and adapting to new digital codes and transforming fashion into a fairy tale. Gucci storytelling is different because it has extracted the narrative from the brand history, telling stories about lifestyle, events and appealing initiatives for new consumers Millennials. Concretely, Gucci E-commerce dedicates a section called “stories” inserted directly in the homepage interface. In this section is expressed “the Gucci world” and it is easy to remain enchanted by the magic created.

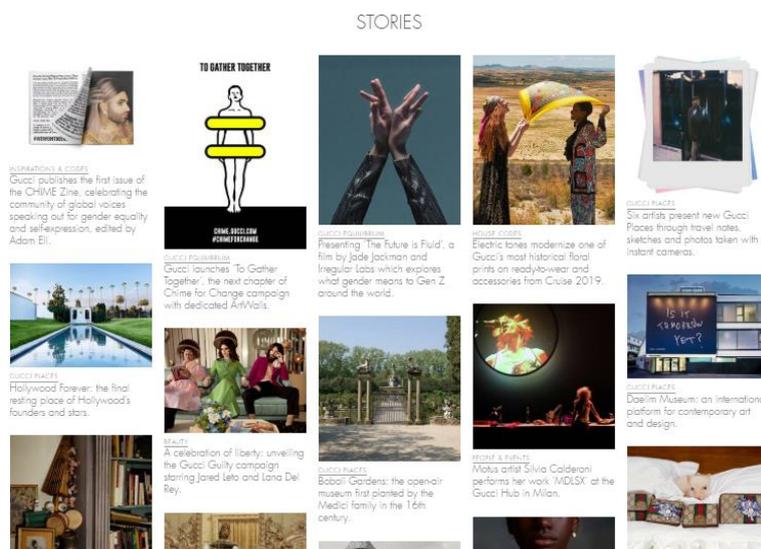


Figure 6 Source: www.gucci.com Gucci storytelling interface⁵⁸

⁵⁷ Bigcommerce, source: da www.bigcommerce.com: https://www.bigcommerce.com/ecommerce-answers/importance-storytelling-ecommerce/

⁵⁸ The image shows the interface dedicated Gucci stories. It is organized with an innovative, young and fresh design which reproduce the polaroid effect.

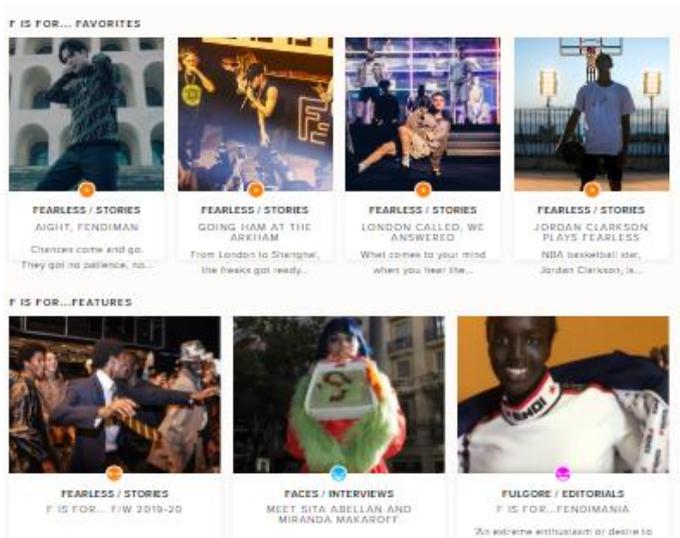
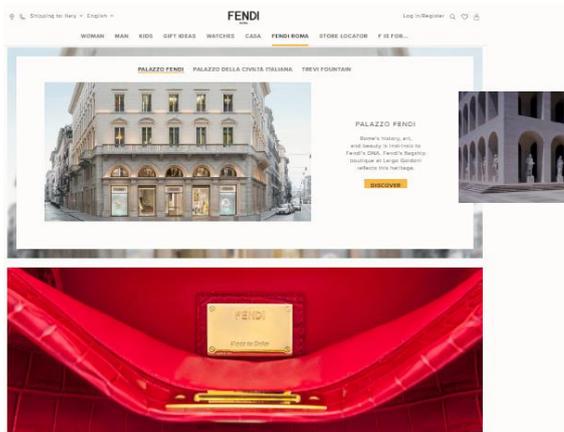
Each story tells something about the Gucci's world. It is done in a totally charming and compelling way. The section inspirations and code, replace the basic type of storytelling, suggesting how inspiration comes alive. This is made through a narrative which involve people more than ever because of the high-quality images and shoots which represents people doing something that can explain the story of a product and its inspiration.

Gucci place, perhaps, is a section dedicated to people who love to travel seeking unexpected and unveiling experience; through this section consumers can easily enter in contact with the Gucci world for real, discovering hidden and curious corners of the world and getting involved by the desire of visit these places. Each place is linked to the brand history and lifestyle and in fact it is always explained and clarified the relationship between the brand and locations: the Boboli Garden in Florence behind the Pitti palace, an open-air museum planted by the Medici family, the LACMA museum of Los Angeles, the Dapper Dan atelier studio, the Hollywood forever cemetery and many more. Fashion show section also explains and show behind the scenes and events but proposed in a way to involve people and to make feel them part of this, totally different from the mere proposition of a fashion runway. More interesting is the people and events section, in which are shown stories about arts exhibitions and collaboration with high exponent of the artistic sectors such as Ignasi Monreal and Maurizio Cattelan, musicians and performers; there are also the so called "Gucci people" which are celebrities and guest at fashion shows or Gucci events. Gucci shows that it has totally revolutionized and changed the traditional way of doing storytelling because it explains its inspiration and codes through people, celebrities and lifestyle going directly to the consumers heart. Through stories people feel more involved and they can really experience the Brand.⁵⁹

Fendi is another example of Brand which has revolutionized the way of doing storytelling but in a different way. In fact, entering the Fendi website it is possible to observe that there are two section dedicated to storytelling and Fendi history. The "Fendi Roma" section emphasis the city of origin and the original headquarter, Palazzo Fendi in Largo Goldoni, which is the spirit of its history and intrinsic in the its Brand DNA. There are

⁵⁹Gucci,Source:https://www.gucci.com/it/it/?gclid=Cj0KCQiAtP_iBRDGARIsAEWJA8jhga4MyhSfAE83UboK6-9Z5khwm7iLeE9TBokSgVZj2IIfD7QEIGkaAuqQEALw_wcB&gclsrc=aw.ds

also presented characteristic materials such as fur and leather, used to create Fendi’s pillar creations. In this section it is easy to find special project strictly linked to art initiatives, perhaps the partnership with Galleria Borghese to give homage to Caravaggio or the work of Giuseppe Penone, Foglie di Pietra, a sculpture installed in front of the flagship store which symbolize Fendi’s commitment to art, culture and the city of Rome.



The other section dedicated to storytelling is the new “F is for ..”, platform totally dedicated to Millennials with high-quality videos and images. Contents are targeted to young people, involving emergent artists, such as musician, painters, Instagram models places to visit and behind the scenes.⁶⁰

Figure 7: Fendi storytelling interface⁶¹

⁶⁰ Fendi , Source www.fendi.com :

https://www.fendi.com/it?gclid=Cj0KCQIAtP_iBRDGARIsAEWJA8huhLBEcbqOocLx8Z7AR-le6YHyO2XcrHGIM8ksKnSQYozX-pqJ1QaAh7_EALw_wcB

⁶¹ The images show Fendi section interface of storytelling. It is displayed the iconic Flagship store, Fendi headquarter and the installation in Largo Goldoni. Heritage and craftsmanship are merged together involving customer to experience the first-hand “made-to-order” service.

The French Maison Louis Vuitton shows instead a different approach in doing storytelling because it focuses the content on the brand history, craftsmanship, commitment, places of inspiration and exhibitions.



HOW IT ALL BEGAN

Figure 7 Source: www.louisvuitton.com LV storytelling⁶²

Differently from Gucci and Fendi in LV is given less space to Millennials and content for younger audience. This is a consequence of the LV style and target. ⁶³Fendi and Gucci during last years have reshaped their elements giving new fresh form and spirits to collections, adapting it to Millennials. LV and other brands such as Dior and Burberry, with the dedicated “the art of trench” platforms, stress the importance of the story behind the brand, emphasizing “savoir-faire” and craftsmanship showing in dedicated sections commitment to arts and exhibitions. They use both videos and images.

Versace and Yves saint Laurent show their attention to the product and collections. In the Versace dedicated section “World of Versace” are displayed fashion runways, campaigns with celebrities, celebrations and main exhibitions, among which there is the famous

⁶² The image shows the section of LV website dedicated to the storytelling. The interface is sober, classic and it displays the Maison iconic pieces. It is still traditional even if there are other sections dedicated to LV world and lifestyle rather than to heritage and DNA.

⁶³ Louis Vuitton., Source: www.louisvuitton.com

“Heavenly bodies” located at Metropolitan museum of art.⁶⁴ Yves saint Laurent also gives a lot of space to campaigns, collections and runways through videos, images and descriptions showing quality and design. These brands tend to maintain an attachment to traditional storytelling giving less importance to new the consumers of the future.

In terms of quality all the brands considered propose high level of storytelling in terms of content and quality. They have created appealing and charming stories to involve people more than ever but from a digitalization point of view the outcomes are different. All are now using videos and interactive storytelling to communicate the brand’s identity, but targets are different and considering that also digitalization changes. Fendi and Gucci are further in this sense; they have created a world totally dedicated to new consumers, a world which is involving because it uses a friendly and casual way of communication, which at the same time is able to shorten distance between the brand and people and to preserve exclusivity. The other brands have made steps further, creating videos and mini film to tell their stories but they still maintain high distance from consumers. Contents are really exclusives and they aren’t focused on lifestyle, which is something more involving for people who is interested in luxury and fashion.

2.6.2 Products presentation

The product presentation is something vital for luxury fashion e-commerce. As affirmed before, luxury fashion brands take care of visual elements in their website to fairly reproduce emotional involvement which consumers have in physical stores. High-end products have high symbolic value; thus, the representation format must be capable of arousing as much as possible same psychological feelings and emotions inducted by real products⁶⁵. Moreover, the high prices of high-end products induce consumers to make evaluations differently from other kind of goods, thus the quality of the presentation must

⁶⁴ Versace, Source: www.versace.com

⁶⁵ Ballantine, P., Effects of interactivity and product information on consumer satisfaction in an online retailing setting, in “*International journal of retail distribution and management.*”, 2005

be very high in order to give same information in detail which a consumer would have in the physical store by sale assistants. Let's see how they do.

Photos and videos

Luxury fashion brands present their products on E-commerce website according to different techniques. They take inspiration from other type of E-commerce such as Asos or department online stores, such as Yoox net a porter, LuisaviaRoma, MyTeresa and many more. Products are presented with high-quality images and sometimes videos, perhaps Louis Vuitton does it so, with possibility of zooming on details. Not all the brands propose videos to show items sometimes in fact there are just photos, Fendi, Gucci, Dior, generally present items only by photos. The general trend is that they show dresses, jackets, bags or shoes already wore by models in order to give a better idea of how they fit but there also brands, perhaps Valentino or Fendi, which present them without being wore by the model. Zooming tool is very important because users can really understand details, which are difficult to catch from pc or mobile screens; Gucci and Versace have good zooming tools. Even if the quality of images is high and items are presented from different perspectives, it isn't enough to evocate the same emotions felt live by consumers. Products presentation quality need to be improved a lot in terms of images and graphics; the idea of linking for each items its runway presentation can be developed together with the idea of making better videos which show product in HD. With the actual format there is no difference between a luxury website and those for mass-market.



Figure 8 Source: Dior website⁶⁶



Figure 9 Source: Gucci website⁶⁷



Figure 10 Source: LV website⁶⁸

Products descriptions, size and availability

Descriptions are what make difference. Consumers' inability to taste, feel, smell and test a product in online environments increases the amount and quality of products description. Luxury fashion products need to be presented in compelling and charming way, giving idea of the product history involving the consumers feelings. Verbal descriptions are also very important because they are what make traction on consumers' mind; something that is written in a striking way will remain in our mind.⁶⁹ Most brands, such as Louis Vuitton, Dior, Prada, Dolce&Gabbana, Burberry, Fendi, describe products with short, impressive, persuasive and poetic captions, explaining the perfect usage, perhaps cocktail or evening dress, and essentially material and manufacturing. Gucci has

⁶⁶ (Dior, 2019)

⁶⁷ (Gucci, 2019)

⁶⁸ (Louis Vuitton, 2019)

⁶⁹ Minjeong, K., & Sharron, L., The effects of visual and verbal information on attitudes and purchase intention on internet, In "*Psychology and marketing*", 2008

totally understood how to make traction on consumers' mind, showing longer descriptions which include explanation of collection pieces and DNA, creating for each product a little storytelling. Products descriptions and images are accompanied by detailed features, such as materials, colors, accessories of the item, seams, manufactures and style. Size and availability are always indicated near the product displayed.

From an overall point of view, descriptions quality is quite good, they are what makes difference from mass-market brand E-commerce: users won't ever find such descriptions for Asos t-shirt.

2.6.3 Additional services

As already affirmed E-commerce sites reproduce the consumer experience online so, together with the Brand atmosphere, they must provide high level of assistance and care. The customer service is an important strategical part of E-commerce business because when products aren't bought in "real" store some problems occur creating big gaps between live purchases and virtual ones; customer service can fill this gap. Giving assistance to the customer can make the difference, making feel him/her safe, followed and helped in decisions, avoiding the uncertainty typical of online journeys. In physical stores, the buying journey starts when the consumer enters the store, he/she sees products; they evaluate preferred products with sales assistants, they try liked options in dressing rooms and after, if something is liked the buying journey is concluded purchasing what is liked. From this perspective, online something is missing. Consumers don't have to wait for receiving purchased goods, payments are safe, smoother and different method are allowed. Generally, E-commerce websites solve the problem through different options, perhaps giving personalized and constant assistance to consumers, free or faster shipping methods, security in payments, websites guide, email and telephone contacts. Luxury and non-luxury E-commerce present in the section customer service, basic tools to assist customers, which are: free shipping methods, faster shipping options, orders tracker, returns and refunds, FAQ and a wide range of credit card as payment options (Visa, Mastercard, American express, PayPal). Customer care is always present through

telephone, email and in some cases through innovative live chats. What differentiates a luxury e-commerce from the others? Additional and exclusive services is the answer; high-end brands provide to customers additional and exclusive service to differentiate their offer online and deliver high quality care to clients.⁷⁰ These services are additional to basic services described before and are those specific for luxury websites, so let's which are, and which is the level of quality.

- Store locator function is a typical feature of luxury fashion websites it enables users to find store within his/her address or postal code. With this function visitors can easily find cross-functional information about the nearest boutique where purchase the desired good, such as the distance, available products and opening hours. This tool is innovative and provide integration between online and offline stores. Louis Vuitton has made a step further providing Uber booking services to reach the founded boutique;
- Collect-in-store is another additional feature provided to clients who want to purchase/order something online and collect it after in store. Burberry offers this service giving the possibility of collecting ordered goods “as early as tomorrow” in store;
- Book an appointment is a feature which provide high integration between real and virtual store; it is run perhaps by Prada which invites visitors to book an appointment in the nearest store to assess the item chosen;
- Gift packaging is an exclusive feature reserve to who want to make a gift wrapping it with a “griffed” iconic paper like it is in the physical store. Burberry and Dior provide this service for free, in Gucci perhaps it is complementary. This is a high quality and strategical tool because it stimulates people who want to make a gift preferring to go to the physical boutique to wrap the present;
- Saturday delivery is made by Gucci and this is strategic to avoiding waiting time of order made on Friday. This service is useful to fix a point of weakness of the e-commerce which is the lack of real-time purchase. Another interesting feature which is made by Gucci too is the possibility of booking directly by the website a

⁷⁰ Okonkwo, U., Sustaining the luxury brand on internet, in “*Brand Management*”, 2009

dinner at the Gucci osteria by Massimo Bottura. This is an exclusive service which increases luxuriousness of experiences.

Additional services just described are at the same time strategical and necessary for luxury E-commerce. Considering what already said about the consumer expectations, these brands must provide high quality service to replace those offered in real stores. With collect in boutique, book an appointment and store locator they provide high integration between physical and online store, in order to align channels but from a digital point of view they still don't provide high level of digitalization. In fact, these services must be considered as tools to successfully integrate channels and provide a unique experience, from online to offline, given the purchasing behavior of most part of consumers as showed in the table below; 41% of luxury worldwide consumers decide to purchase a good in store after having checked it online.⁷¹



Figure 11 Source: Statista Purchase behavior⁷²

⁷¹ Statista. Source: Statista: <https://www.statista.com/outlook/21030000/100/luxury-fashion/worldwide>, 2018

⁷² (Statista, 2018)

For what concern the gift wrapping, Saturday delivery, free shipping and returns, it is evident that the purpose is different: free shipping and return tend to involve customer to purchase directly online without paying additional fees due to shipments and delivery on Saturday made by Gucci is an important tool which may involve customer to purchase online even if there is reluctance for waiting times.

3. Make your customer feel at home: Artificial intelligence and recommendation engines

3.1 What is Artificial Intelligence?

As I have anticipated in the previous chapter, in the high-end fashion and luxury environment the experience is the key and it is the driver of competitive advantage and differentiation for the firms. Considering that, firms are working and investing in artificial intelligence which are new technologies able to provide better user experience. Artificial intelligence is a critical point for the e-commerce today success necessary to the consumer satisfaction improvement.

Let's see Artificial Intelligence practices and how high-end fashion brands are using them on e-commerce sites.

Artificial Intelligence is a part of computing science and machine learning which are programmed to be intelligence machines able to reproduce the human consciousness. In fact, the purpose of AI is to mimic the human way of thinking performing task as a human being.⁷³ Practically, these are intelligent machines able to think and learn about data using different combination and types of algorithms; the outcome is that through the connection and matching of algorithms artificial intelligence catch the meaning of an activity which is consequentially learnt.

Market intelligence company international Data have found that by 2019, at least of 40% of retailer will be using Artificial Intelligence platforms to improve their businesses through the user experience and according to TechEmergence by 2020 the 85% of customer interactions with will be performed without humans being substituted by AI.⁷⁴ AI are planned to learn about the consumer history using gathered data, enabling the technology to deliver the consumer real-time tailored insight; sales assistants and employee are not able to derive, form the face to face interaction, real-time insights about

⁷³ Techopedia ,Source: www.techopedia.com: <https://www.techopedia.com/definition/190/artificial-intelligence-ai> , 2018

⁷⁴ Techemergence, Source:Emerj: <https://emerj.com/ai-future-outlook/when-will-we-reach-the-singularity-a-timeline-consensus-from-ai-researchers/> , 2018

the consumer entire history from the face-to-face interaction. Though, the high-end fashion retail industry has been reshaped by the AI usage; nowadays, they are the main driver of the customer experience and, consequently, of the sales increase.⁷⁵

There are three main building blocks necessary to the successful implementation of AI for the customer experience: data unification, real-time insight delivery and business context.

1. AI can also be defined as behavioral analytics and this means that they must work with enormous amount of data which today, thanks to new generation of technologies for daunting, they are easy and cheap to get; thus, software and processes for data unification are the engine for AI;
2. In order to grant high level of engagement insights about the customer need to be delivered in the moment of the touchpoint usage, that's way it is said real-time insight delivering; all happen integrating all the data pursuing the omnichannel strategy;
3. AI delivers consistent value if it is given a context, meaning for context not a single interaction but both the interaction, which is carried out by the user, and the level of significance that those interaction has on KPIs and consumer behavior. The costumer journey is something strictly individual which is driven by the consumer behavior, for this reason AI combines data with the context in order to grant a matching between the "next best action" produced and the specific user experience.⁷⁶

AI applications are disrupting the consumer experience, although there are improvements to do to achieve the desired results. Despite this, today, applications of these new technologies have reshaped the luxury customer online experience in its various aspects.

⁷⁵ Negnevitsky, M. Artificial intelligence: a guide to intelligent systems , Addison-Wesley, 2002

⁷⁶ Kok, J. N., Boers, E. J., Kusters, W. A., & Van der Putten , P. Artificial intelligence: definition, trends, techniques, and cases. Leiden, Netherlands: Leiden institute of advanced computer science, (s.d.)

Specifically, two are the main trends of the new user experience: consumer service automatization and experience personalization.

3.2 Artificial Intelligence starting point: User profiling

As affirmed before, artificial intelligence are behavioral analytics. In order to do so is vital to gather information about the user and depict his/her behavior for personalize the experience. Each user experience is different from others so how is it possible to obtain knowledge about them? Intelligent e-commerce sites use AI to build consumer history through their personal account which are the starting point for personalization. Specifically, the user personal account or user profile is a description of someone containing specific elements which distinct a user from another one. Generally, luxury e-commerce sites gather information about users in order to make a previous selection of which contents need to be delivered to the specific consumer (recommended products) and to record behavioral habits to provide a totally personalized and dedicated service. For instance, as I will explain ahead, in recommender systems, the user account contains ratings for items, which are used to recommend potentially interesting products to him/her and to other users with similar tastes. Concretely, user profile enables systems “to inferring information unobservable about users from observable information about them, that is, their actions and personal data. The issue is: how are information obtained? And Which are concretely? There is a distinction based on how information are gathered: they are explicit information and implicit. Explicit information are voluntary given by the user in the moment of registration or country selection, conversely implicit are those derived by the system. Explicit information on luxury e-commerce are about personal data such as name, surname, demographics, e-mail, gender and age. They also include payments methods, but these are prompted in the moment of check out.

Implicit information regards behavior and user habits, such as liked items, time scheduling, frequency of interactions. Behavior is vital to accomplish personalization

because it is based on the conception that, if an action is repeated, it can constitute a pattern to be used to predict user future actions and deliver right content.⁷⁷

Practically, every time a consumer enters a luxury e-commerce website registration is automatically prompted. The figure below shows an example from Burberry automated system of registration. As entered the site, the user finds a form to register his/her personal data.

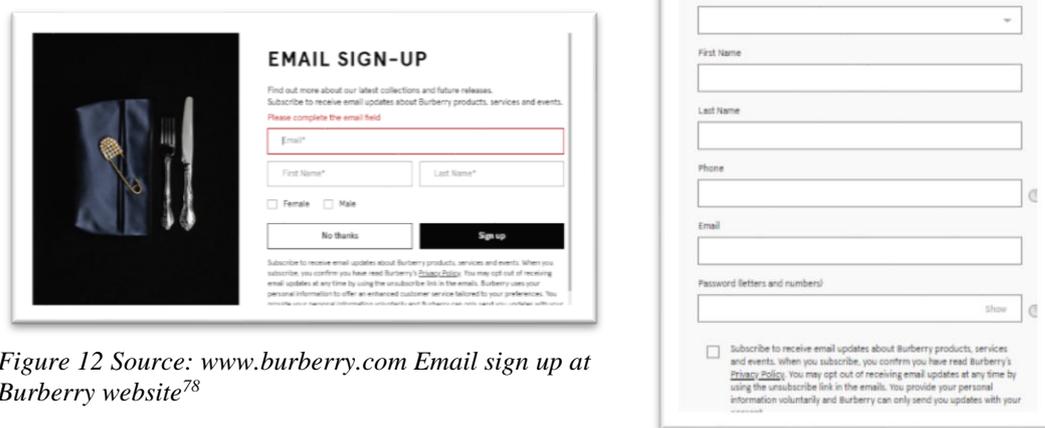


Figure 12 Source: www.burberry.com Email sign up at Burberry website⁷⁸

Before information are finally gathered, consumers are invited to consent their personal data treatment; it is a necessary step to build the user account and companies can manage users' personal Data through costumers management to grant experience-personalization goals. Once the user profile is built, AI provide tailored services through costumer service and recommended products. I deal with these topics in next paragraphs.

3.3 Artificial Intelligence application: The customer service

⁷⁷ Schiaffino, S., & Amandi, A. Intelligent user profiling. *Artifical intelligence*, 2014

⁷⁸ British fashion brand Burberry started using big data 2006, to help boost sales and customer satisfaction. In the same year, the company saw a 50% increase in repeat customers after announcing a customer management programmes the year before, which lets customers voluntarily share their data.

As previously said, traditional sales assistants and employee aren't aware of the entire consumer history before their interaction face-to-face and AI, instead, is making this possible, delivering next-level responsiveness humanly impossible. Considering that, one of the main applications of AI is to the customer service which becomes an automated service. Going deeply, AI embedded system capable of responding in real-time automatically avoiding problem for the user, such as waiting for responses, queries and complaints. These systems offer support through automated messaging or through virtual service assistant. Successful luxury e-commerce sites need to provide the before mentioned aids delivering shoppers easy access and contact with the customer center.⁷⁹ AI goes beyond the e-commerce sites moving it on social media, where the brands communicate with fans, but I will deepen this in the dedicated chapter. Improvements in the customer service online are essentially Chatbots and Virtual assistants, so let's see how.

3.3.1 Chatbot, Virtual assistants and live chat

Facebook, WhatsApp and other messaging apps have totally changed the way people interact and this is a consequence for businesses. In fact, firms have chosen to reproduce this ease of communication on the e-commerce site thanks to chatbots which are digital tools offering convenient, personal and unique customer assistance. The purpose is to make the interaction faster, clear and useful in order to increase consumer satisfaction and care, key element in a luxury brand communication strategy. Chatbots are designed to be a growth driver and the future of the e-retail which ensure personal relationship with costumers. How chatbots work? Concretely, Chatbots and live chat are AI-based conversation agents which can be used in different consumer interaction giving 24*7 personalized responses. Chatbots basically use social media platforms giving the opportunity to engage consumers directly on social media, instead live chats are window which open automatically when the user enter the e-commerce site. Through these

⁷⁹ Joshi, N., four powerful way AI is molding e-commerce , Source: [www.Forbes.com: https://www.forbes.com/sites/cognitiveworld/2018/08/05/4-powerful-ways-artificial-intelligence-is-molding-e-commerce/#396995844b11](https://www.forbes.com/sites/cognitiveworld/2018/08/05/4-powerful-ways-artificial-intelligence-is-molding-e-commerce/#396995844b11) , 2018

systems, automated virtual assistants give information about the luxury product materials and craftsmanship, information about offline stores, respond to queries, problems or claims. The core-essence is that it is established a one-to-one interaction, delivered in real-time, and, thanks to the ability of learn the entire consumer history, chatbots and live chat are able to use pre-defined script which allow to perform automated task and deliver customized conversations.⁸⁰ Considering that, the most part of luxury brands is using live chat on the e-commerce website to give assistance and chatbots through social media.

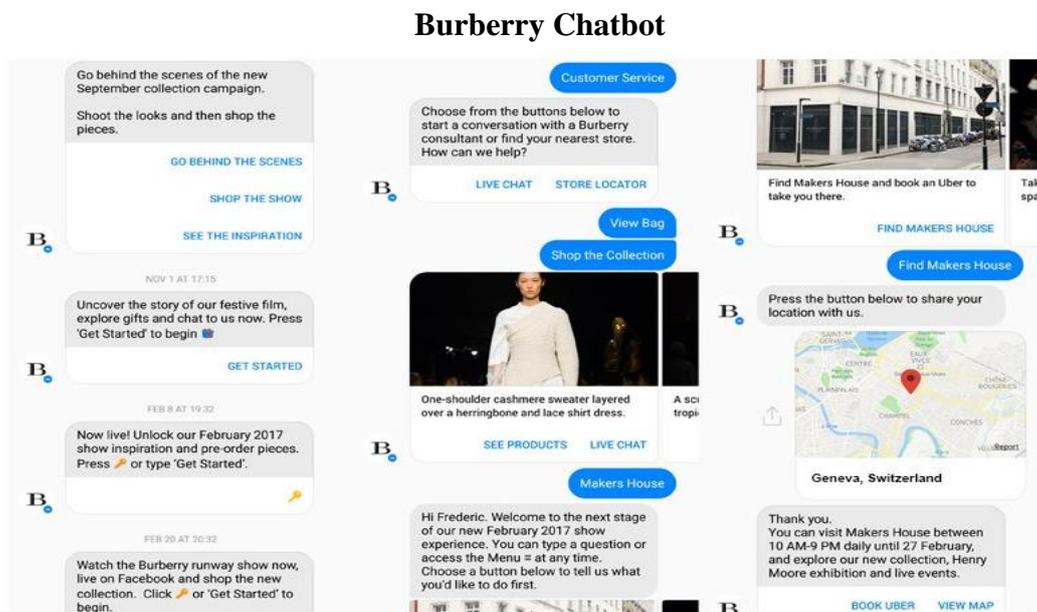


Figure 13 Source: *Luxury society by digital luxury group. Burberry chatbot*

Burberry can be considered a pioneer in using digital tools and in adopting AI. Quick to leverage new technologies and one of the most digital innovative brands. As the image above shows, this is an example of chatbot through Facebook messenger platform. Since it is a pioneer in digital strategies, Burberry original chatbots was designed to allow fans to directly interact with fashion shows giving them the possibility of discovering behind the scenes collections and products. Consumers had to chance to buy the liked products

⁸⁰ Enlabs : *Chatbots and user experience: il report definitivo*. Source: digital marketing stats: <https://www.enlabs.it/chatbot-user-experience-report/> , 2018

directly from the app. The brand went further improving the chatbot with push notifications to each user that had previously interact. Other incremental innovations are the possibility to watch Burberry’s films and to explore gifts. Today, chatbot offers a wide variety of services such as live conversations with consultants and store locator systems allow the user to book an uber to go to the “Makers house” to watch exhibitions. To sum up the objective of Burberry chatbot is basically linked to entertainment and additional services.

In order to give another example of chatbot usage I take in consideration Tommy Hilfiger; it is one of the first to use chatbots introducing it during New York fashion week in September 2016.⁸¹

Tommy Hilfiger chatbot

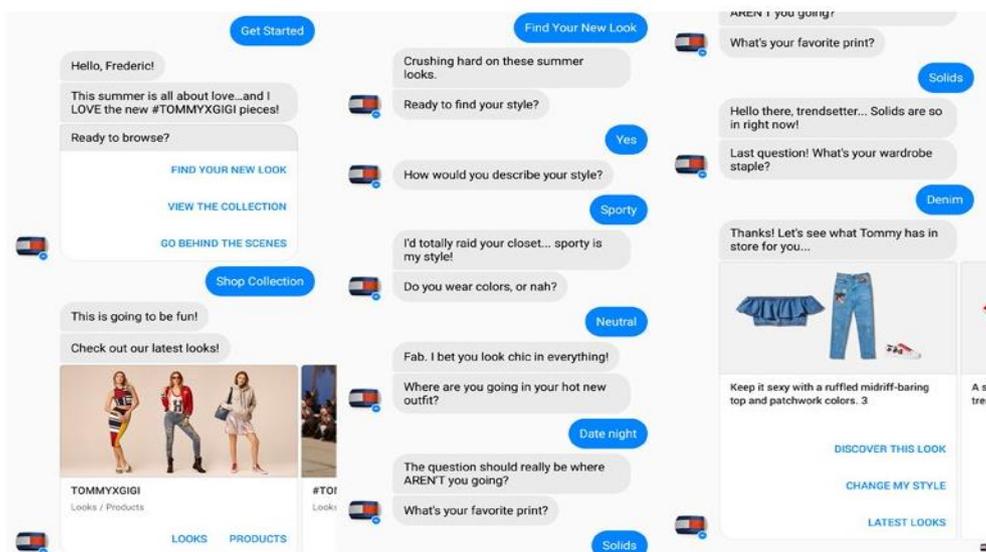


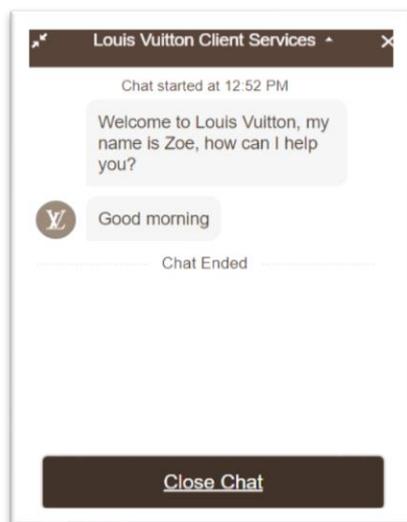
Figure 14 Source: *Luxury society by digital luxury group. Hilfiger chatbot*

In this case the finality is to drive traffic from the social media to the website together with the creation of a personalized customer experience around the collections. As the image show, the bots directly introduced the user to the collection and fashion show with

⁸¹ Huber, F. *Chatbots: 5 luxury brand examples*. Source: *Luxury society by luxury digital group* : <https://www.luxurysociety.com/en/articles/2017/03/chatbots-5-luxury-brand-examples/> , 2017, March

starring Gigi Hadid. Furthermore, the chatbot made questions about user preferences about the look in order to record data and personalize the experience. Differently from Burberry, the tone of voice is friendly and casual, showing that the chatbots has been designed to target younger generations.

More interesting is what concerns live chat because it is a radical innovation for e-commerce sites, able to reproduce the welcoming and assistance of the in-store selling ceremony: when the user step into the city is welcomed and greet by a friendly and professional virtual assistant, in some cases the service is automated in other cases not. In 2020 80% of companies will use AI-powered messaging.⁸² Now there is still a difference between in-store an online store integration, but there are also brand's efforts that deserve to be mentioned. For example, Louis Vuitton, Dior, Prada, Dolce&Gabbana, Gucci and Balenciaga are using these customer service systems. These means a substantial improvement in this sense; luxury consumers always want to be perceived as valuable customers both in-store and online and live chat is a tool which ensure care and attention to customer. I show some examples in the next page.



Louis Vuitton live chat

Louis Vuitton uses live chat in the best way; as you enter the website you are greeted by the virtual personal assistant; a window is opened automatically on your pc screen and the conversation has started. As showed in the conversation besides, the tone is friendly but at the same time professional and elegant. Virtual assistants are available for the most part of the Countries covered by LV supply.

Figure 15 Source: Louis Vuitton website Louis Vuitton live chat

⁸² Appear [here], *How luxury brands are using AI and keeping it real*. Source: Appear [here]: <https://www.appearhere.co.uk/inspire/blog/how-luxury-brands-are-using-ai-and-keeping-it-real> , 2018, April

Dior live chat

In Dior the service isn't automated, in fact users must click to chat online. Another limitation is that advisors is often not available as showed in the image beside. Moreover, it is possible to reserve a call directly clicking the phone icon which automatically appears in the right side of the window when you enter the site.

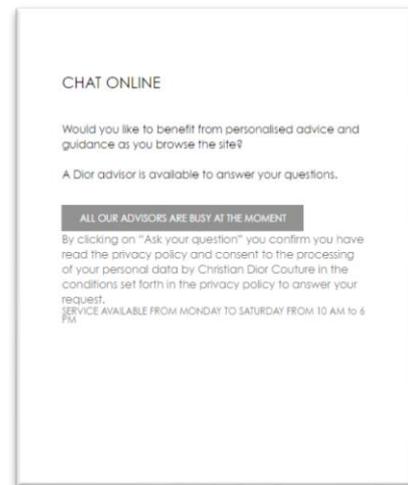


Figure 16 Source: Dior website. Dior live chat

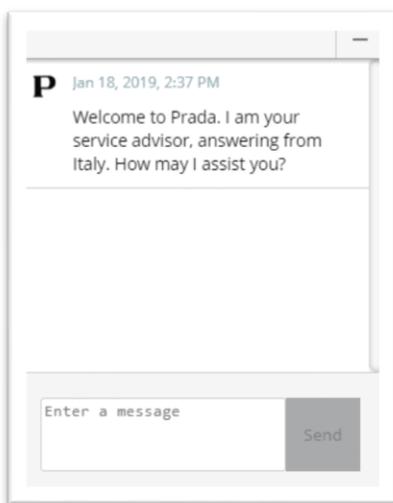


Figure 17 Source: Prada website Prada live chat

Prada live chat

Here, instead, there is Prada live chat which is not automated like in Louis Vuitton, the request is manual like in Dior. Prada service advisors are more available. The tone used is different, very professional, cold and not friendly.

Balenciaga and Dolce&Gabbana live chats aren't automatized, advisors are available in predefined working hours.

3.4 Artificial Intelligence in customer experience personalization

Another meaningful application of AI is directed to enhance the user experience through personalization. This is a striking point for luxury brands: thanks to artificial intelligence and specific algorithms they can learn and trace the user experience depicting the specific

buying user behavior. This practice is necessary to offer tailored experiences to targeted audience and to build value-added relationships with them. E-commerce luxury sites, following giants of mass-market eBay, amazon or Netflix, chooses to use recommendation systems which are increasingly popular today. These types of recommendation engines are generally used by luxury brands to suggests products to the user and improve research of items on the website. The result is the facilitation of the user purchases and researches. The core function is to learn about the user purchasing history and to suggest the products that he/she will retain most valuable among those available. Recommended products system, in fact, is another driver of online personalization and high-end brands use different combination of these technologies to deliver uniquely suitable products to shoppers. Using these tools would determine profits in awareness and especially in sales; retailer after having adopted these technologies see sales gain 6-10%⁸³ and they would improve profitability rates of 35%.⁸⁴

From a technical point of view Recommendation systems can be of three type, content-based recommendation engines, collaborative filtering and hybrid systems.

- Collaborative filtering is generally based on collecting data about user behavior online, his/her preferences and routine activities matching them with other link-minded users. These systems create groups of users with similarities and trough this association predict what they will like. The ratio is that users will think the same in further actions, thus the prediction about user behavior of the same group is possible, because a user preference will be the same of another user;
- Content-based system, instead, enables personalization based on the user purchasing history and preferred choices; differently from collaborative filtering associations are made tough items descriptions and the system suggests products which are like those the

⁸³ BCG study, *Profiting from personalization*, Source: BCG:
<https://www.bcg.com/publications/2017/retail-marketing-sales-profiting-personalization.aspx> ,
2017

⁸⁴ Accenture study, *Accenture technology vision for retail* , 2015

user chose in the past. The purpose behind this is that a user will like products by similarities;

- Hybrid systems make prediction using both the before mentioned systems and then combining them. This is the most successful because avoid problems of the collaborative and content-based if used separately.⁸⁵

Luxury e-commerce sites generally choose collaborative filtering as recommendation engine, which is the most common use to suggest right product to target user. AI gives the opportunity to reproduce specific marketing activities online, which need to be implemented to improve sales, loyalty and personalize the customer experience. During the creation phase of a product it can be associated with other products by similarities such as style, materials, design or price; algorithms reproduce online this practice, selecting additional products that might be of interest to the customer.⁸⁶ How this product relationship works actually? The first step is to record data through users' profile. Luxury e-commerce are improving their geographical coverage extending the products offer worldwide but the availability of products changes according countries. This happens for different marketing and strategical reasons rooted in the consumer tastes and culture, that's why the e-commerce will suggest to Chinese consumer products available for that country, differently from those suggested to an Italian consumer. Specifically, as I have highlighted in the user profiling paragraph, each site asks to register and to create a personal homepage in which are firstly registered user's personal data; it is through registration that the user will be recognized and welcomed with the second log-in. The personal account is the key: it gives the opportunity to record consumer preferences and actions through wish list, repeated click and shares. By so the system is able to learn about the consumer taste and behavior because to each action is associated an algorithm and to each item or products chosen it is linked a specific description; after that, the system will

⁸⁵ Aggarwal, C., Recommender system. In C. Aggarwal, *Recommender system*. Switzerland: Springer international publishing, 2016

⁸⁶ Karimova, F. , A brand aware collaborative filtering-based recommender system . *School of management Huazhong University of science and technology China*, 2016

propose similar actions, in terms of suggested products, once the user come back to the site: the experience will be increasingly personalized.

Items are proposed according to different marketing tactics which are cross-selling, up-selling and related products but, how are they like? Concretely, I mean the so called “previously viewed products”, “you may also like” section, “complete the look with” which are those insertions faced each time the user is viewing a product on e-commerce sites. These tactics have two main functions and results. The first is to reproduce suggestions made by physical personal assistant in-store, delivering an experience tailored according to personal taste, in order to gain loyalty on existing customer and traction on new ones. The second function is to boost sales and revenues tempting the user to purchase something else. As I will deepen ahead, not all the luxury brands are using these tactics; most brands use engines which suggests only related products to the already chosen missing such opportunities to increase value and reducing e-commerce efficacy. For now, let’s see how these algorithms create value-added experience for users.

Related products

Related products are generally products suggested because they are strictly related to the item the user is viewing in that moment and they are meant to be purchased in addition to the item viewed. These products are linked by similarities (color, style, line) even if they aren’t of the same categories or type. Recommendation engines like this propose products which complete or enhance the performance of the already chosen one or to add some features to it. Concretely they can be accessories to complete the look, for example a scarf for a jacket or a belt to a trouser, or they can be buttons for a special chemise and so on. The related products section generally appears near to the product chosen by the user and sometimes they can be added to the cart without opening a new window, making the process faster and easier.

Up-selling products

Up-selling products are linked to the item the user is considering because of their similarities. The suggestion is made because up-selling items are more popular, they may have higher prices and higher profit margins, or they may be of better quality. They are basically meant to be purchased as alternatives to the original product.

Cross-selling products

Cross selling products have similarities with the first category, but recommendation systems treat them differently. They are linked to the product the user is purchasing and in fact they are suggested in the shopping cart while completing the check out; this is the main difference with the first categories, because they are suggested in another moment.

Other types of products recommendation

There are other ways in which AI uses to help the user in researches and purchases. These ways contribute to the personalization and facilitation, giving the opportunity of record products into the personal area. These can be wish list, in which the user saves liked items, already/previously viewed section, which remember to users his/her recently considered products or push notifications and emails which alert when the time to complete the purchase is expiring.⁸⁷

⁸⁷ Magento, *Gestire prodotti: correlati, alternativi e consigliati*, Source: www.html.com:
<https://www.html.it/pag/53905/creare-un-nuovo-prodotto-prodotti-correlati-alternativi-e-consigliati/>, 2015,
July 29

3.5 Recommender systems: real observations

As previously affirmed, luxury brands are using related products and up-selling to boost sales and to personalize the user experience, but how they really do?

According to my researches about eleven brands, it is observable that they suggest linked items in the product-dedicated window during the user evaluation moment. They combine different methods together proposing elements based on the user history: systems act following predictable tastes.

Specifically, all are using wish list saving methods, linking a heart-shaped icon on the product; with one click is done, the product is saved and recorded for the future.

When the user selects the product, perhaps one skirt, one chemise or one dress, it is opened one new window where he/she can deepen the product knowledge, there are displayed recommended related items which widen as clicks and visits increase. Solutions are basically three: “you may also like”, “wear this with “or “complete the look with” and “last viewed”.

The last viewed or recently viewed section of the interface is the most common: on each e-commerce it appears to facilitate the usage remembering already seen or previously considered item. When perhaps the user loses connection, leaves the page and he/she want to start from before left or he/she want to purchase another time, this option is helpful to simplify navigation. When users navigate such e-commerce websites, with hundreds of different items and options, it may be confusing and boring to research previously seen products instead, thanks to this function, it is easier to get back to that products.

The most part of luxury brands use this tool on their website to personalize the experience. It is unimaginable how much of these products can be lost and never bought if consumers hadn't these facilitations. Examples are Louis Vuitton, Dolce&Gabbana with “last viewed”, Fendi, Dior with recently consulted, Gucci, Givenchy, Yves Saint Laurent and Versace .

Burberry and Valentino don't remember item to users because they simply use wish list functions which entails something similar. The purpose is that a user has already saved something in the wish list, considering that it is superfluous to add other elements, but this

isn't always true because not all the user save their product. On the other hand, from a layout point of you, the user can get in confusion.

“You may also like” and “complete the look with” are commonly used way of recommending items and sometimes are the same thing even if are differently named. Engines follow related product rules to suggest, the diveristy is in how the offer range is filtered and in some cases in how they are displayed.

“Complete the look”, “wear this with” comprise items strictly related to the original product which are ideas to make an entire outfit and to wear item together. This method finalizes the offer to help the user in matching item right and to create a whole look, the purpose is thinking it is likely the user will need complementary stuff to make the whole outfit.

“You may also like” comprises:

- items generally of different categories but similar for the style. In this case items may be filtered, restricting the offer to two or three categories or they may belong to all the categories of products, from ready to wear to accessories and shoes. In the second case, because of the similarity in style, it is easy to find a boot or a blouse for a skirt, a hat for a jacket, a belt for a trouser and so on; if it so, it is highly alike to “complete the look” purpose;
- items very similar between them , they may be of the same line or collection and in this cases up-selling is an obvious consequences;

Even if drivers of association change according to the brand, the main and shared is the style in terms of colours, pattern, themes and lavorations which match users's tastes: it's very difficult to meet products completely different between them.

Let's see how they do through practical examples. Brand are considered together when they recommend products in the same way.

VERSACE

The image in the next page shows Versace product-dedicated interface, where are displayed both recently viewed and you may also like section at the bottom of the page. You may also like presents products of the same category, in fact the product viewed is a dress from Tribute Collection and items that “might also like” to the user are both dresses: one from the same collection and the other from the Medusa Collection which is similar for popularity and spirit. The suggestion is filtered considering same collections or line (style similarities) and sometimes it enlarges the category including shoes. Recently viewed remember items previously seen. Where is the complete the look section? Versace e-commerce is planned differently; in fact, the section is inserted in the home-page and it suggests accessories of the Medusa Collection which can fit with user’s tastes. The user needs to scroll down to find it. The fact that accessories aren’t below the product considered, as it is in other e-commerce sites, can be a point of weakness because users can miss these products without matching them to the product considered. Moreover, it is observable that only prices are displayed: if the user wants to check sizes and availability of products suggested he must click on the product and to visit its dedicated page. Even if sometimes it is strategical to enlarge the basket because the user meets other items, it may be an element of weakness because it may be boring to change every time window, making the process slower. Versace recommendation engines show high level of personalization and as visits increase personalization does the same.

On the other side, sometimes this can be a limit to boost sales because it is likely that the user wants to buy items different between them.

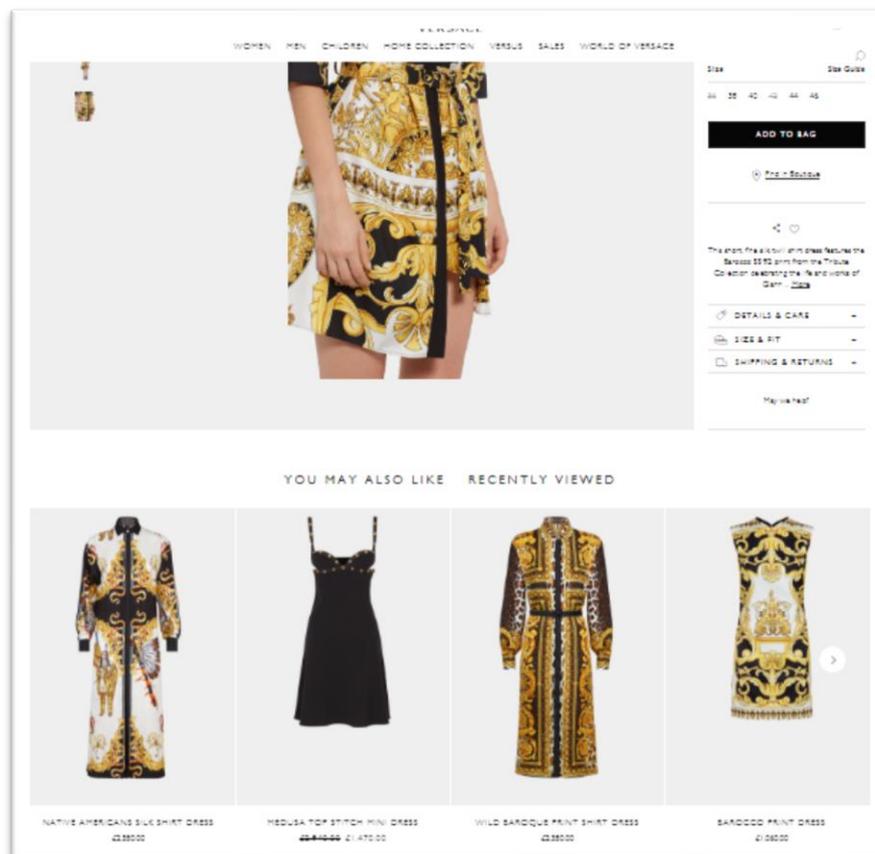


Figure 18 Source: www.versace.com Suggested products interface

FENDI, LOUIS VUITTON AND GUCCI

As showed in images below, Fendi, Louis Vuitton and Gucci products interface are very similar and clear. They choose to suggest products through you may also like, complete the look/ you can wear this with and recently viewed items. In Fendi suggestion method is standard, instead in Louis Vuitton and Gucci it changes according products associations which aren't planned for each product. The user views product and at the bottom of the page where are displayed related items. The difference from Versace is in the complete the look section, which in these cases appears in the same page of the product viewed simplifying navigation, and in filters, because the product range offered through

suggestion is wider. Only in Fendi, the user can check sizes and availability of suggested items by clicking on them because it is opened a new small dedicated window more practical than Versace, Louis Vuitton and Gucci.

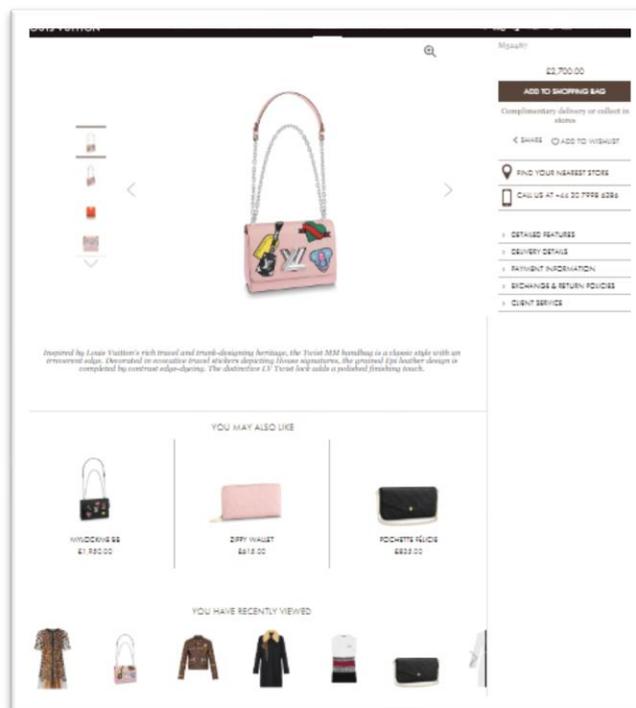
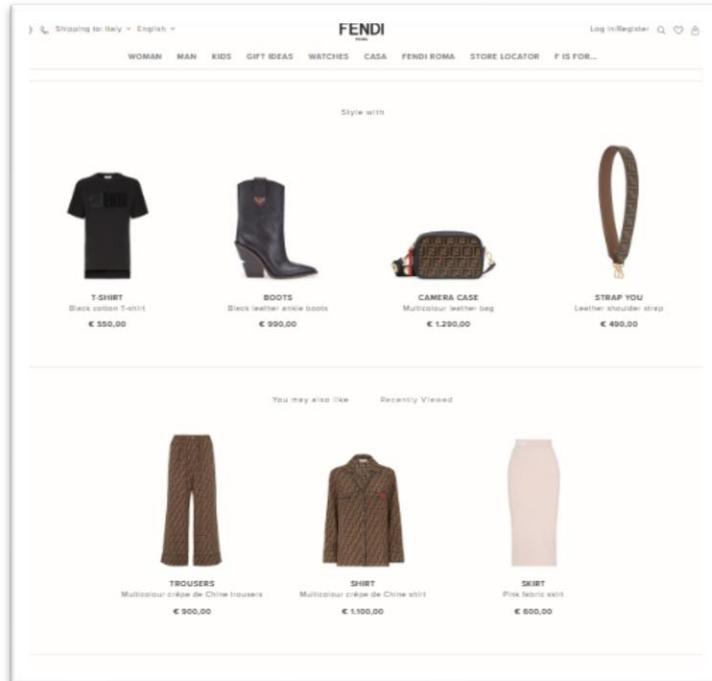


Figure 19 Source: www.louisvuitton.com suggested products interface

feature that in Fendi is missing is that in both LV and Gucci are displayed options to discover variants of an item with the option “discover the family. This is an element which fairly reproduce what happens in the physical store, where consumers can directly assess different variants of an item.

DIOR, BURBERRY AND YVES SAINT LAURENT

Dior, Burberry and YSL do it similarly. Products recommendation driver is “complete the look”. When the user is viewing products, he/she will face the option “complete the silhouette with”, “you can wear this with”, entering in touch with a wider range of products from a hat to shoes and skirts. They show product already wore by a model showing directly how they fit. This method of suggestion is clear, it gives a direct idea of how to wear something. It is involving and a point in favor of boosting sales because consumers perceive it like a catalogue or a magazine from which to take inspiration. The purpose is, it is likely the user will consider products suggested “must have” for the original considered.

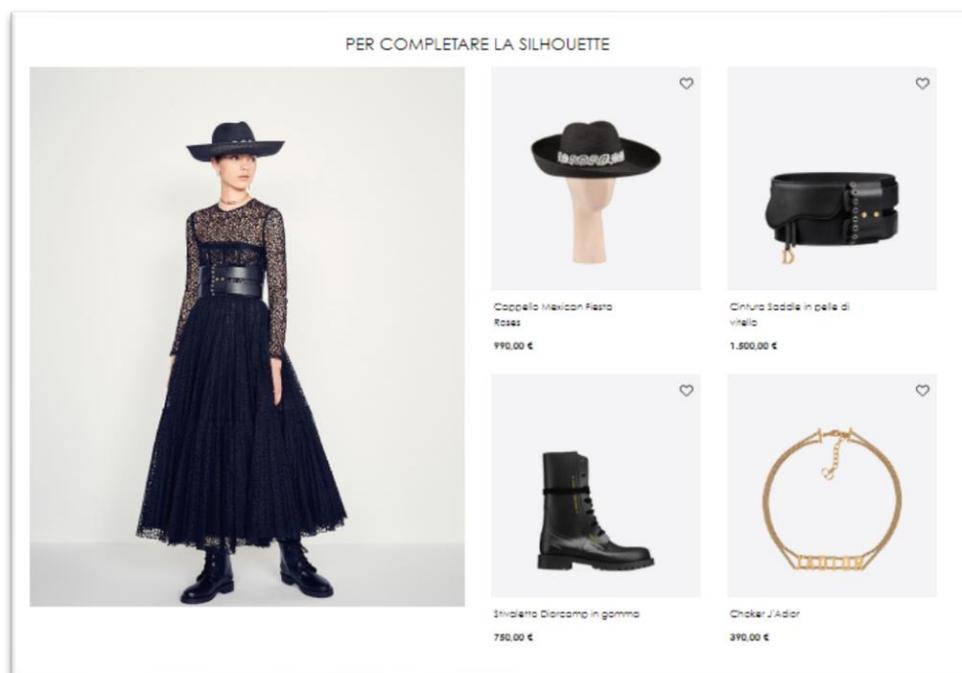
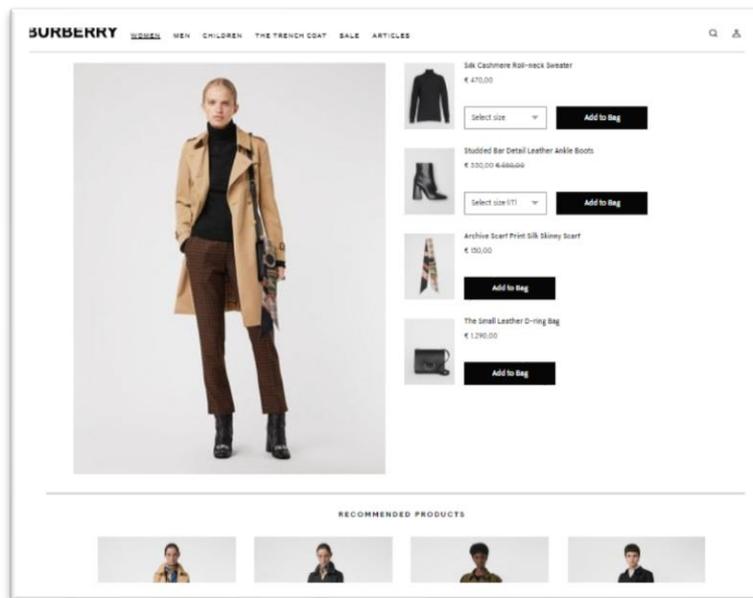


Figure 20 Source: www.dior.com suggested products interface

Moreover, considering that near each section are indicated also recently viewed and related products, users can easily find other combinations and options. The same is in



Dior and YSL there are limitation to navigation and checking, because sizes and availability aren't directly inserted in the product icon. Burberry instead provides products linking sizes and availability.

Figure 21 Source: www.burberry.com suggested products interface

Another difference is that Burberry doesn't remember product already viewed because he uses only wish list as saving method.

DOLCE&GABBANA AND VALENTINO

These brands can be considered together because they suggest product only through the already mentioned "you may also like section", at the bottom of the product-dedicated page. Both are using only wish list as saving method like Burberry, without suggesting recently viewed items. The difference between them is in the offer range filter and size/products availability checking. D&G recommends products by style connection, perhaps dresses and bags together, indicating on each sizes and availability. On the contrary, Valentino uses to suggest products considering the same category, perhaps blouses of different patterns; D&G offer is wider in this sense.

PRADA AND GIVENCHY

Prada and Givenchy can be associated because they have a poor recommendation system, suggesting already made outfit like a catalogue. Prada recommended products are placed in the homepage, rather than in the product-dedicated window, where the user can find some already done outfit ideas with accessories, recently viewed and related products inserted around it. It isn't efficient from a strategical point of view because online users generally go to check products selecting from categories indicated such as ready to wear, collection, accessories or new in, it is rarer that they scroll down the home page to search products.

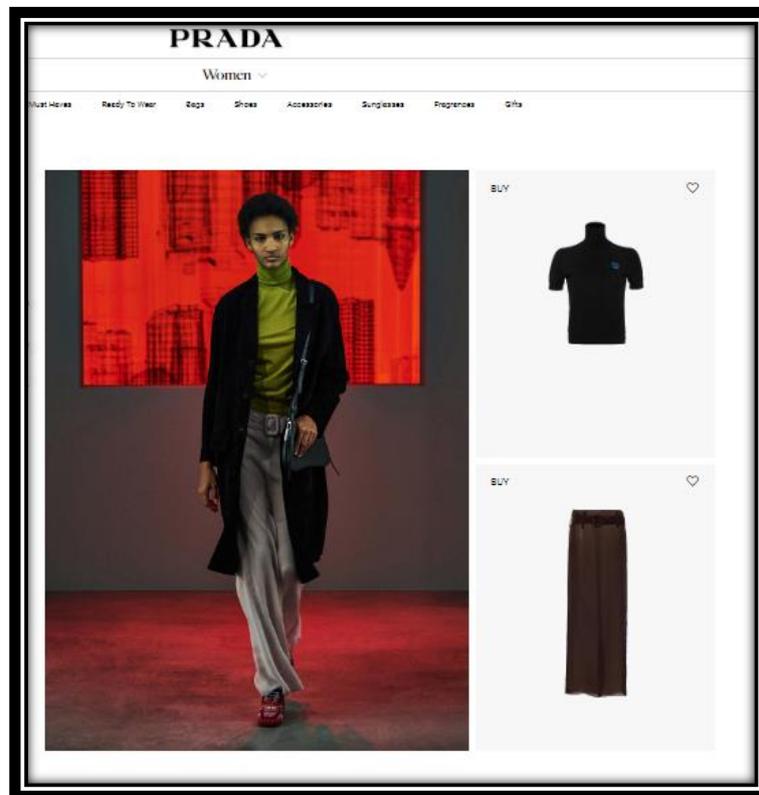


Figure 22 Source www.prada.com Prada homepage

Givenchy also doesn't show high level of efficiency in recommending products. The Brand directly provide a section in the homepage called "shop the look", showed in the next image, in which are provided ideas for outfit and already created look with products below in details. It fairly reproduces the catalogue function which may improve brand's

awareness, but it isn't efficient in boosting sales. In both the cases users need to check products by their own without being helped in searching by recommendation system. By so, users might miss interesting products.

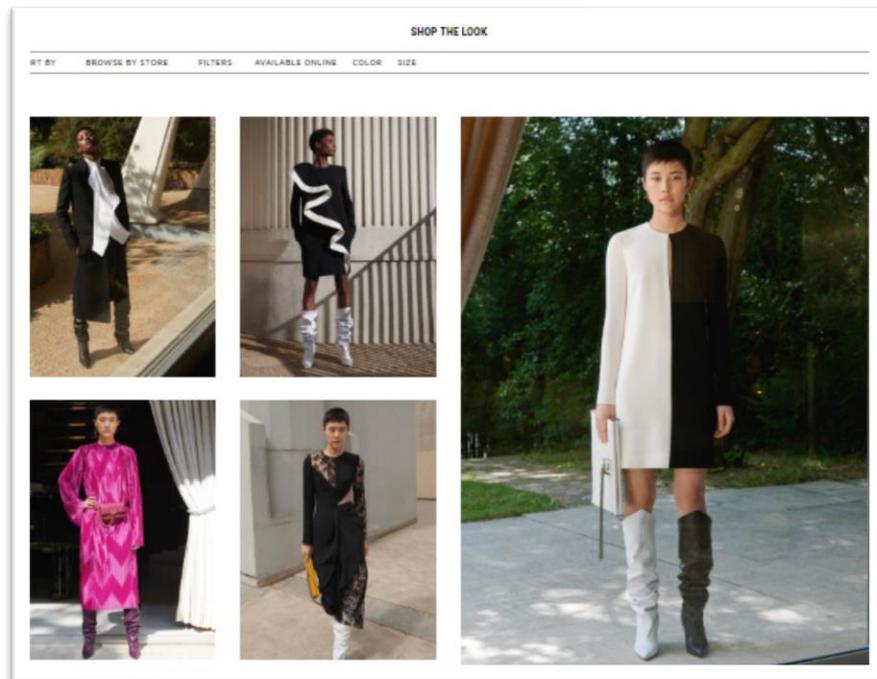


Figure 23 Source: www.givenchy.com suggested products interface

To sum up, algorithms used today to recommend products are quite efficient. They facilitate navigation, increase loyalty through the already achieved quite level of personalization and enlarge products views stimulating sales. As I have just said there are some brands which are using algorithms well and others which might do it better; here I trace out key elements of efficient recommendation engines and problems emerged during my analysis.

Efficient way of using recommendations:

- to suggest products following related products rules: users can widen their visualization and consider simultaneously different products also of different categories and style, ensuring matching between proposals and user's tastes;

- to separate “you may also like “from “complete the look with” and “recently viewed”, in order to make research clearer;
- to provide recently viewed functions and wish list together to improve savings of liked items;
- to indicate in the product icon sizes, availability and wish list or “add to bag” reproducing possibilities which consumers have in-store.

Problems in using recommendations:

- sections are displayed in the home page where users don’t stay for long because it is likely that users who want to buy something go directly in the specific section jumping the homepage;
- sometimes filter may be restricted or too much related to style similarities and users don’t consider products which he/she might like;
- if products are proposed too randomly users can get in confusion abandoning the website and checking somewhere else.

3.6 Future trends of Artificial Intelligence

Despite the success, as I affirmed before, high-end fashion companies are still far from achieving the desired results; even if live chat and powered messaging apps represent a big step for them, they can’t replace human interactions yet. In fact, conversations are made writing on the pc missing the direct relation with sale assistants. Moreover, consumers cannot try products; this is a point of weakness considering the high prices of luxury. That’s why companies must adapt their business to the technology growth path; technologies emerge every day at the speed of light and if luxury companies want to catch value from the market online, they must consider something out of schemes. Emergent technologies can be used to make the customer service even better than those in-store. Examples are automated voice, facial recognition, and augmented reality.

3.6.1 Automated voice, vocal recognition and voice search

Automated voice and vocal recognition solutions can be used to improve live chat performances. When users want to interact with virtual advisors through live chat, they are forced to communicate tapping on the phone or writing through pc. This can be boring and not so involving. With automated voice technologies the interaction may seem more real: the user talks with the virtual advisor like he/she were in-store with a physical sale assistant. Vocal recognition is another tool which may provide high level of personalization by recording customer voice in the personal profile: the advisor will recognize the specific user voice making feel her/him at home. More interesting for simplifying navigation and researches is vocal search through which users can search products with vocal command. These solutions may improve customer engagement and high level of experience personalization⁸⁸⁸⁹.

3.6.2 Facial recognition

Facial recognition is another emergent technology, diffused by apple in iPhone X, which have high potentiality for e-retail.

When consumers interact with luxury products, they are surprised and amazed by the magic which surrounds that world: emotions are what differentiate the luxury experience from others. In this context, facial recognition may be an interesting technology: it gives the opportunity of assessing the emotional impact on users and to record it in the personal profile.

Through facial recognition devices are able of understanding expressions and consequently what kind of emotions are evoked with specific products interactions. This

⁸⁸ Tan, O., *AI in e-commerce: predictions for 2018*. Sources: Forbes:
<https://www.forbes.com/sites/forbestechcouncil/2018/01/03/ai-in-e-commerce-predictions-for-2018/#e01f0f27c2b6>, 2018, Jan, 3

⁸⁹ Oliver Tan is the Co-Founder and CEO of ViSenze, an AI company that bridges content and commerce through visual search and discovery.

technique appears useful to enlarge the user personal profile in order to deliver completely personalized contents.



Figure 24 Source: Google images

https://www.google.com/search?q=facial+recognition&rlz=1C1LOQA_enIT775IT780&source=lnms&tbn=isch&sa=X&ved=0ahUKEwiLubq73bHgAhVOQhoKHSv7Bd4Q_AUIDigB&biw=1517&bih=695

3.6.3 Augmented reality



Figure 25 Source: Google images

https://www.google.com/search?rlz=1C1LOQA_enIT775IT780&biw=1517&bih=695&tbn=isch&sa=1&ei=2mRgXLO2NMSAaYycvvgH&q=virtual+reality&oq=virtual+rea&gs_l=img.1.0.0i67j015j0i67j013.7632.8901.10258...0.0..2.1010.3665.2j2j5-1j2j1.....1...

Next opportunities for luxury e-retail may be also with augmented reality technologies which give the opportunity of living a 3D experience. Introduced by gaming apps, virtual reality represents the future of luxury e-commerce success.

The user may discover product fitting in 3D dressing rooms through avatar personalized according personal characteristics or they may search products in a 3D represented store pretending to be in the physical place. Augmented reality platforms may improve interactions, personalization, engagement being an entertaining additional feature to “traditional” experience⁹⁰⁹¹ .

⁹⁰ DeJesus, A., *Virtual reality shopping and AI: 5 near terms applications*, Source: Emerj: <https://emerj.com/ai-sector-overviews/virtual-reality-shopping-and-artificial-intelligence/>, 2018, Dec.

⁹¹ Ayn De Jesus is a journalist who had started her career in corporate communication for Accenture before joining the content research team at Emerj

4.The source of traffic: the power of social media

In this chapter I would consider which are main sources of traffic for luxury brands, focusing on the social media role. This new channel has revolutionized the way of selling products, embracing new techniques and places of promotion.

In the graph below are showed percentage of main sources.

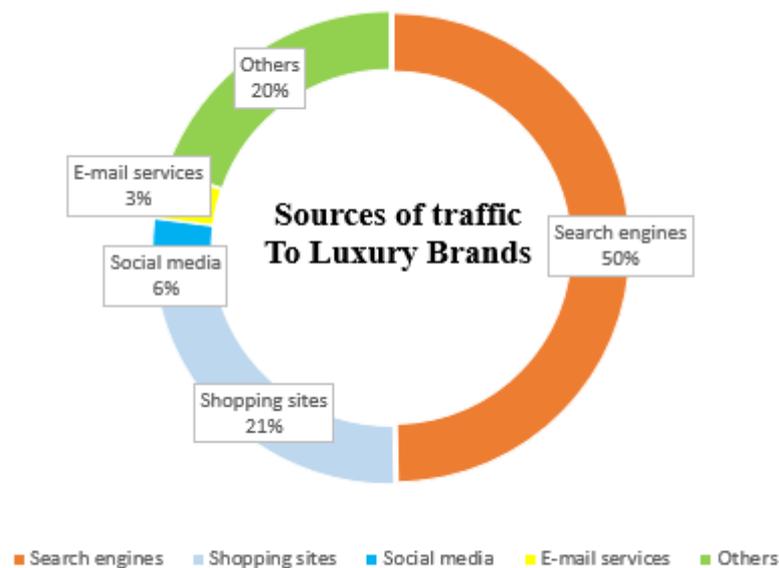


Table 9 Source: personal elaboration made using PMXAgency data

- Search engines, which account for 49,7% of the total traffic, among which Google drive “the lion share” with 96% of searches;
- Shopping sites, which account the 21,4% of the total, among which only the 4,6% is represented by high-end brands website;
- E-mail services, which account the 3,3%. E-mail are key sources for timely seasonal offers, among which Gmail represents the 65% and yahoo the 25%;
- Social media, which account the 5,9%.⁹²

⁹² PMX Agency., *Luxe-Trend report : luxury brands online 2018*. NewYork, 2018

Comparing these results, it is interesting to notice that social media entail a great driver of traffic.

As already mentioned in previous chapters, high-end brands have embraced e-commerce and digital tools to improve user experience personalization and sales performance. With the advent of the Web 2.0 luxury brand face a new type of economy which is based on the consumer centric perspective. This concept is equal to say that users are contents creators and the luxury firms' general efforts are addressed to his/her satisfaction. In this context, new luxury consumers have set technological challenges especially in terms of customer service, channels of communication and sales. The future landscape of luxury industry should be imagined and projected considering that future consumers, such as Millennials and Gen z, will be increasingly using mobile device and smartphones to perform the most part of economic-based activities. Millennials are trendsetter of this general landscape and as already considered, they have mobile devices usage 15% higher than older consumers and this is surely expected to grow from here to 20 upcoming years.

The "smartphone fever" together with the growing accessibility to internet has totally reshaped the world and, consequently, economies and businesses. The "lovechild of World Wide web" is social media which are in different forms such as blogs, forum, photo-sharing platforms, chat apps, gaming apps and, last but not least, social networks, which are the most powerful. According to Statista researches, the number of monthly active users is expected to grow to 3,02 billion by 2021. The general tendency toward social media usage is accompanied by increasing user engagement since on average global internet user spend about 135 minutes staying connected to social networks. Consequently, the rising users' engagement has prompted the most part of luxury fashion brand to consider social media as meaningful channel for customer engagement. Specifically, brands catch a lot of benefit from this; on social networks the most part of contents are visuals so they can propose products and services delivering contents engaging customers at any time and everywhere. Moreover, even if the "king" is Facebook, there is an increasing trend which spins social networking to mobile platforms, facilitating the diffusion of mobile-first or mobile-only apps such as Instagram, twitter,

snapchat, Tumblr or Pinterest; that's why main players have been forced to consider mobile solution for their businesses.

The Social media power resides in the creation of "collective mind" inside which users share opinions, facts, similar tastes and habits. Today consumers spend most part of their time connected to a social media, checking their social network account a hundred times a week and considering that, they are strategical tools for business which seek to communicate to a wider audience. Through social media channel, firm must implement right strategy of targeting in order to address right contents to right audience. Even if there are such benefits, they may soon become a tricky point, considering the accessibility of internet and the necessity for luxury brands of maintaining high exclusivity. Moreover, firms accept to lose one part of communication control because users, and all online participants, may be able to independently evaluate, modify and personalize contents. Despite this, today, most part of the firm communication occurs through social networks which replace by so the role of the iconic glossy magazines and, at the same time, they are also strategical source of traffic for e-commerce.

4.1 Social commerce and Mobile commerce

As considered in the previous paragraph, both the growing popularity and addiction to social media platforms have opened innovative and strategical opportunities for luxury brand and for all the economy in general, giving life to new e-commerce business models which involve social media platform in transaction: the social commerce. Social commerce should be considered as a subset of e-commerce business model It is an internet-based social media which involves Web 2.0 technologies to assist user online interactions and transactions, combining by so social and commercial activities. To summarize, SC has three main features, which are social media technologies, community interactions and commercial activities. Through S- commerce luxury fashion firms use Facebook, Instagram, Twitter, Pinterest and other famous platform to sell products and drive traffic to their e-commerce websites. In fact, s-commerce has a double configuration and purpose: being source and exiting traffic. Thus, on one hand, social networks add

specific features to allow advertisement and transaction (selling tool), on the other hand, e-commerce platforms add social networking capabilities to take advantage of the social media power (branding tool). Taking advantage of this power means to exploit communities and word of mouth, which strongly affect consumers purchasing behavior, and the wider audience potentially engageable; people can share their thoughts, share contents, news about events, photos and videos and even if these community-based activities are non-commercial in nature they are able to provide commercial benefits for social commerce because they are indirectly part of it. Benefits are directed to influence Brand equity in terms of Brand awareness, reputation, loyalty and consumer purchase intentions because SC are place where users can share advices from trusted people and collaborate exerting high influence among them.⁹³ Moreover, to have a specific branded luxury product, a Chanel bag, a Versace advertised dress or Balenciaga boots, would mean to belong to a specific “community” which reflect some level of esteem. Thus, this concept may be a point of strength for branding, considering that with right positioning among people the hedonic value of a product may increase, determining positive consequences on brand equity. On the other side, community and reputation may negatively influence branding when there are negative considerations about brands and products. That’s why, today, most part of luxury fashion brands engage influencers to advertise products, because in this way people associate the product to a person with high esteem value.

Social commerce is above all a selling tool, which is useful to drive traffic and enhance conversion for e-commerce website. Considering its features, it goes hand to hand with mobile commerce, in fact firms have been forced to develop mobile solution to develop social commerce platform and strategy. Mobile commerce has been briefly described in the second chapter, it is an extension of e-commerce website which entail the buying and selling activity through smartphones and mobile devices. Considering that social networks accesses generally occur through mobile devices, luxury fashion brands have gradually developed mobile commerce version of their website, partnering with high

⁹³ Liang, T. P., & Turban, E., Introduction to the Special Issue Social Commerce: A Research Framework for Social Commerce, in “*Journal of electronic commerce*” , 2014

skilled developers, to target also smartphone and mobile users. M-commerce services are available “on the move “; they satisfy consumers necessity of being always connected to check collection and what’s new. Initially, Mobile version app have fundamentally different interface, presentation, processing and interaction modalities compared to hos of desktop, such as location services, push notification, product presentation and other features. Today, these differences are blurred considering not only technological development which enable same feature through desktop but also omnichannel integrated communication strategies, which make clear the necessity of integrate efforts and performances both from desktop and mobile devices. This necessity has been spun also by the fact that there are beneficial features from both desktop and mobile devices in terms of interface and services, thus, in order to grant the best user experience, personalized as much as possible it has been necessary to make the journey similar from each touch point. Despite this, there are still differences from e-commerce and m-commerce such as they may be considered separately in terms of audience and performances. “Mobile is the new desktop”, by 2018 consumers have started to spend 4x more times on mobile devices than desktop and luxury consumer are more smartphone oriented than others.⁹⁴ By so, high-end are pointing out strategies to exploit the smartphone usage and social media addiction to improve the whole business chasing different objectives: improve online sales, presence and catch mobile consumers

To summarize, social commerce and m-commerce are strictly connected, because SC exploit social networks which are mainly used on mobile devices, thus given the increasing popularity of such online shopping practice, luxury players have set out strategies focused on social media selling tools which are basically anchored to mobile app.

⁹⁴ Kourouthanassis, P., & Giaglis, G., Introduction to the Special Issue Mobile, in “ *International Journal of Electronic Commerce*”, 2012

4.2 Most popular social media by luxury fashion brand

After having described the general trend of social and mobile commerce, let's see how high-end brand are managing social media channel as a selling tool and source of e-commerce traffic.

As I have affirmed, there are two configurations of social commerce: it can be source and exiting of traffic for EC. The "exiting" function occur when firms link to their website capabilities of sharing contents on social platforms. Practically, this is represented by social networks icon displayed at the bottom of the website page and enable users to share on their social network account the content displayed. This tool creates high level of interaction between the e-commerce and social networks audience and it is due to the action biunivocal nature; after the content has been shared on the social media chosen, perhaps Facebook, Twitter or Instagram, users can click on the link posted returning on the primary source of the content itself which is the website platform. For what concerns the other, and main, configuration it occurs directly on the social network on which the luxury firm has a dedicated profile. Considering that, which are the most preferred social network by fans and firms? The most common and shared by luxury fashion players are Facebook, Instagram, YouTube and twitter. The luxury social media followers have grown up by 20% over last years. According to a study about more than 90 luxury brand that I have found on Statista, Instagram is the most popular social, with a 23% of growth. Facebook is the second, with 20% of growth, followed by twitter and YouTube with about the 11% of growth. These are the four key social used with higher engagement and audience than other social that I will consider ahead.

Instagram is the primary platform in terms of engagement, especially because it is a visual and photo sharing social media which perfectly fit with fashion contents. Instagram in fact represents the 95% of total interaction with luxury brands in terms of comments, like and share. From Instagram luxury fashion brand can catch high value for their marketing efforts, not only through photos and videos sharing, but also with the recently born stories and Instagram tv function; from a consumer analysis perspective, Ig stories make the "reactions collecting" easier than tradition comments and likes, because everybody can

comment, answer or give reaction to something in the stories, so they are directed to understand consumers tastes and opinion faster than before. Ig TV is a dedicated option which each luxury brand adopted to spread brand DNA and identity among audience through socials posting videos about behind the scenes, collections, campaigns, place to visit artistic collaboration. Brands are using Instagram as the social driver, posting stories like episodic TV and according to omnichannel communication consumers must find same contents across all the touch point, in fact in the digital revolution it can be considered as storytelling section on the website. Instagram is a great and powerful source of traffic for e-commerce website because it is the place where social shopping occurs the most. Instagram enables shopping options directly from the social to the website. Moreover, Instagram enable messaging functions so companies can directly chat with users by their personal Instagram account, giving assistance and improving the user experience.

Facebook is the second platform preferred by audience and it has lower engagement than Instagram, representing the 4% of the total. Facebook is a platform based not only on visual but also and especially on community actions like comments, video sharing and thoughts where word of mouth is the main actor. In Facebook contents are like those of Instagram, but in this case, posts are mainly focused on storytelling, new collections behind the scenes and campaign, rather than on products; FB actions, in fact, are addressed principally to brand expression. Another main function of this social, which I mentioned in the third chapter of artificial intelligence, is the messaging function: Facebook chatbots. Through this luxury companies can directly chat with users providing virtual and personalized shopping assistance. This is very important for the customer experience, because thanks to artificial intelligence applications experience become always more tailored to each users' habits, choices and tastes. Then, there are also purchasing options and e-commerce website linkage, through video direct, stories, videos and images like in Instagram.

Twitter is the third preferred social by luxury firms and represents the 1% of the total engagement with around 11M of "retweet" and likes. This social has a different audience not only in number but also and especially in typology. In fact, it is peopled mostly by celebrities. Here, each brand links the website link in the account "bio" section and in

tweets with product contents, but the usage in general is based mainly on storytelling. It exploits community and word of mouth options.

YouTube is the fourth social used and represents the 0,1% of total engagement actions. This social is different from the other three just considered because it is totally dedicated to video broadcasting. Luxury fashion brands have their own channel in which are published videos whose content is based mainly on stories about lifestyle, campaign and advertising. There are linking option to drive traffic on brand websites and sharing options on other socials.⁹⁵

Companies use not only the four mentioned socials but also other platforms such as Pinterest, Snapchat, Flickr and Tumblr which are basically visual social networks where users can collect, save and share preferred images, like if it were a virtual fashion library, so it seems to be used mainly for advertising and branding purposes. In the digital revolution advertising exploit TTL tool to communicate and all these socials are example of this. Google play is used with the purpose of driving traffic to websites, share storytelling contents, news and events. Other utilized and less common social media shared by brands are Foursquare and Chinese social networks such as Weibo and WeChat. The first, Foursquare, is a virtual “city guide “which use localization system to suggest special please to visit to users. This is used by Louis Vuitton through which integration between digital touch point and offline one, suggesting near boutiques, pop-up store, travel store and posts with details on secret luxurious and classic favorite hotspots around the world.

For what concerns Chinese social media, different players such as Versace, Dolce & Gabbana, Fendi, Gucci, Chanel and Dior landed there during last years. Chinese social networks perhaps Weibo and WeChat are used to target also Chinese market, which today is the largest luxury market by consumers. These are the two bigger platforms in China which exert high influence on Chinese society. Weibo can be considered the Chinese version of Twitter, it is an open platform dedicated mainly to microblogging. On Weibo are displayed highly essential contents, concise and clear, like images, audio and visuals,

⁹⁵ PMX Agency., *Luxe-Trend report : luxury brands online 2018*. NewYork, 2018

they are effectively presented; for this reason, it is better used to promote products. WeChat, instead, is a platform more closed than Weibo, where users interact basically with family and closer friends, so word of mouth has higher potential. Moreover, since it is a semi-open platform, users can independently choose liked contents, thus also targeting is effective.⁹⁶ Brands use these tools for branding and to drive Chinese consumers on websites; these are strategical and very important choices considering not only the high market dimension but also the attitude of Chinese which buy online more than other countries.

As I have considered in this paragraph, luxury fashion brands use social media as one of the main digital channels for communication. Brand deliver their identity and storytelling contents on social media, using them for branding and advertising purpose. With the growing popularity and diffusion of social commerce and mobile commerce there is an increasing trend which see social shopping a necessary activity which may improve traffic on websites and online sales.

4.3 Improving website traffic and sales: innovative social selling tools

Social platforms, perhaps Instagram and Facebook, have developed specific tools dedicated to enterprises: on Instagram they have “official verified business account”, different from those of a simple user because they have features tailored for selling activities, instead on Facebook, brands are “official verified pages “on which are enabled selling options. Companies use also many social networks features to drive traffic and improve visits on their e-commerce website.

The most common feature is the link which is attached under the specific post. How it works? Links are features common to all social networks: on each brand account official website links are firstly inserted in the biography section, so everyone who want to visit the e-commerce website can do it clicking on it. Through Instagram, Facebook, Twitter,

⁹⁶ Jing Daily., *Gucci, Chanel, and Dior Lead on Chinese Social Media: PARKLU Report*, Source: Jing Daily: <https://jingdaily.com/chinese-social-media-parklu/> , 2018

Weibo, WeChat and other sharing platforms, companies post images or video while attaching in the caption section an URL which with one click drive the user on the dedicate website page. Links, in fact, are features useful to drive traffic and improve website visit, they aren't always meant to be for selling too.⁹⁷ Since they are placed under posts according to contents, they connect users and the section of the website dedicated to the content published so when it is a product or news about collection, users are directly driven on the website product page. By this way, links are exploited as selling tools.

Another main feature is the “Swipe up” function which is used attaching a link to the video directs, stories, sponsored stories.⁹⁸ Instagram introduced this feature to engage website visitors directly through videos which are more interactive than posts. Scrolling up the arrow symbol it is automatically opened a second interface through which users can discover the new linked products directly on the website. Swipe-up are critical selling tools because they have high potential of engagement considering that videos through image motion and sound can leverage customers curiosity and involvement; moreover, they have less step then link options, so the action occurs at a higher speed rate.

“Product tagging” is an innovative selling feature very popular in Instagram. This functionality enable brand to post photos while tagging the product so users can directly click on the icon displayed to view the specific item. This feature is enabled by Instagram partnership with Shopify⁹⁹ and it gives the opportunity to buy without exiting the app (instagram-shopify-partnership, 2017). Specifically, it is displayed a bag icon on the item tagged which display prices in the picture, with the tag it is attached a hidden URL which drives the user to another interface with a simple click. The second interface presents better images of the item, the same which are in the product presentation page on the website; items are enriched by descriptions and there are also other images of tagged

⁹⁷ SEOchef, *Links*. Tratto da SEOchef: <https://www.seochef.it/condividere-link/>, 2016

⁹⁸ Digitalcoach, *Swipe up Instagram stories*, Source: Digitalcoach: <https://www.digital-coach.it/swipe-up-instagram-stories-italiano/>

⁹⁹ Shopify is a complete commerce platform that lets start a business. It enables creation and customization of an online business, to sell in multiple places (web, mobile, social media, online marketplace, brick and mortar etc.), it manages products, payments, inventory and shipping. Shopify is completely cloud-based and hosted.

related products. At the bottom of the product image there is an icon which invites user to click to view the product on the e-commerce website, instead at the bottom of the page there is the icon “showcase” which drive users on another interface with the whole group of product tagged by the brand profile; at this point users can chose to click on the icon and discover appealing products on the brand website or to keep on viewing items on that interface. This tool is exploited by the most part of luxury fashion brands because it is really tailored and direct to shopping. This is a type of social shopping which need to gain acceptance and trust, but it may gradually increase sales because it is perceived by users as a specific purchasing option, so it involves customers to buy online also from a psychological perspective.

“Buy now” on Facebook, is an option also shared by most brands today. On the company official homepage, it is displayed an icon with the option “buy now”, clicking the icon users are driven on the website mobile version to discover products and new collections. This tool is used mostly for viewing product by mobile device and catching also Facebook audience and consumers who want to discover products by social media. This is less common respect to Instagram selling tools, in fact not all the brands are selling through Facebook.

5. Real practices: analysis of four Brand to show tools management in the digital transformation

In this chapter I take in consideration four brands, **Gucci, Louis Vuitton, Prada and Burberry**, to highlight through their analysis, best practices of the innovative digital tools considered in this work. The analysis is personal, so it has a user perspective.

The practical analysis is mainly focused on three main points of the e-commerce user experience:

1. **Customer service, additional services and artificial intelligence**, strategical to the experience personalization;
2. **Storytelling, product presentation quality and recommendation systems**;
3. **Social media** usage;

5.1 Gucci

The Tuscan luxury fashion house Gucci is one of the most influential brands since its foundation in 1921. Under the guidance of the CEO Marco Bizzarri, Gucci has reinvented image and positioning, reshaping the brand vision and becoming, by so, a benchmark for modern, innovative and digital business. Gucci has perfectly analyzed DNA and inspirations, arriving to a profound understanding of objectives and necessities to be implemented coherently with his spirits. In fact, the brand since 2014 has started a profound reinvention which today culminate in self-expression, creativity emotional engagement and innovation, totally coherent with the Gucci spirit. Today, it is showing an ongoing growing trend, sustaining double-digit growth in 2017 and 2018 with +44% and +45%.^{100 101} The online practice, embedded in its e-commerce platform and social media usage, is an example of how it has successfully embraced the digital transformation

¹⁰⁰ Interbrand. (2018). *Challenging the luxury world through innovative brand experiences: Q&A with Gucci*, Source: Interbrand: <https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/gucci/luxury-innovative-brand-experiences-qa-gucci/>

¹⁰¹ Q&A with Gucci Executive Vice President, Brand and Customer Engagement Robert L. Triefus

using artificial intelligence applications, granting innovative storytelling and high social media presence.

5.1.1 The customer service, additional services and AI

Gucci stand out among most part of digitally savvy luxury brands thanks to its successfully strategies of technological customer service features.

Gucci website visit are about 10,8M and they mainly come from US, UK, Italy and China. It is very clear; users can easily get “what’s new” in Gucci main product categories. The average duration of each visit is about 3,08hrs.¹⁰² In the home page users can scroll down discovering new bags collections, new eyewear, new shoes and new perfumes, remaining enchanted by visuals elements which change automatically according to newest contents. The last section of the page is dedicated to storytelling.

The general site is organized dividing the home page options according to categories and topics. What’s new, Runway, Woman, Man, Children are main lines in which are grouped all the products categories, perhaps ready-to-wear, shoes, bags, accessories, Gucci DIY and special collections. Near these options there are dedicated section to other products categories, such a Jeweler and Watches, Fragrances and Décor. Finally, two other sections are for Gift additional service and Storytelling.

When users enter the website are asked to accept cookies, in order to allow Gucci.com to process data for technical and profiling purposes; by so, artificial intelligence is enabled to record specific user data to provide better online experience and deliver online commercial messages tailored on preferences. After that, the journey has started. Users can choose languages and Countries, sign-in or sign-up registering their new account. They can also discover the nearest boutique with localization system.

The customer service section is inserted at the bottom of the page and it is named “may we help you?”. Through Gucci customer services users can consult FAQs, unsubscribe email, view payment options, shipping services, return and refunds and finally, they can

¹⁰² Similar web, *Gucci engagement*. Source: Similarweb:<https://www.similarweb.com/website/gucci.com>, 2019

also check the product care guide. Gucci “contact us” presents good level of innovation and care because it provides different methods for contact Client assistant. There are traditional methods, such as e-mail, telephone numbers and address and the digitally innovative live chat, through which virtual assistant communicate with users. Gucci provides purchase, products and general information.

Gucci live chat is very impressive. I have directly chatted with the virtual sales assistant asking information about the color resistance to wash of a generic silk green dress that I had previously viewed. She gave me information about it in few minutes; it guessed the specific dress exploiting artificial intelligence suggestion algorithm. Gucci live chat reproduces a real conversation, the chat provide answer like it were a real person, in fact the time of digit was like those of a real person and if user is still online the virtual assistant will ask to keep on asking something. The tone of voice is elegant and professional but at the same time friendly and nice.

Gucci enriches its customer service with exclusive services which are not available for all Countries. These are complimentary gift wrapping, complimentary shipping and the innovative and exclusive option which allow user to make a lunch or dinner reservation in the Gucci osteria by Massimo Bottura. With the gift wrapping the order will come together with complimentary gift wrap in a signature Gucci gift box elegantly tied with a Gucci satin ribbon. Gucci also provide an additional services of Saturday delivery for UK.

5.1.2 Storytelling, products presentation quality and recommendation

One of the different qualitative Gucci points of strengths is its innovative storytelling. As already considered in the dedicated chapter of this work, Gucci divide its storytelling section according to different stories, like different episode of a same journey. Stories are fashion shows, ad campaigns, product, “people & events” and many more. Moreover, stories are organized to show which are the latest new one. Gucci stories are always about art exhibitions, performers; the brand perfectly express its identity through stories, but Gucci garden, places and equilibrium are the most expressive contents, in terms of DNA

and values, which with images, colors and contents strongly match the Gucci image provide in latest years by Alessandro Michele.

The brand storytelling is very innovative: it seems to be planned for newer and younger generation like Millennials, proposing contents always linked to high quality pictures and video. Gucci storytelling exploit visual communication, taking inspiration from the typical social network posts; the interface reproduce the polaroid filter and it evokes a similar visual communication entailed by Instagram: images or video with caption.

For what concerns the product presentation Gucci provide good level of information thanks to the high-quality pictures, the zooming tool and the detailed descriptions. Clicking on the desired product section users view a unique page totally dedicated to the item which appears generally in five pictures: in the first pic it is already wore by a model in a complete outfit, in the other four pics, instead, it is presented alone. There are indication about size, availability, price and services like shipments info, gift wrapping, payments and returns/refunds. The zooming tools is impressive, because it enables users to discover hidden details of the product. Descriptions are detailed and characterized by engaging narratives which highlight the product DNA and stories. Printing options are allowed.

Recommendation algorithms seems to follow similarity in style, in fact products code are made associating to each product a code which describe the style by numbers. Concretely, recommendation engines suggest product displaying already viewed items, “you may also like” items and “how to style with”. As I have already considered in the dedicated chapter, “you may also like” groups accessories to complete the look and similar items in category and style. “How to style with”, instead, give an outfit suggestion. Practically, considering the green silk dress with double gg belt, it is associated to different accessories, such a pink bag with green detailed, or pink belt, and it is styled with perfectly matching fur and green and white shoes. Gucci suggestion system is clear; it gives creatives inspiration with the outfit proposal. According to my analysis, Gucci may enlarge the range of product suggested/related in order to improve users’ choice and increase the probability of an additional purchase. What is more, after having tried for some day to check there

the products, I can state that I haven't noticed high personalization, which is one of the essential features to improve online experiences.

5.1.3 Social media usage

Gucci is present on different social network which are the most common Instagram, Facebook, Twitter, YouTube, Google and Pinterest. It provides a good social network coverage, in fact it is also present on Chinese social media such as Weibo, WeChat and Youku.

Through Gucci Instagram Account, the company exploit "swipe up" through stories and sponsored posts. It uses also products tagging as selling tools to increase online sales. On the others social media Gucci account post everyday something, linking when necessary the URL which enable connections between the post and the dedicated website section.

5.2 Louis Vuitton

The main pillar of LVMH group, Louis Vuitton, is the most valuable brand among luxury players based on its financial performances and ability to both influence consumer choices and command prices. It ranked 19 in 2017 and 18 in 2018 in the report of global best brands. Together with Gucci, Burberry, Valentino and D&G, it has been declared among the five best digital performance.¹⁰³ In fact, during last years, the French fashion house has adopted innovative and digital solutions enriching the website with technological features, such as live chat, store locator function, recommendation engines and intelligent user profiling. It has also strengthened its social network presence,

¹⁰³ Interbrand, *Best global brand*, Source: Interbrand : https://www.interbrand.com/wp-content/uploads/2018/10/Interbrand_Best_Global_Brands_2018.pdf , 2018

exploiting social commerce tools. Louis Vuitton shows its capacity of adapting its spirit and identity to new trend and digitalization remaining truth to its origins and heritage. The unmistakable Louis Vuitton style continues to be so even in the digital transformation.

5.2.1 Customer service, additional services and AI

Louis Vuitton websites is visited by about 9,83M of users who mainly come from US, Japan, Italy, UK and France.¹⁰⁴ The homepage is elegant and clear, the design layout fairly reproduces the typical Louis Vuitton colors code: beige and brown coffee. In the home page users can scroll down to view latest news on collections and product, all presented in a very distinct and simple way.

The homepage is organized dividing contents according to storytelling, LV now and world of Louis Vuitton, and products grouped in the woman and man section according to all categories. There is a fifth section dedicated to the boutique locator system. This is really developed in Louis Vuitton, clicking on the boutique section there is the possibility of localized all the near and non-near boutiques around the world, obtaining information about opening hours, address and distance.

When the user enters the website, it is asked to accept Louis Vuitton cookies to enable artificial intelligence data recording to provide experience personalization and deliver tailored messages through e-mail. The average duration of each visit is about 4,24 hrs. Moreover, users can subscribe newsletters, Choose the Country, the language and sign-in or sign-up to build the profile and get more personalized experiences.

The customer service section is named “help” and it is displayed at the bottom of the page. Clicking on it, users can exploit different contacting functions such as direct email, telephone, live chats and the innovative “interact with us” which directly links to twitter and messenger client experts. Live chat experts are available every day from 9.00 am-

¹⁰⁴ Similar web, *Louis Vuitton engagement* , Source: Similar web:
<https://www.similarweb.com/website/louisvuitton.com> , 2019

7.00 pm also on Sunday but until 5.00 pm. I have directly chatted with the virtual client advisor and she guessed my products of interest, even if questions were generics. This worked because the system utilized my previous researches data. The tone of voice is elegant and professional. Moreover, in the help section users can also find FAQs, delivery and returns policy and product care guide.

Louis Vuitton additional services comprehends the site guide, click and collect and the store locator service which is very useful to consumers who want to discover details about boutiques. Details indicated are opening hours, address and boutique services such as wi-fi, personalization and click and collect. By so this function provides high integration between online and in-store activities. LV provides different delivery methods, perhaps standard, premium and express, together with the collect in store.

5.2.2 Storytelling, product presentation quality and recommendation

In Louis Vuitton storytelling contents are grouped in the “World of Louis Vuitton” section. As I have already considered in the dedicated chapter, LV storytelling is different from those of Gucci because it strongly highlight heritage and craftsmanship, reserving to them a totally dedicated section which express the legendary LV story and French DNA through “the Asnier” , “the London journey”, The Foundation, legendary workshop, exhibitions, friends of the house and other topics which represent the heart of Louis Vuitton. The focus is on Louis Vuitton as a legend and how the legend is expressed through culture. The narrative is highly compelling and charming. LV storytelling shows its difference because it is at the same time digital but traditional, luxurious and exclusives, which are characteristics difficult to achieved online. Through high quality and modern pictures, short video films and commitment to creative and modern events, Louis Vuitton appears very digital with totally exclusivity. These results are amplified by social network presence, because, as I will deep ahead, users are freely to move from one to platform to another.

Another striking point is the products presentation, simple and technologically advanced. Photos have high resolution and the zooming tool is very precise. It is easy to understand how the products is manufactured and thanks with the video presentation, it is easy to

understand how it fits. Not all the brands present their products through videos, so this is an innovative and useful tool which make LV one of the best in this feature. Descriptions are appealing, the narrative is elegant but focused on the product details. Near the products there are additional information like payment options, delivery methods for that item, exchange and return policies and care. Finally, the page present directly the live chat option; this will improve conversation because artificial intelligence will provide an assistance tailored on the product considered.

Recommendation system suggest related product in the “You may also like” interface, at the bottom of the page” and with “complete the look” or “discover the family” when it is planned for some products. There also recently viewed items to facilitate navigation and personalize. The “you may also like” section has a small range of products and it suggests mainly accessories for outfit and complementary products.

5.2.3 Social media usage

Louis Vuitton provide show good social media coverage. From the website it is possible to share contents on Facebook, Instagram, Snapchat, Twitter, Google play and the interest Foursquare, which is a virtual city guide where the brand improve its store locator system.

Louis Vuitton has high engagement rate on social network. It exploits the available function to improve e-commerce traffic and sales. In fact, the company uses “swipe up “, product tagging and links to drive people.

5.3 Burberry

Burberry is the pioneer in the digital transformation. It carries on a winner strategy in content marketing. Burberry boasts an unexceptionable English heritage and now is pointing out strategies and actions directed to improve and to strengthen its online

reputation and activities. The company is one of the most valuable brands in 2018.¹⁰⁵ The online journey started in 2006 when the company announced the voluntary of becoming a 100% digital enterprise. Burberry started creating a right hashtag, the art of trench, to spread internationally its awareness and engage online users; the hashtag created a community which today is made of more than 1 million of clients. The company leveraged content marketing on social media being one of the first in social commerce investments.¹⁰⁶ Another meaningful action was the creation of “Burberry kisses”. It was an interactive and creative campaign fueled by a partnership with google. It was target for Millennials, and the great success brought Burberry also in the cosmetic sector. Another totally innovative strategy has been the launch of “Burberry acoustic”, a dedicated section on the website where are celebrated music icon or emerging artists, which made consumers to feel in love with the brand. Burberry was the first to linking music to the Brand. The winning strategy of the company has been the totally adaption and strengthening of DNA and brand image to digital.

5.3.1 Customer service, additional services and AI

Burberry recorded its leadership in digital customer experience and reach, developing international assets. Website visits are about 3,6M mainly come from US, UK, Canada, France and China. The homepage is very simple and effective, making the navigation clear and smooth. An average duration visit is of about 4,3 hrs. It is organized in a very essential way; sections are woman, man, children, where are grouped al the product categories, articles and the trench coat, a section totally dedicated to the iconic Burberry trench.

Entering the website, it is asked to accept Burberry cookies to accept related policy. Cookies are mainly utilized for:

¹⁰⁵ Interbrand, *Best global brand*, Source: Interbrand : https://www.interbrand.com/wp-content/uploads/2018/10/Interbrand_Best_Global_Brands_2018.pdf , 2018

¹⁰⁶ Inside marketing, *Burberry storytelling*, Source: www.insidemarketing.it: <https://www.insidemarketing.it/brand-storytelling-di-burberry/> , 2018

- Allow the usage of basic features of the Burberry e-commerce, such as storing products selection in the shopping bag or in wish list to keep on navigate and shop;
- Collect information about the user behavior and enable chats;
- Provide personalized browsing experience;
- They are linked to social networks to inform about Burberry products which may be of interest of the user according previous researches.

It is automatically asked of sign-in or sign-up to build the Burberry personal account. What is impressive is the wider Countries coverage, shipments are possible all over the world. Furthermore, the number of language setting is complete of most international languages.

Customer service section is at the bottom of the homepage and it comprehends contact us, shipping, returns and FAQs. Burberry use live chat and Facebook messenger chatbots to provide live assistant with sales advisor.

Additional services are the site map and gift cards and free gifts wrapping, which are not available for all the Country, for example it is not available in Emirates. Store locator system which provides address and opening hours of boutiques. Burberry also provides the cross-channel collect-in-store, but this service is not available everywhere.

5.3.2 Storytelling, product presentation and recommendation

The quality of Burberry storytelling is exemplary, it perfectly merges tradition and innovation preserving the English heritage. The key words are elegance, sophistication and tradition mixed together in a totally digital approach. Burberry storytelling is located into the two section “articles” and “the trench coat”. The articles section shows a perfect mix of traditional storytelling, with timeline and brand history by time and innovation, through modern image and videos which explain latest collaboration and collections. All express the Burberry identity, rooted in the English ground. The section “trench coat” instead, is totally dedicated to the Burberry iconic symbol: the English trench. Through “made in Castleford” the brand explains the story and manufacture behind the iconic

trench, adapting it to new digital trend. On the website storytelling is essential, it is mainly showed through short video films, campaigns, for example “the story of Thomas Burberry”, “Burberry acoustic” and social media live streaming. Burberry acoustic is something special because it shows the first step to involve music in Brand expression and this is an interesting point of start to reproduce the five senses involvement on websites. Burberry express its brand identity also through the choice of people, which generally have angelic and classic characteristics, for example models on the website which are typical of Burberry sophistication. The quality is very high because it demonstrates the ability of traditional storytellers wisely mixed with innovative technique. The Brand storytelling is consumer-centric. It is proofed by hashtag campaigns which saw people as starring. The successful results come from right content marketing strategies which perfectly integrate offline and online storytelling communication.

Burberry products presentation is another effective tool of its e-commerce. They are presented with simple layout interface and there about nine detailed pictures. The zooming tools is also effective, and it makes understand even smaller details. Descriptions are very essential, they are mainly based on item descriptions rather than narrative stories, details descriptions are meticulous.

Burberry is pioneer also in recommendation systems which are different from those used by other brands. As I have already considered in the dedicated chapter, recommendation algorithms suggest products mainly according to the “wear this with” method, presenting related products around the one viewed in order to complete the outfit with similar and matching style items. Recommended products, which are suggested according similarities in style, are presented separately, at the bottom of the page. From the user point of view this could be more effective in suggesting products because the representation is schematically and improve the tidy of the page. Already viewed products are missing, users can exploit wish list method and be sure that previously seen items will appear in the “recommended products” section.

5.3.3 Social media usage

Burberry provide high coverage with social media where it has high engagement. It is present on Instagram, Facebook, Snapchat, Twitter, Google Play, Pinterest and Chinese social network such as Weibo and WeChat. Social media are exploited to spread storytelling contents around the world, hashtag and link to drive traffic on the website. Burberry, furthermore, has been the first to adopt selling tools through Facebook and Instagram. The Brand uses products tagging, swipe up and It also provide the “buy now” function on Facebook, where not all the brands sell their products.

5.4 Prada

The Italian fashion house Prada founded in 1913 in Milan, shows great digital efforts during last years, which are carried out under the guidance of Paolo Bertelli and Miuccia Prada. The brand is one of the most 100 evaluable luxury fashion brands and it boasts great improvement in digital even if it isn't a pioneer.¹⁰⁷ What distinguish the Prada e-commerce and experience is the exploitation of multichannel and omnichannel functionalities which improve the integration between online and offline store.

5.4.1 Customer service, additional services and AI

Prada website has lower visits number respects to the others, with 1,59M which mainly comes from UK, Japan, Italy and UK. The layout and design are stunning and communicate through visuals the Prada fashion atmosphere. Entering the website, the user is welcomed by the latest fashion show and scrolling down the page it is possible to view collections divided under woman, man and what's new. The website is organized grouping products according to woman, man and collections. The “Pradasphere” section, instead, is totally dedicated to fashion show, events, campaign and special projects which

¹⁰⁷ Interbrand, *Best global brand*, Source: Interbrand : https://www.interbrand.com/wp-content/uploads/2018/10/Interbrand_Best_Global_Brands_2018.pdf , 2018

express the Prada identity. Languages and Countries are wide; Prada shows adaptation of contents to Chinese and Japanese countries.

As the user enters the website it is asked to accept cookies. Prada uses cookies for technical and profiling purposes. Technical cookies are necessary to grant smoother navigation and improve the browsing activity. Profiling, instead, are mainly used by Prada for granting advertising messages tailored on preferences showed by users during navigation.

Customer services is located both at the top and bottom of the page. It comprehends FAQs, returns policy and “contact us” which presents mailing, numbers and live chat. Prada live chat works well but answers aren’t as fast as they may be with the physical assistant, but it is available from 9.00am to 11.00pm in the evening. The tone of voice is calm, very professional and elegant.

Prada presents also the additional service track your order and store locator but what makes it distinctive is the “book an appointment” service and the Wi-Fi in-store services. The book an appointment service enables clients to reserve an appointment to evaluate in the physical store the products, the service is available in scheduled timeframe during opening hours. The Wi-Fi in-store service is something very innovative which brought the Digital360awards recognition for the high level of quality and personalization. The service was introduced in 2017 and it provides an in-store wi-fi connection perfectly integrated with the CRM. It is realized with the help of the “Cloud4Wi” service. The system offers tailored welcoming and assistance during the in-store journey and it is linked to the user personal account of the website. With this cross-channel step, Prada offers a high integration between channel. This service is highly valuable considering that the luxury shopping experience acquires value the more it is personalized and edited in each smaller detail.

5.4.2 Storytelling, product presentation quality and recommendation

Prada presents its storytelling in the section “Pradasphere” where are grouped all fashion shows which particularly express the image, campaigns, special events mainly sponsored

by Prada Foundation, campaigns, films and places. The brand shows good level of quality in terms of digitalization; contents are interactive, there are high-quality artworks, pictures and videos. Prada express both innovation and tradition mainly in two sections: events and place, showing commitment in modern and contemporary art and exhibitions.

The product presentation is clear, it gives a good idea of the fitting because items are shown already wore by models. There are generally five zoomed pictures, there is not the zooming tool. Descriptions are very essential and are focused on the product features. In the product presentation interface, it is possible to activate the service of booking in-store appointment.

Prada recommendation system is poor. It generally suggests outfit ideas in the homepage according to recently viewed products. It may be improved to facilitate researches and navigation to users.

5.4.3 Social media usage

Prada communicates mainly through Facebook, Instagram, twitter. Chinese Prada e-commerce has been opened, the Brand is present on WeChat and Alipay too. The company records high level of engagement and interaction and it uses links, “swipe up” functions and product tagging to exploit social commerce.

5.5 Comparison and results

According to my personal analysis there are different and winning outcomes. I have chosen these specifics brand because I think that today, there is not a perfectly and total “killer strategy”, but each Brand is doing something spectacular to improve the user experience. Even so, I have elaborated a qualitative method to classify the considered brand into a qualitative pyramid which express a rank considering the variable developed during the work. The whole analysis is a personal elaboration of data. It expresses a qualitative user point of view, in terms of digitalization and personalization of the online

journey. From the analysis will emerge that, considering outcomes, each brand is doing something to improve experiences and which differentiate it from the others.

	Artificial intelligence		Storytelling			Product presentation		customer service/additional services					TOT
	Cookies	Recommendation	Adaptation	Interactive	Millennials	Quality	Description	Store locator	Live chat	Cross-Channel	Gift	Others	
Gucci	xxx	xx	xx	xxx	xxx	xx	xxx	xxx	xx	xx	x	xx	28
Burberry	xx	xxx	xxx	xxx	xxx	xxx	xx	xx	xxx	xx	xx	xx	30
LV	xxx	xx	xxx	xx	x	xxx	xxx	xxx	xx	xx	x	x	26
Prada	x	x	x	x	x	xx	x	x	xx	xxx			14

I have made the analysis utilizing method of evaluation based on different qualitative variables emerged during the work. The system assesses the overall E-commerce site performance in terms of artificial intelligence, storytelling quality, product presentation and customer service features.

The method gives a score to each brand and the single final score represents a grade of the E-commerce performance through which it has been possible to build the qualitative pyramid. Considering that each score is attributed on a 3/3 scale and each row is constituted by 12 columns, each total grade will be compared to the maximum of 36.

Inside each cell I have attributed a score from 1 point to 3. The point is given considering:

1. The presence of the feature or the ease of finding the feature on the website;
2. The level of innovation/digitalization, personalization and creativity;
3. The effectiveness of the features utilized, in terms of availability and performances.

In order to asses Artificial Intelligence for the user experience personalization, I have considered cookies policy on the brand website and the efficacy of recommendation algorithms.

To evaluate the quality of storytelling I have considered the level of adaptation to digital while maintaining heritage and history alive, the degree of interactivity, represented by videos and compelling images, the degree at which contents are targeted for millennials.

Customer service and additional services are evaluate together considering the quality of store locator service, availability and functionality of the live chat service, cross-channel features and, finally, the gift.

Others additional services are measured considering same metrics used to assess incremental and not common services, such as the Saturday delivery, reserve a restaurant, site guide and gift cards.

From the overall evaluation has emerged that Burberry is the best performer, followed by Gucci, Louis Vuitton and Prada.



Figure 26 Source: self-made graph

Comparing results, it is an obvious result considering that Burberry is the pioneer in digitalization and, thus, it benefits of the first mover advantage, but Gucci and Louis Vuitton may be considered best performer in terms of improvement in latest years. Prada, instead, is still far from the others in terms of artificial intelligence and storytelling improvement but it provides good cross-channel features which are necessary in the omnichannel revolution of today. Through this analysis I would show that there are good performances but each lack of something. Thus, a correct strategy would be a successful combination of all the variables involved. Gucci and Burberry are performing quite the same good showing high level of innovation in artificial intelligence and interactive storytelling. Gucci higher KPIs values are justified considering the social channel usage. Today, the Brand is the most popular on social networks. In Q4 of 2018 Gucci ranked

first among the “hottest brands”¹⁰⁸¹⁰⁹ and it ranked first also in the Digital IQ Index¹¹⁰ ranking, showing high results in Instagram, Facebook and Twitter engagement.¹¹¹ The Gucci strategy seems to be focused on right content marketing strategies, through which address to a wider audience appealing visual contents. Louis Vuitton is performing well especially in products presentation and Prada, instead, provides interesting cross-channel services. To conclude, the point at which luxury fashion brand are arrived can be considered good in terms of performance, but with an eye to the future further improvements are needed to determinate a radical change in the future luxury landscape.

¹⁰⁸ Lyst Index, *the lyst index Q4 2018*. Source: Lyst index : <https://www.lyst.com/the-lyst-index/2018/q4/>, 2018

¹⁰⁹ The Lyst index is a quarterly ranking of fashion’s hottest brands and products. To give results, Lyst analyses online shopping behavior of more than 5M shoppers. Conversion rates, sales, social media engagement statistics worldwide are considered over a three-month period.

¹¹⁰ The Digital Iq Index asses the digital strengths and weakness of 77 business around main Europe markets such as UK, USA, France and German. It is provided by GartnerL2.

¹¹¹ GartnerL2 report, *Digital Iq Index*, 2018

Conclusions

As anticipated in the introduction, E-commerce experiences are differently perceived; in the today contest, consumers acquire a centric role and the economy is based on the service provided rather than on the product, thus, it is essential to deliver consistent and unforgettable experiences.

Experiences must be able to reflect the luxury nature of a product and to provide satisfaction of those psychological needs individuated by Maslow because, what distinguishes the luxury journey is the five senses involvement and the care reserved to the customer.

Given the big data revolution, the available technologies of artificial intelligence, Web2.0 and storytelling evolutions, the online luxury experience is forced to remain different respect to those of offline channels. High-end brands are successfully exploiting available resources, tailoring their efforts according to what consumers request but the gap between online and offline channel will remain the same if they don't think to something out of schemes. Luxury pure online sales are about 9% of the global luxury sales and even if they are expected to grow up within upcoming years, they need to be accompanied by huge investments in IT. Luxury experiences differentiate from other non-luxury one principally for the senses involvement and this is a meaningful point on which brands need to work on. Moreover, there is a growing necessity of improving concrete targeting actions in new markets, such as China and Japan, since they are primary source of luxury online sales, and to enhance brand experience targeted to Millennials. The rising deployment in mobile commerce and social media forces luxury brand to invest in successful content strategy projects because today, what drives the luxury market is no longer the product but the content and its differentiation from the others. This concept is reinforced considering that 5,9% of luxury brand traffic comes from social media and that the new consumers habits forecast growing usage of them. The storytelling evolution, represented by lifestyle and events related contents, is making customers feel really part of the tale, they want to be ever more involved. All these things represent a revolution which have meaningful sociological and psychological effects which are transforming at the same time both the directions: requests from the market and offers from enterprises.

Moreover, considering that only few years ago luxury main players were reluctant in embracing internet and e-commerce practices, the today performances support and nurture future expectations about that. Even if most part of the luxury fashion sales will remain offline it is imaginable a future landscape in which the luxury market will gradually live a profound reshape but it will adapt supply chain and business model to the technology growth path remaining “truth to itself”. Furthermore, the storytelling evolution, represented perhaps by Gucci’s lifestyle and events related contents, is making consumers feel really part of the tale and this is a great point to be exploited. Brands may provide unforgettable physical experiences through places to visit, exhibitions and performances, with a greater commitment to futuristic form of art; by so, they can involve consumer in living for real luxury digital experience. Millennials love to live modern branded sharable experience and the brand website can be a point of start of this general future landscape.

Imagining a future from today to 5 years ahead, online experiences would be increasingly personalized, but “the romantic” visions attributed to luxury can’t be abandoned, the five senses involvement is what make a product luxurious. The e-commerce will be a single part of the total picture. Accordingly, even if most part of the luxury fashion sales will remain offline, considering that the physical channel is necessary to leverage profitability, it is possible to imagine that this sector will grow up together with technologies, which today go up at the speed of light. The crucial and vital point of this reasoning is that the unpredictable future directions will follow opportunities without altering the typical selling and buying cycle. Conversely, all the future choices will be focused on facilitations and improvements of them. Luxury players will seek to align touch points contents, exploiting online channel and technologies as additional features to provide an unexceptionable luxurious experience.

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