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**BUILDING A SOLID OMNICHANNEL STRATEGY:
OMNICEXI FRAMEWORK AND BEST PRACTICES**

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*A te che mi sostieni incondizionatamente,
A te che sei il mio esempio, da sempre,
A te che mi hai insegnato l'amore vero,
A te che sei sempre con me.*

“AVT CAESAR AUT NIHIL”

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Introduction

The digital revolution has changed how people live their life irreversibly. This affects with enormous impact on shopping experiences. It is starting from the customer who becomes hyper-connected arriving at the store that is digitally enabled. The accommodate these changes in the business environment firms have modified their old-fashion push-based, brand-centric view to another identifying and switching to an economy of connected experiences that are co-owned by the company and the customer. This hyper-integrated brand experience is denoted as Omnichannel Experience. This approach enables consumers to use channels seamlessly and interchangeably and experience the channels uniquely. We will focus our studies in luxury premium fashion market in order to understand how firms are facing these environmental changes.

The aim of the paper is to investigate the theme of omnichannel, starting from its roots and following the path that is leading more and more business to integrate their physical experience with the digital one, to then focus attention on the impact of a strategy omnichannel for luxury fashion companies, based on the changed relationship with the customer. Moreover, we will formalize an analysis framework to correctly evaluate the state of the art of the brands with regards to the omnichannel approach.

The first chapter is an excursus on the progress of the concept of marketing channel, the impact of this environmental changes on the customer journey, and on the gradual transition from a single-channel strategy, to a multichannel-one with the advent of digital technologies, up to omnichannel approach. In the last paragraph, we will discuss how the Brand Model can be implemented in order to be aligned with present trends.

The focus of the second chapter is on understanding the current luxury fashion customer landscape through two different segmentations and then on trying to understand how to deal with the target.

Finally, the third chapter is the empirical part of this thesis in order to define the brands' omnichannel maturity and then figure out what are the best practices to build a solid omnichannel experience. To do this, we have outlined a framework to study the leading digital, physical and omnichannel touchpoints. After determining state of the art, we aim to define through a statistical model, the impact of the omnichannel strategy on the company's financial performance.

Chapter 1 – Literature Review

1.1 How to create value with channels

Producers of products and services need to set up at least one channel to go to market. Through this path, they have contact with potential buyers, turn prospects into profitable customers and grant the orders that consumers place. The role of channels is not only to serve the markets but also to make them. Marketing channels represent an opportunity cost. (Coughland & Anderson, 2002).

1.1.1 Definition

A distribution (or marketing) channel can be defined as "the path travelled by a product from the manufacturer – through any middlemen- to the end-user. A channel includes all the activities involved in transferring the ownership of goods from the point of production to the point of consumption" (Govoni, 2003). This consideration lets us understand how intermediaries smooth the flow of goods and services bridging the discrepancy generated by the products produced and the assortment demanded by the consumers (Mazzù, 2018). The critical role of channels is to provide product and services to customers whenever, wherever and how they desire.

Another primary definition is: "Marketing channels are sets of interdependent organizations involved in the process of making a product or a service available for use or consumption" (Kotler, Keller, Ancarani, & Costabile, 2017). The focus here should be on the term "interdependent" that shows how the role of actors needs to be seen from a holistic chain perspective. There are many figures inside that are all integrated, starting from the suppliers, the producer, the intermediaries up to the customer, who is progressively more relevant than in the past.

Strategically speaking, it is clear that the management of channel activities leads to competitive advantage if well executed. It could either lower the costs or differentiate the final product to a new market generated by the channel members. This advantage can be defined strategic because it is durable in time, not easy to create and hard to emulate (Stern & Weitz, 1997). There are three critical managerial decisions to be considered crucial in channel management (Coughland & Anderson, 2002):

- **Structure:** strategical decisions that can be plotted graphically, an example could be how many different firms compose a channel;

- **Governance:** the outline built to achieve goals that are set and to grant the resolution of conflict;
- **Relationship management:** uncountable actions that daily happen in an environment complex as a marketing channel is.

Can be easily inferred that the channel operating model does not work linearly; indeed, it should be seen as a network (Chopra, 2003). Here many players exchange three different kinds of flow: material, information (Prajogo & Olhager, 2012) and financial (J.T. Mentzer, 2001).

Material flow is composed of the physical product from the supplier that goes downstream to the end-user. It is usually unidirectional; it goes downstream from supplier to customers; sometimes this kind of flow goes back, for example when customers return the product;

Information Flow involves the information that is exchanged by the supplier and the customer. This kind of flow should be considered bi-directional; it goes upstream and downstream. Often other actors like a retailer, dealer are involved in this kind of network (M.T. Frohlich, 2001);

The money transfer makes financial flow from the customer to the supplier. It goes upstream. It is necessary to manage all the flows in the proper way and with the minimum effort to obtain an efficient and effective supply chain (J.T. Mentzer, 2001).

1.1.2 Touchpoints and Customer Journey

The key takeaway that surfaces from the last paragraph is that each channel is a point of connection between the firm and the customer. They are called customer touchpoint, and they represent an episode of direct or indirect contact with the brand or the firm (Verhoef, Kannan, & Inman, 2015). This episode could be a purchase experience, personal or mass communication, but also a casual observation (Kotler, Keller, Ancarani, & Costabile, 2017). The firm can rule not all the experiences because they derive from the customers' interpretation of encounters (Hume, 2006). Instead of generating experience, Firms can design and manage prerogatives and motivation that enable the consumer to pursue the necessary experience (Gupta, 2000). Customers live experiences whenever they "touch" any portion of the product, service, brand or organization, through many channels and at a different point in time (Pantano, 2015). This kind of moment between the end-user and any part of the firm are called "touchpoints" (Stein & Ramaseshan, 2016). The series of touchpoints composes the journey that consumer life to carry on defined shopping

behaviour. So, Customer experience has gained a fundamental role in the relationship between customer and producer and could be considered as an overall valuation based on the accrual of experience (Rose, 2012). This kind of consideration reduce the comprehension of the critical moments of truth, so there is a clear need for detecting, labelling and describing different features that happen throughout the customer experiences at different touchpoints. So, more profound knowledge of the customer experience touchpoints will give a clear vision of the elements that shape the customer experience in the crucial moments.

Multiple studies show the existence of different kind of touchpoints and their impact (Baxendale, Macdonald, & Hugh, 2015). Firm owners and top management now more than ever have a huge challenge: allocation of budgets and management time across the broader range of touchpoints that are in the customer decision journey (Court, Elzinga, Mulder, & Ole, 2009). Four categories of customer experience touchpoints can be recognized: brand-owned, partner-owned, customer-owned, and social/external/independent. There could be an interaction with every of these point of contact in each step of the experience. According to the kind of the product or service or the customer's particular journey, the relevance of each touchpoint category may be different in each stage (Verhoef & Lemon, 2016). The first step is to identify each category, so firms, then, can understand how to influence each of them in the best way:

- 1) **Brand owned touchpoints:** this kind of touchpoints are consumer contacts during the experience that are built and managed by the company and under the company's control. They embrace every brand-controlled media (eg., adv, newsletter, corporate website) and all brand-controlled features of the marketing mix (eg., price, promotion, salesforce). Many marketing studies have proved the practical effects of these kinds of touchpoints on performance and customers' attitudes and preferences (Hanssens, 2015). This kind of touchpoints offers to the firm a robust framework for understanding possible points of leverage in the customer journey. Companies can track the touchpoint that they own or can identify many touchpoints on which they have a minimum or low influence (Verhoef & Lemon, 2016).
- 2) **Partner-owned touchpoints:** this kind of points of contact are consumer interactions while the experience that is mutually designed and managed by the company with one or more partners. Partners could be marketing companies, distribution partners and communication channel partners. The effect of these touchpoints showed many effects on distribution channel (Ataman, Mela, & Heerde,

2008). It is essential to affirm that the boundary between partner-owned touchpoints and brand-owned is usually thin and often it blurs.

- 3) **Customer-owned touchpoints:** Some touchpoints are customer behaviours in the overall journey, but neither firms or partners can influence or try to control them. Usually, they are referred to a critical moment as during the prepurchase or the post-purchase. One clear example is when a customer is thinking about his need. This kind of integration is becoming progressively more relevant thanks to the diffusion of the trend of the value co-creation.
- 4) **Social/external touchpoints:** during the whole experience consumers interact with many other external touchpoints (other customers, social network, influencers, environment) that could affect the process during all the three-stage of the experience. These kinds of effects are analogue to the advertising effect (Baxendale, Macdonald, & Hugh, 2015). It is possible to see that there is a clear sign that the social environment affects the experience (Lin & Liang, 2011). The technological progress is playing an essential role in this field, giving the tools to achieve interaction between subject far from a spatial point of view: clear examples are social media or review website (Verhoef & Lemon, 2016).

To better manage every contact with the end-user customer experience can be hypnotized in three steps: prepurchase, purchase and post-purchase (Fig 1.1) (Neslin, 2006). Many recent works treat the topic as an entire, holistic customer journey (Edelman & Singer, 2015), that will be analyzed after. So, starting from the three-stage framework, that is easy to manage (Schmitt, 2003). Let us figure out the various stage:

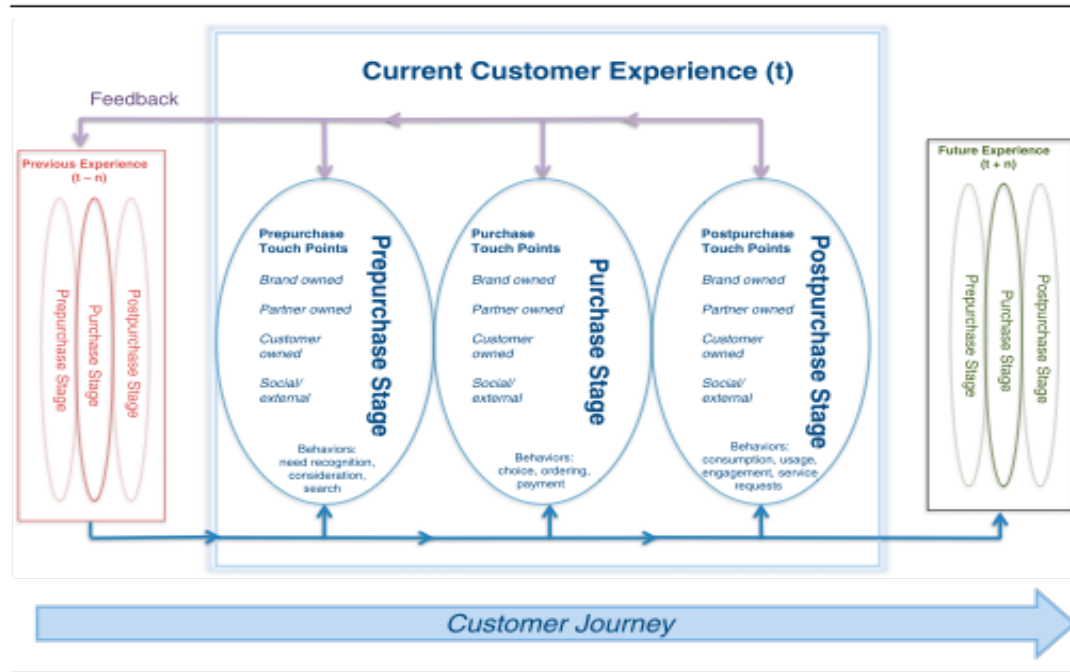


Fig.1.1- 3 steps - Customer Experience Framework¹

- **Prepurchase.** The first stage incorporates all features of the customer's contact with the brand, category, and environment previous a buying operation. Literature has considered prepurchase as conducts such as need identification, research, and consideration. Theoretically, this step could include the customer's complete experience before purchase. In practical this stage the customer's comprehends experience from the start of the need/goal/impulse detection to consideration of satisfying that need/goal/impulse with a purchase (Pieters, 1995);
- **Purchase.** The second stage includes all customer interactions with the brand and its environment during the buying event itself. It is affected by behaviours such as choice, ordering, and payment. Although this stage is typically the shortest, temporally speaking, of the three stages. Literature has given to it many attentions, focusing on how marketing actions (Kotler, Keller, Ancarani, & Costabile, 2017) and the environment, the service environment, impact the purchase behaviour (Carbone & Haeckel, 2002);
- **Post-purchase.** The third stage comprises customer interactions with the brand and its environment subsequent the purchase. This stage includes conducts such as usage and consumption, post-sale engagement, and service requests. In theory, this stage could spread temporally from the buying to the conclusion of the customer's life. In

¹ (Verhoef & Lemon, Understanding Customer Experience Throughout the Customer Journey, 2016)

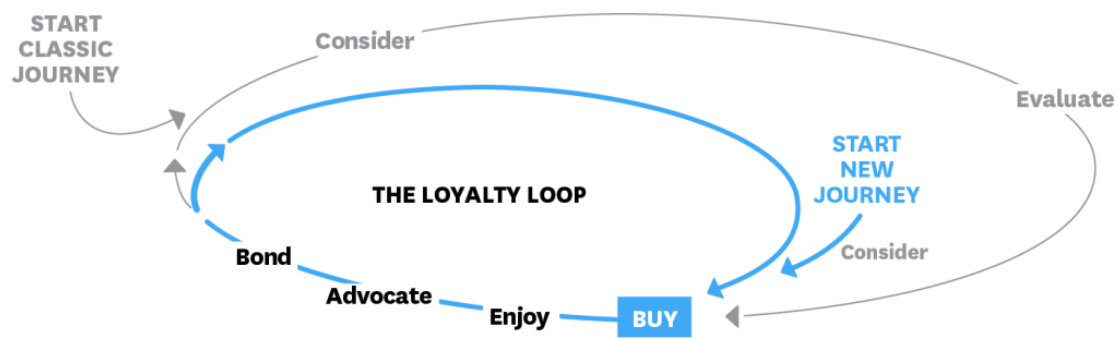
practical, this stage covers aspects of the customer's experience after purchase that relate in some way to the brand or product/service itself. Indeed, the excellent/service becomes a relevant touchpoint in this step. This framework has been protracted to incorporate the "loyalty loop" as a portion of the overall customer decision journey (Court, Elzinga, Mulder, & Ole, 2009). During the post-purchase step, a trigger may happen that either carries out to loyalty (through rebuy and other engagement) or begins the journey again, with the consumer entering the prepurchase step again and evaluating alternatives.

There are three steps that companies should follow: Primary; they should try to understand both the firm and customer viewpoints of the purchase journey, recognizing fundamental features in each step. Following, firms should start to detect the specific touchpoints that happen during the journey. Finally, companies should try to identify specific triggers that conduct customers to continue or discontinue in their journey (Verhoef & Lemon, 2016).

In 2009, Mckinsey & Company presented their Customer decision Journey a circular decision making process structured in four-step: initial consideration, evaluation and prepurchase search, conversion and post-purchase, when there is the experience lived by the costumers that could engage him in a loyalty loop (Court, Elzinga, Mulder, & Ole, 2009).

After six years, this model has been updated (**Fig 1.2**), following the changes of the customers, that are becoming more demanding and informed thanks to the new technologies. Companies should focus on individual journeys of customers and not merely on their touchpoints. Journeys became central to the customer's experience of a brand and relevant as product/service in delivering competitive advantage (Edelman & Singer, 2015): this could be considered a shift from reactive to proactive management. The advice to the firms is to design individualized customer journeys finely set. It is a reconfiguration of the canonical model of the CDJ combining the customer's consideration set to the brand, streamlining the evaluation step, and bringing the customer directly in the loop of loyalty, where he should be engaged for long term with the company. Once he is locked there, firms need to create the right shopping experience, so that the consumer does not consider the alternatives.

Streamlining the Decision Journey



CLASSIC JOURNEY

In the classic journey, consumers engage in an extended consideration and evaluation phase before either entering into the loyalty loop or proceeding into a new round of consideration and evaluation that may lead to the subsequent purchase of a different brand.

NEW JOURNEY

The new journey compresses the consider step and shortens or entirely eliminates the evaluate step, delivering customers directly into the loyalty loop and locking them within it.

SOURCE DAVID C. EDELMAN AND MARC SINGER
FROM "COMPETING ON CUSTOMER JOURNEYS," NOVEMBER 2015

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Fig 1.2 Streamlined customer Journey after Edelman and Singer²

1.1.3 Customer Experience Management of Bernd Schmitt

Starting from the traditional approach made upon: Marketing Concept: Customer Satisfaction and CRM (Kotler, Keller, Ancarani, & Costabile, 2017). Bernd Schmitt defines a new approach: Customer Experience Management (CEM) (Schmitt, 2003). CEM is the process of strategically managing a customer's entire experience: it is a customer-focused management concept. CEM's principal aim is to deliver value: it delivers experiential value to customers and financial value to the firm. CEM is seen as analytical, strategic and implementing management Tool. CEM frameworks are made upon five steps:

- 1) **Analyzing the Experiential world of the customer (analytical step):** provides original customer insight into the customer's world defining the right target. If we are in a B2C market, it is necessary to look to the sociocultural context, the experiential needs and the lifestyle. In a B2B market, it is necessary to look at the business context, the requirements and needs. After a framework of 4 layers is defined, touchpoints are tracked, and the competitive landscape analyzed.
- 2) **Building the Experiential Platform (strategic):** is the critical connection point between the strategy and the implementation. Is made upon:
 - Experiential positioning: image-driven depiction of the experience that the brand stands for

² Edelman, D., & Singer, M. (2015). Competing on Customer Journeys. *Harvard Business Review*.

- Experiential value promise (EVP): what the experiential positioning will do for customers
 - Implementation: Implementation of the marketing strategies
- 3) Designing the brand experience (Implementation):** it is based upon three main aspects:
- The product experience is the focal point of the customer experience (functional aspects and experiential features)
 - The "look and feel" (visual identity) in logo, signature, packaging and retail space
 - Experiential communication: appropriate experiential message in Adv and online
- 4) Structuring the customer interface (implementation):** all the dynamic exchanges and the touchpoints with the customers. Content and style to give the customer the right info and service in an interactive way. Interface design must give intangible elements and address experiential consistency over time and coherence among various touchpoints.
- 5) Engaging in continuous innovation:** anything that improves customers' personal lives and business work customers' lives. From major invention to small innovation. It is necessary to build customer equity and attract new customers.

CEM framework is a method to integrate the experience across the various touchpoint and manage the external and internal customer experience. The framework addresses internal and external business issues including segmentation, positioning, branding service and innovation.

1.2 Evolution of the channel strategy

In this paragraph, the evolution of the channel strategy will be analyzed: starting from the obsolete single-channel, moving too often used multichannel strategy, concluding with the topic of omnichannel marketing.

1.2.1 Single-channel Strategy

A single channel strategy means that a producer or a retailer use only one channel option to reach the final customer. The selection of the channel may involve a retail sales force, online B2C or a B2B partnership: each choice has its pros and cons (Lumen Learning, 2018). This kind of strategy decreases marketing expenses and organizational complexity (Coelho, Easingwood, & Coelho, 2003). Studies have proved that a single-channel approach costs less than one third than a multichannel one. A single channel strategy is more comfortable

to be developed and also faster to be launched on the market (Dye, 2018). The most hazardous side of this scheme is missing chances of sales as consumers purchase through other channels: think to how customers are digital-enabled. New technologies that as smartphones, social media and other tools are adding extra channels in the game: they are modifying shopping, purchase and peer influence conducts of consumers. So, if a firm uses a single channel approach, it is missing many chances in the enormous range of alternative channels target consumer may be utilizing. The overall purchase experience takes place through a single touchpoint. The types of business that operate according to this mode can be reduced to two types: brick-and-mortar and pure-click (Kotler, Keller, Ancarani, & Costabile, 2017). A 2003 study shows that a single-channel strategy, whether based on physical store sales or e-commerce, has advantages in terms of coordination of marketing efforts, quality and reliability of customer service, the focus of managerial activities in cultivating channel relationships and in rationalizing costs (Coelho, Easingwood, & Coelho, 2003). This kind of strategies is not anymore relevant as in the past, so it is better to focus on the multichannel and on the omnichannel strategies.

1.2.2 Multichannel Strategy

During the last years, consumers started to use different technologies, such as smartphones, the Internet and other devices, to deal with companies. Progressively, they select timing and channels across which they interact with companies for different features of their journey. More often, consumers practice different channels at different step of their decision-and-purchase journey, an example, using the Internet to find information but buying offline. Earlier they habitually got all their channel services from a unique integrated channel at all steps of the decision journey. We call Customers who exploit more than one channel to deal with companies as multichannel customers and marketing approaches to touch these customers as multichannel marketing (Rangaswamy & van Bruggen, 2005).

Neslin has defined multichannel customer management as "the design, deployment, coordination, and evaluation of channels through which firms and customers interact, to enhance customer value through effective customer acquisition, retention, and development (Neslin, 2006)." From this definition, it is clear that there are mutual advantages for both customer and firm. Customers gain a central role in the company's strategy and increase its perceived value, while companies can gain and keep consumers with a more substantial relationship. It has been reported that multichannel customers buy with more frequency, more articles, and spends more than single-channel (Kushwaha & Shankar, 2005). The multichannel strategy allows companies to create lasting customer interactions by

concurrently giving their customers and prospects information, goods, services, and support (or every mixture of these) that is two or more synchronized channels (Rangaswamy & van Bruggen, 2005). Through a wise synchronization of its channels, a company can develop better channel service outputs and leaves its consumer fewer purposes or occasions to switch to competitors because of inopportune channel access, or loss of governor in relating with the firm. Also, by following consumer behavior through channels, companies can increase their knowledge of their consumers' decision process and mature a basis for generating stable relations with consumers and enhance the retention rate.

From a brand experience point of view, firms must to positively manage customer relationships according to customers' preferences. These touchpoints might involve printed materials, smartphones, newsletter, physical retail stores, digital media, including e-commerce and mobile platforms (Kushwaha & Shankar, 2005). It is in the firm's attention to act in this way, as studies have demonstrated that multichannel consumers have more significant lifetime values and are more loyal shoppers than single-channel consumers (Kumar & Venkatesan, 2005).

To simplify consumers' switching from channel to an additional one, companies that use multichannel strategy have to arrange the right It. It is necessary to have a total image of their customers through all their different channels, and also to play as one firm to manage the channels in satisfying their consumers' needs. To support its departments, divisions, and channel partners to play as one to meet each customer need, the company have to employ hi-tech technologies and infrastructures to connect consumer's information to live operations. It can then be in touch with customers across different channels and recognize that those connections seem to be unified to the consumer. (Rangaswamy & van Bruggen, 2005).

It is essential to recognize that multichannel marketing (**Figure 1.3**) is not the same as traditional multiple-channel marketing, in which a company interacts with different parts of the customer base across different channels (e.g. utilizing personal selling for big customers and utilizing retailers for minor customers). In a multichannel approach, consumers may utilize different channels to reach the departments within the company at their preference, and they may select different channels at different times.



Fig. 1.3 Multichannel marketing system³

A graphic exemplification of a multichannel marketing structure exposing that customers are at the center of that system. A customer selects the channel that he will use to interact with a company at a defined time, for example, through a web site. That channel not only offers the information and services to encounter the needs of that customer but also simplifies additional interactions with other channels and divisions of the company, if desired, to take care of the consumer. This kind of experiences and live orientations between several elements in the channel structure characterize multichannel marketing systems, as compared to traditional systems with static structures and flows. What distinguishes multichannel approach from the single-channel approach is the utilization of multiple channels with meticulous attention on the end-user. The aim is to build a shopping experience that is more pleasant, accessible and wide-ranging, setting a multiplicity of tools at the consumers' service so that they can pick the most efficient alternative. In other words, the viewpoint on the channel is no longer that of the company that chooses how to get on the market but becomes that of the consumer who decides how to satisfy their needs (Kotler, Keller, Ancarani, & Costabile, 2017).

³ Rangaswamy, A., & van Bruggen, G. (2005). Opportunities and challenges in multichannel marketing: An introduction to the special issue. *Journal of Interactive Marketing*, 5-11.

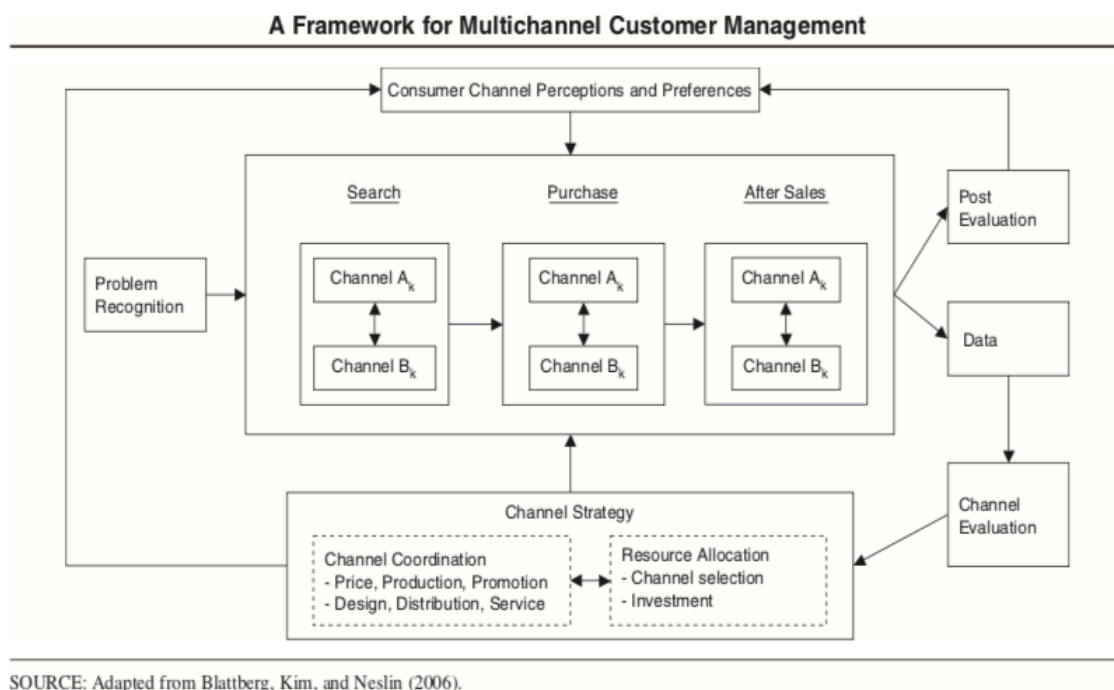


Fig. 1.4 A Framework for Multichannel Customer Management⁴⁵

We present in **Figure 1.4**, a framework that connects the shopper's and the company's decision processes (Neslin, 2006; Blattberg, 1996). The assumption is that consumer proceeds over need recognition, information search, purchase, and after-sales service. For example, a customer understands the necessities a new Television. The customer then searches different channels for information about the product, decides on which channel buy it, and then obtains sales support through an alternative channel.

Extra features of this procedure are essential. First, consumers perceptions and preferences shape channel selections (e.g., the consumer may favor the mobile for search because it is faster to utilize). Second, the consumer understands from and assesses his experiences, which feed back into the insights and preferences that direct his following purchase step (e.g., consumers might understand that the mobile research did not reply all the main issues). Third, the consumer selects both channels (A or B) and company (k), so from the client point of view, it is a bi-dimensional selection.

Usually, the management decision process begins with data produced by the consumer decision process. These kinds of data are at the consumer level. So, it is necessary to understand what channel did the consumer utilize for which reason, and what did he

⁴ Neslin, S. A. (2006). Challenges and Opportunities in Multichannel Customer Management. *Journal of Service Research*, 95-112.

⁵ Blattberg, R. C. (1996). Manage Marketing by the Customer Equity Test. *Harvard Business Review*, 136-44.

purchase? Coherent with the stress on the consumer, these consumer-level data lead the company's decision process. When the data have been collected, the company values its channels, to understand if they are valuable or if they are following the aim for which they are planned. Considering these amounts of information, management board can denote a multichannel strategy (decisions on channels, on their design and the allocation of budget) and a marketing plan (price, assortment, service levels) for executing the strategy (Neslin, 2006).

Five key challenges are here identified; these are faced by firms that experimented multichannel customer management. The framework, above explained, connects the challenges jointly and offers a theoretical configuration of the field. The challenges that are recognized are as follows:

- 1) **Data integration across all the channels:** an ideal database would include all the information about the channels that consumers use during all stages of decision-making, including rival channels (Zahay, 2002);
- 2) **Understanding customer behavior:** managers must understand how consumers choose channels and what impact that choice has on the entire purchasing process (Kushwaha & Shankar, 2005);
- 3) **Channel evaluation:** after obtaining information on the purchasing process and consumer behaviour, companies should evaluate the performance of the various distribution channels (Coelho, Easingwood, & Coelho, 2003);
- 4) **Allocating resources across channels:** the channel management policy manifests itself in the resources that the company decides to allocate on the various channels (Verhoef P. C., 2005);
- 5) **Coordinating channel strategies:** Perhaps the most challenging task for managers is the coordination of objectives, the design and resolution of synergies of any conflicts that arise between the different channels (Berger, 2005; Zettelmeyer, 2000).

The framework in Figure 1.4 displays how the challenges are interconnected: Data integration allows management board to understand customer conduct and evaluate channel conduct: this offers the resources to articulate strategy, specifically as it concerns channel harmonization and budget allocation. A significant role of the framework is that it links customer and company decision procedures: this implies that multichannel customer strategy involves handling consumers as they advance across their decision process and exploiting channels to improve each step of that process.

The multichannel strategy has its limits: These contain siloing of channel utility, slight channel range, lack of coordination of channels/touchpoints in the purchase process, and insufficient attention of how channels individually and conjointly influence the brand experience (Cummins, Peltier, & Dixon, 2016). In practice, channels have frequently been shaped and managed individually with deep integration. The growth of mobile device as a customer touchpoint has required a change in view, from the preferences of single-channel to that of looking all channels as the portion of unique brand experience (Verhoef, Kannan, & Inman, 2015): for that reason, it is time to move to analyze the omnichannel strategy.

1.2.3 Omnichannel Strategy

Technology allows today, as never before, to have a massive quantity of product information, transparency on prices and the possibility of doing business in a short time and at any moment. This kind of distribution technologies gave the possibility to companies such as Amazon to develop the so-called "online shopping" or e-commerce" (Kotler, Keller, Ancarani, & Costabile, 2017). This phenomenon growth exponentially during the last years reaching in 2019 the incredible value of **\$3453 Billion** (the 13.7% of the global retail sales), and it is expected to grow to reach \$5000 Billion by the 2021 (eMarketer, 2018)⁶

Below are described the key headlines of the digital environment of the 2019 (Datareportal, 2019)⁷ :

- Nowadays, Unique mobile users are **5.11 billion**, since the last year they have grown of 100 million (CAGR +2%, penetration 67%);
- Internet users are counted **4.39 billion**, a growth of 366 million vs 2018 (CAGR +9%, penetration 57%)
- Social media users are **3.48 billion** people in 2019, with the total global increase of 288 million since 2018 (CAGR+9%, penetration 45%);
- **3.26 billion** users of social media on mobile devices in 2019, with total worldwide growth of 297 million new users (CAGR +10%, penetration 42%).

As illustrated, the dawn of new digital and especially mobile channels has caused another disruptive transformation in the retail ecosystem: the way to survive in radical change is to adopt an omnichannel approach (Rigby, 2011).

⁶ Data Source: eMarketer. (March 14, 2018). Retail e-commerce sales worldwide from 2014 to 2021 (in billion U.S. dollars) [Graph]. In *Statista*. Retrieved July 31, 2019, from <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

⁷ Datareportal. (2019, January 31). *DIGITAL 2019: GLOBAL DIGITAL OVERVIEW*. Retrieved from Datareportal: <https://datareportal.com/reports/digital-2019-global-digital-overview>

The origin of the word comes from Latin, *Omnis* stands for "all" or "entire", that means "all channels jointly" (Juaneda-Ayensa, Mosquera, & Si, 2016). Omni-channel approach consequently is centered on the customer creating a "holistic" purchase experience in which a consumer's journey is fluent and continuous, regardless of the channels used (Gupta S. L., 2004). In an omnichannel context, the most relevant interaction is not with the channel but with the company at a brand-level (Piotrowicz, 2014). Omnichannel management has been defined as the "synergistic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels are optimized." (Verhoef, Kannan, & Inman, 2015) So Omnichannel approach is based on two main topics: in which way consumers collect the information and in which way transactions are accomplished (Bell, 2014)

Considering this aspect, the focus of the omnichannel approach is on delivering value for the consumer creating a superior customer experience (Verhoef et al., 2009).

Omnichannel strategy is an evolution of the multichannel strategy, but it involves additional channels. A significant extra variation is that the many channels become indistinct as the usual boundaries between channels begin to fade. Theoretically, Omnichannel approach is a strategy that delivers customer value across a well-organized and frictionless combination of multiple touchpoints. (Roy Larke, 2018)

In **Table 1.1** are explained all the key differences between the two approaches (Juaneda-Ayensa, Mosquera, & Si, 2016).

	Multichannel Strategy	Omnichannel Strategy
Concept	Division between the channels	Integration of all widespread channels
Degree of integration	Partial	Total
Channel scope	Retail channels: store, website, and mobile channel	Retail channels: store, website, mobile channel, social media, customer touchpoints
Customer relationship focus: brand vs. channel	Customer-retail channel focus	Customer-retail channel-brand focus
Objectives	Channel objectives (sales per channel, experience per channel)	All channels work together to offer a holistic customer experience

Channel management	Per channel Management of channels and customer touchpoints geared toward optimizing the experience with each one Perceived interaction with the channel	Cross-channel Synergetic management of the channels and customer touchpoints geared toward optimizing the holistic experience Perceived interaction with the brand
Customers	No possibility of triggering interaction Use channels in parallel	Can trigger full interaction Use channels simultaneously
Retailers	No possibility of controlling integration of all channels	Control full integration of all channels
Sales people	Do not adapt selling behavior	Adapt selling behavior using different arguments depending on each customer's needs and knowledge of the product

Table 1.1 Differences Multichannel Vs Omnichannel⁸

The most relevant elements that characterize these two types of approaches are:

- The objectives of the strategy are different in the Multichannel approach (e.g. sales, performance experience in each channel), while they are coherent in the omnichannel in order to concentrate efforts to create a holistic shopping experience;
- Channel management is designed for the optimization of the single touchpoint in the first case, while it aimed at creating synergies in the second case;
- the perception of the degree of interaction, which in the case of multichannel takes place at the channel level, meanwhile in an omnichannel strategy every type of contact takes place at the company level with the brand, which gives a unique and shared identity in each touchpoint (Juaneda-Ayensa, Mosquera , & Si, 2016).

The omnichannel approach needs the integration of consumer touchpoints to guarantee a seamless customer experience, conducting to sales created on enhanced interactions. This aim differentiates these two strategies (Beck & Rygl, 2015);

⁸ Juaneda-Ayensa, E., Mosquera , A., & Si, Y. (2016). Intention, Omnichannel Customer Behavior: Key Drivers of Technology Acceptance and Use and Their Effects on Purchase. *Frontiers in Psychology*, 1-11.

The shift to omnichannel strategy has augmented the necessity for a bilateral Integrated marketing communication orientation, in which structural silos are reduced in the advantage of a synergic communication that increases customer engagement with a combined brand experience (Hansen, 2015). Looking for touchpoints in the framework of consumers' decisions is not the right point of view, the omnichannel approach needs an amalgamation of the entire assortment of existing tools and platforms into a one-choice environment (Cummins, Peltier, & Dixon, 2016). This development improves the capability of a company to transform faster prospects into customers with huge value by designing a tailored "information-acquisition-and-use environment" (Rocco, 2016). Omnichannel Integrated Marketing Communication is not merely a "tactical instrument," but a crucial strategical tool for generating experience and communication consistency throughout the whole company (Payne, Peltier, & Barger, 2017). A clear exemplification is **Fig 1.5** (Tapp, 2014)

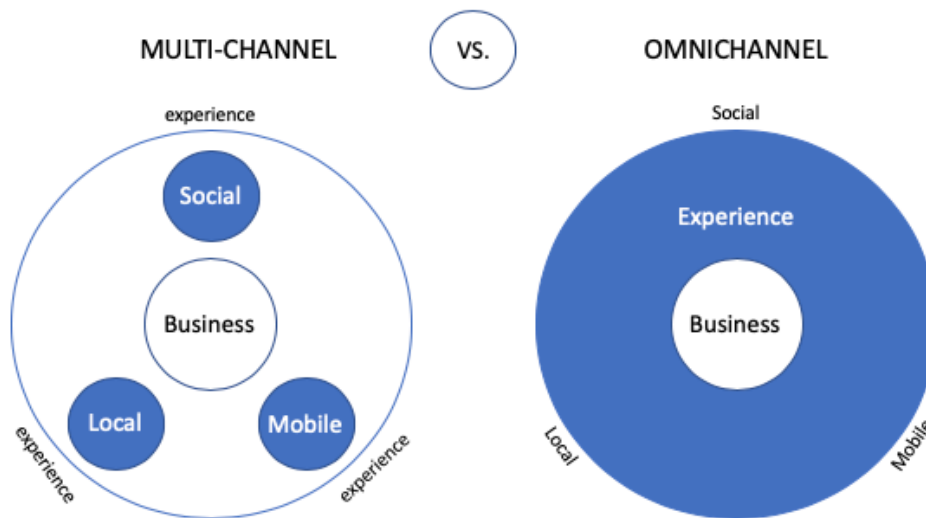


Fig 1.5 Multichannel vs Omnichannel Experiential Approach⁹

An omnichannel approach is a more developed framework than the multichannel one because of the emphasis on shopper value and a more significant level of integration. Indeed, an omnichannel strategy is enabled by the augmented usage and complexity of retail and consumer technologies (Roy Larke, 2018). Companies can offer these seamless experiences by integrating mobile devices (i.e., smartphone) inside the store. Their consumers can get information regarding products and order them (an example can be the Apple Store). Otherwise, thanks to the in-store Wi-Fi connections, companies can interact with their

⁹ Tapp, C. (2014, August 14). *The Omni-Channel: What non-profits can learn from retail*. Retrieved from LinkedIn: <https://www.linkedin.com/pulse/20140815145716-97573459-the-omni-channel-what-non-profits-can-learn-from-retail/>

customers over their smartphones and also understand and record their behaviour. Companies can collect and analyze enormous quantities of customer data, allowing the improvement of systems that contain and assimilate complicated supply chain activities for a different range of consumers' touchpoints (Verhoef, Kannan, & Inman, 2015). A relevant improvement is that communication channels are integrated with conventional mass advertising channels. (Rigby, 2011)

In an omnichannel approach, the conventional separation between bidirectional communication channels and single-way communication channels blurred. Customers' touchpoints can be brief, single-way or double-way interactions between consumers and companies, and the trade can be somewhat superficial or deeper. Touchpoints can include consumer-to-consumer exchanges across, for example, social media or through other forms of peer-to-peer interactions, which influence brand consideration (Verhoef, Kannan, & Inman, 2015)

"A retail channel and consumer have to trade information and product. Information might be exchanged face-to-face as in a retail store or online when shopping at Amazon, for example. Product fulfilment can be through a customer pickup or home delivery" (Chopra, 2015). So, four categories can be tailored for omnichannel retail as described in Fig. 1.6 (Bell, 2014):

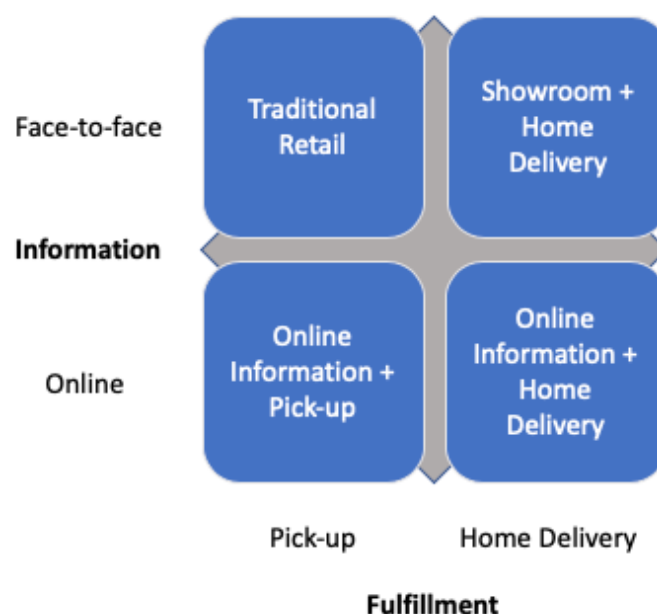


Fig 1.6 Omnichannel retail matrix¹⁰

¹⁰ Chopra, S. (2015). How omni-channel can be the future of retailing. *Indian Institute of Management Calcutta*.

- 1) **Traditional retail:** In traditional retail, a consumer lives a face-to-face interaction with the goods and sales force and exits the shop with the product when the action of purchasing has been done. Traditional retail usually has several structures to sustain the face-to-face information trade and product pick up: these tend to bring a vast level of total stock because the product must be kept at every retail store. As a consequence, money invested in structures and inventory tends to be elevated for this category (Chopra, 2015).
- 2) **Showrooms + home delivery:** These kinds of stores operate as showrooms in which consumers can see different designs, be advised from the sales force, and also be tailored. Showrooms simplify a face-to-face information trade but do not bring inventory for customers to buy. If a consumer chooses to purchase, the product is ordered online from the company website (or at the store) to be shipped at home. Showrooms have not any inventory for selling, consequently decreasing inventory and the dimension of the store needed. In opposite to traditional retail, this approach spends less on inventory and structure but needs more significant spending on transportation and Information Technologies, especially regarding home delivery. In the multi-channel approach, research shopping had some consideration (Verhoef, Neslin, & Vroom, 2007) in the omnichannel strategy showrooming¹¹ is a crucial topic. Consumers commonly research for information inside the store and at the same moment, research on their smartphones to acquire more information regarding deals and might catch more convenient offers. For elevated value goods and products with a relevant quantity of customization that customers desire to “touch, feel, and see,”: this approach is likely to have success for companies in the prospect because of the inferior number of inventories needed. A product category where this strategy has begun to acquire significant market share in the USA is men's suits. A traditional retailer has to stock a vast number of suits so that consumer may discovery the right fabric, size, and style. This considerable growth the quantity of inventory that seller has to bring and the volume of the area they requisite to devote to this product. In opposite a supplier of suits that has small showrooms that just bring enough inventories so that consumer can select fabrics and styles. Consumers are fitted, and goods are finished somewhere else in low-cost places: there is a competitive advantage (Chopra, 2015; Koepfel, 2016).

¹¹ Showrooming can be considered as a specific form of research shopping in which a shopper first searches offline and subsequently purchases online.

- 3) **Online information + home delivery:** Amazon is the prototype of this channel where consumers research for products and order online to have the product, then sent at their home. Accumulation of inventories in limited places gives the possibility to the online channel to spend less money in facilities and inventory related to traditional retail. Transportation cost and IT costs raise thanks also to home delivery (Chopra, 2015).
- 4) **Online information + pickup (Webrooming¹²):** The reverse of showrooming similarly happens, and it is called webrooming, where shoppers get information online and purchase offline. Prior, this was a prevailing practice of research shopping (Verhoef, Neslin, & Vroom, 2007). The high fee of home delivery related to the online channel has conducted numerous companies to give the possibility of a pickup location at an inferior cost or a without charge. The existence of a pickup location drastically decreases the transportation expenditure sustained by the online seller. It does necessitate the shopper to go to the pickup point, but the right selection of pickup location may reduce this travel expenditure if a consumer can organize product pickup with other behaviours they usually do at the place. For instance, Walmart permits a “free instore pickup” possibility where customers can purchase online and pick up the product at the store. This possibility decreases the firm's transportation cost because online orders can be delivered to the store beside the other good being delivered there. This kind of selection might not increase considerably to the transportation fee for a shopper if he is forecasting to shop at the store in any situation. Pickup locations are going to increase for retailers selling low-value goods online. For instance, In the grocery industry in the United Kingdom, pickup locations are ruling as the approach for online grocery purchasing. Retailers such as Tesco and ASDA proposal a low price “click and collect” service where consumers make their purchase online and collect them at a pickup location (Chopra, 2015).

Consumers have turned progressively mobile and channel-agnostic. They switch from channel to channel, from online to offline, and assume a continuous and consistent experience without an apparent disconnect: three main trends are now emerging in the omnichannel environment (Kotler, Kartajaya, & Setiawan, 2017):

¹² *Webrooming* is a form of the shopping process that begins with online research and then conducts to buying in-store. This kind of shopping consents consumers to touch, feel and test products before they purchase (Koeppel, 2016).

- 1) Focusing on mobile Commerce in the "Now" Economy:** As Time is becoming the rarest resource customers' life, they are becoming even more mobile and connected. The ease of accessibility and transaction drives Their selection of the brand. They assume that firms will give immediate answers to their desire without any trouble. The speed of delivery is usually relevant as the goods and the services. In the so-called "Now" Economy, there is the birth of the live time platform that connects vendors and purchaser. The crucial accountable of this phenomenon are mobile phones: there are no competitors as a channel when mobile phones are in proximity to consumers. Even more relevant is the fact that no other channel is so private and useful. These are the motivation of the considerable adoption level of start-ups that offer on-demand services. It is evident that more consumers are purchasing by smartphones, as reported by the study of eMarketer mobile commerce in 2017 was 34.5% of whole retail e-commerce sales in the U.S. It is estimated that in 2021 more than half of the market will be generated by mobile commerce (eMarketer., 2017)¹³. Wearables are devices that will give more relevance to this trend. Indeed, like smartphones, they are in proximity of consumers in the form of symbiosis: customers usually wear them in any situation. For this reason, they can help companies to track data about customers. Users of wearables are in 2019 esteemed to be 350 Million and are projected to grow with a CAGR of 2.6% yearly, reaching 367 million by the 2023 (Statista, 2019)¹⁴. As it showed "Now" is not giving any signs of deceleration.
- 2) Bringing Webrooming into offline channels:** In traditional stores, customers usually meet the difficulty of researching throughout a considerable number of products on the shelves and taking a buying decision. Companies have to assist consumers to discover and then buy their products through the store. A solution to this problem is the use of Sensor technologies as beacons, NFC¹⁵ or RFID¹⁶: these technologies takes Webrooming inside a traditional retail store. Beacons are placed strategically by brand inside the store; Apple is one of the players that has integrated the technology. Beacons interact with consumer's mobile device when they are close, utilizing Bluetooth and generating a connection. These devices give the firm the

¹³ eMarketer. (September 29, 2017). U.S. mobile retail commerce sales as a percentage of retail e-commerce sales from 2017 to 2021 [Graph]. In *Statista*. Retrieved August 03, 2019, from <https://www.statista.com/statistics/249863/us-mobile-retail-commerce-sales-as-percentage-of-e-commerce-sales/>

¹⁴ Statista. (2019). *Wearables Worldwide*. Retrieved from Statista:

<https://www.statista.com/outlook/319/100/wearables/worldwide#market-revenue>

¹⁵ NFC stands for Near field communication

¹⁶ RFID stands for Radio-frequency identification

chances to identify where consumers are in the store, track their behaviours and collect a considerable amount of data. Moreover, beacons allow retailers to send personalized offers to consumer's retail based on their position, and this can increase the possibility of purchase. Customers have a great curiosity on these kinds of great personalized offers, but they occasionally have the need also to evaluate alternatives. Burberry has integrated an RFID technology that allows customers to validate the offer: product inside the stores are implemented with RFID tags that interact with a smart mirror inside the changing room that shows a video regarding the product and other details. Using NFC technology allows customers to scan the tag to get more details about the product and also to get it inside a virtual basket and check-out. The utilization of this kind of connectivity enhances "Webrooming" with his benefit inside the offline channel allowing companies to deal with consumers with appropriate digital content. It improves the omnichannel experience and drives more sales.

- 3) **Bringing Showrooming into online channels:** Now, consumers may buy goods and services without any effort and immediately. They can interact with trusted contents that make more accessible the decision process. The online channel will never take the place of the offline channels: the latter is experiencing the five senses before buying. It is essential to consider the human-to-human connections that are generated inside a physical store. Companies may integrate technique of showrooming to integrate benefits of the offline channel into the online context. One of the first examples was Tesco in South Korea: they understood that Korean people didn't have the time to go to the grocery shop. So, they integrated Virtual Stores (just pictures of grocery store shelves) in public places as a metro station. Consumers may buy scanning the photo with the Homeplus app while they were waiting for the train. The product then was delivered to their home (Martin Petit de Meurville, 2015). Ikea is another player that applied this approach. They utilized printed catalogue and Augmented Reality to help consumers to choose the right furniture for their spaces. Customers through these can preview how a product fits their habitation. Showrooming approach gives a chance to customers to buy and seek for goods in a physical environment and not to lose the human-to-human interactions. It delivers the main aspects of offline channels to the online ones.

As mobile is becoming the leading interface in the customer experience, there is a necessity to optimize Omnichannel experience with big data analytics. Mobile is not only an interface

but also a tool to collect data from customers: it's the bridge between online and offline. These technologies allow the holistic experience of the omnichannel approach: there are an improvement and integration of sales and communication (Kotler, Kartajaya, & Setiawan, 2017).

Latest technologies permit customers to deal with brands in many ways, frequently in live time, and not dependent on consumer place. This kind of supports is solving retail operational problems, such as the delivery of information to customers (Melis, Campo, Breugelmans, & Lamey, 2015), efficient transportation of physical goods and time-based occasion (Brynjolfsson, 2013). Omnichannel retail is an appealing proposal, "it is a step-change in complexity" (Verhoef, Kannan, & Inman, 2015). Nevertheless, the difficulties of integrating many touchpoints, and the lack of best practice examples, mean risks are many (Roy Larke, 2018). Reaching this integration is difficult because of the complication of both retailing and supply chain management, which become more intricate when multiple channels are included (Hübner, 2016).

What emerges from the Omnichannel strategy is its possibility to generate value from both customer and companies. It can improve customer satisfaction by allowing consumers possession of choices relative to their brand journey. Online retailing improves the number of touchpoints, and this gives the possibility to increase customer satisfaction, brand loyalty and shopping frequency (Neslin & Pauwels, 2015).

1.3 Impact of omnichannel marketing in the brand identity model

In this section, we will make a step more inside the topic of this thesis, so we will discuss the impact of omnichannel marketing on the brand in the luxury and fashion landscape. We will first examine the Brand Identity Model tailored by Corbellini & Saviolo, then we will consider its evolution formalized by Professor Fei, and in the end, we will add our contribution to this framework.

1.3.1 Brand Identity model

To fashion a solid brand image, a firm should create concrete and shared a brand identity. Subsequently, it has to communicate this identity consistently and relevantly to the consumer throughout all the touchpoints. Branding aims to create the right integration; the brand is in many locations at the same moment, and everything should be coherent. In particular, in the luxury and fashion context, this topic is relevant because of the many product categories, distribution channels and communication vehicles. Luxury Brand management can be

considered a balancing act with the aim of "keeping the dream alive". In order to manage the positioning in the luxury fashion landscape, Corbellini & Savoia have designed this framework (**Fig 1.7**) (Corbellini & Saviolo, 2012)

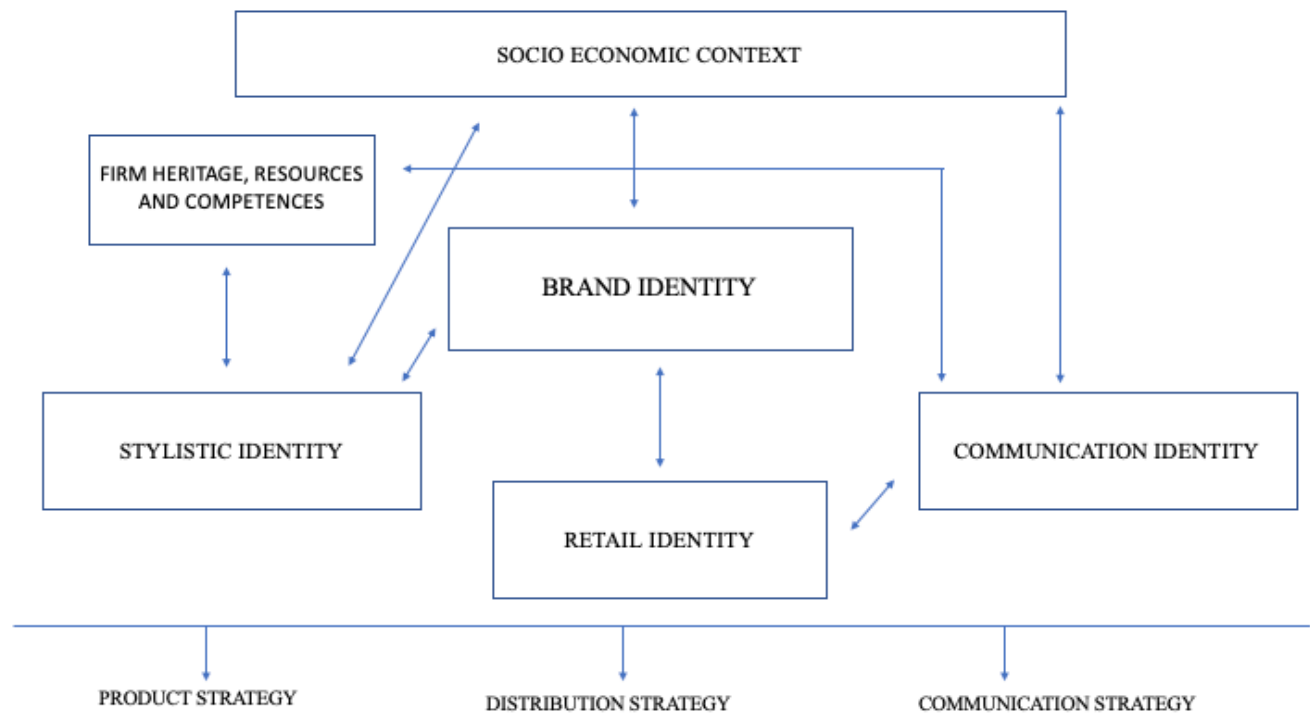


Fig 1.7 Brand Identity Model¹⁷

In a mutable Social-Economic Context, companies should be able to update their brand identity to be always in line with customers. To modify the positioning, firms could leverage four drivers: Heritage, style retail and communication. These drivers define strategies for products, distribution and communication. So, let's analyze each block in detail:

- **Heritage:** The heritage feature is a vital element of a luxury brand because it seems either in line with the modernity of to the society and together aligned with history. Heritage improves the association of profundity, authenticity and trustworthiness to the perception of the brand by the customer. It also leads to increased brand loyalty and allows the company to impose higher prices and customers to accept them (Wiedmann, Hennigs, Schmidt, & Wüstefeld, 2012). Heritage is also a way of understanding critical resources and competences as something different from the others. The brand with a virtuous heritage usually has a good impact on their actual standing and often continue to have success in future. It is crucial to assert that history turns into heritage only if a firm can develop an appealing tale over it. Heritage is composed of four elements: place (i.e. Rome for Valentino, Sicily for

¹⁷ Corbellini, E., & Saviolo, S. (2012). *Managing Fashion and Luxury companies*. Milano: Rizzoli Etas.

Dolce&Gabbana, Paris for Saint Laurent); people (the Founder, the family or the designer that have inspired the brand, i.e. Yves Saint Laurent or Fendi family); The brand legend (the tale told as a myth: Santos de Cartier as the watch of aircraft or Omega Speedmaster as the first watch on the Moon); the product as in icon (i.e. Daytona for Rolex, Birkin Bag for Hermes) and the intangible asset of know-how and manufacture (i.e. Manufacturing for Patek Philippe) (Corbellini & Saviolo, 2012).

- **Stylistic identity:** The stylistic identity is the set of elements aesthetically relevant that allows the brand to be known by customers each season. Brands every season propose new collections according to main trends, but they also keep their codes to maintain their positioning and image. So, the central aspect is to innovate but also be coherent with their stylistic codes. Stylistic identity is composed of elements such as logo, colors, patterns, fabrics, details line and shape of the piece. Codes should not be seen as a jail for the brand, but a path through the evolution of a brand happens. Stylistic Identity is what differentiate brands from competitors (Corbellini & Saviolo, 2012). Take, for example, Cartier that is recognizable for a red color called "Red-Cartier", for its boxes and its essential product such as the Love bracelet or the Trinity ring.
- **Identity:** Companies can explicit the brand image in the retail and wholesale channel delivering a coherent and stimulating retail identity. The aim of advance a retail identity is to develop a coherent image to all the retail network. The brand should be aligned everywhere at the same time. Retail Identity could be defined as the integration of guidelines regarding Merchandising, Visual Communication, Space Planning and Store Design. What gains a strategic role is the Point of Sale that contributes to creating the overall brand experience. Moreover, other relevant topics are the design of service policy and the service identity: differentiation of the proposal is essential in the luxury context (Corbellini & Saviolo, 2012). An example of a top performer is Louis Vuitton that has been capable of creating a true service identity inside his boutique.
- **Communication Identity:** communication identity is a set of elements that recall the whole domain of the brand. In particular in luxury and fashion, the communication is often around the "dream-factor". Consistency through all the channel gain even more a primary role: every message that is delivered should be coherent with the brand image. For example, Hermes has developed a differentiated

and integrated communication around his story and his codes (Corbellini & Saviolo, 2012).

1.3.2 Brand Identity model Updated

The model was missing three key elements in the actual socio-economic context that are essential: Customer Experience Identity, Digital Identity and Sustainability Identity (Fei, 2018).

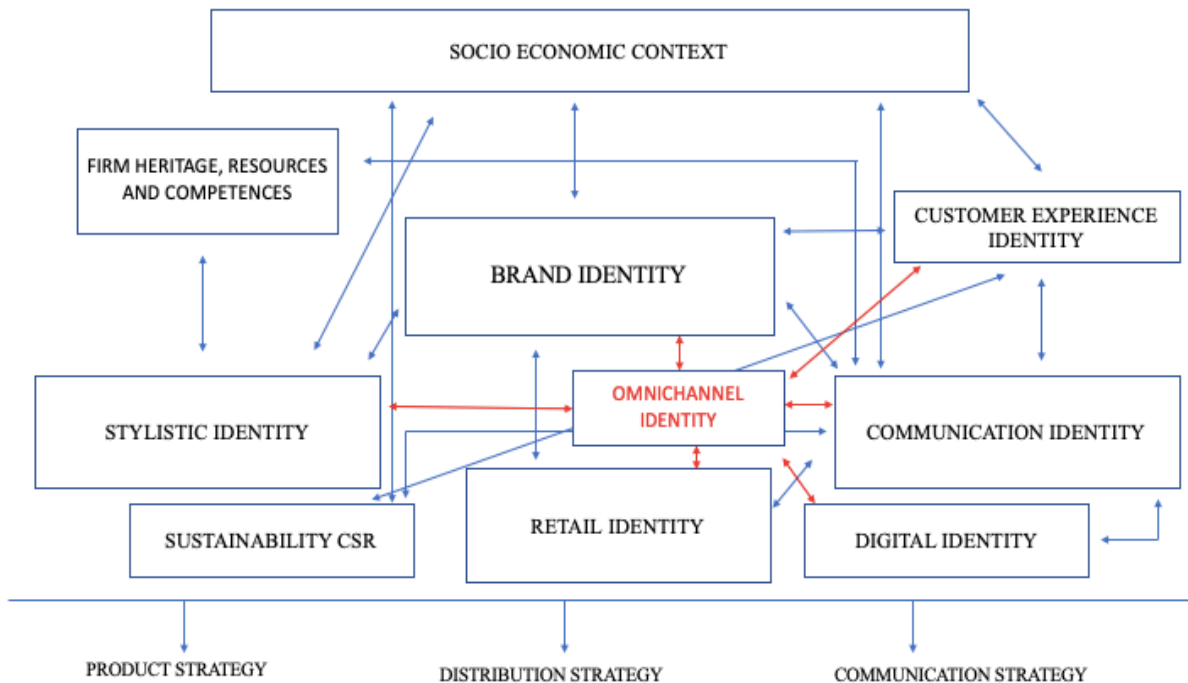


Fig 1.8 Brand Identity Model Updated¹⁸¹⁹

- **Customer Experience Identity:** The ability to generate a customer experience that is synonymous of the brand is known as one of the critical drivers of the firm performance. The Brand Promise ²⁰should be translated into a Branded Customer Experience. This concept can be defined as "the delivery of your brand promise through every interaction your customers have with your people, processes and products". The Branded Customer Experience can be considered as the Identity that differentiates a Brand from his competitor. Moreover, it has an effect on the Brand Image and on the perception that customers have. This Identity should be consistent in every touchpoint, intentional, differentiated and valuable (Smith & Wheeler,

¹⁸ Fei, C. (2018). *Fashion Management Course*. Rome: Luiss Guido Carli.

¹⁹ Our rielaboration of the framework with the addition of the omnichannel identity

²⁰ The value a company committed to deliver to the customer

2002). In particular, in Luxury-Fashion Market, there is a great focus on the customer experience because it enhances performances and increases Customer Loyalty. An example of extraordinary customer experience is Bottega Veneta with its customer-centric approach supported by high-tech tools.

- **Digital Identity:** Digital identity can be defined as the set of elements that recall the brand in the digital environment. All the messages and the digital presence must be aligned with brand values and brand image. Now digital identity has gained a primary role in the landscape, thanks to the possibility to reach a vast audience. Digital enables the brand to develop long-term relationship both in-store than beyond (Witting, Sommerrock, Beil, & Albers, 2014). The choice to be a part of the digital landscape is essential for luxury brands as online policies give strength to the brand. The rejection to consider the digital, as a complement to offline retailing and the incapability to innovate, has been one of the significant problems for luxury brands in the past. Louis Vuitton is one of the first pioneers of luxury brands with an all-inclusive online approach (Hennigs, Wiedmann, & Klarm, 2012).
- **Sustainability and CSR Identity:** Sustainability is becoming one of the main challenges to be faced. Companies are marrying their liability as a citizen of the world. This approach has a significant impact on the brand identity, so we can define as "Sustainability, and CSR Identity is the set of policies and element of the brand environmentally-conscious". A huge focus is on transparency; the company should be more transparent on its supply chain and its manufacturing process. Moreover, certifications have a considerable impact: sustainable reports are by now a widespread practice. Communicating sustainability effort is now one of the most relevant practices on leveraging brand image. LVMH was the first player to adopt these policies in 1992 when he developed his environmental division and made his supply chain transparent (Witting, Sommerrock, Beil, & Albers, 2014).

Throughout our research, we have identified another block to add to the framework:

- **Omnichannel identity:** As it has been stated before, in an omnichannel approach, the most critical interaction is not with the channel itself but with the brand (Piotrowicz, 2014). It creates a solid relation between omnichannel approach and brand image. It is possible to affirm that every type of contact happens with the brand, which gives a unique and shared identity in each touchpoint. Leveraging this block gains a central role in this model. It has an effect on the distribution strategy, trough

the channel selection and integration and on communication strategy through the Integrated Marketing communication.

Chapter 2 – Understanding the Customers

2.1 Premium and Luxury Landscape

The whole luxury market was esteemed about € 1.2 Trillion in 2018. Our analysis will consider the Personal Luxury Goods segment²¹. Its value is around € 260 Billion, and it accounts the 22% of the total market. This segment is obtaining traction in last years since 1996 it has grown with 6%²² CAGR. The forecast is that by 2025, its value will be in a range between 320-365 Billions if the positive mid-term macroeconomic outlook will support the customer confidence (Bain & Company, 2018).

Going more the deeper in this segmentation according to three criteria (Price positioning, Distribution and Media Plan), we can define four other segments (Fig. 2.1) (Festa & Cucco, 2018):



Fig 2.1 Luxury Market Segments²³

Mass market: The meagre prices level is the key driver of the sales of this segment. Product has a low differentiation degree and volume of sales is the only thing that matters. There is

²¹ Personal luxury goods market includes Apparel, Accessories, Hard luxury and Beauty

²² At a constant Exchange rate

²³Elaboration of Bain&Co Material done by Festa, A., & Cucco, C. (2018). Luxury Management Course. Rome.

a random distribution, and they are usually sold in large mass retailers. There is no clear media plan for the mass market segment;

- **Branded mass:** In this segment are included Basic Brands, Apparel Retailers (Fast Fashion and traditional) and Sports Brands. It is based on competitive pricing that goes from the low to the medium levels. They are usually a vertical system with complete control over all value chain. Their distribution is structured on a capillary presence through retail and franchising that leads to high traffic. The communication is based upon large mass channels like social networks, mass magazines and Tv;
- **Premium brand:** This kind of brand are positioned in the medium to a high price level. Customers recognize premium prices. What characterizes these companies are not the genius of a designer but the right mix of industrial and distributive worlds with the entrepreneurial mindset. Usually, these companies have both industrial and commercial know-how, but they are not always integrated into production and retail. Their distribution is based on a multilocal proximity presence and premium retail environment. The communication uses the premium channel as fashion press, selective billboarding, events and social network (Corbellini & Saviolo, 2012);
- **Luxury brand:** The value proposition of a luxury brand is upon heritage and exclusivity. Brands like these have high price level justified by the perceived value. These brands are usually vertically integrated in terms of the manufacturing and the retailing. Every stage of the value chain is controlled. Their distribution strategy is organized around top tier luxury locations in an exclusive retail environment. For their communication, a luxury brand uses a selective luxury press or owned social media channels, organizes events, collaborates with top influencers. This segment can be still divided into three sub-categories: Absolute, brands characterized by elitism, tradition and uniqueness (i.e. Hermes); Aspirational, brands that are recognizable and utilize differentiation strategy (i.e. Gucci). Accessible, brands that are the entry-level of the luxury category, are known for their accessibility, status and affiliation (i.e. Burberry) (Festa & Cucco, 2018).

After outlining the whole context of the industry, this work will be focused on the last two segments: Premium and Luxury, that are more customer-centric. The next step of our analysis will be on understanding who is the consumer and what are their needs in an industry that is shifting to an omnichannel approach.

2.1.1 New consumers' Landscape

Now, different trends, fast digital transformation and evolving customer preferences and behaviours are tailoring a different landscape in which old corporate strategies are not as effective as before (Deloitte, 2018).

Digital is impacting the whole environment, whether companies are organized to face it or not. It allows for original products and services. It generates chances to deliver bespoke offers and offer tailored services to an enormous consumer base. Thanks to new distribution channels, there is a possibility to widen the arena for brands. They have the occasion to be in touch with customers not touched in the past and to deal with consumer online in markets in which a company has no stores (BCG, 2016).

One of the most influenced by digital is the Fashion market. This eCommerce shift played a crucial role in most categories. More than a quarter of clothing, accessories, and footwear expenditure now happens online and is fast rising. Physical and online retailers are competing for consumers' interest and money. In Fig 2.2 are given insight about the state of the sales and forecast about the future (Forrester, 2018):

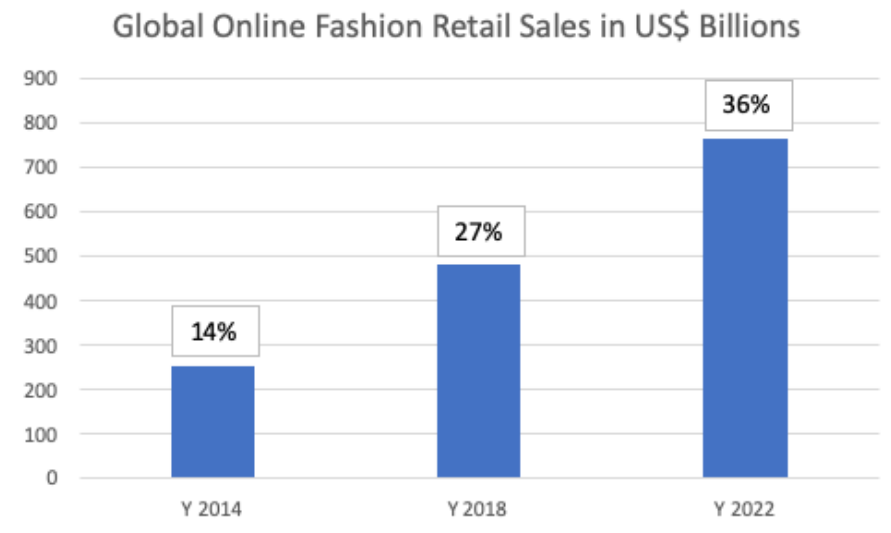


Fig 2.2 Global Online Fashion Retail Sales in US\$ Billions²⁴

The penetration degree in the fashion market is almost double than the rate in the overall retail. Globally, Online sales are forecasted to be 27% of total fashion sales, related to 15% of total retail sales in 2018; **More shoppers are purchasing fashion online.** 58% of global online consumers bought something online in 2018 and about half of these consumers purchased apparel, accessories, or footwear. It is supposed that the amount of

²⁴ Forrester. (2018, November 13). *eCommerce Will Account For 36% Of Global Fashion Retail Sales By 2022*. Retrieved from Forrester: <https://go.forrester.com/blogs/e-commerce-will-account-for-36-of-global-fashion-retail-sales-by-2022/>

global online fashion shoppers to touch 911 million by 2022, becoming it the hugest class of online buyers. Forrester forecasted that the global online fashion market would account \$765 billion by 2022, taking 36% of whole fashion sales (Forrester, 2018).

Making a step further and focusing on the luxury market, researches have shown that about 20% of personal luxury sales will be online. Digital is delivering an even more significant influence on how luxury consumers select brands and products. Nearly four-fifths of luxury sales now are "digitally influenced"; this means that, in their luxury purchase journeys, consumers interact with one or more digital touchpoints. The typical luxury consumer has a hybrid online/offline journey, looking for the recommendation of peers on social network or researching advice from reliable bloggers before going into a physical store, then posting about their shopping subsequently. Pure online sales account 8% of the total having a value of about €20 billion. Instead, Sales influenced by online are 70% of the total, accounting €178 Billion. Luxury consumers who have pure offline the customer journey are disappearing, they represent the 22% of all luxury consumers and delivering a value of €56 Billions (Fig 2.3) (McKinsey & Company, 2018).

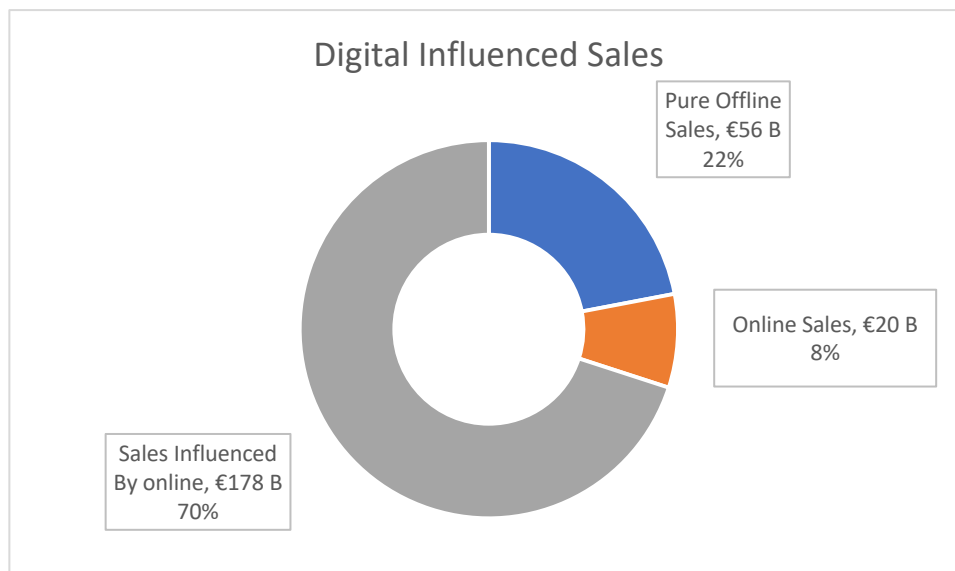


Fig 2.3²⁵ Digital Influenced Sales

Bain & Company forecasts that by the 2025 pure online channel will be 25% of the whole market and 100% of luxury sales will be influenced by at least one online touchpoint. The continuous integration and convergence will deliver this scenario between e-shop website and digital content platform: social media will be equipped with e-commerce tools and e-commerce website will be improved with editorial contents. Online will also be integrated into physical channels which will change their mission and will be focused on the main

²⁵ Euromonitor, Forrester, McKinsey & Company. (2018). *The age of digital Darwinism - Enhance the customer experience and transform your business to survive and prosper in the luxury digital era.*

features of value. The integration and implementation of new technologies through the whole value chain will support the digital enabling: the most relevant are Virtual reality, Internet of Things, Mobile Payments and Smart Inventory and Supply Chain Management. Moreover, these technologies will improve the shopping experience and connectivity (Bain & Company, 2018).

Luxury category has been in late compared to other customer sectors regarding the comprehension and the implementation of digital technologies. Now it is a reality; the choice for luxury firms is to go digital or die. There is no possibility to control what, when, and how loudly customers exchange opinion concerning their brands on social media. They have no power on the access to information or the instant price comparisons it allows. They have to balance their old-style exclusive world and the accessibility of the new digital landscape (BCG, 2016). Here comes in play the first Luxury paradox: the strategy of a luxury brand is always in the balance between the exclusivity that drives the image and the accessibility that drives the awareness and the sales (Festa & Cucco, 2018). Luxury firms do not have the possibility to deferral the shift to more digitalized contacts with customers. Even though consumer still desires to deal physically with luxury goods, they perceive digital involvements as a pathway to more instant satisfaction. Companies should similarly consider virtual technologies as a path to increase and personalize their services over the store experience.

Moreover, digital is altering the outline and structure of the luxury market. New products, innovative business models, and new channels have been created. The collaboration between Apple and Hermes for their Apple Watch is one of the clearest examples of partnership originated by the digital influence. Birchbox has developed a new kind of business model in which its subscribers, monthly, get directly at their home a package of beauty products. Net-a-Porter that has developed an online luxury shop that works globally and integrated editorial content shows in which way digital is restyling distribution and communication channels. Customers' expectations are quickly being elevated by similar behaviours and by the full range of digital actions that arise from the world of shopper goods and brands with which there is interaction daily. Instantaneous and proximity reaction, the fast and secure online orders, free and quick delivery are just a few of the elements that influence customers' buying decisions journey nowadays. Luxury customers have remarkably huge expectations, and firms that miss being aligned with what they desire nowadays will rapidly waste competitive advantage and market share. Their management has to recognize how digital is altering its markets. It is not like the past when luxury orbited around traditional marketing and direct

contacts entirely at the store. Social media and e-shop should be integrated, but these are not the only changes required, there is the need to achieve integration across all the department of the company. Top management should organize the structure to avoid any friction between the organization to ensure a seamless experience (BCG, 2016).

A new paradox for Luxury Brand can be outlined: the choose between delivering accessible services pioneered by Mass Market players or keeping the exclusivity being conservative. The dilemma is between:

- **Delivering outstanding omnichannel purchase journey:** In which key driver is the speed, and it should be Transactional oriented. Moreover, Services should be driven by customer and fitted to their needs. This experience should be Affordable and reachable.
- **Staying exclusive & protecting the uniqueness of store experience:** Heritage and timelessness as the crucial element of the Brand, there should be a full brand immersion throughout the experience. The product offer should be driven by the brand and not influenced by the customers. Everything should be unique and unreachable (PWC- Strategy&, 2018).

Being too conservative and fossilized on the traditional strategies will destroy market share and competitive advantage, but Brand needs to be customer-oriented in the right way and to adapt actions to the changes in the environment.

Digital is a crucial trigger of progress and a formidable method to raise brand equity by building brand advocacy and a fascinating tale. It moreover allows firms to reshape critical processes, from front-end to back-of-house. A "Luxury 4.0" model can be defined, where firms and sellers exploit data to figure out consumer familiarity, catch surfacing customer preferences, and rationalize the activity of converting ideas into new goods and services. Companies can improve the customer relationship and reestablish the genuine individual experiences that outlined luxury when it was narrowed to an elitist minority. Lastly, the track of digital will deliver additional disruption, and actors in the luxury arena should be ready for it (McKinsey & Company, 2018).

Digital affects customer behaviour and luxury purchases by product category and price point differently. Beauty products, apparel and accessories are the most impacted luxury categories. Indeed, it visible an increase in online luxury penetration of more than 1.5% in two years. These categories are forecasted to overcome the 10% by 2019. Watches and jewellery are slowing down the trend because of the high prices point and some consumer bias that discourage the online purchase. They are growing with a slower pace of +1.2%,

and they are just above the 5% penetration. Concerning the price point, it is clear for the same reason explained before that Absolute luxury customers are increasing less quickly than others. They are attested at 5.10%, recording a growth of +1.5%. Aspirational shoppers are growing with a massive pace of +3.1% and are close to 11%. The leading segment is affordable; it is attested at 12%, with also the most significant Cagr of +3.5%. The reason behind this is that customers in the affordable segment are the youngest, and moreover millennial is more ready for new technologies. In **Fig 2.4**, there is a sum-up of the online luxury penetration by categories and by price point (McKinsey & Company, 2018):

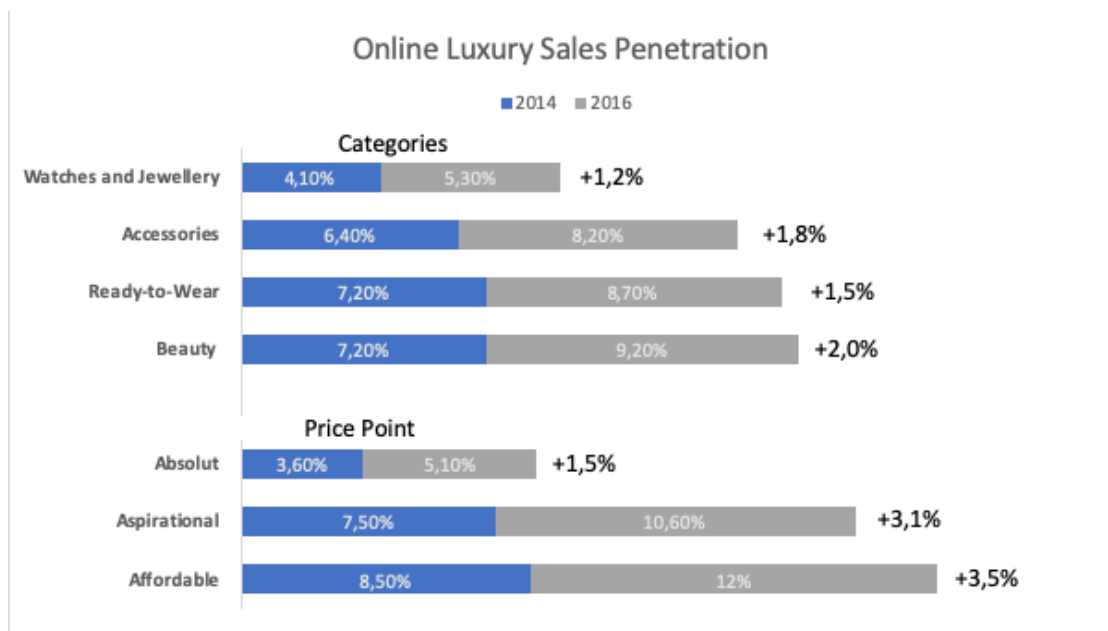


Fig 2.4 Online Luxury Sales Penetration by categories and price point²⁶

Luxury customers have actively adopted the digital routine. The 98% of this segment owns a smartphone and other devices, equated to 67 per cent of the total population. Moreover, fervour for this kind of digital lifestyle spread generational segments among luxury customers. This trend is not related only to the younger generations. Baby Boomers, people of 50 and over the years old, adopt on average 3.5 devices. They spend around 16.4 hours by week surfing on the net, and their social media penetration is about 75%. Younger consumers have, on average, four devices. They spend around 17.5 hours a week on the Internet, and almost all use social media daily. Regarding the digital, millennials and Generation Z drive the trend, and they are also direct behaviours of the older generation. They are fixing expectations regarding the value of the interactions with luxury companies (McKinsey & Company, 2018).

²⁶ McKinsey & Company. (2018). *The age of digital Darwinism - Enhance the customer experience and transform your business to survive and prosper in the luxury digital era.*

Indeed, the most significant change that they are producing is giving is the adoption of mobile for any issue, mostly regarding online shopping. Mobile is prevailing over PC. Customers now employ four times as minutes on devices as they do on personal computers. Mobile is the core source of information, and the first-way luxury products are bought. There has been a change of trends, in 2014 the usage for online shopping of the laptop was 71% compared with the 29% of other devices. Devices have overcome laptop (55% vs 45%) and by 2024 is expected that they will lead the trend with more than 80%. This trend is driven by two main segments that are Youth and Chinese customers. The first is composed by Millennials and Gen Z, in which more than two-third that utilizes devices compared to the 25% of the older generation. The latter is generally the most mobile-centric luxury segment, in which more than 75% utilizes devices compared to the rest of the world population that is forecasted around 55%. Luxury shoppers are shifting resolutely to devices for surfacing the net (BCG, 2018).

The consequences of these novel technologies are relevant and will drive to both defensive and offensive moves. On the one hand, we forecast next year the many players will incorporate commerce adds on into social media, allowing direct-to-goods journeys. They will also probably continue to spend in increasing mobile conversion rates, simplifying the purchase process, refining the search and enhancing the experience of the customers (Fig 2.5) (The Business of Fashion & McKinsey, 2019).

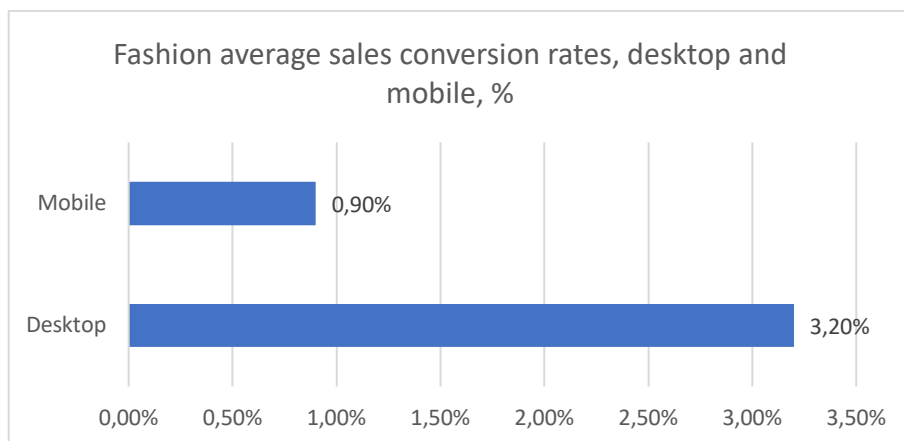


Fig 2.5 -Mobile continues to lag desktop in sales conversion²⁷

As we can see, conversion rates are meaningfully inferior for mobile than desktop: through the first is only 0.90% while through the second is 3.20%. Brands will strive to enhance and improve the consumer journey. On the other hand, we assume brands and retailers to progressively cooperate with technology firms to create patented tools like visual search

²⁷ McKinsey. (2018). *Digital Opportunity Scan of 48 apparel, jewellery, retailers in the US, UK, Europe, Asia*, McKinsey.

engines. Once one proves to be successful, an increase in consumer adoption will arise. A similar example could be Shazam in the music industry (McKinsey, 2018).

New challenges are emerging; here are showed three examples:

- Delivering the vision and transfer the charm of the storytelling to a tiny screen is one of the most difficult.
- It is Showing the span of the collection and the abundance of details to a customer who is using his mobile while he is walking down the street.
- It is Implementing the information, so the salesforce will give to a customer who stays connected to a supplementary source of data about brand and product even inside the store.

As it has been showed nowadays, a luxury customer interacts with brands over several touchpoints alongside an extremely tailored journey. Today, the shopper expects a seamless and reasoned relationship with brands through these different touchpoints, also if they go from one place to another. Generating this consistent, seamless experience is a hard trial for companies that are still structured around channels and geographies. More than 50% of these touchpoints are now digital. Digital will keep altering customers behaviour, promoting a desire for experience rather than just shopping and purchasing. Shoppers are no just purchasing a good. They are buying the experiences and feelings that the brand can deliver to them. Digital has taught buyers to presume constant enjoyment. The closest and best experience that a customer has online not fixed only the level for the future online purchasing experience, but event for the type of experience the customer expects when purchasing in a store. We can talk of reverse omnichannel when it is the physical experience that must meet the level of the online experience. Digital is not anymore; just a sale or communication channel. Instagram is the novel store window, and digital now is the leading strategies for re-shaping the function of the store and the customer experience (McKinsey & Company, 2018).

Contemporary individuality is variable, and it appears as the sum of everyday decisions rather than as the outcome of inflexible and stable routines (Corbellini & Saviolo, 2012). As we have outlined, today's customer is different. (Fei & Romano, 2018):

- They used to buy only in the store, while now we have got many typologies of behaviours driven by technologies: Omnichannel and ROPO above all.
- Mobile was used only for phone calls, while now it has become the centre of customer life. Every customer owns more devices and utilizes them at almost all

times of the day, but smartphones are now comfortably the most significant single screen medium around the world.

- Customer used to be deal seeker, now that kind of behaviours has become obsessive. Throughout devices customer research and compare prices before any purchase, even when they are inside a physical store.
- Consumers were careful with their Privacy and their data; nowadays, they are becoming social. They are sharing data regarding their life, behaviours with brands consciously and unconsciously.
- They used to be passive in the relationship with brands, now they interact and also create contents thanks to social media. It is a one-to-one relationship. Luxury shoppers are the most involved on social media and are shifting from being paying spectators of the game to being players on the field. They are another kind of marketing channel. Indeed, the conversation about brands on the net is ruled by consumer contents, not by company posts.

Luxury is progressively a customer-to-customer economy. The customer is the centre of the buying journey, from advocacy to sales. For this reason, Omnichannel keeps growing with more than 20% of last purchase occasions online and supplies to whole market growth more than cannibalizing: it is forecasted with +60% in addition to physical vs -40% cannibalization. (BCG, 2019)

2.2 SEGMENTATION

Concerning the personal luxury market, we have to outline what are the key elements that distinguish each category of luxury customers. To reach this goal, we will use the process of segmentation. It is a process of categorizing customers in relatively homogeneous groups in terms of their need and reactions to the brand's initiatives. This kind of demand segmentation grant to a brand to recognize and examine the needs and the behaviours of the target customers. In fashion, segmentation is useful to outline, season by season, the detailed features of the brand's offers with regard to the market trends (Corbellini & Saviolo, 2012).

In our analysis, we will develop two kinds of segmentation:

- A psychographic segmentation regarding omnichannel shoppers in the fashion industry
- A socio-demographic segmentation in the personal luxury market.

2.2.1 Omnichannel segmentation

As we have illustrated, omnichannel shopping represents a cross-channel experience (Mosquera, Olarte-Pascual, & Juaneda-Ayensa, Understanding the customer experience in the age of omni-channel shopping., 2017), in which the consumer can research, compare prices, find feedback, or buy online, from a desktop or mobile device, or in a retail store as a portion of a uniquely seamless experience. In other words, consumers are unique throughout every of the firm's channels and touchpoints. Even their carts are kept from one stage to the following without the necessity for them to start the purchase journey again each time they change channels (Mosquera, Juaneda Ayensa, Olarte Pascual, & Sierra Murillo, 2019). This novel situation is proposed to reach the demands of omnishoppers, who are progressively informed and connected.

The fashion industry is one of the quickest rising sectors in digital purchases, capable of fascinating different shopper profiles across online and offline channels, so it is the right scenario to apply this kind of segmentation. (Mosquera, Olarte-Pascual, Juaneda-Ayensa, & Sierra-Murillo, 2018). The aim of is to provide the central issue in the tailoring of successful omnichannel strategies.

This first customer segmentation considers two core kinds of motivations as the foundation of omnichannel customer behaviour throughout the customer journey: extrinsic and intrinsic motivations. Extrinsic motivations allude to rewards consumers get as a consequence of exploiting various channels and technologies, while intrinsic motivations allude to rewards achieved in the activity of exploiting them (Frasquet, Molla, & Ruiz, 2015). Based on these assumptions, we segmented omnishoppers looking to three psychographic variables: perceived usefulness, shopping enjoyment, and social influence. The perceived usefulness concept catches extrinsic motivations, as it improves the attractiveness of doing the purchase action (Venkatesh, Morris, Davis, & Davis, 2003; Venkatesh, Thong, & Xu, 2012). This variable has been outlined as the gradation to which customers recognize the usage of different channels and/or technologies throughout the shopping journey as satisfying them when they are purchasing clothes by streamlining the process. Many studies have verified that perceived usefulness positively impacts buying intention in an omnichannel environment (Juaneda-Ayensa, Mosquera , & Si, 2016). Shopping enjoyment is the leading variable describing intrinsic motivations. It does not indicate the enjoyment of exploiting different channels during the customer journey as such, but rather to the gratification reached in acting the purchasing task (Frasquet, Molla, & Ruiz, 2015). This variable incorporates entertainment and emotional paybacks that have been disclosed to impact channel choice

(Sands, Ferraro, Campbell, & Pallant, 2016). Prior segmentation research has verified that peculiar segments experience elevated points of shopping enjoyment (Schroder & Zaharia, 2008). Finally, social influence is assumed as “the perceived social pressure to perform or not to perform (a given) behaviour” (Ajzen, 1991). In the environment of the multichannel customers, it has been validated that the resonance consumer assigns to the support of the people around them throughout the purchase process (Konus, Verhoef, & Neslin, 2008). This variable is the degree to which consumers recognize that people who are relevant to them (family, friends, role models) suppose they should practice various channels depending on their necessities (Juaneda-Ayensa, Mosquera, & Si, 2016). Three groups can be defined (Mosquera, Juaneda Ayensa, Olarte Pascual, & Sierra Murillo, 2019):

- The first group, covering **reluctant omnishoppers**, involves people who neither consider the integration of channels throughout the purchase process nor appreciate the shopping action and whose shopping behaviour is not affected by other subjects. This segment is mostly made up of young men (Millennials and Generation Z), with high school education and average income. They commonly exploit two channels during the purchase journey and are typically webroomers. Indeed, they prefer to seek goods online but conclude the final purchase offline. Even though part of this segment utilizes their mobile in-store, the fraction is minor than in the other sections. Correctly, they mostly use their mobile in-store to share pictures, followed by comparing prices and, in minus than the 50% of all situations, to seek for other consumers’ judgements. This cluster also expends the smallest on ready to wear. Regarding the customer journey, they typically research for information both online and offline but complete the purchase physically instore. If customers in this cluster returned a good, they would choose to perform so at the store. The favourite device for the people of this group, both to research for information and to buy online, is a laptop.
- The second group consists of **omnichannel enthusiasts**, who adore to shop, perceive the benefits of omnichannel retailing, and are influenced by social opinions such as family or friends. This group mainly consists of people between the ages of 35 and 44 with a college education and a more than average income. While commonly, these consumers utilize only two channels, this cluster is also the one with the highest proportion of people using three or more. Like the other two groups, they are webroomers but also loves showrooming. They are also the massive user of mobile in-store for all the possible action (compare prices, look for opinions, and share pics).

Furthermore, this group spends the most on ready to wear. Like the former segments, the members of this segment habitually research information online and offline but complete their purchases at the store. Similarly, if they want to return a good, they would choose to do physically at the store. As for the devices they utilize, the people in this segment prefer a laptop for purchasing online, but they favour smartphones in the research category.

- The last cluster is the **indifferent** one. It mainly involves people between the ages of 25 and 34, with university education and medium-high income. Concerning their omnichannel conduct, they generally use two channels throughout the shopping journey and are typically webroomers. A considerable part of the adherents of this cluster utilizes mobile in-store, mainly to share pics, followed by comparing prices and seeking for comments. As the most inactive cluster, most of the customers spend less than the average on their purchases. Concerning their shopping journey, they look for information about goods both online and offline, but they complete the purchase at a physical store. If essential, they would also favour using the brick and mortar store for any post-purchase requirements. Lastly, regarding devices, they choose to use a laptop to research information online, but a desktop computer when concluding the purchases.

The existence of different omnishopper segments verifies that they are not a homogeneous group and propose perception about the several motivational shapes that outline the customer journey. These results support the understanding of the singular categories of customers nowadays.

Top executives should thus align their strategies to the unique profiles, proposing to each segment of customers the channels they prefer to utilize. They can supervise the customer journey throughout new instrument such as customer journey mapping and adjust to their consumers' needs. Concerning the three suggested segments, executives at fashion brands should concentrate efforts on the omnichannel enthusiasts, as they are the most attractive cluster. This segment involves high-income, well-educated people, who are both technology expert and fashion oriented. They use different channels because they recognize the practicality of exploiting them concurrently, and they are about passionate about shopping. The opinions furthermore persuade this cluster of other customers. Strategically speaking, the evidence implies that this segment necessitates a valuable, amusing and seamless experience across the technological-real shopping journey (Yumurtacı Huseyinoglu, Galipoglu, & Kotzab, 2017). From an operational point of view, it is the cluster that

compares prices in-store the most; such consumer should thus be sent trigger messages while shopping in the store so as to inspire them to purchase at that precise instant.

2.2.2 Socio-Demographic Segmentation

The second kind of customer segmentation is the Socio-Demographic Segmentation, a kind of descriptive segmentation that considers the individual, in general, starting from the full span of data available and statistical information. So, our analysis will utilize the age criterion to divide the market in the cluster that shares this characteristic. Age is a fundamental criterion in the luxury and fashion market, but the assembly and interpretation are changed (Corbellini & Saviolo, 2012). Let us analyze these clusters (Bain & Company, 2018) (Fig 2.6)²⁸:

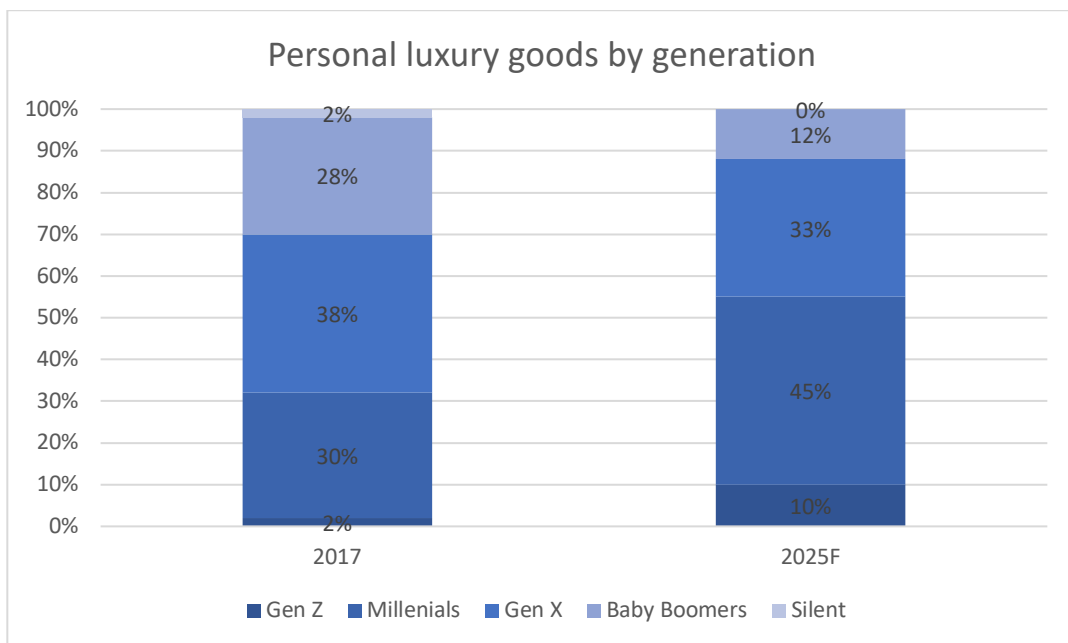


Fig 2.6 Personal luxury goods by generation

this is one of the most used methodologies on the international landscape that divide the whole market of €254 billion in four clusters: Generation Z, Millennials, Generation X, and Baby Boomers.

Generation Z

Generation Z composed by the people born from 1997 to 2012 (Dickok, 2019) They represent the 2% of the personal Luxury goods market actually, but they are a cluster that will lead the market in the future. It is forecasted that they will account for 10% of the whole market by 2025 (BCG, 2019). GeneZ or the Digital natives are born in the Digital domain

²⁸Retried from Bain & Company. (2018). *ALTAGAMMA, 2018, WORLDWIDE LUXURY MARKET MONITOR*. Bain.

with wide-ranging technology of PCs, Mobile, Gaming Devices and Internet (Westlund, 2010). They are the followers of Millennials and the grandchildren of the Baby boomers but are brought up by Generation X. They favour to stay indoors and play online rather than socialize and play outdoors. They have virtual friends and spend time with friends virtually over smartphones, social network and messages. Generation Z is cooperative, innovative, multi taskers and looks for immediate satisfaction (Varsha, Reshma , & Khyati , 2014). Generation Z act in a diverse manner as they have a distinct taste, selection, view, preference, approach and behaviour which make it critical to recognize how they perform, learn and interact with the other consumers and brands. Gen Z is exceptionally fashion-conscious and demands high-end luxury products, especially Luxury apparels. This consideration implies that companies have to be inspired and communicating not only in their stores and ads but also on the digital platform and market in a refined way. They chat concerning outfit and apparel with their friends and peers. They spend much money on purchasing several luxury brands (Yu, Chan, & Choi, 2002). Generation Z is individualistic by definition who believes in expressing their views. The member of this cluster are incredibly tech-savvy, and multi-tasks with online products, several smart devices and deal with a significant amount of data on the internet. They are really brand conscious and materialistic as they love to be the most hype having the coolest goods in comparison with their friends. They do not consider discrimination and have a realistic approach like the earlier segment. Generation Z is strongly Influenced by sustainability, 64% of the consider this element when purchasing in comparison of the 59% of the overall true Luxury customer. They can use the credit cards of their parents and also obtains a high amount of money and gifts from their relatives. Generation Z is incessantly connected with their friends all over the world and deal with several cultures over smartphones, social network and online gaming (Amatulli C. &., 2011). This Generation prefers social network such as Instagram and instant messaging apps such as WhatsApp compare to emails and SMS. They have the highest social media interaction; 95% of the utilizes social media to interact with luxury brands, bloggers or social media peers concerning luxury brands and products. This percentage is a bit lower for the Millennials (92%) and the overall True-Luxury consumers (81%) (BCG, 2019). The main drivers of Generation Z for buying luxury apparels are Fabric, Quality, Fit, Exclusivity, Trendy, Stylish and Brand Recognition. They specified that they felt glad if they stood out from the others. They also favoured if their peers spoke about luxury apparel and congratulated them. They also adopt mix & match and have gradually moved to spend from usual luxury brands to premium, fast fashion, niche or sports brands. Exclusivity and

awareness of superior value are leading customers to niche brands, while comfort and dynamic routine to sportswear brands. Moreover, 67% of the Gen-Z purchase items from brand collaboration, more than the average of the true-luxury consumer that is 50%. Brands are now utilizing this strategy to gain the attention of this category. Supreme per Louis Vuitton has been one of the most successful trials, indeed it has approached consumers that were not part of Louis Vuitton target enlarging its customer base. Here in Fig 2. Is a sum-up of the generation Z's purchase Behaviour related to luxury Apparel (Fig 2.7²⁹)

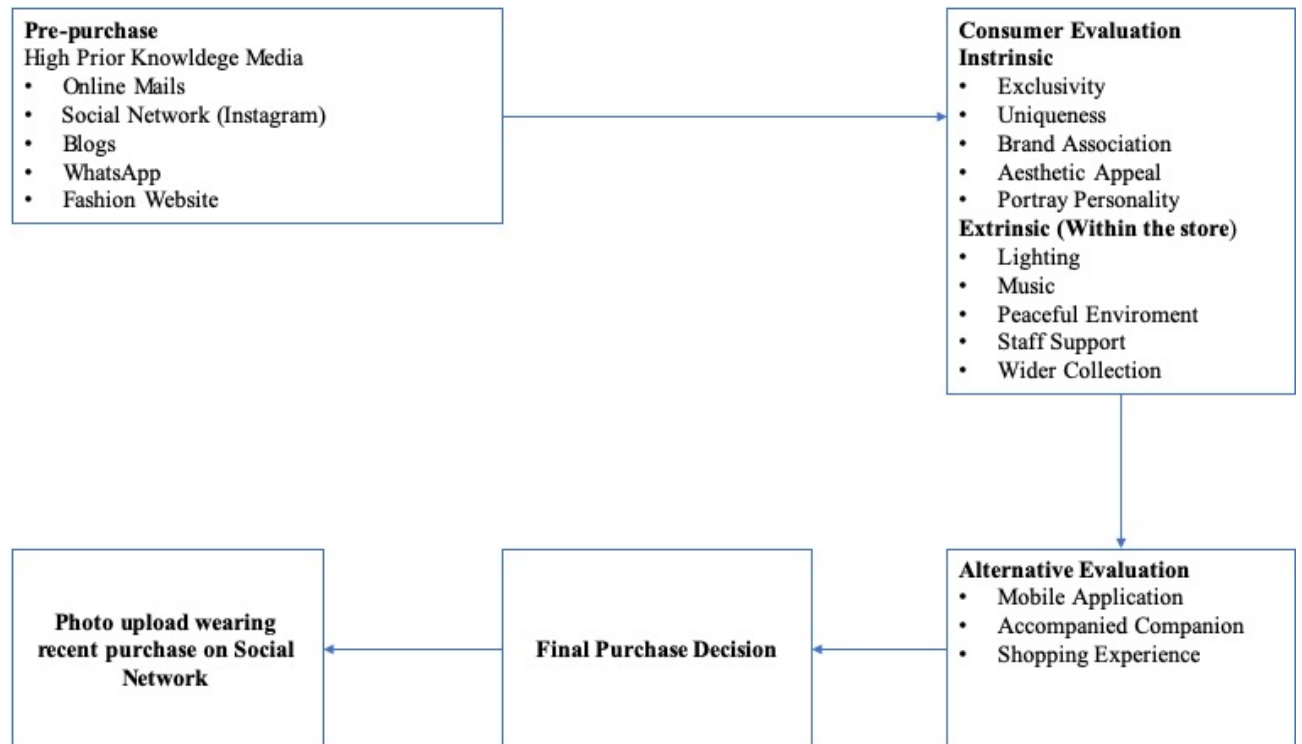


Fig 2.7 Generation Z's Purchase Behaviour related to Luxury Apparel

Gen Z, as we have seen a distinctive set of behaviours and values, and brands have to understand them in order to win their heart (BCG, 2019).

To conclude with a portrait of the Generation Z Luxury consumer, we can find five main characteristics (Bain & Company, 2018):

- He is individualistic
- He is back in the store, but it has to offer a connected experience
- He is logo lover, but he is not loyal to any brand
- He has a substantial luxury Aptitude
- He is a Social Consumer.

²⁹ Varsha, J., Reshma, V., & Khyati, J. (2014). Generation Z's Exploring Purchase Behavior towards Luxury Apparel: a Conceptual Framework. *Generation Z's Purchase Behavior towards Luxury Apparel: a Conceptual Framework*.

Millennials

The second cluster is Millennials, and it involves people born between 1981 and 1996 (Dickok, 2019). It accounts actually for 30% of the personal Luxury goods market, and it is expected that they will represent almost 45% of it by 2025 (BCG, 2019). As showed Younger Customers would be more than the half of the market in a seven-year time horizon, indeed they will deliver a 130% growth contributing with an amount of money between € 65 and 130 Billion. This growth will balance the decrease caused by the earlier generations of -30% (Bain & Company, 2018).

Millennials mostly grew up in the internet era: their assumptions, their social patterns and (some of) their values are different. Unlike the generations that preceded them, millennials are not necessarily more prosperous than their parents were at that age. Their costs are higher, costs that may not be matched by real income growth. (Deloitte, 2017). They look for everything new; they are independent and strongly oriented to consumption but also very mobile in their lifestyle and therefore require products that can follow them. This is a very volatile and trendsetting market (Corbellini & Saviolo, 2012).

Millennials get information from several channels concurrently. Millennials that are luxury customer find information from old-style sources like magazines, through videos, websites and blogs until to social networks (Deloitte, 2017). As we have seen, almost all of luxury purchases are touched by online interactions, so at least one digital interaction has been done with the firms or the good previously those purchases. A relevant data is that 14% of consumers from the ages 18 to 24 concluded their first luxury purchases online. Millennial is not only an ageing cluster; it is a state of mind that influence customer behaviour across all the generation. (Bain & Company, 2017)

Millennial luxury purchasing is not regular; the shape of regular buying is leaving the field to a far more disjointed and spontaneous set of purchasing behaviours. The millennial attitude is self-directed. Millennials buy more for themselves than to impress others. They receive what influencers express but may not follow them (Deloitte, 2017). More 50% of all millennials still enjoy purchasing in store, but the motivations for this are several. They enjoy being close to products to experience, they like the touch and feel of luxury products, and they need the opportunity to try them. The deduction is that millennials prefer to research online and get recommendation there, before entering the store to see and try that good. All of these reasons have enormous implications for firms' investment.

Quality is an essential factor in taking millennial customers to luxury goods. Heritage and aspirational qualities are not a priority. Quality is sovereign; it is the particular central

attractor to a firm. Traditional luxury values still work, but new values are also rising, such as coolness and innovation. Indeed three-tenths of millennials customers are positively influenced by them (BCG, 2018). The massive challenge for companies seeking to catch the affiliations of millennials is how to connect to a generation with shifting preferences and low brand loyalties, and when there is no single channel that overperforms others.

This produces a common “millennial state of mind” that wants brands to act. It is done by three main traits (Bain & Company, 2017):

- **Uneasiness:** Digital contact with peers is increasing when selecting to buy a product.
- **Urgency:** "I want it fast, and I want it now." The time to conclude a purchase is reducing, with younger consumers using one-third less time than older customers to take decisions.
- **Uniqueness:** customers now assume brands to align with their values and passions.

To sum up the millennial state of mind, we can define their mantra: "I want to buy everything, anytime and anywhere". The millennial consumer can be defined with the following characteristics (PWC- Strategy&, 2018):

- He is mobile addicted
- He is social and has a high sensitivity to a brand with a strong presence on social network
- He seeks more experience than a product
- He expects seamless and integrated omnichannel services
- He is fluid, universal and traveller

Companies that seek to succeed in premium markets need to understand this millennial segment of consumers. To reach them and convert them into premium customers, they need to know what motivates them, what influences them, and how they influence others.

Generation X

Generation X or ‘baby busters’ are a collection of people born between 1961 and 1981 (Dickok, 2019). They account for 38% of the personal luxury goods market, and that percentage is expected to decrease to 33% by 2025 (BCG, 2019). Generation X is going inside the golden years of their professions, and their luxury spending will increase. Affluent Gen X is not wide crowded as other generations, but they compensate with their spending: it has the highest luxury spend per capita. Dealing with son and old parents, they buy luxury gifts for other people. Elevated points of scepticism and cautiousness often feature generation X because of the historical and social facts that designed their youths. They are always with their smartphones, but they are sceptical about mobile marketing approach, so

it is not the first engagement touchpoint with a luxury brand. They love to be the pioneers in trying new goods and services and enjoy firms that attract their requirement for innovation and newness (Visit Scotland Alba, 2016). With their predilection for pragmatism, Gen Xers are propelled by information. Many of their pathways to purchase begin with an extensive amount of online research, concentrated on the price and performance of the good. If they are looking for a product that they desire, they will energetically look for customer feedback, comparison sites, and opinions through social media. They prefer to discover products through email and online search. (Tapbuy, 2018) They are more respondent to email marketing. Indeed Brands should aspire to give Gen X customers with direct product and pricing info and reward loyalty over targeted email promotions. Brands can endorse Gen X's spending choices by giving online product trials and practical advice.

While physical retail is still prevalent within this generation, also online shopping is raising its importance. Indeed, Xers conclude more online purchases compared to other generation (20% more than Millennials). Brands aiming to interact with Gen X should guarantee a robust presence throughout online channels, mainly social media (KPMG, 2017).

Generation X requests elevated quality products at the best value. They are willing to buy a product if it is worth the deal. They are no more in the stage of 'fitting in' and in its place they look for ways to stand out the crowd over exclusive products that will support them explicit their individuality. Luxury goods, travel, food and wine are predominantly categories for this cluster (Centro, 2015). Quality, convenience, service and trust are attributes usually distinctively matched with luxury. They are also the main priorities of Gen X when they deal with firms: they are incredibly loyal to brands who do not waste their time and properly assist them.

Inside luxury firms, are present now more Gen X than millennials. Instead of being obsessed over the millennial enigma with the commitment that only who do not belong to that generation have, luxury brand executives should be more concentrated on their exclusive familiarity to their actual much-more-lucrative target with whom they share age, routine and interests, and develop marketing strategies to assist it. Gen X dedicated marketing strategies are aligned with all the generations. Gen X is on each side of the digital divide: They use print media and television and purchase online and passionately use social media. They are genuinely, truly omnichannel customers of luxury retail. Luxury firms should keep empowering omnichannel marketing and fine-tune their brand imagery to customers between 34–54 instead of only targeting boomers (like Lauren Hutton did for Bottega Veneta) or millennials (think every other brand). These firms should provide highly tailored

email communication, as that is the best manner to touch and hold Gen X interested. Companies necessity to strengthen their CRM and validate that they offer superior customer service, both online and offline. Furthermore, they should succeed a pondered and relevant Facebook and Instagram presence. They need to plan robust membership and loyalty programs to generate an intimate and individual relationship with this target (Andjelic, 2017). The goods that are in this category should also have an elevated brand value as well as a substantial individual feel. The additional fruitful technique of functioning this practice is endorsements by celebrities who are esteemed by this generation (Brand Of Desire, 2019) It is also critical to offer communication at each step of the buying journey. This sceptical cluster needs to guarantee that the good is tangible, high quality and that the brand stands behind it. When a firm pleases the Gen X buyers, they use to write a review and share their affection for the product or service with their peers. (Frutchman Marketing, 2016)

To sum up how is outlined the Generation X customer we can say:

- He is Skeptical
- He is extremely loyal to the brand
- He is the ROPO customer for excellence
- He is a quality seeker
- He is the omnichannel right customer

Baby Boomers

Baby boomers are people born between 1946 and 1964 (Dickok, 2019). Boomers represent more than a quarter of the whole population; they account for the 28% of the personal Luxury goods market, and this number will decrease to 12% in the considered time horizon (BCG, 2019).

They look for quality, endurance, heritage and craftsmanship in luxury product rather than price but value for money is also relevant to them. Boomers are quite conventional, preferring big-name brands and respecting the suggestions of friends and family rather than advertising. Boomers discredit the theory that people reaching their 50s are sedentary and indifferent about the latest trends. Boomers cannot be considered technophobes, in particular, younger of them. In comparison with other generation, it is reasonable to assume that Baby Boomer is less prone to shop online. Nevertheless, Baby Boomers shopped online with the same frequency of the Millennials. Moreover, the Baby Boomers have a higher expenditure per transaction than each of the three other younger generation clusters. (KPMG, 2017). Concerning the pleasure of shopping, Baby Boomers need convenience beyond

everything else. Baby Boomers are the huge spenders throughout all product categories but are targeted by just 5-10 per cent of the marketing budget by brands.

Baby Boomers also dislike browsing having a vast quantity of disposable income than all other generations. They also have the spending power to buy products without looking for deals in-store, which is a feature of Millennials and Gen Z. Nevertheless, Boomers feel comfortable browsing and shopping online with 85% of Boomers reporting that they research goods on the web. 66% of Boomers conclude purchases throughout devices. While they make purchases online, Baby Boomers favour the physical engagement of retail stores when shopping. The 84% of Boomers prefer to shop in-store, and 67% of them report that if a good they desire is available online or in-store, they prefer to purchase physically rather than order online. (Immersion Active, 2017). The foundation of Boomers' retail preference is linked to their high expectations of customer service.

Boomers give massive importance to brands in the relation of their contacts with sales assistants, and firms can exploit this by proposing the experience throughout digital channels. Social web store features and clienteling have gained the role of fundamental tools in engaging the Boomer generation and satisfying to their trust in associates' suggestions. Concerning social influence, Boomers are more careful about trusting any source for brand suggestions. While the 82% of Baby Boomers are users on social media, but they do not use to exploit the platform as a stimulus on their shopping behaviours, and just the 12% of the segments say they ask friends and family for suggestions on their purchases. In its place, Boomers have their attention inspired by the stated reputation of a brand when buying a different or novel good. This implies that firms with confident and reliable omnichannel experience will perform better with the Boomers because of their recommended reputation (Salesfloor, 2017).

To sum up, with a representation of the Baby Boomers consumer we can find four main characteristics

- He is Deal obsessed
- He is a social media user
- He is an Instore shopper
- He is an Omnichannel Lovers

2.3 How to deal with omnichannel customers?

Brands also supplying a dynamic digital manifestation, have to operate in an omnichannel context. A realistic omnichannel market environment wants that luxury firms to erase gaps

in customer experiences throughout channels, to deliver a seamless, integrated brand experience unrelatedly of the device or physical touchpoint utilized. Moreover, individually channel necessities to deal with and help others to create a unique brand presence. Claim for an omnichannel approach is regular progress from the range of digital technology and e-markets. Through this transition, the capability of luxury brands to control available inventory will be a critical advantage. So, let us understand the technologies that have to be integrated. In order to meet the necessities compulsory by omnichannel operations, firms have to offer a centralized system that collects information on all features of products is available live time. Facing this issue requires a total renovation of current systems and practices. Empowering physical stores to consent returns e-shop from different areas or to reserve an express shipment operating the inventory situated in a different place, is now possible to be managed faultlessly integrating an Order Management System (OMS). Available-to-Promise (ATP) skills and Enterprise Resource Planning (ERP) addition are new kinds of software that enables total inventory overview: wholesale orders, store transfers, e-shop orders and store booking can be leveraged by this unique single instrument. Furthermore, a novel typology of software app is the foundation of real-time omnichannel processes, with a worldwide reach and integration to several sources of data. These resources offer an underpinning for restructuring processes, transforming the Internet of Things (IoT) data into information and automated activities, utilizing machine learning to automate actions, reveal insights, and develop decisions making across the enterprise (Deloitte, 2018). These implementations are transforming the company and meet changing demands. Numerous luxury firms, such as Louis Vuitton, Burberry, Tommy Hilfiger, Dior and Estée Lauder, have already begun to exploit these technologies, utilizing AI-powered technologies to propose more tailored and well-timed customer services. They realized their own AI-powered chatbots and now can sell goods using targeted marketing, personalization, and timely automation (Deloitte, 2019). Merchandise planning, collection, in-season planification, e-shop investments can be organized effortlessly across channels to offer the omnichannel firm that the consumer is supposing when researching for and purchasing a good. It typically relies on a clearer and focused overview on assortment management, redesigning the function of regions towards a more concentrated focus on sales and customers, rising the control of the portfolio across channels and geographies, leveraging stock sharing, growing assortment harmonies and decreasing complexity. Assumed advancing customer preferences and rising usage of mobile platforms, the capability to

switch seamlessly among several channels has become crucial for personal luxury brands: firms relax to apply digital supply networks menace being left behind (Deloitte, 2018).

As we can also recognize the way marketing is done has been transformed totally. Chief Marketing Officer has new challenges to face, and for this reason, they have switched from the traditional way of doing marketing to Integrated marketing communication completely customer-centric. The old approach was based on classical customer segmentation and targeting integrated with anytime marketing campaign. Nowadays, the focus should be on engaging the "individual" customer through the right time marketing interactions. (Fei & Romano, 2018).

For these reasons, Luxury brands practice of social media has gained a primary role in their marketing strategy. The future success of luxury firms relies on how they will be capable of communicating and commercializing their product to the new generations of the tech-savvy purchaser. The fast digitalization and facility of use of the digitalized platforms have driven customers, particularly the youngest ones, to progressively use social media tools to explicit their brand predilections. In order to interact with tech-savvy Millennials and Gen Z customers that get superior value for money, more personalization, and implemented digital access, luxury firms have begun to structure precise social media strategies. Today, virtually every firm has its own individual social media strategy that is prudently tailored, observing their old-fashioned customers preferences and choices. Some of these strategies involve launching the collection on social media. Others are promoting their products on social media by highlighting their aspirational features pretty than their accessibility, to exclude touching their traditional brand value. They post frequently and consistently, differentiating and enhancing the kind of content throughout platforms (Deloitte, 2019).

Moreover, several luxury firms are also creating affiliations with influencers and niche bloggers who advocate the brand within focused communities. There are many samples of luxury influencers, such as fashion bloggers and businesswomen that perform a significant role in endorsing luxury products. More of them have become sort of trendsetter. As a downside, the colossal practice of influencers has elevated the attention of regulatory authorities in many countries, starting from the US. The Implementation of law on transparency in advertising is affecting the firms' affiliation with influencers. Detailed rules on the usage of hashtags like #ad, #sponsored and the like have been created by several adv bodies and are to be observed in luxury firms social media campaigns.

To leverage the correlation with the tech-savvy young generation, which aspires for an individualized, seamless relationship, firms are pushing their business toward consumer

demands direction throughout omni-personal services. As hyper-servicing by omni-channels started to be more extended, customers gradually consider its presence for granted, commoditizing the customer experience. In its place, to grant highest loyalty and advocacy, firms are becoming extremely personalized to reach individual consumer needs. Several of them, realizing that they can reach meaningful benefits through personalization, have begun to provide a personal touch by proactively including clients feedback. Others are replying to the rising requirement towards personalization by offering individualized products. The necessity of personalization is so elevated that some firms are integrating personalization in long-term strategies, in order to differentiate their offers with amusing designs and services (Deloitte, 2019).

To be concentrated on defined audience segments, while implementing the omni-personal approach, luxury firms are reshaping customer engagement procedures by exploiting data analytics tools. As luxury firms target specific consumer groups, they have to shape good relationships with every customer and deliver a superior buying journey. A researcher from Gartner Inc. had stated, even back in 2011, that by 2020, customers will manage 85% of their relationship with firms deprived of human assistance (Gartner, 2012). Big data may support luxury firms to deliver personalized and superior customer experience throughout customer segmentation, conduct and sentiment and predictive analytics. Luxury brands are also studying new digital strategies to utilize data to originate consumer insights and comprehend trends and developments. Moreover, they are exploiting business intelligence tools and software to catch data and create insights to create marketing campaigns and improve their services (Deloitte, 2018).

Data privacy laws and other regulations are reducing the degree to which firms can deliver personalized purchasing experiences. Many new requirements, such as the EU's General Data Protection Regulation (GDPR) and the California Consumer Privacy Act constraint the range to which brands might collect and exploit personal consumer data. The legal framework is complicated also because of the exceptional level of protection of data owners given by the jurisdiction. This touches almost all luxury firms who are international by definition. Luxury companies may be affected as they chase to exploit information on buying behaviour, location-based marketing, social media analysis, and browsing histories. As customers progressively raise they are aware of their rights under the different privacy laws, luxury firms have prioritized how they comprehend their data: what they are keeping, where it is collected, who supervises it, how protected it is and what they are utilizing, in order to prevent dropping their customer base. Several firms have developed distinct roles

for Data Protection Officers, who are needed to control brands liability with the customer data. Moreover, all employees who interact with client data are being qualified on the new legislation, best performance, and what the variations mean (Deloitte, 2019).

An example of all these Digital implementations is Kering's Houses strategies. Customers take stimulus from actual's hyper-connected domain, and they interact with the brands of the house throughout the digital tools they use every day. In a fast-evolving environment, the success of Luxury Houses relies upon their capability to deliver reliable, creative propositions, an extraordinary customer experience that is consistent through all distribution channels, and a unique customer relationship on all devices.

In December 2017, Grégory Boutté was promoted to Chief Client and Digital Officer with the purpose to implement Kering's digital transformation and to take the command on e-commerce, CRM, data science and innovation for the Group. E-commerce is the quickest growing channel for all Kering's Luxury Houses and signifies 6% of the Group's total sales for the first two quarters of 2018. Grégory Boutté declared:

“Digital can be many different things at once - a distribution channel; a platform for offering seamless omni-channel services to clients; a driver of brand image and visibility; and a tool for engaging with customers in a personalized way. Digital technology, data science and innovation provide a way of offering our customers the best possible experience – on every touchpoint”.

As we can understand, Kering's approach is founded on these goals:

- to deliver the Group and its Houses a live-time 360-degree vision of their consumer, and to offer amusing and tailored experiences;
- to offer customers high levels of service, starting from the first transaction to after-purchase;
- to allow Kering's Houses to mature intimate relationships with their customers and to adjust their offerings in order to reach peculiar needs (Business Wire, 2018).

As has been shown, brands are adapting their strategies to behavioural changes of their customers. A respectable amount of luxury brands is answering promptly to the changes in the environment and are rising investments in digital and in events while decreasing the investment in print. Growing expenditures on events and digital are related because they present many synergies. Fashion shows and extra events become a dominant source of content for digital channels, touching a much wider audience than the blessed Vip who make it to the runway or other show venues. But not all the brands have moved their investments

this path. Most are just fine-tuning their marketing budgets, which is not a good move to be aligned with the pace of the shifting (Fig 2.8) (McKinsey & Company, 2018).

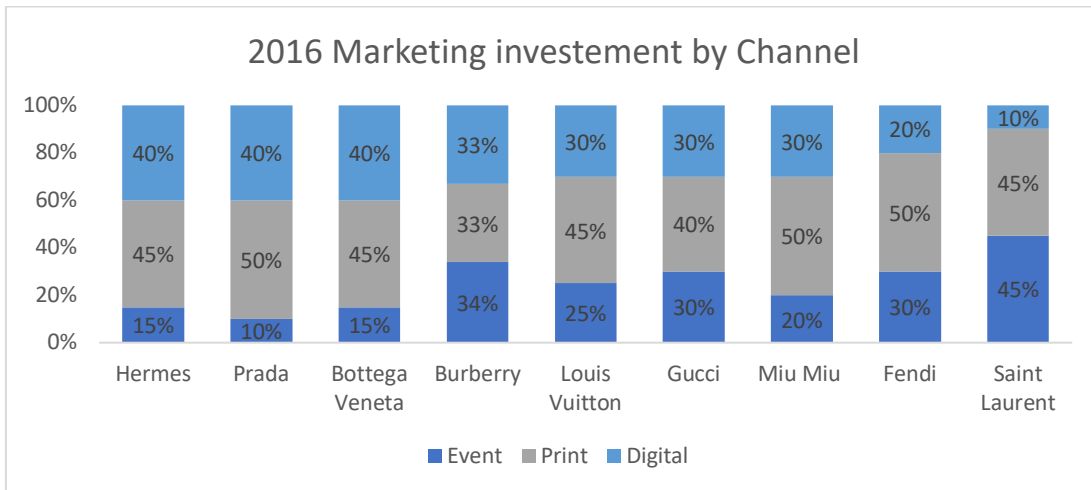


Fig 2.8 Brands Budget reallocation³⁰

As we have seen, there is a right path to be followed. To meet customer expectations, some implementations in omnichannel performance should be done. These improvements are a consequence of established standard services joined with a differentiated online journey and a personalized store experience. The first move is to create an omnichannel services platform. The most used omnichannel platform is product availability in-store, integrated loyalty, return instore, Home delivery and real-time customer experience. The second step is to deliver a differentiate customized experience, both physically and digitally. In TAB 2.1 are the implementation of the right technologies and services (PWC- Strategy&, 2018):

Differentiated Online Journey	Differentiated store experience
Brand/store websites localized content	Store uniqueness
Personalized search results	AR & holographic assortment
Online product customization	Product “Shazam” mobile app
AR/VR (virtual fitting room)	Digital mirror in-store
AI (personalized recommendations, chatbot, virtual assistants)	Showroom customized products
	Digital service Kiosk
	Order in-store for home delivery

Tab 2.1 Improvements to differentiate digital journey and store experience

³⁰ McKinsey & Company. (2018). *The age of digital Darwinism - Enhance the customer experience and transform your business to survive and prosper in the luxury digital era.*

These are the basis for an omnichannel approach. All luxury brands should switch to an omnichannel approach, but critical questions have to be solved before beginning an evident omnichannel change designed to brand stakes. Let us figure out these questions for each luxury category (PWC- Strategy&, 2018):

- **Absolut Luxury Brand:** the question is “How can Omnichannel enrich my brand experience?”. The omnichannel relevance here is Tactical; it is the precise execution of a higher plan. Brands should provide a tailored and unique customer experience. Moreover, they should leverage omnichannel to generate more traffic in-store to increase sales thanks to foreign involvement. The implementation of the digitally integrated store will develop an even better physical brand experience. They should respect their limited offer strategy, so there is a trade-off between the use or less of the e-commerce. To keep exclusivity, they have to limit the assortment and focus more on pop-up sales.
- **Aspirational Luxury Brand:** A firm of this category should ask itself “Which Omnichannel services are key to my brand? The relevance of the omnichannel approach is strategical; it is crucial in the definition of the future strategy. Brands should protect brand image equity, so the critical part is to fix omnichannel pain points such as mobile and returns. Moreover, they should integrate these services to keep and increase customer loyalty. A challenging part of the shifting to omnichannel will be the definition of the distribution strategy on brand.com, multi-brand platforms and marketplaces.
- **Accessible and premium Brand:** these brands should answer to question "How to consolidate Omnichannel performance?". The omnichannel approach is oriented to survival in an evolving and hyper-competitive context. So, the improvement of the omnichannel service execution gains a vital role. The first step is the extension of the omnichannel service scope so to deliver convenience to customers. A suggestion is to leverage data to improve the tailored purchase experience. They should be able to purchase anything, anywhere and anytime. Omnichannel approach, thanks also to the development of online, should increase revenues in all channels.

To win the heart and the wallet of the customers regardless of generation, region or gender, brands need to perfect omnichannel strategy. In the next chapter, we will analyze how to implement in the right way an omnichannel strategy tailored to this new and fast-evolving context.

Chapter 3- Building a Solid omnichannel experience

3.1 Step-by-Step Omnichannel Marketing

To implement a proper omnichannel marketing strategy, brands should observe the customer journey in a more granular way. They should map (3.1)³¹ All possible touchpoints and channel throughout the journey (Fei & Romano, 2018). Considering that there are many possible combinations of channels and touchpoints with whom customers interact, firms should recognize the most common ones. The omnichannel approach should start from the integration of those most common ones. This last step will determine the achievement of the omnichannel strategy. It is relevant because firms should allocate extra budget to those touchpoints. Moreover, an organizational structure should be implemented in order to operationalize the approach. The final goal of all the company is to offer the best customer experience while realizing the most sales from omnichannel approach (Kotler, Kartajaya, & Setiawan, 2017).

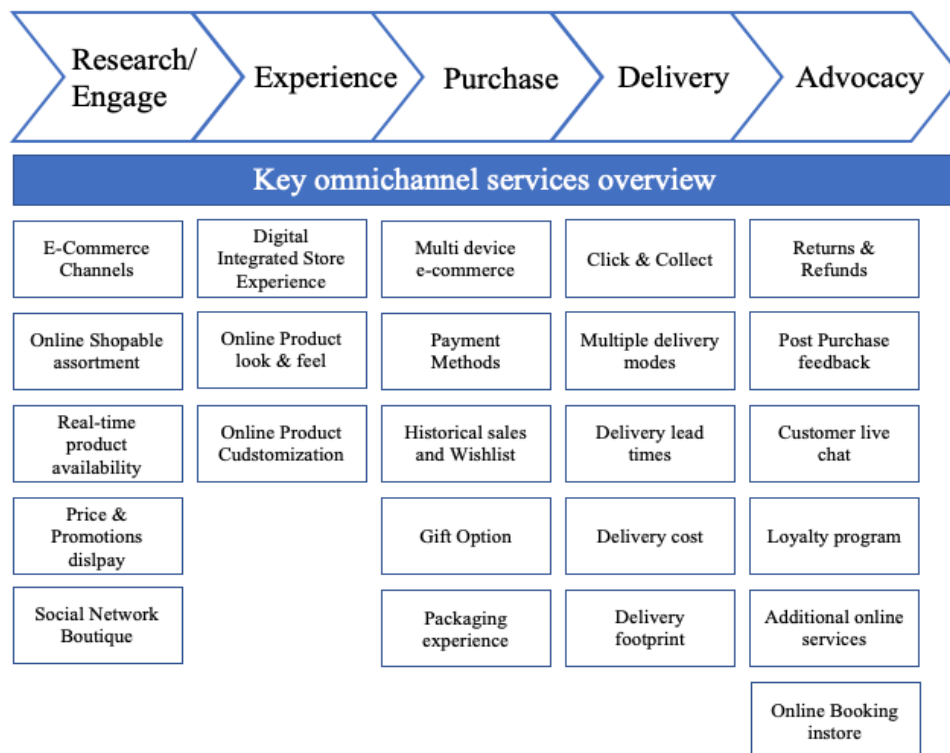


Fig 3.1- Luxury Omnichannel CDJ

³¹ Own elaboration of Luxury Omnichannel customer:

PWC- Strategy&. (2018). *The Luxury Omnichannel dilemma - Is omnichannel the right path for Luxury brands?*

Accenture Interactive. (2016). *Fashion OmniChannel: il Digital ridefinisce la relazione del cliente del lusso con il brand*. Milan: Accenture Interactive.

Thanks to Fig 3.1, we can clearly understand how the journey of the typical luxury customer is wholly changed. Nevertheless, firms have started to implement the omnichannel strategy in order to satisfy the needs that are rising nowadays. From this framework, we have defined touchpoints that are essential in order to offer an omnichannel experience that could be aligned with the standard of the industry. This list of touchpoints is not exhaustive, but throughout the framework that we have formalized we will try to go more in-depth possible to state what are the firms that are delivering an extraordinary omnichannel experience and what are the companies that are "omni-loser". So, starting from the Literature, we will explain how has been generated our "OmniCexi Score".

3.2 Definition of a Sample

The initial sample of our analysis was defined within the 100 luxury firms analyzed by Deloitte in the Global Powers of Luxury Goods 2019 report³². Here were considered firms that deal with Luxury goods for personal use, or the aggregation of designer clothing, footwear (ready to wear), Luxury bags and accessories, Luxury Jewelry, Watches and beauty and fragrances. The following categories have been excluded: cars; Travel and Leisure Services; Boats and yachts; Art and collectables; and fine wines and spirits. Retailers who are just reseller of other brands are also excluded.

The companies that are part of the Top 100 rankings range from the traditional ultra-luxury, passing through the super-premium and aspirational luxury, up to the affordable/accessible luxury. Furthermore, they are all strong consumer brands.

The factors that affect the positioning of these companies in this spectrum are:

- Premium Price
- Quality and scarcity of raw materials
- Quality of craftsmanship
- Exclusivity of product
- Service and personalization
- Quality and exclusivity of point of sales
- At Least €200 Millions of revenues in 2018

³² First definition of sample comes from the report: Deloitte. (2019). *Global Powers of Luxury Goods 2019 - Bridging the gap between the old and the new*. Deloitte.

Subsequently, this sample was reduced, excluding the Beauty and Fragrances category composed of 11 firms and the Jewelry and Watches category of 32 firms. The sample was therefore cut to 57 Firms operating in clothing and footwear, Bags and accessories and multiple luxury goods.

The sample is homogeneous and has been subjected to other limitations:

- Presence of at least one store in Rome
- Access to financial data for the four years 2015-2018
- Selection of brands within the multiple luxury firms

In this way, the final sample consisting of 16 Firms with heterogeneous performances, all operating in ready to wear and in bags and accessories, was defined. All targeted to different customer segments in order to better understand the different strategies. In **TAB 4.1** there is a summary of the financial statement data³³³⁴ considered:

Brand	Revenues 2015	Revenues 2016	Revenues 2017	Revenues 2018	Net Income 2015	Net Income 2016	Net Income 2017	Net Income 2018
Bottega Veneta S.r.l.	1.285	1.173	1.176	1.109	375	297	294	242
D&G Srl	812	998	991	991*	21	-3,7	27,55	27,55
Christian Dior SE	4.215	2.265	5.237	5.362	688	462	698,5	794,9
Ferragamo Spa	1.573	2.265	1.685	1.553	188	213	142	101
Guccio Gucci SPA	3.898	4.378	6.211	8.285	1.032	1.256	2124	3275
Louis Vuitton Malletier	4.267	4.302	5.379	5.379*	1.785	2.189,3	2353,7	2353,7
Valentino S.P.A.	1.148	1.228	1.468	1.468*	82,6	107,5	88	88*

³³ In € Millions

³⁴ Data coming from the Bureau van Dijk Orbis database and companies annual reports

Yves Saint Laurent	973	1.220	1.502	1.744	169	269	376	459
Prada SPA	4.015	3.874	3.287	3.597	351	299	251	235
Gianni Versace Srl	707	710	808	808*	18,5	-7,8	18	18*
Max Mara Fashion Group S.r.l.	1.527	1.534	1.898	1.898*	92	116	260	260*
Celine	431	462	545	545*	66,5	79,5	78,5	78,5*
Hermes International SA	4.841	5.202	5.549	5.966	1.541	1.697	1922	2098
Brunello Cucinelli S.P.A.	316	332	360	401	35	38	61	58
SPW SPA (Stone Island) ³⁵	94	121	171	171*	6	11	27	27*
Loropiana SPA ³⁶	-	-	-	780,44	-	-	-	170,16

TAB 3.1- Financial data of the sample

3.3 Methodology

The luxury brands were analyzed by consolidating the data from:

- Store Visits with a shopping experience of at least 30 minutes
- On desk analysis of the Website, App and Social Media

³⁵ Considering the growth rate of the Revenues, it was estimated that SPW SPA in 2018 reached a turnover of €200 million

³⁶ The data of Loropiana SPA are not public

This screening was carried out by two Subjects of Different Gender who had as common elements:

- Part of the Millennials Segment
- Level of Education at least for bachelor's degrees
- Luxury Customers
- Spending in the last year at least higher than € 10,000 in luxury goods

The subjects carried out the experiences over 30 days, between 06/18/2019 and 17/07/2019. The analysis started from the store's visits to the brand lasting between 30 minutes and the hour, so as to be able to experience the brand Experience fully. Following the exit from the store, the Questionnaire relating to physical experience was completed. Subsequently, the on-site analysis of the website, the App (if present) and the social media directly controlled by the brand were passed. From these observations, the questionnaire related to the digital experience could be completed.

The first kind of analysis that will take place, that is the one that through scatter graphs will relate the calculated scores to the CAGR. We will plot all four relationships in space to understand better who the best performers are in the considered sample.

3.3.1 Independent Variables

The independent variables of our models are the derivation of the qualitative observations carried out by the subjects who completed the questionnaire we have outlined. These are included in a range:

$$\{x \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

Qualitative observations have been quantitatively converted so that they can represent a level of experience numerically. The levels are defined as follows:

- 1: Negative experience and/or absence of the Touchpoint. There is competitive inferiority
- 2: Neutral experience. Competitive Equality. Aligned with market standards.
- 3: Positive Experience. Competitive superiority and exceeding standards.

Concerning there are four different scatter models, we have defined four independent variables: Digital X, Physical X, Omnichannel X and OmniCexiX.

3.3.2 Dependent Variables of the Graphical

During our analyses, we will consider “CAGR” as dependent variable coming from the financial statements of the companies forming part of the sample.

CAGR 15-18

The first variable to be considered is the Compound Annual Growth Rate (Cagr) in the period 2015-2018. The compound annual growth rate is an index that represents the growth rate of a certain value in a given period (i.e. an investment, revenues). It is useful in our case in comparing the performances of homogeneous groups. The formula used to calculate the CAGR is as follows:

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Starting Value}} \right)^{\left(\frac{1}{T}\right)} - 1$$

In our case, it is:

$$CAGR = \left(\frac{\text{Revenues 18}}{\text{Revenues 15}} \right)^{\left(\frac{1}{3}\right)} - 1$$

Brand	CAGR 15-18
Gucci	28,6%
Stone Island	22,0%
YSL	21,5%
Loro Piana	12,0%
Valentino	8,5%
Dior	8,4%
Brunello Cucinelli	8,3%
Celine	8,1%
Louis Vuitton	8,0%

Max Mara	7,5%
Hermes	7,2%
D&G	6,9%
Versace	4,6%
Ferragamo	-0,4%
Prada	-3,6%
Bottega Veneta	-4,8%
AVG	8,9%

TAB 3.2 - CAGR of the sample

3.4 Three Area Analysis

Compared to the multichannel strategy, therefore, omnichannel represents an evolution in several respects, and is able to better satisfy an increasingly demanding consumer: the individual differences that are naturally found among customers make each one appreciate and value different aspects of customer experience, and for this reason companies must guarantee maximum integration of all the elements that make up the purchasing process; Rigby in this regard, states of "perfect integration of the digital and the physical" (Rigby, 2011).

The digital world is made up of all the innovations available thanks to advances in technology in the electronic and information technology fields, and greatly enriches the shopping experience thanks to the following properties:

- abundant and immediate availability of information;
- convenience in terms of time saved and the possibility of instant access;
- price transparency, the possibility of making comparisons, promotional offers;
- sharing of experience on a social level, through advice, reviews and communication with other customers.

Alongside the digital, the physical assumed as the set of physical interaction modes that typically occur within the store, brings with it the following advantages:

- the assortment that allows immediate access to the product;
- the purchase process is seen as an event and an experience;
- rewarding sensory experience and possibility to test the product;
- help and assistance from experienced sales staff.

In Rigby's analysis (2011), the concept that is crucial to differentiate omnichannel from multichannel is the integration of all points of contact: it is precisely by pursuing the complete interconnection of each moment characterizing the purchasing experience that one manages to overcome the concept of silos, looking at all the channels as parts of a coordinated whole.

Following Literature, our analysis will be developed in three main areas:

- 1) Digital Area**
- 2) Physical Area**
- 3) Omnichannel Area**

3.4.1 CEXI© SCORE

Our framework of evaluation is the evolution of the Customer Experience Audit Framework (CEXI©) outlined by Prof. Carlo Fei. This report was used during the Fashion Management Course in order to evaluate the whole Physical Experience of luxury and fashion brands (Fei, Fashion Management Course , 2018). Thirteen main areas represent all the key elements that a brand should implement in order to deliver an outstanding experience. Small Groups of student act as mystery shopper. They have the task to evaluate each interaction between Brand and customer with a numeric grade in a range from 1 to 5, as follow:

1. Never again (an outstanding negative experience)
2. Disappointing (Fall to meet the expectations)
3. Neutral, acceptable (common experience, competitive parity, meets middling expectations)
4. Pleasant (Sometimes exceed expectations)
5. Memorable (Always exceed expectations)

The CEXI© is the average of the 32 interactions tracked by the framework. The positioning of the brand as an excellent provider of customer experience is based on the same criteria of the evaluation of the interactions.

The limitation of this model is not considering the implementation of the strategies toward the digital transformation and the omnichannel approach. In order to fill this gap, we started from this framework, and we have integrated all the interactions³⁷ that we consider relevant to deliver an experience remarkable.

3.4.2 OMNICEXI SCORE

Starting from the definition: “OmniCexi Score is the measures of the whole customer experience, evaluated upon three main areas that are Digital, Physical and Omnichannel Services³⁸³⁹”.

As we can deduct from the definition, our framework of analysis is the score that evaluates a Brands' performance as experience provider and the Omnichannel maturity that it has reached.

The Framework is the evaluation of 90 elements, and as a final result, it will provide a Synthetic Index as an overall measure. This score will be relevant to set the next strategical moves in order to improve a brand's positioning in the competitive arena. As it is composed of five sub-areas, after the analysis, a firm can easily understand what its strengths and its weakness are. So, it can consolidate the competitive advantage exploiting as leveraging the strength points, or it can recover the gap investing in the weak area. Moreover, we will try to demonstrate how the OmniCexi Score affects the firm's performance. In the exposition of the model, we will also discuss the best and the worst practices that we have faced during the analysis in order to put the theory into practice.

3.4.3 Graphical analysis - OMNICEXI SCORE

The OmniCexi score is the synthetic index that derives from the total observation of all the 90 scores of the questionnaire and from all the five sub-categories of the model. The OmniCexi Score (X_{OC}) is defined as:

$$\{x_{oc} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_{oc} = 0.2\bar{x}_{web} + 0.2\bar{x}_{Soc} + 0.2\bar{x}_{StEx} + 0.2\bar{x}_{SF} + 0.2\bar{x}_o$$

³⁷ The list is not exhaustive

³⁸ Our Theorization of the OmniCexi Score

³⁹ Mathematically speaking, the OmniCexi Score is the weighted average (0.2) of the score of each sub-area of the main areas, but this will be discussed in the next chapter.

Our OmniCexi Score is a real number between 1 and 3 and is the sum of the weighted averages 0.2. The purpose of this score is to assign a synthetic score to quantitatively assess the total experience of a brand relative to all 90 scores collected. Below is the **TAB 4.2** which shows the various index calculated:

Brand	Digital	Phisical	Omnichannel	Omnicexi
Dior	2,76	2,56	2,73	2,67
Louis Vuitton	2,82	2,29	2,91	2,63
Gucci	2,84	2,33	2,45	2,56
Bottega Veneta	2,13	2,69	3,00	2,53
Hermes	2,54	2,30	2,82	2,50
D&G	2,24	2,25	1,91	2,18
Ferragamo	2,08	2,15	2,45	2,18
Loropiana	1,87	2,22	2,27	2,09
Valentino	2,37	1,56	2,55	2,08
Prada	2,39	1,44	2,55	2,04
Versace	2,05	1,93	2,18	2,03
Brunello Cucinelli	1,57	2,12	2,64	2,00
Celine	1,75	1,94	2,36	1,95
YSL	2,03	1,70	2,18	1,93
Max Mara	1,88	1,65	2,36	1,89
Stone Island	1,67	1,96	1,82	1,82
AVG	2,19	2,07	2,45	2,19

TAB 3.3- Index coming from the OmniCexiquestionnaire

The fourth analysis presents the OmniCexi Score as the dependent variable of the Cagr (Fig 4.4):

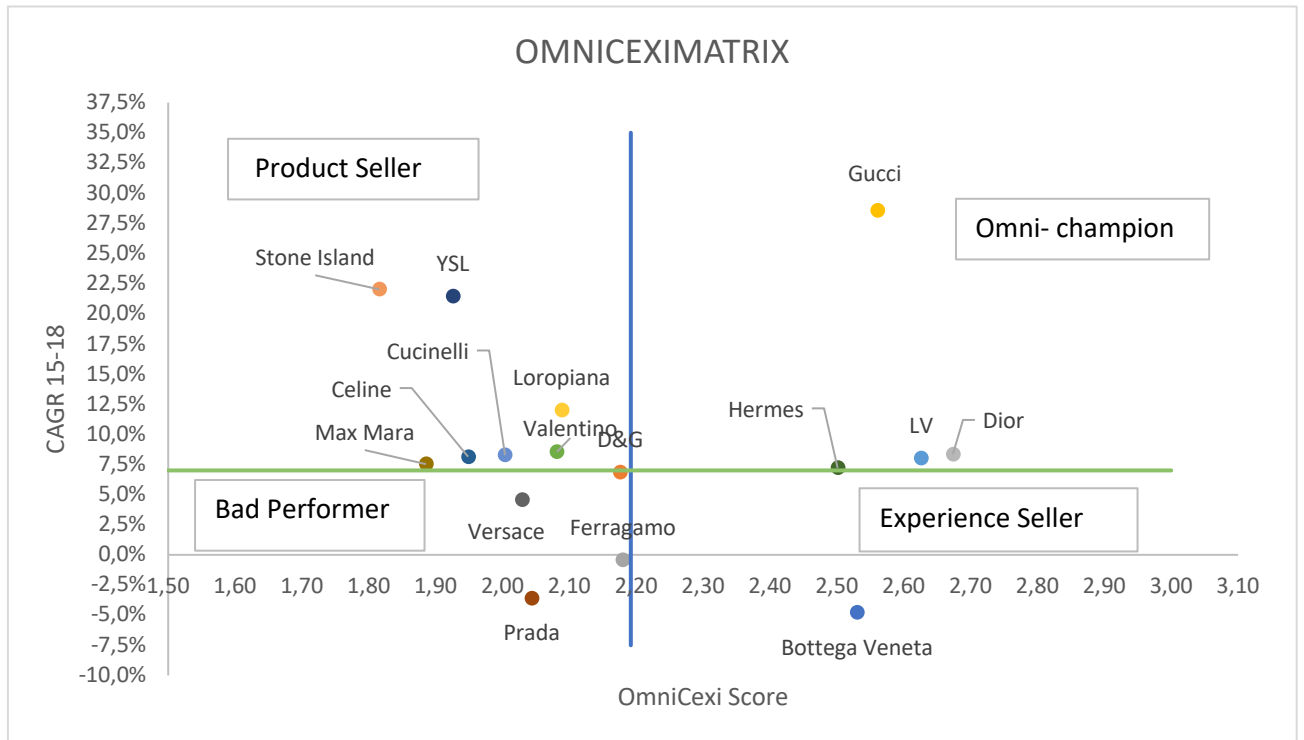


Fig 3.2- OmniCexi Matrix

To better understand the distribution in the plan, two straight lines have been placed within the space:

- A vertical line representing the middle OmniCexi Score (2.19)
- A horizontal line depicting the average CAGR (7.00%⁴⁰)

Between the intersection of the two lines, a matrix is created and the positioning of the brands within it represents the relationship between the OmniCexi Score and growth in the reference period. Let us analyze this distribution:

- 1) **Bad Performer:** There are four brands (Versace, Ferragamo, D&G and Prada) that have a Low OmniCexi Score & Low Cagr. In our analysis, they are considered worst performer because they were neither able to implement the customer experience at the digital, physical and omnichannel level nor to have a growth trend in line with the market. The suggestion is to review the strategies before the gap from the competitors becomes unbridgeable. In individual cases, we recommend starting from the macro area where you are most lacking.
- 2) **Product Seller:** There are seven brands (Max Mara, Celine, Cucinelli, Loro Piana, Valentino, Stone Island and YSL) that register a Low OmniCexi Score & High Cagr.

⁴⁰ as in the previous note

These Brands have been defined as Product Sellers because although they have recorded growth in sales, they have focused relatively little on the macro areas we considered. The suggestion is to implement in areas where they lack to continue to support the positive trend and also try to improve it.

- 3) **Experience Seller:** In our analysis, the only brand that recorded a High OmniCexi Score & Low Cagr is Bottega Veneta. The data is anomalous concerning the trend found in the analysis. We suggest continuing to invest in macro-areas, paying particular attention to Digital. The decline of Bottega Veneta is given by the lack of appeal of the brand on customer segments that are currently driving the luxury market.
- 4) **Omni-champion:** There are four brands (Dior, Gucci, Louis Vuitton and Hermes) that register both a High OmniCexi Score & High Cagr. These Brands have taken care of the customer experience in every detail, and the above-average market growth confirms the results. They have gained an important competitive advantage and should be taken as an example by competitors.

3.5 Digital Area

The first topic to be analyzed is the Digital Area. As we have discussed, digital technologies have gained a primary role and need to be considered as elements that affect the customer experience remarkably. So, through the full range of technologies, we have outlined which are the most exploited and which are essential in order to survive in the market.

Recent studies offer a classification of eight digital luxury brand-customer touchpoints by proposing matching working areas for luxury brand managers. These are: (Heine & Berghaus, 2014)

- a luxury brand website which is the first source in searching for information);
- search engine optimization in order to raise the luxury brand's website traffic;
- direct mailing for customer relationship management purposes;
- online advertising for customer acquisition;
- brand communities to share content with customers;
- social campaigns for storing and sharing content;
- phone and tablet apps;
- e-commerce to sell.

Following this framework, we divided the Digital Area as follows:

1) Digital Owned Tools

- Corporate Web site
- Corporate App

2) Social Media

- Instagram
- We Chat
- Blog and Communities

3.5.1 Digital Owned Tools

Corporate Web site

Creating websites that are consistent with the desire for exclusivity, aesthetic value and celebration of the creativity that characterize customers of luxury goods and services is a crucial activity if we want to keep up with our competitors. The essence of the brand that is breathed within the flagship stores must be the same as perceived on the single-brand website (Okonkwo, *Luxury Fashion Branding: Trends, Tactics, Techniques.*, 2007).

The Internet can be used to charm to a broader potential customer base who are familiar with online shopping but may not be able to go to physical luxury brands stores, as well point of difference from another luxury brand in the competitive arena. Several luxury brands have already integrated e-commerce and ran online stores effectively (Hyeonsoo & Choi, 2015): Burberry.com is an example of the possibilities of digital technology in luxury business.

The advantages of store environmental elements can be adapted to the online channel strategies of luxury fashion brands. Indeed, Web atmospheric qualities are a crucial contributing factor to consumer answers. Web atmospherics influence not only consumers' responses to the site but also their attitudes toward the brand, including preference, satisfaction, and brand loyalty (Hyeonsoo, Jung Choi, & Lee, 2015).

"Web site design refers to all design elements for the overall appearance of a web site including colour, image, layout, fonts, and background music". In particular, visual communication of the web site, positively inclined consumer intentions to revisit the web site given that virtual store layout rises the time that consumers spend shopping. Likewise, colour affects consumers' estimation of the web site and the store personality (Hyeonsoo, Jung Choi, & Lee, 2015) **(fig 3.2)**

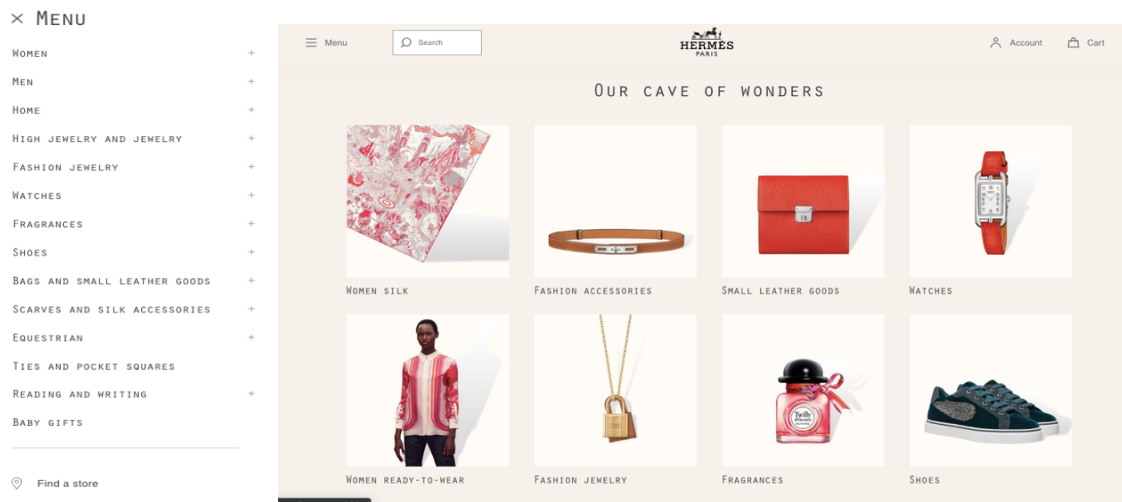


Fig 3.3 Hermès website

Interactivity is another crucial element in a website. As one of the design characteristics of a web site, interactivity is the sensitivity and responsiveness of virtual environments to consumer control. It has a positive influence on consumers' perceptions of brands, in particular, because several interactive elements can give visitors a better understanding or processing product-related thoughts. An example could be the personalization of product made online, that is a common trend that nowadays is exploding (Hyeonsoo, Jung Choi , & Lee , 2015). Here below there is an example of the shoe's personalization by Loro Piana (**fig 3.3**)

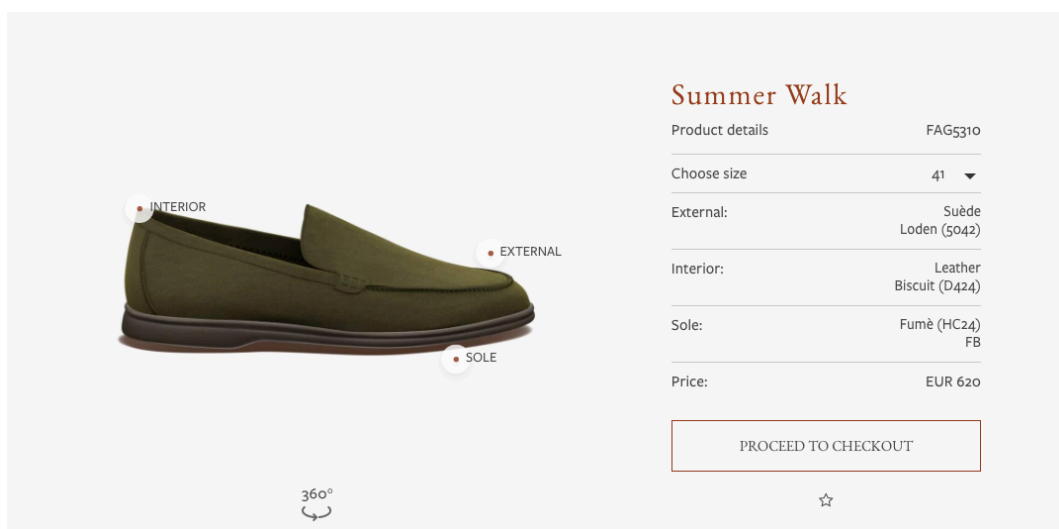


Fig 3.4 Loro Piana personalization tool

To satisfy their consumers' needs for quality products, luxury fashion firm should deliver precise and adequate product information through all channels (Kotler, Keller, Ancarani, & Costabile, 2017) both physically and online. Product information means delivering the amount, accuracy, and form of information about products including text, tables, graphs, photos, audio, and video. Product information is at the base of the online shopping outcomes

like the revisit intention toward the site or the brand attitude. Consumer attitude is touched by if the site offers the information (photo or details) about products that he needs in the quantity and quality he desires and whether it is easy to discover and utilize the information (Hyeonsoo, Jung Choi , & Lee , 2015). Gucci, for example, gives every single detail of its products and provides a photo from any angle (fig 3.4)

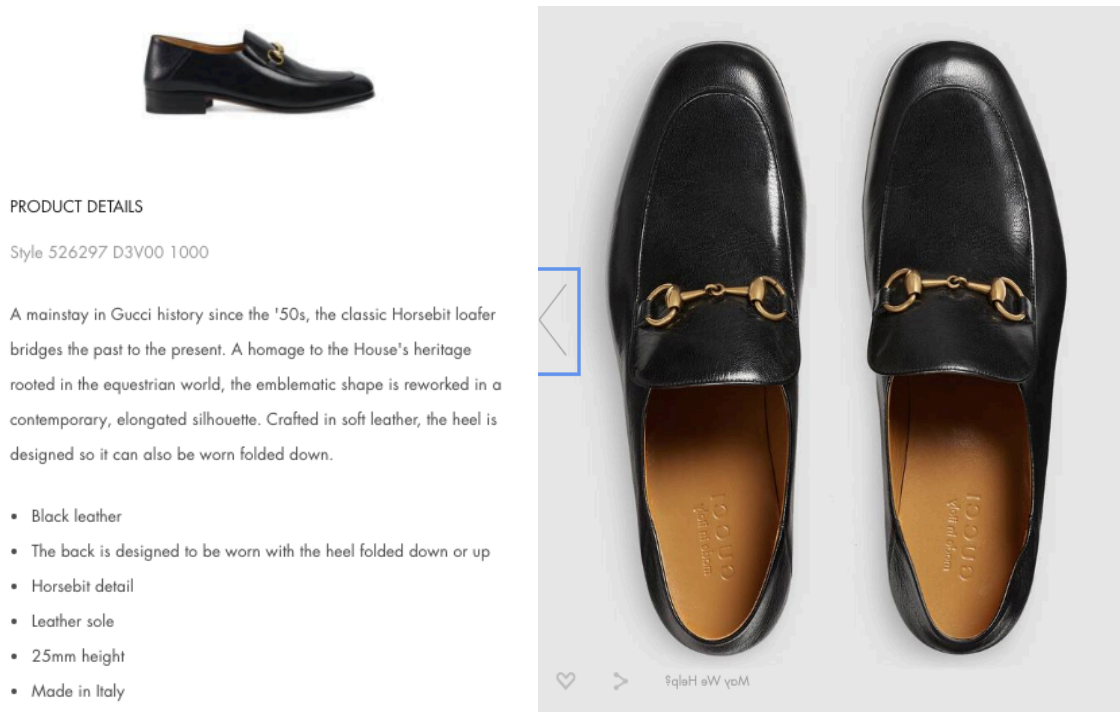


Fig 3.5 Gucci product description and details

Improved product information triggers consumers to buy, and it also can be a critical determinant for consumers who desire to purchase luxury items quickly and easily (Hyeonsoo, Jung Choi , & Lee , 2015).

Indeed, convenience is another crucial factor in web designing. It can be defined as all “atmospheric cues related to reducing consumer time and effort in the transaction process, including the online order, payment process, and return policy” (Hyeonsoo, Jung Choi , & Lee , 2015). Because luxury firms shape consumer relationships by delivering high-end and convenient services related to expensive products, the convenience of the transaction is a critical element of the services directly linked to the buying process provided by online luxury brand boutiques. If luxury brands develop the proper functions for their online boutiques, it will have a positive impact on brand performance and boutique performance. (Okonkwo, 2007). For example, to buy on Hermes website, a customer has to click only three times to checkout.

Luxury brands should understand the several effects coming from the types of web atmospheric qualities and exploit them strategically. Many of them focus only on web site design as a tactic of creating a unique brand experience inside the online environment.

It is necessary to be conscious of brand attitudes originated at the physical store and transform their brand assets into the online experience when they shape the web atmospheric strategies to satisfy consumers who expect brand congruence. In this way, the Luxury firm could use web sites as a way for stimulating brand identity, realizing differentiated positioning and increase sales.

E-commerce platform Should be aligned with changes. All the online experiences should function correctly via every device possible. An E-commerce solution must be suited to all devices while remaining user-friendly. Whether a tablet, smartphone, iOS device or Android phone, an online experience need to be catered to all the customers. Focusing on a user-centric approach, we ensure that the online presence should be engaging and click-friendly even through mobile (Be Memorable, 2019). Loro Piana website, for example, is completely integrated across every device tools.

Email marketing has a significant impact if used in combination with CRM. A well-organized newsletter should respect these pillars:

- **Clarity:** The content and messages are explicit. Customer will quickly understand the aim of the emails.
- **Focus:** There is a core focus on the email's desired outcome, whether this is delivering the latest news, cross-selling products, or marketing events.
- **Simplicity:** The email layout is straightforward, single column, and mobile-friendly
- **CTA:** Call to action

Apart from the Store Locator, Omnichannel online/offline services are rarely linked on Email, and it is a real lost business opportunity given the increased importance of mobile marketing (Direct IQ, 2018).

Bottega Veneta is the best performer concerning the newsletter that has also integrated Call to action like booking an appointment in-store with the sales assistant, or the "Try in the boutique" that allows customers to book some products and then try them directly in-store (Fig 3.5).



Fig 3.6 CTA Newsletter Bottega Veneta

To analyze the website's performances, we also tracked inside our sample the best performer in terms of traffic (Similarweb, 2019)⁴¹(tab 3.1):

BRAND	MONTHLY VISIT	3 MONTH	SCORE
Gucci	8.000.000	24.43 M	3
Louis Vuitton	3.192.000	9.622 M	3
Dior	3.000.000	10.17 M	3
Hermes	2.223.000	6.788 M	2
YSL	1.618.000	4.948 M	2
Versace	1.502.000	5.044 M	2
Prada	1.407.000	4.454 M	2
D&G	1.129.000	3.351 M	2
Max Mara	761.000	2.285 M	2
Stone Island	450.000	1.272 M	1
Celine	270.000	789 K	1
Valentino	262.000	812 k	1
Ferragamo	241000	891 k	1
Bottega Veneta	198.000	600 K	1
Brunello Cucinelli	80.000	238 k	1
Loro Piana	68.000	197 K	1

Tab 3.4 Traffic on brands' Website

⁴¹ Data retrieved on www.similarweb.com on 11/06/2019

APP

It is essential to understand what the reasons are because developing a luxury app. Brands can get from their app (Yalatantis, 2018):

- **Better brand awareness:** Branded web and mobile apps are fantastic tools to be in contact with actual customers. It allows them to discover new collections and upcoming events, share news, and carefully prepare them for future online and offline purchases. Chanel actively practices its app for such reason. Moreover, web and mobile applications are also a perfect entry point for a younger and more digital audience.
- **Increased customer loyalty:** Fast performance, the capability to discover and buy goods in a few clicks and book and pay for services within minutes makes the relationship with a brand amusing and pleasant. Nevertheless, a firm can deliver extra value for customers to make their visit in-app even more enjoyable. For example, Louis Vuitton has shaped a city guide app to offer customers unforgettable travel experiences. This action helps Louis Vuitton prove care for their clients and effects in customer loyalty and advocacy.
- **More sales:** purchasing more luxury goods or paying for services without leaving an app simplifies the lives of users but also increase sales.

Moreover, Louis Vuitton has created a fantastic app with many tools, like the integrated Wishlist or the innovative LV Find. The latter allows customers to take a picture of an LV's bag and to have the direct possibility to shop it (Fig 3.6).

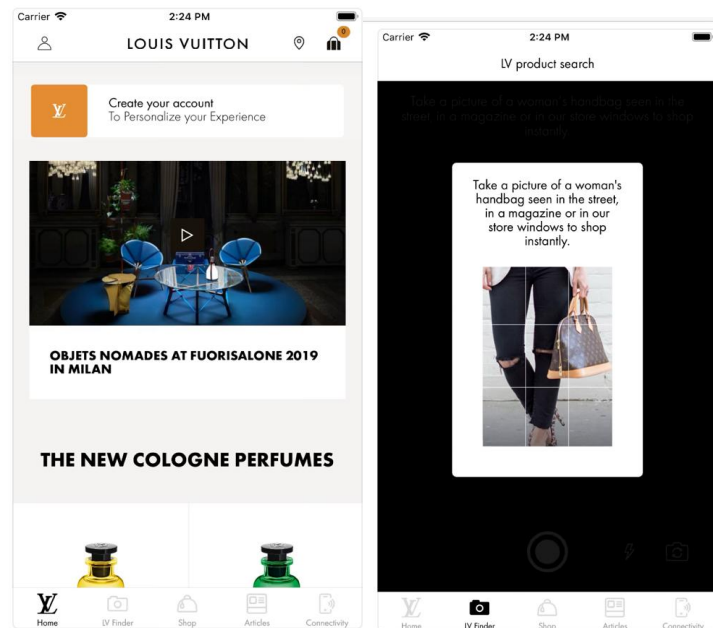


Fig3.6 LV App for IOS

3.5.2 Social Network

There are huge benefits that arise in being on social media for businesses. First of all, it increases brand reputation developing collaborative goods and marketing strategies for brand management. Moreover, Social media has developed new business opportunities but also essential challenges by enabling consumers with much more control, information and power over the whole process. Customers can create information and share ideas about a company's excellent and services with a more extensive range and broader influence than before. The new competitive arena, where customers and brands are more and more implanted in social media such as Facebook, Instagram, WeChat is like a red ocean and companies co-own their brands and co-define their symbolic values with customers (Arrigo, 2018).

Social media are challenging for luxury firms because they disrupt the old-style business model entirely. Even though the diffusion and adoption of social media, in general, has been relatively fast, luxury firms have long been cautious (Okonkwo & Assouline, 2011). The luxury brand needs to mature a clear picture of what social media could do for them, and outline a clear strategy to improve customers' experience and awareness of their brands in the social arena. In our analysis, we will consider Instagram, Wechat and brand communities as the leading social network to be considered.

Instagram

Instagram is the social network where people connect and share what most inspires them in high-quality photos and videos. Instagram's prominence on visual storytelling has made it the best medium to share the world's most popular products and experiences. The best way for luxury brands to inspire consumers has always been through storytelling. As Instagram is a visual storytelling platform, the link is a natural link". This is what the Senior Vice President of Marketing at Parfums Christian Dior, Tennile Kopiasz thinks about Instagram and it is the proof that shows that brands have huge consideration of Instagram as a touchpoint (Instagram, 2019)(Fig 3.7).

Instagram Luxury Global Consumers

Over 500M come to Instagram every day, making it a great place to build relationships with all kinds of engaged communities, from fashionistas to travel lovers, millennials to high-end consumers.

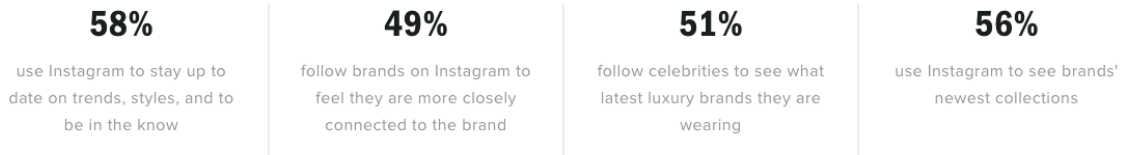


Fig 3.7 Instagram Luxury Global Customers

The images are the peculiarity of the platform: the message arrives directly, without reasoning, in everything different from the rigorous written text. We can enclose the strength of the images in 4 characteristic elements (Mimulus, 2018):

- Speed
- persistence of memory
- immediate acquisition
- openness to multiple interpretations

Define the right content strategy on Instagram is crucial. Content should be consistent across all the channel and with the brand, icons, stories and values. Moreover, they should be relevant in a specific socio-cultural environment and for the brand's target. Usually, brands follow a clear content strategy posting in prevalence products and events.

The earned media value on social media comes from any non-paid exposure gained through word-of-mouth, recommendations, or conversations about the brand (shares reviews mentions comments influencers, tags). The creation of these User-generated Content amplifies the e-wom and increase brand awareness. In order to encourage consumers to create UGC, brands should create hashtags or initiatives (es Fendimania) (Fei, Fashion Management Course, 2018).

Some luxury brands are the try Instagram Checkout, including Dior and Prada. In addition to expand the audience and implementing advertising tools, the Facebook-owned platform is facilitating an end-to-end purchase journey from discovery to conversion. **Check it out** was firstly introduced in 2016 and allowed customers to shop products featured in photos. Firms post a pic that features multiple products and then tags the products showcased in the photo. Users can tap the photo to covers tags of the items pop up on the photo and click on the good they are interested in buying.

An Instagram shop then materializes, giving all the information about the product that would be available on a retailer's Web site but without leaving Instagram. Users can click the Shop Now button on the product page to purchase items. So, Instagram has instead created its checkout process (Luxury Daily, 2019).

In 2016, Instagram introduced the Stories: photo and video content that can be published if taken within the previous 24 hours, and that are deleted after the next 24 hours.

Now there are about 800 million subscribers to the platform, and 300 of them use the Stories daily. Consumers expect two very different things from companies on the platform: they want to see beautiful and stimulating photos, but they also want to have a raw and authentic look at the internal mechanisms of the brand, which allow them to approach the brand and the brand to convey to the customer identity.

Many things can be done with the Stories:

1. show the "behind the scenes" of the brand and its projects
2. anticipate the publication of a post or push the flow towards a particular content
3. conduct surveys and get feedback from users
4. launch a preview product by activating time balances or promotions
5. make storytelling of the service offered and brand identity
6. anticipate or summarize an article published on the official blog.

Officially the Stories have been created to avoid overposting: influencers and celebrities prefer to have an excellent profile with beautiful professional photos, so it is the best way to tell their everyday life of ordinary people. Available on all the products of the Facebook ecosystem, the Stories are an excellent means to generate awareness and to develop storytelling around the brand, even if they can be successfully exploited for performance campaigns.

Their brevity - 15 seconds - and the ability to host videos, static images, music, text and gifs make positioning more effective for riding the growing desire for ephemeral and multimedia content. Visualizing a Story is a bit like taking part in an exclusive event: a unique and unrepeatably occasion that allows people to say, "I was there". The Stories on Instagram are explored every day by 500 million people, and a third of the most viewed ones come from companies 62% of users say they have increased their interest in a brand or product after seeing it in stories, and 50% have actively started looking for retailers to complete the purchase. Pervasiveness and effectiveness, therefore. Two features that the Fashion & Luxury brands can use to set up an alternative communication to the institutional one, typical

of the Feed, and thus offer more playful content, backstage scenes or influencer testimonials (Instagram, 2019). Instagram Stories is nowadays one of the most competitive channels for marketing also to increase the traffic on the website, exploiting the swipe-up function.

Another way to exploit the full potential of the stories is the use of the Takeover, which consists in entrusting to an influencer or to a person who is very appreciated or very well known on Instagram the creation of content for stories. This person will talk about products or services, but because he is very popular, his contribution will significantly increase the visibility of the brand. His post will reach many more people who may be interested in following the brand's account. Gucci, for example, used many times this approach, recently with Harry Styles and Courtney Love. These initiatives had colossal resonance.

Creating an own custom AR filter for Instagram Stories is a high growth hack because in order to access the filter a customer needs to either follow the brand on Instagram *or* visit its profile to try it out. Filters can also be tried on seeing other users using the filter in Instagram Stories, which means the Instagram AR filters are designed to get viral and are a growth occasion (Later, 2018).

Gucci Beauty to promote the launch of the Instagram account, create the AR filters with several intricate and gorgeous filters. When a customer selects Gucci Beauty's filter, he can pick from three different looks, each reminiscent of the renaissance- and baroque-period portraits that Gucci often shares on its feed. Creative director Alessandro Michele created the filters and enclose Gucci-themed details along with pearl earrings, lipstick, and more.

IGTV is a new app to watch videos in vertical format. IGTV is innovative for several reasons. Videos are displayed in full screen and in portrait format to reflect the way customers use their smartphones. Furthermore, unlike Instagram videos, the duration is not limited to one minute. Each video can, in fact, last up to an hour. It is easy to use, IGTV starts up, just like turning on the television. Furthermore, IGTV also has channels. The difference is that in IGTV, the channels are represented by the creators. Everyone can be a creator, to upload IGTV videos in the app or on the web and create their channel (Instagram, 2018). Luxury Brands are using IGTV to promote their fashion shows, their collections or some content created for customers.

We also take into consideration the number of followers and User-Generated content to evaluate brand performance on Instagram (**tab 3.2**):

BRAND	FOLLOWERS	UGC
Gucci	35.200.000	60700000
Louis Vuitton	33.000.000	35700000
Dior	26.300.000	46600000
D&G	21.300.000	10000000
Prada	20.100.000	41300000
Versace	18.700.000	19100000
Valentino	12.600.000	29000000
Hermes	8.800.000	41000000
YSL	6.500.000	19600000
Ferragamo	4.500.000	12200000
Max Mara	2.100.000	1700000
Celine	1.800.000	27300000
Bottega Veneta	1.600.000	1500000
Stone Island	1.500.000	1300000
Loro Piana	200.000	348000
Brunello Cucinelli	65.200	258000

Tab 3.5 Brands' Followers and UGC

WECHAT

WeChat is a multiservice platform that serves as everything from a social network to a mobile payment solution. For brands registered with an official account, it is also a content broadcasting tool. Luxury brands often cry the relatively minor sizes of their WeChat communities in comparison to that they have on the Western social network. It should be renowned that a WeChat follower is much skilled than an Instagram one. Consenting a brand to direct content to the user's message inbox is more invasive and shows more customer commitment than passive follows on Instagram. For these reasons, the development of these communities is usually on a smaller scale. Being the first touchpoint between brands and consumers in China, it is increasingly crucial for WeChat to be combined as part of a firm's customer service solution across the whole journey.

WeChat gives brands the occasion to drive off-line store visitors to its official account through the scanning of QR codes. These QR codes let consumers access exclusive content and services, with also the choice to follow the brand account. Besides facilitating to connect

brands with customers and prospects, this experience also permits firms to collect valuable customer preference data.

While obtaining followers may be a respectable starting point, brands must manage to keep these customers, whether over loyalty programs on WeChat or only by keeping them involved regarding brand content. The WeChat Luxury Index shows that tailored content sent to a particular audience segment execute better in terms of engagement and lowers the unfollow rate. WeChat can be a very dominant tool for gathering behavioural and demographic data if done correctly. For bespoke content and services to be relevant, brands have to integrate WeChat with their CRM strategy from both a technical and data point of view. Moreover, with the upsurge of WeChat Pay as a payment solution in China, the potential of WeChat as a transactional platform is finally being achieved. Transforming WeChat into a solid and sustainable sales channel involves a great effort from brands. E-commerce department will need to study more about the particularities of WeChat and its constraints as well as the right integration of these activities with its WeChat content strategy (Citcon, 2019).

The Mini Program (identified as the "app within an app"), has experienced incredible growth ever since it was released on January 2017 and users have felt in love with it. Even though WeChat is a finite system there are around 60 different ways to access a Mini Program. What is incredible is that 34% per cent of users access them when shared via WeChat friends.

A Mini Program offers more than what a brand's official Facebook page can. It is a place where consumers research products, campaigns, live chat with customer service, check out with WeChat Pay, and much more. Dissimilar to the transactional e-commerce site, a Mini Program is a channel for consumers to discover all relevant information about a brand. If the aim for e-commerce is to sell, then WeChat's Mini Program is to support (and also to sell) (Jing Daily, 2019).

Here below there is a best practice of Bottega Veneta that introduced limited-edition Chinese Valentine's Day products Drive sales for limited edition collection and unique day products (Fig 3.7) (Curiosity China, 2018).

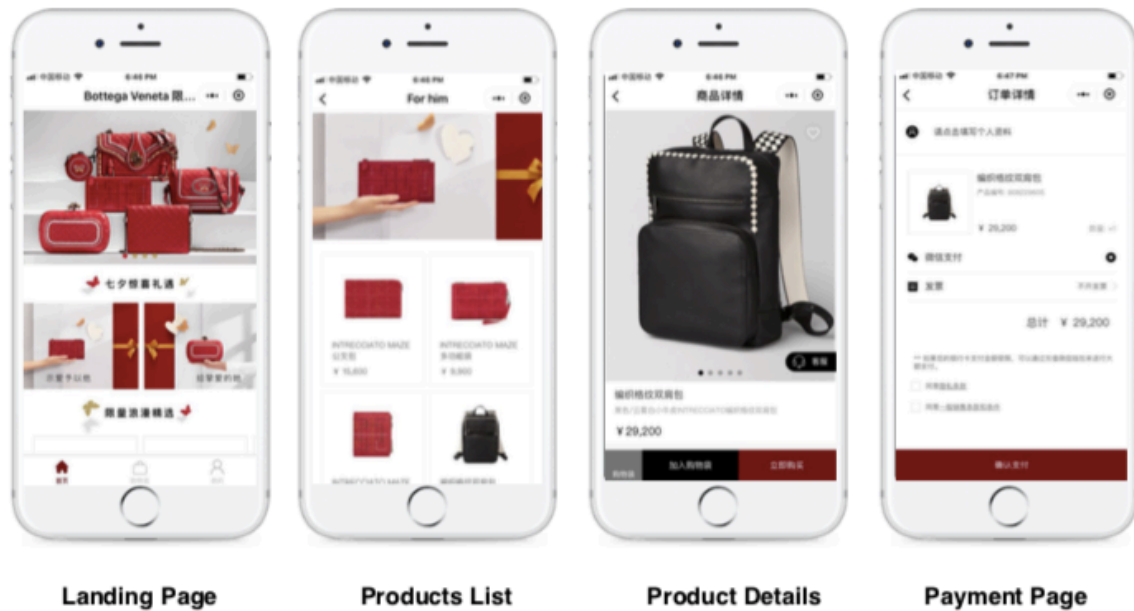


Fig 3.6 Bottega Veneta Limited Time Mini Program

In Fig. 3.8 there is a sum-up of how Tencent's WeChat helps brands influence consumers along the entire shopping journey (BCG, 2018):

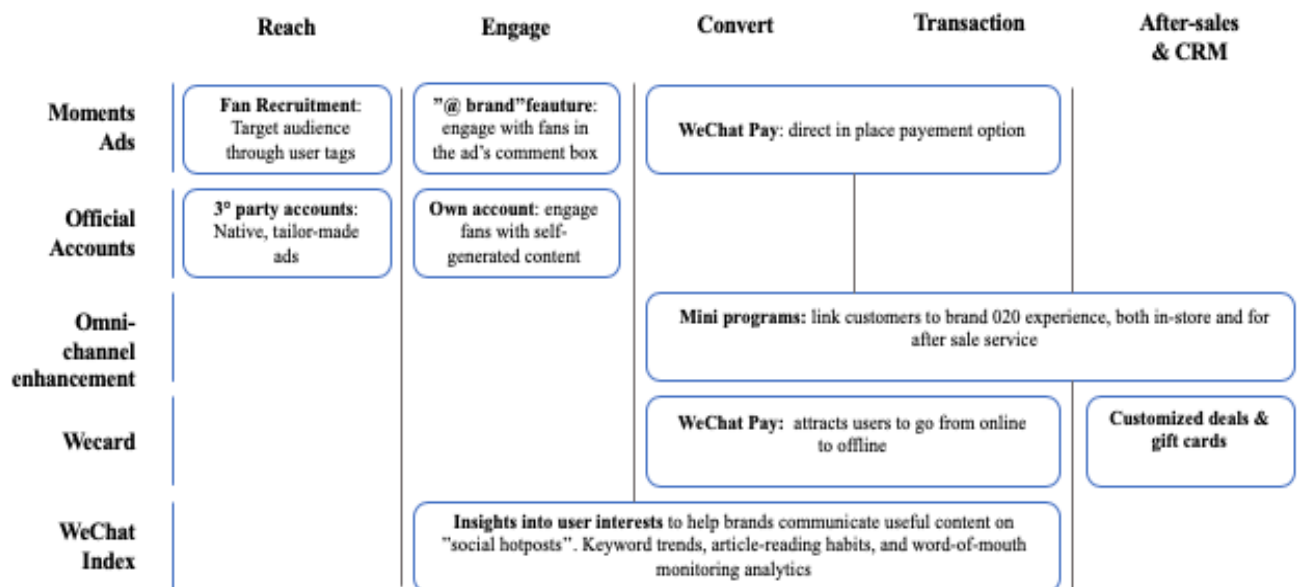


Fig 3.7 WeChat helps brands influence consumers along the entire shopping journey⁴²

⁴² BCG. (2018). *2018 True-Luxury Global Consumer Insight*. Milan: Altagamma.

In order to develop our analysis on we chat, we exploited the Exane BNP Paribas report "Social Media Boxing Ring:2Q19 on WeChat". So we took as performance metric their data about popularity and engagement, and we build a forced ranking about it in order to assign a score to each brand (Exane BNP Paribas, 2019). The best performer in terms of popularity was Louis Vuitton and Gucci, while in terms of engagement was Prada. Here in the Tab 3.3 , there is a sum-up⁴³:

BRAND	We chat #rank	Score
Dior	3	3
Gucci	2	3
Louis Vuitton	1	3
Prada	4	3
Bottega Veneta	8	2
Celine	7	2
Ferragamo	6	2
Hermes	5	2
YSL	9	2
Brunello Cucinelli	N.L. ⁴⁴	1
D&G	N.L.	1
Loropiana	N.L.	1
Max Mara	N.L.	1
Stone Island	N.L.	1
Valentino	N.L.	1
Versace	N.L.	1

Tab 3.6 Wechat Forced Ranking

Communities

Online Brand Communities (OBCs) consent fashion customers to communicate with each other without any restrictions of time and place. So, communities are considered by fashion marketers as formidable instruments to influence customers' buying behaviour (Brogi et al., 2013). Luxury fashion companies have experienced a technological evolution beside their consumers, running innovative actions of e-marketing. Especially, Web 2.0 technologies

⁴³ Forced ranking based on the Exane BNP Paribas report "Social Media Boxing Ring:2Q19 on WeChat."

⁴⁴ Not in the list

have affected several features of fashion, beauty and luxury retail industries (Okonkwo, 2007). In this context, many fashion communities appeared and increased on the Internet, allowing participants to comments, display designs and explore ideas and principles of fashion. Communities are successful tools that luxury fashion brands should use to create stronger relationships with their customers. There are two main kinds of communities: spontaneous and official. A spontaneous community is a fan-made online community composed of fans of a specific fashion brand. In this situation, members join freely and often impulsively to the fashion-related community. An official community is shaped and sponsored by the fashion brand itself, with the purpose to proactively allow participants to chat on fashion opinions while enlightening them on the brand offerings (Okonkwo, 2010). The official community assembles users with mutual interests and goals in a collaborative community that prospers on serving both the customer and the brand itself (Okonkwo & Assouline, 2011). Following this indication, many luxury fashion companies generate their Twitter accounts or Facebook pages and, simultaneously, many fashion enthusiasts made their communities, for example, about Stone Island. These tools consent fashion brands and their consumer to interact with each other without any restriction in time, place and content, changing the old one-way communication into an interactive double direct communication. Communities can have a significant impact on brand reputation, and fashion companies that do not use social media in their marketing strategy are losing a chance of competitive advantage (Kim & Ko, 2010).

3.5.4 Graphical analysis- Digital Score

The Digital X variable is related to the digital experience and derives from the first two sub-categories of the questionnaire: Website & App and Social Media. Our X_{dig} can be defined:

$$\{x_{dig} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_{dig} = 0.5\bar{x}_{web} + 0.5\bar{x}_{soc}$$

The digital X is a real number in the range between 1 and 3 and is the sum of the averages weighted 0.5 of the sub-categories of the questionnaire. Furthermore, we can define X_{web} as the weighted average of the 21 scores for the website and the App. Instead, X_{soc} is the weighted average of the 19 scores relative to Social Networks.

The first analysis sets the Digital Score as the independent variable and the Cagr as a dependent variable (Fig 4.1):

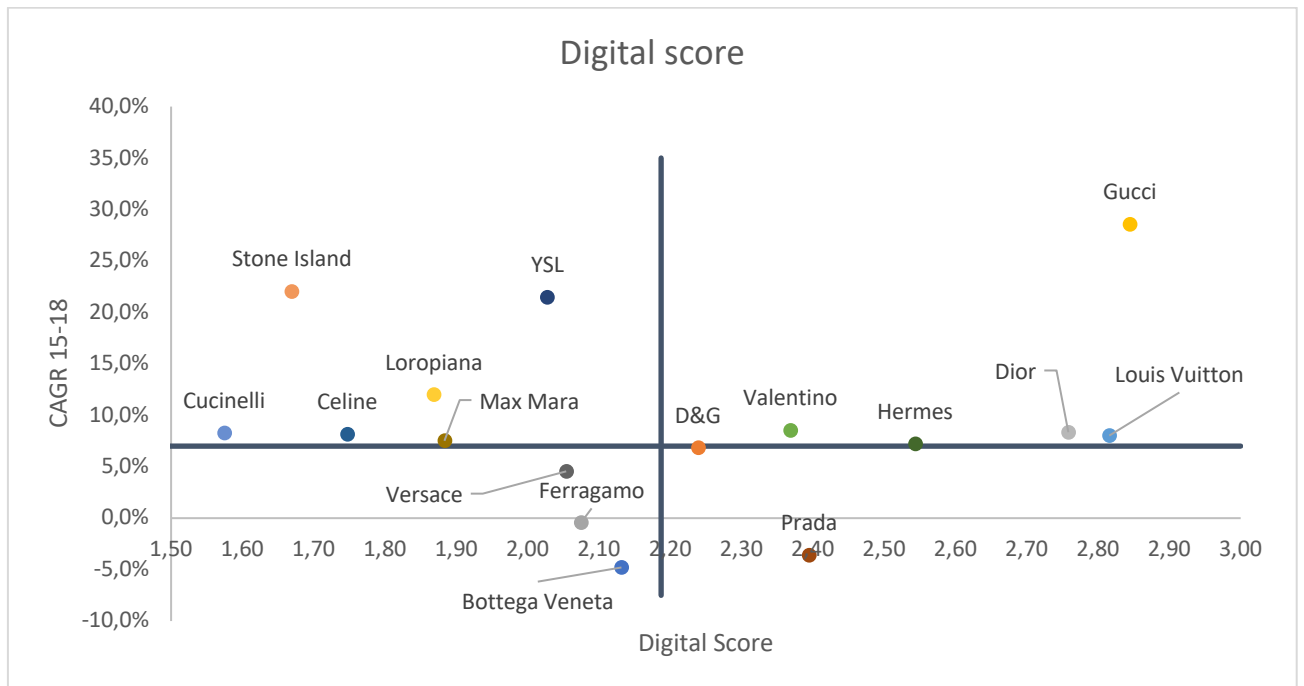


Fig 3.8 - Scatter graph Digital Score-CAGR

To better understand the distribution in the plan, two straight lines have been placed within the space:

- A vertical line depicting the average Digital Score (2.19)
- A horizontal line depicting the average CAGR (7.00%)

Between the intersection of the two lines, a matrix is created and the positioning of the brands within it represents the relationship between digital Performance and growth in the reference period. Let us analyze this distribution:

- 1) **Low Digital Score & Low Cagr:** Below both averages, three brands are positioned (Bottega Veneta, Ferragamo, Versace). The suggested strategy is to implement both the web site and social networks in order to support growth and improve performance.
- 2) **Low Digital Score & High Cagr:** The brands with a low digital score and a high Cagr are six (Cucinelli, Celine, Loro Piana, Max Mara, Stone Island and YSL). The suggestion is to improve the digital strategy in order to be able to continue and implement a positive growth trend. It should be noted that these Brands mostly lack in the context of Social Networks and therefore, a practical implementation of these touchpoints is suggested.

- 3) **High Digital Score & Low Cagr:** Only two brands are located in this area of the plan (D&G and Prada). Despite excellent performance in digital strategy, this was not enough to sustain growth. The suggestion is to implement other aspects of the strategy to increase sales and not focus exclusively on the digital part.
- 4) **High Digital Score & High Cagr:** Five brands show high growth and excellent digital performance (Valentino, Hermes, Dior, Louis Vuitton and Gucci). The correct implementation of the primary strategy has certainly supported growth. The suggestion is to continue to invest in digital strategy so as to have a competitive advantage over followers.

3.6 Physical Area

The store is a physical manifestation of the brand and offers a formidable opportunity to make emotional connections and influence choice. Brand is the way business is done. It is what makes differentiate players: Brand is not merely the logo, it is the physical real-time delivery of the promise the brand makes, and the customer will trust it (Fei, Fashion Management Course, 2018) We divided the Physical Area of the analysis as follows:

1) Store Experience

- Location
- Welcoming
- Purchase Experience (Physical) Touchpoints
- Purchase Experience (Emotional) Touchpoints
- Five Senses Involvement (Sensorial Experience)
- Digital Instore (Mobile Makeover)

2) Salesforce

- Relationship with the Customer
- Relationship with Colleagues
- Expertise
- Digital Enabled Salesforce

3.6.1 Store Experience

The first thing to analyze is the location of the store. The importance of choosing the best retail location has always been considered by brands a strategic decision (Hernandez, Bennisson, & Cornelius, 1998); moreover, many studies recognized the store location as

imaginably the most significant cause of the retailers' success in the long run because it delivers strategic advantages that are hard to overcome by competitors (Ghosh & Craig, 1983).

Luxury experts labelled the geographic location as one of the most significant decisions for luxury retailers, particularly for its effect on brand positioning. For this motivation, luxury experts fully validate the considerable investment necessary to afford the high rental fees of the best urban areas (Arrigo, 2015).

The welcoming is a crucial moment of the luxury experience. The customer entering is very nervous, and his expectation is very high and often walk out of the store without buying. So it necessary to design welcoming procedures by shop layout (Selling, After-sale, browsing) and in order to cover the store surface (by room, by customers) (Festa & Cucco, 2018).

Concerning the physical touchpoint as merchandising and assortment, they are the answer of the brand to customers' demand and market's trend. It is crucial to calibrate in the right way the strategies in-store and the stock needed.

In the conventional physical store of luxury brands, the impressive design of and the windows themselves are key elements that support customers identify the luxury brand identity and deliver a positive impression toward the brand (Okonkwo, 2009). Now we are in a society that appeals to the senses. Luxury is much more linked to the questions of "being" instead of "having". Physical objects waste their sense if they are tied only with the desire of having. This picture of continuous transformation and appeal to the senses give a primary role to visual merchandising.

Making the consumer feel fascinated by the brand environment as well as living the brand experience is the work of visual merchandiser. The manner a display such as shelves are laid out and tidied up, as well as the internal environment of a store, straight influences consumer purchasing behaviour (Luxury Management 24, 2017).

The best practice to consider is the new Flagship Store of Dolce & Gabbana in Rome (Fig 3.9). Eric Carlson is the architect who has redesigned the spaces of the sales point overlooking Piazza di Spagna.

Inside the boutique, housed in a historic 16th-century building, the splendours of Rome live again: a tribute to the solemnity of its monuments and the grandeur of its history.

The marbles cover floors, walls and ceilings, with shades ranging from deep yellow to black Marquina, brocade from Siena, up to red with veins of quartz, ivory and cream, mother-of-pearl or white. Along the entire upper perimeter of the walls on the ground floor, Latin inscriptions are reproduced, inlaid with gold mosaic. Finally, the ceiling is characterized by

two domes covered by hand with mosaic tiles of different sizes and shades of colour (Meliado, 2018).



Fig 3.9 Flagship Store Dolce & Gabbana Rome

He has also integrated a digital gallery on the first floor, inspired by the Gallery of Maps of the Vatican Museums leading to the Sistine Chapel: After having walked the broad marble staircase, the client enters this long rectangular space where the ceiling and walls lined with LEDs give life to angels of paradise and mythological figures that move on a background of Gregorian chants. It is the ‘baroque and modern’ touch that inflames space (Bolos, 2019).

Luxury customers are progressively interested in the social and environmental impact of the luxury fashion products they purchase and, therefore, the chance for companies to combine sustainability and luxury brand development is predominant to luxury fashion management (Amatulli, De Angelis, Costabile, & Guido, 2017). The characteristic features of sustainability communications provided within and through stores, reveals that such in-store communications can help luxury fashion retailers in making stakeholders aware of their sustainability commitment. It is necessary a considerable investment set up exceptional and ‘sustainable’ flagship stores, the potential return concerning the communication power about a luxury fashion brand's commitment to economic, social and environmental sustainability is correspondingly valuable (Arrigo, 2018).

Best performers create a unique experience for the customer and appeal to one of their five senses. To intrigue consumers and generate an excellent experience like these successful brands, it is essential to appeal to a customer's sense of taste, sight, touch, smell, and hearing. The sight has an enormous part in the experience of a customer in a physical environment. One way to misbehave this sense is by generating an organized store layout. Big brands

merchandising tends to be well structured, with attention given to spacing, colour and movement through the store. For example, a layout that guides customers in a clockwise direction will give them a more optimistic evaluation of the shop. It will also stimulate them to spend more money than if they are guided in a counterclockwise direction.

Hearing is a trickier sense to stimulate. Major brands activate the sense of sound in several ways. Some firms use voice, a noise or even a jingle. Playing music in a store is a realistic way to cater to this sense. For example, playing classical music in a shop could support creating an exclusive atmosphere and gave an air of prestige to the merchandise.

The manner of playing up the sense of taste is by offering finger food and drinks during store events like open houses or promotional sales. Another manner is to offer to wait for consumers with a complimentary beverage. To closure the deal, if a customer makes a purchase offer him a courtesy glass of champagne to celebrate. This approach helps make the customer more confident in their purchase and adds a pleasant touch.

The smell is a sense that triggers emotional affections. There are many chances with the sense of smell. First, it is imperative to exclude from the shop of any foul or bad odours. Bad smells can annoy customers and send them away. While adding a pleasant smell inside the shop will increase sales.

The importance of Touch is also given from the data about a third of consumers would like to touch the product to know how it feels. This is a substantial part of consumers, so engaging a sense of touch in a store is a must. Many brands include openings in order to feel the texture of the product. This tactic is incorporated because consumers will be more likely to purchase if they can touch the product (Ortega, 2016).

The right integration of **digital technologies instore** is one of the main questions for luxury brands. Exploiting the right digital tools, a firm can be capable of improving the experience of its customers.

People, places and things are nowadays fully connected. The most challenging issue is nowadays to delete all the friction points that be created, establishing a link with customers inside the store. The easiest way to interact with consumers inside the retail space is the integration of a public Wi-Fi instore. It can be a substitute for any other technology:

- It is a measurement of the customer activity inside the store;
- It collects data about behaviours, habits and preferences by incentivizing customers to sign up;
- It is the starting point of the personalization of the engagement thanks to the data.

As we have seen Wi-fi enables as it is called an “intelligent space” (Mason, 2019)

Another huge-impact idea is **smart fitting rooms**. People have been talking regarding the first thoughts of exploiting interactive screens and augmented reality to streamline the fitting process since 2010. Feasible circumstances materialized merely a few years ago with Ralph Lauren and Neiman Marcus. There are five main advantages retailers and buyers catch from smart fitting rooms:

1) Solving customers’ problems:

- They give fast access to information about the products in the store, available models and sizes;
- The customer can call the store assistant and request them to bring the needed item;
- They can recommend a related product enabling cross-selling and upselling.

2) Giving more information for making a purchase decision: interactive technologies support customers in making significant and conscious buying decisions.

3) Enabling Customers’ engagement: Interactive fitting rooms give the possibility to look over the available items without going back to the shopping floor. This kind of features engage the customer not just for a one-time shopping, but support creating long-term relations with the brand.

4) Increasing Sales increase: Consumer, who is comfortable instore, is more prospective to buy. Furthermore, they will build trust with the brand. So, they will respect the recommendations on display and provide their details for participating in the loyalty program to obtain tailored offers on their smartphone or during their next visits to the store.

5) Precise analytics: For a fashion brand, a fitting room is one of the critical touchpoints of converting visitors to customers. So, it is the best place to gather analytics about how a customer interacts with goods. It is difficult to get such insight without the help of interactive in-store technologies. A smart fitting room can track how many items the customer tried on and how many they purchased. It will record a consumer’s purchase history instore and will compute the conversion.

The notion of interactive fitting rooms are not at all related to the idea of smart mirrors, that better fit for small-size designer stores. All their functionality can be used using affordable devices like tablets and touchscreens, and the usage of the technology can be scaled differing on the size of the store and its product range (Facelet, 2017).

Always concerning the AR these technologies to create a customer experience that can differentiate the offer of a brand from increasingly aggressive competition. The analysis of some case studies makes it clear that Augmented Reality is not only great potential but a concrete reality, capable of supporting online marketing strategies and online to offline sales. Product customization (mass customization) is a quality of the offer indispensable to meet the needs of the consumer and his natural desire to decide the characteristics of the product he intends to purchase. Also, in this case, Augmented Reality and 3D projection technologies play a decisive instrumental role, as shown by the NIKEid Direct Studio set-up. The installation, located in Nike's London stores, allows the customer to configure the neutral shoe on the iPad and see the result in real-time thanks to a 3D mapping system. The application, created for the training of employees, ended up being the main attraction of the Nike Store even for end consumers. For the famous American sports brand, this is the second significant experience, after the installation in 3D projection mapping carried out in the Nike Store in Paris in 2015 (Trofa, 2018).

Another example is the Gucci app that introduces a new feature, dedicated this time to the world of sneakers (fig 3.8) On the app of the Maison, it will be possible to virtually test the brand's Ace Sneaker, the absolute bestseller of the label directed by Alessandro Michele. The newly introduced novelty has been developed in collaboration with Wannaby, a start-up leader in the world of augmented reality specialized in Try-On technology. It is simple to use and very intuitive: users can choose between different versions of Ace Sneaker on the screen, and then pointing the camera at their feet it will be possible to see how the sneakers would stand. Thanks to the direct connection to the gucci.com website, customers can then directly buy the sneakers they have tried through augmented reality. Users will also be able to take photos with sneakers on their feet and post them on their social media.

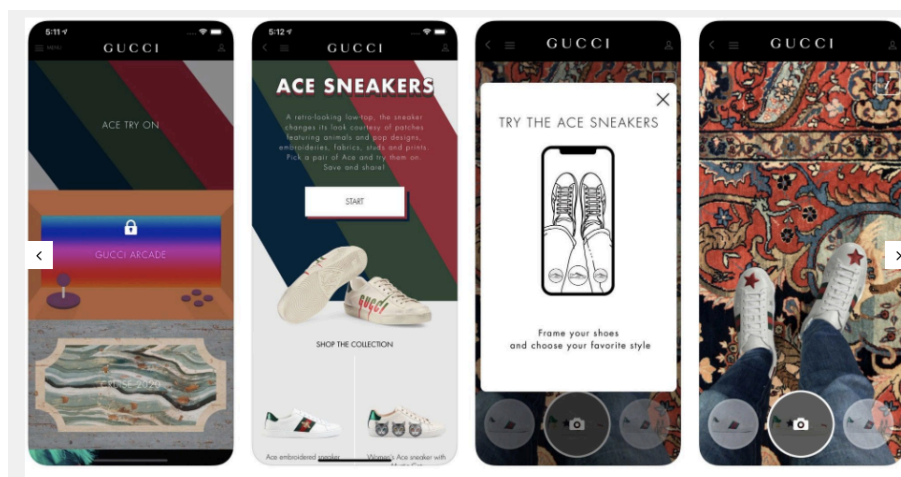


Fig 3.10 Try the Ace Sneaker Gucci

Digital Augmented store should lead the smartphone at the centre of the transformation or consumer interaction in order to generate and exploit the digital connection. The first step is to let the customer connect to public wi-fi in order to create a customer ID. Here is listed the process in order to increase the engagement throughout wi-fi:

- Identify by geolocation
- Target the customer
- Incentivize him to shop
- Create a link to social
- Reward social reach
- Gift digitally and transfer to other customers
- Hear customer's voice

After that is crucial to integrate Big data analytics and CRM in order to create the omnichannel experience that customers expect (Mason, 2019).

3.6.2 Salesforce

When consumers enter a store, their first contact is with salesforce. In an ideal world, salespeople are the real brand ambassador representing it through their behaviours and their image. This meeting is usually the only human interaction that customers have with the brand, so if salesforce act in the proper way, it will be remarkable and emotional. Throughout the customer journey, it is the moment in which there is a personification of the brand, customers when speaking with salesforce is as if they are in front of Mr Gucci or Mr Dior. Empathic capacity and emotional intelligence gain a primary role. Customer should perceive the brand spirit and gain all the information that they need about thanks to a proactive salesforce. If salesforce is not aligned with these factors, it will be counterproductive. There should be a brand identification that comes from the social identity theory. It declares that people try to have a psychological membership in a various social group (Tajfel, 1978) and often the self-identification with a brand helps to feel them protect and dependent (Drigotas & Rusbult, 1992). There are five factors in the salesforce- Brand identification that increases this phenomenon (Mark, 2014):

- The admiration that generates desire and dreams;
- Passion with brands are linked, and that is often shared with customers;
- Culture with salespeople should be aligned, sharing the brand's values;
- Age should be in line with the target that they represent in order to be also closer to customers;

Character assimilation is at the centre of this assimilation process. The more they are similar, the more salespeople feel at ease in selling.

Expertise is one of the essential features of the luxury market. Salesforce should be aware of everything about products, strategies, foreign languages and brands history and values. The company should provide them with intense training in every aspect. The more brand will provide training; the more salesforce will be closer to it. There are four main categories in which gaining expertise is crucial Tab 3.4:

	What?	Where?	Who?	How?	Why?
Brand Training	Brand History, Values, Strategies, Vision	Head Office, Brand Origin, Brand Museums	Brand Trainer, Marketing Team, General Manager	Brand Experience, Top Management presentation, Meet the creator	Feel and understand the brand
Product Training	Raw Materials, ingredients, Research, Production processes, Product Range	Production Site head office	Product Manager, Production Experts	Product Discovery, Sensorial Experience, product trial, product Manual	Experience the product, Acquire product expertise, Trust
Sales Techniques Training	Level 1 – Sales Fundamental Level 2- specific sales techniques (objections, vocabulary, ritual,	In-store	Retail coaches, external sales trainers, actors	Role-playing games, Sketches	Dare to sell, Transform, Develop customer Loyalty, Recruit new customers

	gestures, negotiation) Level 3- Team Management Level 4- Store Management				
Cultural Training	Intercultural Training, Languages training	International management schools/ Agencies	Intercultural Management Trainers, Language Teachers	Role-playing games, Conversation	Dare to interact with the customers interpret and understand the customer

Tab 3.7 Training Categories⁴⁵

A key element is a relationship between the team of salespeople. The more is high the team spirit, the more salesforce will relate with the brand. The strongest is the relation between the brand and the people, the kinder the whole atmosphere will be in the store. Customers are perceptive regarding this kind of atmosphere; they are capable of understanding if a team plays as a whole body or alone. A positive store atmosphere will immediately translate into customer satisfaction and higher sales. Right performing salesforce is relationship people. They like to exchange, to communicate, to share and to live key social moments. So, they are discouraged if they go to a work environment where they do not have human interaction with their colleagues. Moreover, it is essential to let them meet regularly during training and events in order to reinforce the ties between them, the brand and the company.

In our analysis, we tracked how formal is their internal relationship and how collaborative they are inside the store (Mark, 2014). In the following fig 3.10 there is the graphical representation of the theory:

⁴⁵ Retrieved from Mark, M. (2014). *Luxury Sales Force Management - Sor Winning for Winning Over Your Brand Ambassadors*. New York: Palgrave Macmillan pg 84



Fig 3.11 The impact of team spirit on brand relationship⁴⁶

Concerning the Digital-Enabled Salesforce, it is essential to report that our two main salesforce points of view: the seniors that feel digital world far from them and hostile; the younger that are pro-digitalization who are already connected in the private life they consider e-shop complementary to their work. In order to excel in the implementation of the omnichannel strategy, salesforce must merge the E-shop sphere and the Physical store sphere. They should understand that database alone is not capable of increasing sales, but omnichannel has success only if they are involved.

A brand should follow three steps in order to change the mindset:

Stressing Digital training, in order to explain the real online retail benefits and digital strategies of the brand;

Explaining that business can grow only if customers' databases are shared across platforms (online and offline);

Establishing an adequate compensation system in order to involve salesforce proactively in the digital aspect of the strategy.

Moreover, as we have already discussed Technology in-store gain the leading role, indeed 100% of the brand that we have analyzed provided their salespeople with tablet or smartphones. First of all, to check the stock all around the world, but also to increase the

⁴⁶ Retrieved from Mark, M. (2014). *Luxury Sales Force Management - Sor Winning for Winning Over Your Brand Ambassadors*. New York: Palgrave Macmillan.

quality of the service. Interactions become more fluid and instantaneous. Moreover, salespeople have existing customer data always in their device. One example is the application My Sephora that allows just scanning the customer's loyalty card to have access to all the last purchases, general information, spending power in order to provide personalized service. Profiled data also allow to better interact with VIP customers that desire to have a more personalized service both online and offline. For these reasons, salespeople should be educated, in order to exploit the benefits of the technology and to interact correctly with the customers.

3.6.3 Evidence from an interview to a Gucci's Assistant Store Manager⁴⁷

We have interviewed a Gucci's Assistant Store manager in order to understand the last initiatives of the brand to the omnichannel needs. Their most concrete answer is the project "iPad in Store". Every sales assistant has the chance to order a product for a customer from their iPad to not to lose a sale. The customer prepaid, by cash or by card, the good and in three days it is delivered comfortably at his home. This is done for a product that is not available in-store (e.g. Wrong size), to fit better the customer's needs, or to give the chance to access to exclusive collection only available instore: an example is the collection "Gucci Kids". There is a massive involvement of the salesforce. Indeed Gucci's Sales Assistant has some fixed target to reach over the omnichannel sales. The best performer as Gucci store in Europe in Naples, Bologna, Düsseldorf and London. The pilot of this project was the Bologna's store, that was organized only as a physical showroom where customers could only buy troughs iPads. Bologna was a good pilot, so Gucci scaled up in order to increase its performance.

Concerning digital instore, we have spoken about their equipment. Every sales assistant has his personal iPhone 7, and his company number in order be in touch with the customers. In every phone, there is the App "Luce" that is the CRM software; it allows us to see the customer's data live time and to understand the spending possibility of the customer. Concerning these features, Gucci's sales have to observe a KPI of private appointment with customers fixed by phone and this is linked to the variable part of their salary.

Moreover, on their phone there is also the app "Gucci to Go", that is the app made for the Gucci Network. The most important feature is the e-training which is the e-learn platform for Gucci employees. It is essential to say that Gucci monitories the time that Employees spend over the platform. For example, in the last period the company is stressing "The

⁴⁷ Extract of an interview to a Gucci' Assistant Store Manager

Human Touch", that is a course focused on the customer-centricity and the storytelling, in order to let the customer, live the Gucci's whole experience.

Gucci is using as Inventory Management platform SAP in order to have integrated virtual stock of all around the stores. In this way is easy to follow the omnichannel approach.

Recently the brand has also introduced two new roles inside the store:

The Welcome is the employee that is in charge to direct the customers to the right part of the store or the free sales assistant. This role is played in turn by each sales team member;

The Runner is the employee that is in charge to support every other employee in each task that concern the customer (e.g. bringing water, filling the form).

3.6.4 Graphical Analysis - Physical Score

Physical score is the one related to the physical experience and derives from the second two subcategories of the questionnaire: Store Experience and Salesforce. Our X_P can be defined:

$$\{x_P \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_P = 0.5\bar{x} \text{ StEX} + 0.5 \bar{x} \text{ SF}$$

The physical X is a real number in the range between 1 and 3 and is the sum of the averages weighted 0.5 of the sub-categories of the questionnaire. Furthermore, we can define X_{StEX} as the weighted average of the 27 scores relative to the Store Experience. Instead, X_{SF} is the weighted average of the 12 Salesforce related scores.

The second analysis sets the Physical Score as the independent variable and the Cagr as a dependent variable (Fig 4.2):

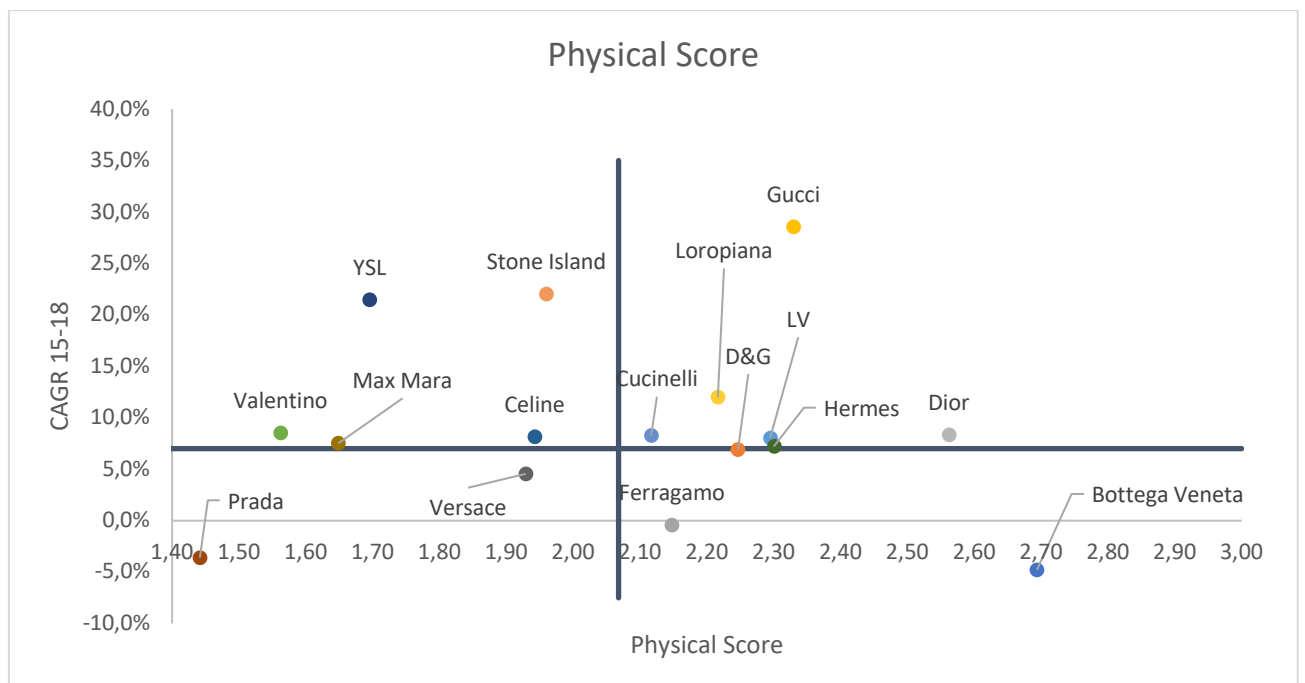


Fig 3.12- Scatter graph Physical Score-CAGR

To better understand the distribution in the plan, two straight lines have been placed within the space:

- A vertical line depicting the average Physical Score (2.07)
- A horizontal line depicting the average CAGR (7.00%)⁴⁸

Between the intersection of the two lines, a matrix is created and the positioning of the brands within it represents the relationship between Performance Physical and growth in the reference period. Let us analyze this distribution:

- 1) **Low Physical Score & Low Cagr:** Under both averages, there are only two brands (Prada and Versace). The implementation of the experience within the Store is strongly suggested. Considering physical experience, a fundamental driver in the sale of an asset. It is clear that a bad experience directly affects both the conversion rate and traffic.
- 2) **Low Physical Score & High Cagr:** in this area of space there are five brands (Valentino, Max Mara, Celine, Ysl, Stone Island) that despite not offering a physical experience at the level of competitors can maintain a sustained level of growth. The suggestion is to work a lot both on salesforce training and on the in-store experience to continue to support, or even improve, growth.
- 3) **High Physical Score & Low Cagr:** In this portion of space there are three brands (Bottega Veneta, Ferragamo and D&G) which despite physical experiences of a level above the average fail to sustain growth in line with the market. The suggestion is to invest in communication to look for new customers.
- 4) **High Physical Score & High Cagr:** In this area, there are six brands (Gucci, Louis Vuitton, Dior, Cucinelli, Loro Piana). These companies manage to maintain growth above the market average thanks to the excellent physical experience. Through in-store salesforce training and customer experience, they have achieved a competitive advantage that translates into sales growth. All this takes place thanks to the growth in traffic, the conversion rate and the average ticket. The suggestion is to continue investing in offering a superior customer experience to the market.

⁴⁸ as in the previous note

3.7 Omnichannel Area

3.7.1 Omnichannel Tools

The Omnichannel area is based upon the **six ‘must-have’ services** that are essential in a seamless customer journey. Each of them necessitates a set of dedicated capabilities to generate a top performer and tailored experience (PWC- Strategy&, 2018):

Real-time product stock availability both online & in-store

Nowadays, there is the possibility to create a live time unified view of the inventory thanks to the cloud. It is achievable thanks to the integration of the central supply chain warehouse and the ERP "Enterprise Resource Planning" system. In this way, a firm can have the best view and interact with inventory position in-store and online. Two main benefits come from this, the first one is the optimization of the retail area and the second one is the more straightforward inventory control across all the several channels. Moreover, Transparency of data for salesforce and consumer gains a primary role and could also increase instore traffic. A customer can quickly check where a product is and could either buy it instore or online. On the other hand, salesforce can have a clear view of the stock all around the warehouse and could satisfy a consumer asking to another store to send the excellent avoiding to lose the sale (Ramadan, 2017).

Across our analysis, we have found that 93% of the brand has integrated the real-time stock availability in-store while only 81% has implanted it even online. The best performer is Valentino. It together with Yoox Net-a-Porter Group (YNAP) have joined to generate a new omnichannel business model named Next Era, launched in 2018. It has been proposed to increase each shopper's retail experience. The new platform will offer Valentino consumers extraordinary online access to inventory from Valentino's physical store and logistic centres, as well as YNAP's whole fulfilment centre network (YNAP, 2017). Next Era integrates YNAP's state-of-the-art technology with a pioneering order management system, which offers Valentino an integrated outline of its inventory and a comprehensive profile of its user base. YNAP's data-driven inventory management delivers comprehensive visibility of inventory, operational efficiency and greater geographical scalability (YNAP, 2017).

Home delivery and Click & Collect

An omnichannel home delivery scheme merges each of the delivery channels to develop delivery consistency, generate additional revenue and differentiated service prospects, and

minimize delivery fees. It delivers a structure to involve the shopper throughout the customer journey from reserving a delivery appointment to evaluate the experience after the delivery. Omnichannel home delivery systems go through each of the delivery channels before setting a delivery task to get the highest leverage from internal and external delivery resources and warehouse positions for the smallest delivery fee and best customer receptiveness. Moreover, these frameworks exploit data to involve the consumer to raise satisfaction, keep extra information about the shopper's delivery preferences and push down operational expenditures in areas like the call centre. An omnichannel home delivery platform performs within all goods and home delivery methods to offer optimal delivery service. It is hugely customer-centric as it recognizes what orders already occur with consumer or are in proximity, and it offers choices in the shopping journey that exceed customers' expectations. Operational visibility is also provided within each of the delivery modes to efficiently stabilize their capacities, record delivery performance and direct customer preferences (Jones, 2015).

Concerning the home delivery throughout our analysis, only one brand (Stone Island) has not integrated the free home delivery service. All the other brands have integrated the service understanding its potential.

Click and collect, or pick up in-store, deliver to customers the best of both worlds: the flexibility and accessibility of purchasing online, besides the occasion to live the luxury in-store experience (Yieldify, 2018)

The main advantage is Cross sales, indeed with an efficacious purchase online, offline pickup approach, Online shoppers, will go in-store. Many studies show that half of the consumers who use click and collect finish concluding extra purchases while they are collecting their products (JDA Software Group, Inc., 2017). To exploit this, a firm should leverage information gathered online to generate personalized suggestions in store. This can be done by just printing proposals or illustrating consumer insights to salesforce to grow revenues.

Below are listed the explanations consumer give for exploiting click and collect services (Sorrano, 2019):

- **Save on Shipping Costs:** Customers can avoid shipping fees by picking up their goods at the store;
- **Speed of Fulfillment:** When customers need to get the item as soon as possible, they are often capable of picking up in-store during the same day;

- **Convenience:** Customers are beginning to exploit Click and Collect to accelerate their shopping;
- **Assurance:** Two of the main tasks with online shopping is guaranteeing fit and perceptive product attributes like feel and texture. Finalizing the buying in-store consents consumers to review the product before the purchasing.

The 50% of the sample has integrated this service, and, incredibly, Gucci, that is the leader of the market does not have it. The best performer that we have found is Bottega Veneta, and they are providing the pick-up services (and also return in-store with cashback) in more than ten stores. (Bottega Veneta, 2019) (fig 3.10)

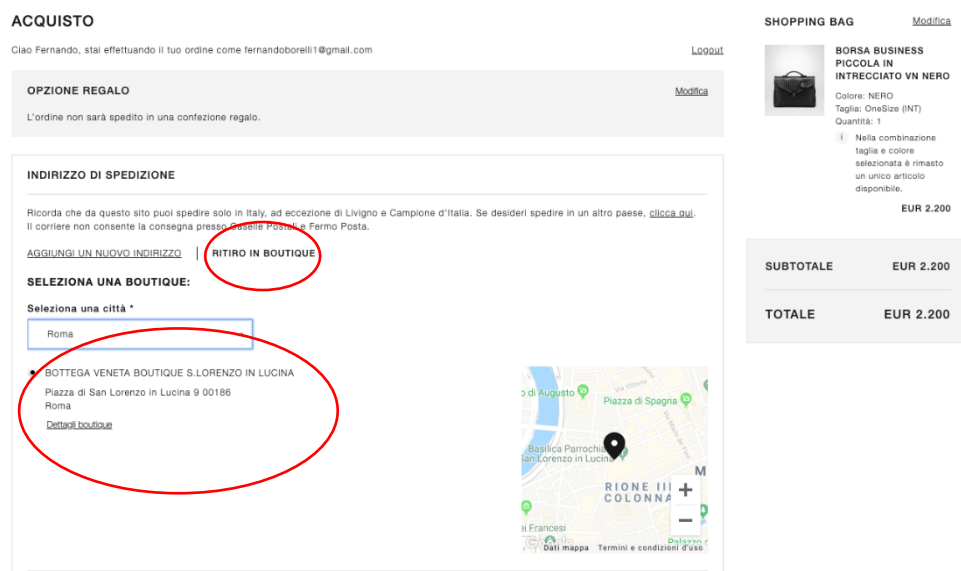


Fig 3.13 Pickup instore Bottega Veneta⁴⁹

Return in-store

Returns are a daily routine for brands that are also e-retailers. Many studies illustrate that return rates is in a range between 30 and 53 per cent (Paazl, 2017). Even though returns are an expenditure in terms of money and time, managing the will them always be a slice of retailing. In e-shop, it is even considered as that consumer supposed to be capable of returning a good if it does not satisfy their needs. When consumers shop online, they care to many elements; one is the return policies. Recent research of Baymard Institute displays that when shoppers' worries regarding the returns procedure are erased, by enabling them with the accurate information, rise the positive awareness of the brand as an all (Baymard Institute, 2018). Customers desire the returns activity to be simple: with defined policies,

⁴⁹ Retrieved from Bottega Veneta Website and the Newsletter

return labels that are contained in the shipment, an online return interface, and the option to return products in a physical store.

For many customers returning in-store is an ideal selection because of costs, convenience, faster refunds and more accessible exchanges. Let us analyze these elements:

Costs: Several consumers stare at the costs when they buy a product online, counting the price of reasonable, shipping costs, and return costs. Few retailers request for shipping fees when returning a product. Nevertheless, when customers can return a good in-store, there is no shipping fee. This product might be sold in the physical location, eluding any extra costs for the vendor.

Convenience: When a return place is near to the consumer, it may be appropriate to integrate an unexpected shopping journey with completing a return. Moreover, it reduces the customer waste of time in order to realize about return labels, moving to the post-office, or booking an appointment for a return pick-up.

Faster Refund: Numerous customers who return a good are looking for to be refunded for what they initially purchased. Taking a product to a retail store and returning it there, effects in a quicker refund than when shipping the good back to the vendor.

More natural product exchange: In specific circumstances, shoppers may desire to swap a product, for example, when a product is wrong size or when it is damaged. When a good is available in the store, they could trade it for another good.

It is useful to consider that when customers want to return an order, they are frequently already not glad about their buying. They required to have a finished good, but instead, they have to occupy extra time to return it and get money back. So, it is critical to make the returns procedure as simple as possible: for sure customers proposing in-store returns is a vital strategy to keep them satisfied.

As returning in-store is essential, it is central that consumers can effortlessly realize about return policies. So, always make sure to show the return options in a well-defined, and easy to find, way.

In an omnichannel setting having various return choices, is vital. Therefore, it should be offered as an equivalent or even the favourite way for returns. For example, take a look at Louis Vuitton, who make it stress-free to find and read about their return policies: *designing in-store and return-by-mail selections in an analogous manner*.

Another policy that retailers propose has a returns interface. Inside the interface, consumers can alert the vendor about the return. Walmart gives two return choices and is sure to express

regarding the pros of each option, guaranteeing their customers identify what to do; in this way, they increase their satisfaction.

Declaring return policies online is a necessity. Frequently, customers need to search for how to return a good online. When the guidelines are enhanced to the original order, it may erase the apprehension of returning the item even faster, again guaranteeing higher satisfaction.

In-store returns are a significant portion of the omnichannel strategy as it improves customer satisfaction. Nevertheless, executing in-store strategies can be expensive and time-consuming. Though, with the correct systems in place in store-returns (like shipments and pick-ups), produce benefits that will advantage profit and reduce costs (Marello, 2018).

Integrated Loyalty

As the substance of omnichannel loyalty attitude is allowing consumers to relate with a loyalty program overall thinkable possibilities, the necessity is to guarantee the omnipresence of the plan. The conversation concerning the omnichannel loyalty program, consequently, must go over all channels, comprising stores, website, and mobiles.

As consumers are present and purchase in the stores, a brand must communicate regarding the omnichannel loyalty program perceptible at each thinkable step of their journey in the store. Some of the valuable conducts have been shown down below (Miller, 2017):

1. At the Entrance: Produce signage on each entry points, like window and wall which are close to the entrance. It has to be a proper digital display showing all the appealing offers and benefits of the omnichannel loyalty program.

2. In-Store Announcements: salesforce should make timely communication about the omnichannel loyalty program. It will recap the consumers about its benefits. Also, the utilization of beacons to direct promotional content about the program to in-store customers throughout the mobile. The program should also be reminded to shoppers when they are checking out.

3. Signups: After making the omnichannel loyalty program as noticeable as achievable in-store, it is also essential to generate a system where a consumer can effortlessly join the program. Salesforce has to collect the contact data of the customer when he is checking out. An email form or an app is also the right way to allow it. It will produce a customer's account, and he can enrol in the program. A brand can also have kiosks in the house so that customers can join autonomously. Just like registering, clients can get their rewards in store in the same way.

Websites are the main element of omnichannel loyalty programs for a worthy reason. It is there that a brand can give all the features in an easy to use format and can also collect standardized data. Since e-shop sales advance is far outpacing retail sales, companies are creating themselves damage if they did not support their program deeply on their website. Here are some behaviour suggested (Miller, 2017):

1. On Product Pages: As shoppers use to spend more time looking online for the products, sellers receive notable traction for their omnichannel loyalty programs by inserting a call to action there. A usual design is to illustrate how many loyalty points a shopper would receive by acquiring and joining the program.

2. On Shopping Cart and Checkout Pages: If a shopper has unnoticed the call to action on the product page, they should have an observation at it while he is going towards the latest step of his journey. So the main suggestion is to have an active cut Call to Action on the cart page.

3. On the Order Confirmation Page: This is the stable phase where the customer leaves the website. So, this is the last occasion to get them enrolled in the omnichannel loyalty program. Putting a call to action here is reasonable.

Real-time Customer Service

Omnichannel customer services take all of the care a firm is proposing across several channels and merges it into an entirely seamless experience. Consumers do not consider customer care as different, isolated channels with individual teams and activities. They identify customer service as a tool to exploit or a manner to discover solutions to their requests or difficulties. Customers can call the support phone number, go on the website to utilize live chat, send an email, or chat on social media. The channel which they contact may differ by their preferences. Millennials and Gen X choose to interact with a firm through email, live chat, or social media, but mature generations like baby boomers might select a phone call. Some consumers may utilize more than one way to communicate.

As the choices for consumer service keep rising, the lines between channels can get blurred. That is the reason why it is better to link all the brands' energies into one place. So, it is possible to record every interaction that consumers have had with the brand. Every sales assistant will be informed about what individually customer desires, no matter the channel. With this approach, a support discussion that begins on Facebook can be continued over email or on a phone call with all of the background and information from prior channels. With Omnichannel customer service, a firm can be sure that the quality of care and

receptiveness on single channels and throughout multiple channels is of high level. It is where the potential is hidden (Freshdesk Blog, 2018).

3.7.2 Consistency in the Omnichannel Experience

The last elements to consider is Consistency across all channel. Users interact with organizations through several channels, including the web, email, mobile devices, kiosks, live chat, and by visiting physical locations. Any organization in an omnichannel environment should expect that autonomous channel interactions manage to generate one organized, **consistent** customer experience.

As users shift from channel to channel to finish a meticulous task or several different tasks over time, they are in touch with numerous channel experiences. Features such as graphical design, content, tone of voice, and functionality influence these. Fashioning consistency between these components on each channel improves the customer experience in addition to the brand image. The advantages of consistency in the omnichannel journey embrace (Nielsen Norman Group, 2016):

- **Familiarity and Confidence:** A consistent experience circles prospects for forthcoming interactions with the brand and shapes user confidence;
- **Learnability:** Consistent experiences are more comfortable to acquire for users who have dealt with the brand's solutions on different channels.
- **Efficiency:** When schemes and tools are consistent, consumers can complete tasks quicker and more efficiently through the selected channel in routine situations.
- **Trust:** Consumers desire consistency and firms that are able to deliver consistent experiences through channels will fast earn them trust and shape credibility.

There are three main areas of the experience where consistency might be implemented through the channel ecosystem. Consistency across all three features will generate a holistic omnichannel experience in which brand DNA is knitted like a golden thread over each touchpoint of the customer journey (Nielsen Norman Group, 2016).

- **Core functionality:** Brands' efforts to reach consistency should be primarily directed at main offerings. Their channel experiences should at least support these main tasks on each channel. It is evident that different channels have not the same competences, and some jobs might be better performed on one channel. Nevertheless, we cannot undertake that, since a channel is not perfect for a specific task, it will not be designated for that task. Some customers might not have access to the finest channel at a specified time. Beyond merely supporting the task, the central

features and workflows have to be consistent over all channels. A closer interaction approach on all channels will be familiar, will reinforce the brand, and will propose customers the opportunity to take benefit of any information picked up in prior interactions with the firm.

- **Customer Data:** To customers, a brand is one firm. They do not track separating lines between channels like companies do. For this motivation, they expect to see live-time, consistent, and useful data as they shift from one channel to another. Supplying consistent information over all channels means companies have to produce **integrated backend systems** for sharing and updating data in real-time. There should not be expectations regarding the Shoppers' understanding of complexities in backend technologies and processes to self-confidently deal with firms.
- **Visual Design:** A coherent visual story across each channel can enhance the organizational appearance in order to seem linked, amalgamated, and entirely integrated to their consumers.

3.7.3 Graphical Analysis - OMNICHANNEL Score

Omnichannel score relates to purely omnichannel services. Our X_{om} can be defined as:

$$\{x_{om} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_o = \bar{x} o$$

The omnichannel X is a real number in the range between 1 and 3 and is the weighted average of the 11 scores of the omnichannel area of the questionnaire.

The third analysis sets the Omnichannel Score as the independent variable and the Cagr as the dependent variable (Fig 4.3). This analysis is necessary to understand the degree of omnichannel maturity of the sample brands:

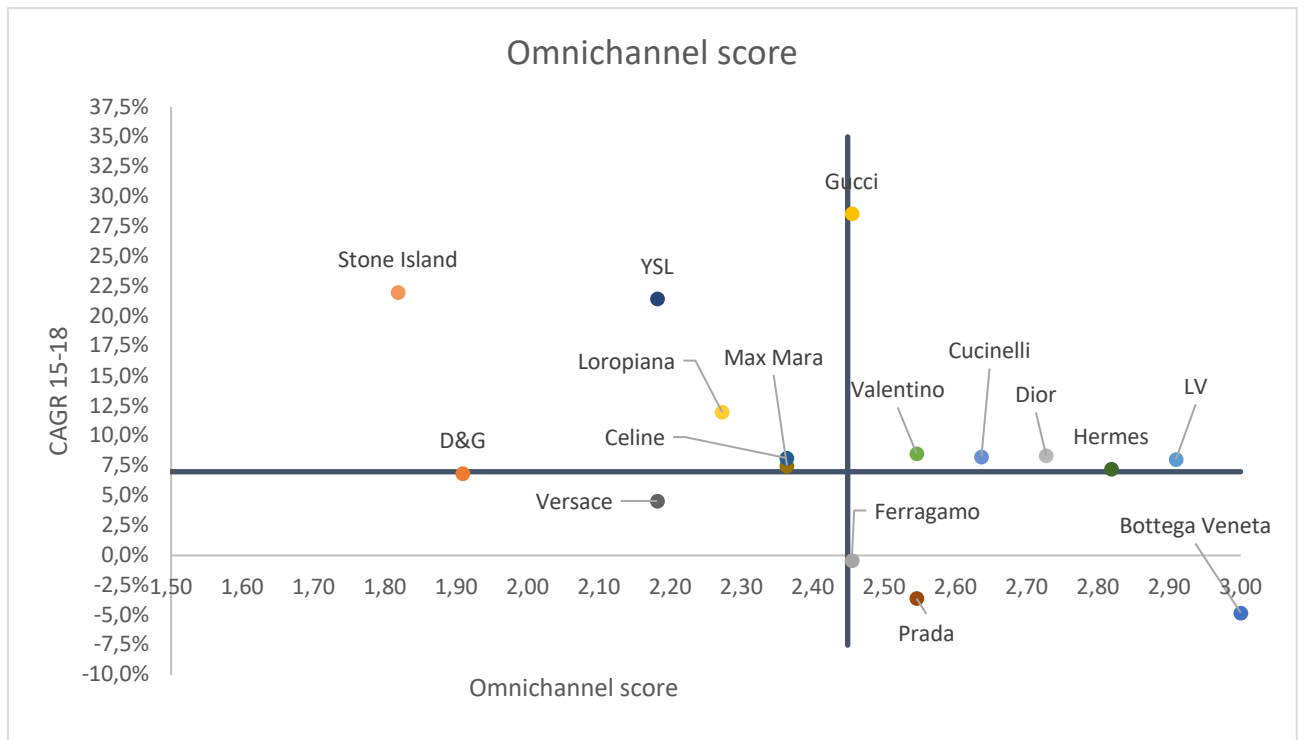


Fig 3.14- Scatter Graph Omnichannel Score-CAGR

To better understand the distribution in the plan, two straight lines have been placed within the space:

- A vertical line representing the middle Omnichannel Score (2.45)
- A horizontal line depicting the average CAGR (7.0%⁵⁰)

The first observation to make is that the average score is much higher than the other scores. Between the intersection of the two lines, a matrix is created and the positioning of the brands within it represents the relationship between Omnichannel Performance and growth in the reference period. Let us analyze this distribution:

- 1) **Low Omnichannel Score & Low Cagr:** There are two brands with low omnichannel maturity and growth below the average (Versace and D&G). These companies have implemented little omnichannel services within their strategy, and as you can see, this also affects sales. The suggestion is to invest in the implementation of an omnichannel approach to attract new consumers.
- 2) **Low Omnichannel Score & High Cagr:** The brands that have a low omnichannel score but an excellent level of growth are five (Stone Island, Ysl, Max Mara, Celine, Loro Piana). Although they are growing companies, they have not invested in services that could better support the positive trend. The suggestion is to implement

⁵⁰ as in the previous note

the omnichannel strategy to be able to implement the performance, find new customers and increase the retention rate.

- 3) **High Omnichannel Score & Low Cagr:** Three brands have an omnichannel maturity but a low Cagr (Bottega Veneta, Prada and Ferragamo). The implementation of a correct omnichannel strategy fails to drive sales. It is necessary to invest in improving other aspects of the business, such as in the right communication to attract target consumers not interested in the brand.
- 4) **High Omnichannel Score & High Cagr:** Six brands have best implemented an omnichannel strategy and are enjoying a positive growth trend (Gucci, Valentino, Cucinelli, Dior, Hermes and Louis Vuitton). Certainly, the adoption of this type of approach has produced several benefits that have translated into a constant increase in sales. By providing omnichannel services to its customers, it has increased both instore traffic, average trash and conversion rate. It is recommended to continue investing in this strategy to keep the gap away from competitors.

3.8 Empirical/statistical Analysis

In this section we will strictly focus on the creation of a model to analyze the impact of the OmniCexi Score over the financial performance of the brands contained in our sample.

3.8.1 Research Question

An in-depth analysis has been led to understand the link between a robust omnichannel experience and the performance of the firms in the luxury market.

From the literary references, previous studies, as well as logical-deductive considerations, the following hypothesis have been formulated:

Hypothesis 1: There is a correlation between OmniCexi Score and Performance

Hypothesis 2: Positive Impact of OmniCexi Score variations on Performance variables

3.8.2 Data and variables of the statistical model

We choose to insert as independent variable of the model the OmniCexi Score as it is the synthetic of the omnichannel experience throughout all the touchpoint in analysis.

As a measure of the financial performance of the brands, we decide to include as dependent variables of the statistical model the EBITDA Margin Index and the Return on Sales Index.

EBITDA MARGIN

The EBITDA margin is a balance sheet index that measures the gross profitability of sales. It measures the percentage of turnover that remains after the cost of labour and consumption for materials and services have been subtracted. It is a useful indicator for intertemporal comparisons to see if management has improved or not while its use in comparisons between companies is difficult.

$$EBITDA\ Margin = \frac{EBITDA}{SALES} \%$$

ROS

Return on Sales (ROS) is a financial statement indicator widely used when evaluating a company and a potential investment in a stock.

$$ROS = \frac{NET\ INCOME}{SALES} \%$$

The ROS formula is straightforward; it is the simple relationship between the Net income and the sales achieved in a given period. The ROS, as for the other financial statement indicators, is expressed as a percentage.

ROS, as we have seen, relates operating profitability and revenues. Therefore, it expresses nothing but the operational profitability of the company concerning sales made in a predefined time frame. In essence, the ROS expresses the amount of net revenue achieved for each euro of turnover.

The ROS index then evaluates the efficiency of the company in the studio in generating profits concerning the turnover achieved. High ROS values indicate a good state of health of the company while declining values indicate that something is wrong. ROS is generally used in several ways.

Below is TAB 4.3, which shows the variables considered:

Brand	OmniCexi	EBITDA Margin 2018	ROS 2018
Dior	2,67	25%	14,8%
Louis Vuitton	2,63	37%	43,8%
Gucci	2,56	42%	39,5%
Bottega Veneta	2,53	26%	21,8%
Hermes	2,50	39%	35,2%
AVG	2,19	23,37%	17,59%
D&G	2,18	13%	2,8%
Ferragamo	2,18	16%	6,5%
Loro Piana	2,09	18%	21,8%
Valentino	2,08	15%	6,0%
Prada	2,04	17,30%	6,5%
Versace	2,03	7%	2,2%
Brunello Cucinelli	2,00	20%	14,5%
Celine	1,95	16,67%	14,4%
YSL	1,93	29%	26,3%
Max Mara	1,89	22%	13,7%
Stone Island	1,82	26%	15,7%

Tab 3.8 Variables of the model

3.8.3 Bravais Pearson coefficient

In this paragraph, we will understand if there is a positive relationship between the OmniCexi score and the performance, and for this reason, we will use the linear correlation coefficient of Bravais Pearson. It is represented with the letter **r**. The linear correlation coefficient of Bravais Pearson measures the type and intensity of the linear relationship between two variables X and Y. The linear correlation coefficient varies between -1 and +1.

The sign of **r** (+ or -) gives information on the type of relationship:

the positive sign indicates that the two variables increase or decrease together (positive linear relationship)

the negative sign indicates that the increase of one variable the other decreases and vice versa (linear negative relationship)

The absolute value of **r**, which varies between 0 and 1, gives information on the strength of the linear relation:

Is the maximum (assumes value 1) when there is a perfect linear relationship between the two variables.

Tends to reduce as the intensity of the linear relation decreases and assumes the value 0 when it is zero.

The Formula⁵¹ Is as follow:

$$r = \frac{Cov(XY)}{SxSy}$$

We will calculate the Bravais Pearson coefficient for two relations:

The OmniCexi Score set as an independent variable X and the EBITDA Margin as a dependent variable

$$r = \frac{0.02465}{0.2873 * 0.01766} = 0.6455$$

The OmniCexi Score set as an independent variable X and the ROS as a dependent variable

$$r = \frac{0.02083}{0.2873 * 0.1329} = 0.5633$$

⁵¹ Where CovXY is the covariance between X and Y, Sx is the standard deviation of X and Sy is the standard deviation of Y.

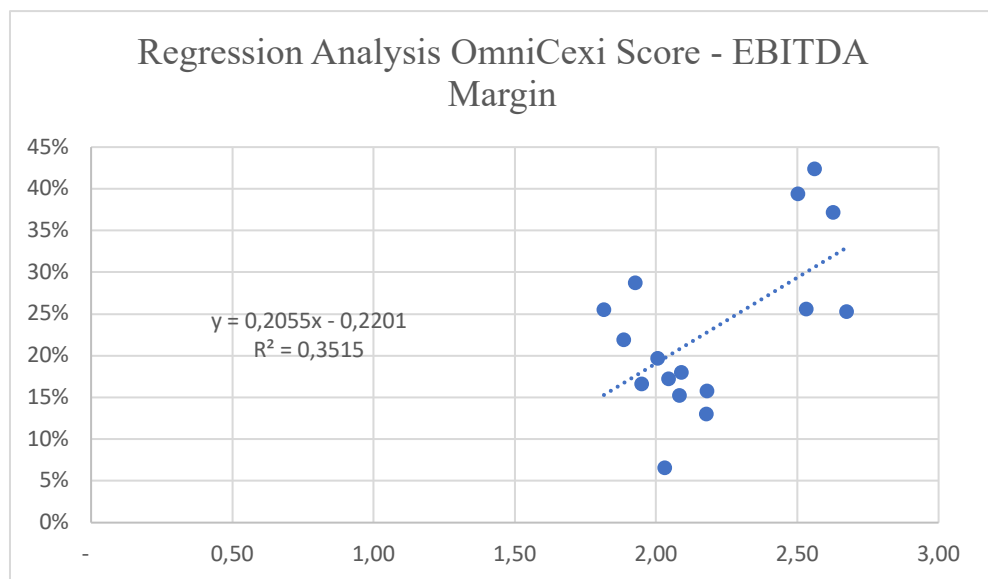
In our case, both are positive, so there is a positive linear relationship. In particular, the Bravais Person coefficient is greater in the first case, and for this reason, the relation between OmniCexi Score and EBITDA Margin will be studied with a regression line while the model that relates the OmniCexi Score and the ROS will be used as Robustness Check.

3.8.4 Regression OmniCexi Score - EBITDA Margin

The regression line that correlates the OmniCexi Score as an independent variable and as a dependent variable, the EBITDA Margin is linear.

The equation of the line is the following:

$$y = 0,2055x - 0,2201$$



<i>Regression Statistics</i>	
Multiple R	0,592885251
R Square	0,351512921
Adjusted R Square	0,305192415
Standard Error	0,083045881
Observations	16

Analysis of Variances

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0,05233644	0,052336442	7,588710775	0,01549938
Residual	14	0,09655266	0,006896618		
Total	15	0,1488891			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-0,220144538	0,164842783	-1,335481812	0,203026416
OmniCexi Score	0,205530348	0,074609127	2,754761473	0,01549938

From the output obtained we can note R square is around 35% with an adjusted R square of ~ 31%. The fit of the model is good. The R square indicates a relatively small amount of dispersion around the regression plane. This suggests that the factors which are considered to be related to the performance of the company can capture it to a satisfactory extent.

Anyway, statistically speaking, only 35% of the variation in the dependent variable can be explained by a variation in the independent one. As said before, the test is significant, so it is possible to infer that at the population level, the same relation will be verified.

The interpretation of the intercept in ours does not have statistical values. As far as the slope is concerned, it refers to the effects that involve unit increases of the independent variable on the dependent variable. In our case, being the positive slope, for each additional unit in OmniCexi it is estimated an average increase of +0.2055 on the EBITDA Margin.

The Anova test highlights how there is a consistent variability between the different groups. Since the signifier F is smaller than a predetermined α (error level 0.05), we can conclude that the null hypothesis is rejected and that alternative hypotheses are accepted. Since the null hypothesis is not supported, therefore the variances are not homogeneous among them. The averages are, therefore, different from each other, and there is variability within the groups.

In summary, we can say that the groups present a strong variability in terms of EBITDA margin.

Since the P-value is very low (0.015) and lower than the variable x, the model is extensible at a population level. Since this is positive, there is proportionality. So as one variable increases, the other is likely to increase as well. Since it is also lower than 0.05 in the case of our variable, it is to be considered significant.

A model should never be interpreted, suggesting a causal-effect relationship between the two variables. Therefore, we are perfectly aware that the significance of the slope parameter does not allow one to conclude that increasing OmniCexi Score means increasing EBITDA Margin.

3.8.5 Robustness Check on ROS

A Robustness Check will be carried out by relating the OmniCexi Score and the Ros. This is necessary to confirm the results obtained from the previous analysis:

$$y = 0,2523x - 0,3744$$

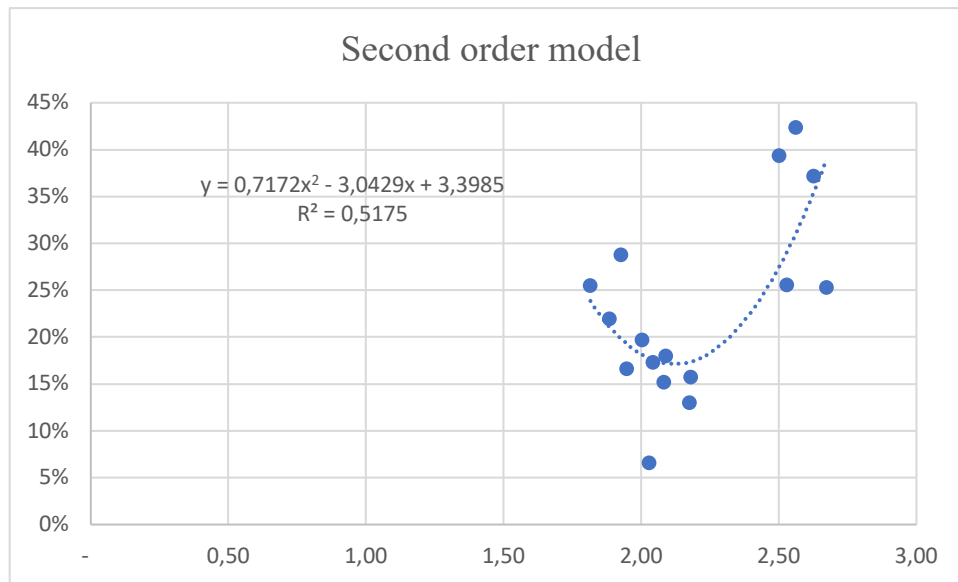
<i>Regression Statistics</i>	
Multiple R	0,565331362
R Square	0,319599549
Adjusted R Square	0,270999517
Standard Error	0,10949165
Observations	16

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-0,374410613	0,217336586	-1,722722435	0,106944726
OmniCexi Score	0,25225493	0,098368231	2,564394287	0,022480643

In both cases, the P-value is lower than the 0.05 threshold and is lower than the variable coefficient. Moreover, even this regression has an R square sufficient to affirm good adaptability of the model. We can conclude that the robustness check confirms what was showed in the previous regression.

3.8.6 Takeaways and limitations

There are various limitations to consider before the conclusions. The first one concerns the relative simplicity of the linear model. It is likely that with a second-order polynomial model, we would have had the opportunity to explain the observed values better. We note that using this type of model the R square grows up to ~ 52%.



The most important limitation is about the relatively low number of observations. The small size of the sample comes from the difficulty of recovering the financial data of luxury companies. If there is a possibility of having more data available, the sample would be wider. The questionnaire could be subjected to more people to reduce subjectivity, but they should be aware of the principles of the omnichannel approach.

Moreover, R square is influenced by the fact that the independent variable is unique with more variables we could have had a higher R square but with less probability of finding factors that could statistically influence the dependent variable significantly.

After considering these elements, we can say that both Hypothesis 1 and two are validated by the analysis we have led. There is a positive correlation between OmniCexi Score and Performance.

Conclusions

From this work the importance for firms to adapt their strategy to the new way of conceiving the whole experience for the customer, in an integrated and coherent way through all the touchpoints involved; as shown in chapter one, technology has enabled new kinds of strategies. The shift has been done previously with the coexistence of physical and digital and then progressing towards omnichannel, whose real innovative feature is the focus on the customer's renewed needs and the value offered to him throughout the whole shopping journey. Then we update the Brand identity model, adding the omnichannel identity as an element that impacts directly not only firms process and operation but also the brand image.

The customer, as literature shows, gains a primary role in the current context: "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply spending his money elsewhere"⁵². We started our analysis understanding the arena where luxury fashion firms are playing and the most needs of the customers they serve. To do this, we firstly segment the personal luxury goods market and then we implement two kinds of customer segmentation: a psychographic one regarding omnichannel shoppers and a socio-demographic one. After understanding with whom brands are playing, we figured out how to deal properly and what technologies and action implement in order to deliver the true omnichannel experience to the right target.

In the last part of the work, we started mapping the touchpoints that brand connects brands and customers. From this map, the literature review and previous studies, we outline the OmniCexi framework to evaluate the overall customer experience correctly. From this methodology of analysis, we have got four outputs: Digital Score, Physical Score, Omnichannel Score and OmniCexi Score. The first three analyze their macro areas of competence, and the fourth is the overall synthetic score.

We have analyzed a sample of luxury fashion firms in order to define what are the best practices and what are the Omni-champion of the market. To do so, we have analyzed in-depth each of them and then done a graphical analysis plotting the four scores in relation to the CAGR (15-18).

The last analysis done has been a linear regression to define the impact of our model on the revenues of luxury fashion firms statistically. As predicted by the hypothesis presented, by considering the model the overall model, the right implementation of the omnichannel strategy has a considerable impact on the profitability of firms in the luxury

⁵² Sam Walton, founder of Walmart

fashion market. Hence, it has been demonstrated, both literarily and analytically, it creates a real competitive advantage thanks to the best practices that we have shown, like for example Gucci, Dior or Louis Vuitton.

Omnichannel strategy is an opportunity, but also a difficult challenge: change is radical and implies the adoption of the right culture aimed at ensuring a seamless and coherent experience for the customer, definitely overcoming the barriers between the physical world and the digital world.

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Summary

Introduction. The digital revolution has changed how people live their life irreversibly. This affects with enormous impact on shopping experiences. It is starting from the customer who becomes hyper-connected arriving at the store that is digitally enabled. The accommodate these changes in the business environment firms have modified their old-fashion push-based, brand-centric view to another identifying and switching to an economy of connected experiences that are co-owned by the company and the customer. This hyper-integrated brand experience is denoted as Omnichannel Experience. This approach enables consumers to use channels seamlessly and interchangeably and experience the channels uniquely. We will focus our studies in luxury premium fashion market in order to understand how firms are facing these environmental changes.

The aim of the paper is to investigate the theme of omnichannel, starting from its roots and following the path that is leading more and more business to integrate their physical experience with the digital one, to then focus attention on the impact of a strategy omnichannel for luxury fashion companies, based on the changed relationship with the customer. Moreover, we will formalize an analysis framework to correctly evaluate the state of the art of the brands with regards to the omnichannel approach.

Literature review

Producers of products and services need to set up at least one channel to go to market. Through this path, they have contact with potential buyers, turn prospects into profitable customers and grant the orders that consumers place. The role of channels is not only to serve the markets but also to make them. Marketing channels represent an opportunity cost. (Coughland & Anderson, 2002). The critical role of channels is to provide product and services to customers whenever, wherever and how they desire. Strategically speaking, it is clear that the management of channel activities leads to competitive advantage if well executed. It could either lower the costs or differentiate the final product to a new market generated by the channel members. This advantage can be defined strategic because it is durable in time, not easy to create and hard to emulate (Stern & Weitz, 1997).

Each channel is a point of connection between the firm and the customer. They are called customer touchpoint, and they represent an episode of direct or indirect contact with the brand or the firm (Verhoef, Kannan, & Inman, 2015). This episode could be a purchase experience, personal or mass communication, but also a casual observation (Kotler, Keller, Ancarani, & Costabile, 2017). Customers live experiences whenever they "touch" any portion of the product, service, brand or organization, through many channels and at a

different point in time (Pantano, 2015). The series of touchpoints composes the journey that consumer life to carry on defined shopping behaviour. So, Customer experience has gained a fundamental role in the relationship between customer and producer and could be considered as an overall valuation based on the accrual of experience (Rose, 2012). Firm owners and top management now more than ever have a huge challenge: allocation of budgets and management time across the broader range of touchpoints that are in the customer decision journey (Court, Elzinga, Mulder, & Ole, 2009).

A **single channel strategy** means that a producer or a retailer use only one channel option to reach the final customer. This kind of strategy decreases marketing expenses and organizational complexity (Coelho, Easingwood, & Coelho, 2003).

The multichannel strategy allows companies to create lasting customer interactions by concurrently giving their customers and prospects information, goods, services, and support (or every mixture of these) that is two or more synchronized channels (Rangaswamy & van Bruggen, 2005). Through a wise synchronization of its channels, a company can develop better channel service outputs and leaves its consumer fewer purposes or occasions to switch to competitors because of inopportune channel access, or loss of governor in relating with the firm. From a brand experience point of view, firms must to positively manage customer relationships according to customers' preferences. These touchpoints might involve printed materials, smartphones, newsletter, physical retail stores, digital media, including e-commerce and mobile platforms (Kushwaha & Shankar, 2005). It is necessary to have a total image of their customers through all their different channels, and also to play as one firm to manage the channels in satisfying their consumers' needs.

The origin of the word comes from Latin, *Omnis* stands for "all" or "entire", that means "all channels jointly" (Juaneda-Ayensa, Mosquera, & Si, 2016). Omni-channel approach consequently is centered on the customer creating a "holistic" purchase experience in which a consumer's journey is fluent and continuous, regardless of the channels used (Gupta S. L., 2004). In an omnichannel context, the most relevant interaction is not with the channel but with the company at a brand-level (Piotrowicz, 2014). The focus of the omnichannel approach is on delivering value for the consumer creating a superior customer experience (Verhoef et al., 2009).

The omnichannel approach needs the integration of consumer touchpoints to guarantee a seamless customer experience, conducting to sales created on enhanced interactions. In an omnichannel approach, the conventional separation between bidirectional communication channels and single-way communication channels blurred. Customers' touchpoints can be

brief, single-way or double-way interactions between consumers and companies, and the trade can be somewhat superficial or deeper.

To fashion a solid brand image, a firm should create concrete and shared a brand identity. Subsequently, it has to communicate this identity consistently and relevantly to the consumer throughout all the touchpoints. Branding aims to create the right integration; the brand is in many locations at the same moment, and everything should be coherent. In particular, in the luxury and fashion context, this topic is relevant because of the many product categories, distribution channels and communication vehicles.

. To modify the positioning, firms could leverage four drivers: Heritage, style retail and communication. These drivers define strategies for products, distribution and communication. The model was missing three key elements in the actual socio-economic context that are essential: Customer Experience Identity, Digital Identity and Sustainability Identity (Fei, 2018). Throughout our research, we have identified another block to add to the framework:

- **Omnichannel identity:** As it has been stated before, in an omnichannel approach, the most critical interaction is not with the channel itself but with the brand (Piotrowicz, 2014). It creates a solid relation between omnichannel approach and brand image. It is possible to affirm that every type of contact happens with the brand, which gives a unique and shared identity in each touchpoint. Leveraging this block gains a central role in this model.

Chapter 2. The whole luxury market was esteemed about € 1.2 Trillion in 2018. Our analysis will consider the Personal Luxury Goods segment⁵³. Its value is around € 260 Billion, and it accounts the 22% of the total market (Bain & Company, 2018).

Going more the deeper in this segmentation according to three criteria (Price positioning, Distribution and Media Plan), we can define four other segments (Fig. 2.1) (Festa & Cucco, 2018): Mass market, Branded mass, Premium brand, Luxury brand.

After outlining the whole context of the industry, this work will be focused on the last two segments: Premium and Luxury, that are more customer-centric. The next step of our analysis will be on understanding who is the consumer and what are their needs in an industry that is shifting to an omnichannel approach.

Now, different trends, fast digital transformation and evolving customer preferences and behaviours are tailoring a different landscape in which old corporate strategies are not as effective as before (Deloitte, 2018).

⁵³ Personal luxury goods market includes Apparel, Accessories, Hard luxury and Beauty

One of the most influenced by digital is the Fashion market. Making a step further and focusing on the luxury market, researches have shown that about 20% of personal luxury sales will be online. Digital is delivering an even more significant influence on how luxury consumers select brands and products. Nearly four-fifths of luxury sales now are "digitally influenced"; this means that, in their luxury purchase journeys, consumers interact with one or more digital touchpoints. The typical luxury consumer has a hybrid online/offline journey, looking for the recommendation of peers on social network or researching advice from reliable bloggers before going into a physical store, then posting about their shopping subsequently. Pure online sales account 8% of the total having a value of about €20 billion. Instead, Sales influenced by online are 70% of the total, accounting €178 Billion. Luxury consumers who have pure offline the customer journey are disappearing, they represent the 22% of all luxury consumers and delivering a value of €56 Billions (Fig 2.3) (McKinsey & Company, 2018).Bain & Company forecasts that by the 2025 pure online channel will be 25% of the whole market and 100% of luxury sales will be influenced by at least one online touchpoint. Now it is a reality; the choice for luxury firms is to go digital or die.

Moreover, digital is altering the outline and structure of the luxury market. New products, innovative business models, and new channels have been created.

The dilemma is between: Delivering outstanding omnichannel purchase journey or Staying exclusive & protecting the uniqueness of store experience (PWC- Strategy&, 2018). Being too conservative and fossilized on the traditional strategies will destroy market share and competitive advantage, but Brand needs to be customer-oriented in the right way and to adapt actions to the changes in the environment.

Indeed, the most significant change that they are producing is giving is the adoption of mobile for any issue, mostly regarding online shopping. Mobile is prevailing over PC. Digital is not anymore; just a sale or communication channel. Instagram is the novel store window, and digital now is the leading strategies for re-shaping the function of the store and the customer experience (McKinsey & Company, 2018).

As we have outlined, today's customer is different. (Fei & Romano, 2018):

- Omnichannel and ROPO above all.
- Mobile is center of customer life.
- Customer are obsessive deal seeker.
- Customers are social.
- Customers interact with brands

Luxury is progressively a customer-to-customer economy. The customer is the centre of the buying journey, from advocacy to sales.

Concerning the personal luxury market, we have to outline what are the key elements that distinguish each category of luxury customers. To reach this goal, we will use the process of segmentation. In our analysis, we will develop two kinds of segmentation:

- A psychographic segmentation regarding omnichannel shoppers in the fashion industry
- A socio-demographic segmentation in the personal luxury market.

This first customer segmentation considers two core kinds of motivations as the foundation of omnichannel customer behaviour throughout the customer journey: extrinsic and intrinsic motivations. Based on these assumptions, we segmented omnishoppers looking to three psychographic variables: perceived usefulness, shopping enjoyment, and social influence.

The first group, covering **reluctant omnishoppers**, involves people who neither consider the integration of channels throughout the purchase process nor appreciate the shopping action and whose shopping behaviour is not affected by other subjects.

The second group consists of **omnichannel enthusiasts**, who adore to shop, perceive the benefits of omnichannel retailing, and are influenced by social opinions such as family or friends.

The last cluster is the **indifferent** one. It Concerning their omnichannel conduct, they generally use two channels throughout the shopping journey and are typically webroomers. The existence of different omnishopper segments verifies that they are not a homogeneous group and propose perception about the several motivational shapes that outline the customer journey. These results support the understanding of the singular categories of customers nowadays.

The second kind of customer segmentation is the Socio-Demographic Segmentation, our analysis will utilize the age criterion to dive the market in the cluster that shares this characteristic. Let us analyze these clusters (Bain & Company, 2018)

Generation Z composed by the people born from 1997 to 2012 (Dickok, 2019) They represent the 2% of the personal Luxury goods market actually, but they are a cluster that will lead the market in the future. It is forecasted that they will account for 10% of the whole market by 2025 (BCG, 2019).

Gen Z, as we have seen a distinctive set of behaviours and values, and brands have to understand them in order to win their heart (BCG, 2019).

The portrait of the Generation Z Luxury consumer is:

- He is individualistic
- He is back in the store, but it has to offer a connected experience
- He is logo lover, but he is not loyal to any brand
- He has a substantial luxury Aptitude
- He is a Social Consumer.

The second cluster is **Millennials**, and it involves people born between 1981 and 1996 (Dickok, 2019). It accounts actually for 30% of the personal Luxury goods market, and it is expected that they will represent almost 45% of it by 2025 (BCG, 2019). Millennials mostly grew up in the internet era: their assumptions, their social patterns and (some of) their values are different. Unlike the generations that preceded them, millennials are not necessarily more prosperous than their parents were at that age.

To sum up the millennial state of mind, we can define their mantra: "I want to buy everything, anytime and anywhere". The millennial consumer can be defined with the following characteristics (PWC- Strategy&, 2018):

- He is mobile addicted
- He is social and has a high sensitivity to a brand with a strong presence on social network
- He seeks more experience than a product
- He expects seamless and integrated omnichannel services
- He is fluid, universal and traveller

Generation X or 'baby busters' are a collection of people born between 1961 and 1981 (Dickok, 2019). They account for 38% of the personal luxury goods market, and that percentage is expected to decrease to 33% by 2025 (BCG, 2019).

To sum up how is outlined the Generation X customer we can say:

- He is Skeptical
- He is extremely loyal to the brand
- He is the ROPO customer for excellence
- He is a quality seeker
- He is the omnichannel right customer

Baby boomers are people born between 1946 and 1964 (Dickok, 2019). Boomers represent more than a quarter of the whole population; they account for the 28% of the personal Luxury goods market, and this number will decrease to 12% in the considered time horizon (BCG, 2019).

To sum up, with a representation of the Baby Boomers consumer we can find four main characteristics

- He is Deal obsessed
- He is a social media user
- He is an Instore shopper
- He is an Omnichannel Lovers

Brands also supplying a dynamic digital manifestation, have to operate in an omnichannel context. A realistic omnichannel market environment wants that luxury firms to erase gaps in customer experiences throughout channels, to deliver a seamless, integrated brand experience unrelatedly of the device or physical touchpoint utilized. Facing this issue Chief Marketing Officer has new challenges to face, and for this reason, they have switched from the traditional way of doing marketing to Integrated marketing communication completely customer-centric. The old approach was based on classical customer segmentation and targeting integrated with anytime marketing campaign. Nowadays, the focus should be on engaging the "individual" customer trough the right time marketing interactions. (Fei & Romano, 2018).

To grand highest loyalty and advocacy, firms are becoming extremely personalized to reach individual consumer needs. Several of them, realizing that they can reach meaningful benefits through personalization, have begun to provide a personal touch by proactively including clients feedback. Others are replying to the rising requirement towards personalization by offering individualized products. To be concentrated on defined audience segments, while implementing the omni-personal approach, luxury firms are reshaping customer engagement procedures by exploiting data analytics tools. As luxury firms target specific consumer groups, they have to shape good relationships with every customer and deliver a superior buying journey.

Chapter 3. To implement a proper omnichannel marketing strategy, brands should observe the customer journey in a more granular way. They should map All possible touchpoints and channel throughout the journey (Fei & Romano, 2018). Considering that there are many possible combinations of channels and touchpoints with whom customers interact, firms should recognize the most common ones. The omnichannel approach should start from the integration of those most common ones. This last step will determine the achievement of the omnichannel strategy. It is relevant because firms should allocate extra budget to those touchpoints. Moreover, an organizational structure should be implemented in order to operationalize the approach. The final goal of all the company is to offer the best

customer experience while realizing the most sales from omnichannel approach (Kotler, Kartajaya, & Setiawan, 2017).

The initial sample of our analysis was defined within the 100 luxury firms analyzed by Deloitte in the Global Powers of Luxury Goods 2019 report⁵⁴. Here were considered firms that deal with Luxury goods for personal use, or the aggregation of designer clothing, footwear (ready to wear), Luxury bags and accessories, Luxury Jewelry, Watches and beauty and fragrances.

The companies that are part of the Top 100 rankings range from the traditional ultra-luxury, passing through the super-premium and aspirational luxury, up to the affordable/accessible luxury. Furthermore, they are all strong consumer brands.

The factors that affect the positioning of these companies in this spectrum are:

- Premium Price
- Quality and scarcity of raw materials
- Quality of craftsmanship
- Exclusivity of product
- Service and personalization
- Quality and exclusivity of point of sales
- At Least €200 Millions of revenues in 2018

Subsequently, this sample was reduced, excluding the Beauty and Fragrances category composed of 11 firms and the Jewelry and Watches category of 32 firms. The sample was therefore cut to 57 Firms operating in clothing and footwear, Bags and accessories and multiple luxury goods.

The sample is homogeneous and has been subjected to other limitations:

- Presence of at least one store in Rome
- Access to financial data for the four years 2015-2018
- Selection of brands within the multiple luxury firms

In this way, the final sample consisting of 16 Firms with heterogeneous performances, all operating in ready to wear and in bags and accessories, was defined.

The luxury brands were analyzed by consolidating the data from:

- Store Visits with a shopping experience of at least 30 minutes
- On desk analysis of the Website, App and Social Media

⁵⁴ First definition of sample comes from the report: Deloitte. (2019). *Global Powers of Luxury Goods 2019 - Bridging the gap between the old and the new*. Deloitte.

This screening was carried out by two Subjects of Different Gender who had as common elements:

- Part of the Millennials Segment
- Level of Education at least for bachelor's degrees
- Luxury Customers
- Spending in the last year at least higher than € 10,000 in luxury goods

The subjects carried out the experiences over 30 days, between 06/18/2019 and 17/07/2019. The analysis started from the store's visits to the brand lasting between 30 minutes and the hour, so as to be able to experience the brand Experience fully. Following the exit from the store, the Questionnaire relating to physical experience was completed. Subsequently, the on-site analysis of the website, the App (if present) and the social media directly controlled by the brand were passed. From these observations, the questionnaire related to the digital experience could be completed.

The first kind of analysis that will take place, that is the one that through scatter graphs will relate the calculated scores to the CAGR. We will plot all four relationships in space to understand better who the best performers are in the considered sample.

The independent variables of our models are the derivation of the qualitative observations carried out by the subjects who completed the questionnaire we have outlined. These are included in a range:

$$\{x \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

Qualitative observations have been quantitatively converted so that they can represent a level of experience numerically. The levels are defined as follows:

- 1: Negative experience and/or absence of the Touchpoint. There is competitive inferiority
- 2: Neutral experience. Competitive Equality. Aligned with market standards.
- 3: Positive Experience. Competitive superiority and exceeding standards.

Concerning there are four different scatter models, we have defined four independent variables: Digital X, Physical X, Omnichannel X and OmniCexiX.

During our analyses, we will consider "CAGR15-18" as dependent variable coming from the financial statements of the companies forming part of the sample.

Our framework of evaluation is the evolution of the Customer Experience Audit Framework (CEXI©) outlined by Prof. Carlo Fei. Thirteen main areas represent all the key elements that a brand should implement in order to deliver an outstanding experience. Small Groups of student act as mystery shopper. They have the task to evaluate each interaction between Brand and customer with a numeric grade in a range from 1 to 5,

The CEXI© is the average of the 32 interactions tracked by the framework. The positioning of the brand as an excellent provider of customer experience is based on the same criteria of the evaluation of the interactions.

Starting from the definition: “**OmniCexi Score** is the measures of the whole customer experience, evaluated upon three main areas that are Digital, Physical and Omnichannel Services⁵⁵⁵⁶”.

The Framework is the evaluation of 90 elements, and as a final result, it will provide a Synthetic Index as an overall measure. This score will be relevant to set the next strategical moves in order to improve a brand's positioning in the competitive arena. As it is composed of five sub-areas, after the analysis, a firm can easily understand what its strengths and its weakness are. So, it can consolidate the competitive advantage exploiting as leveraging the strength points, or it can recover the gap investing in the weak area. Moreover, we will try to demonstrate how the OmniCexi Score affects the firm's performance

The OmniCexiscore is the synthetic index that derives from the total observation of all the 90 scores of the questionnaire and from all the five sub-categories of the model. The OmniCexi Score (X_{oc}) is defined as:

$$\{x_{oc} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_{oc} = 0.2\bar{x} \text{ web} + 0.2 \bar{x} \text{ Soc} + 0.2\bar{x} \text{ StEx} + 0.2\bar{x} \text{ SF} + 0.2 \bar{x} o$$

Our OmniCexi Score is a real number between 1 and 3 and is the sum of the weighted averages 0.2. The purpose of this score is to assign a synthetic score to quantitatively assess the total experience of a brand relative to all 90 scores collected

To better understand the distribution in the plan, two straight lines have been placed within the space (Fig 3.2):

- A vertical line representing the middle OmniCexi Score (2.19)
- A horizontal line depicting the average CAGR (7.00%⁵⁷)

Between the intersection of the two lines, a matrix is created and the positioning of the brands within it represents the relationship between the OmniCexi Score and growth in the reference period. Let us analyze this distribution:

- 1) **Bad Performer:** There are four brands (Versace, Ferragamo, D&G and Prada) that have a Low OmniCexi Score & Low Cagr. In our analysis, they are considered worst performer because they were neither able to implement the customer experience at

⁵⁵ Our Theorization of the OmniCexi Score

⁵⁶ Mathematically speaking, the OmniCexi Score is the weighted average (0.2) of the score of each sub-area of the main areas, but this will be discussed in the next chapter.

⁵⁷ as in the previous note

the digital, physical and omnichannel level nor to have a growth trend in line with the market. The suggestion is to review the strategies before the gap from the competitors becomes unbridgeable. In individual cases, we recommend starting from the macro area where you are most lacking.

- 2) **Product Seller:** There are seven brands (Max Mara, Celine, Cucinelli, Loro Piana, Valentino, Stone Island and YSL) that register a Low OmniCexi Score & High Cagr. These Brands have been defined as Product Sellers because although they have recorded growth in sales, they have focused relatively little on the macro areas we considered. The suggestion is to implement in areas where they lack to continue to support the positive trend and also try to improve it.
- 3) **Experience Seller:** In our analysis, the only brand that recorded a High OmniCexi Score & Low Cagr is Bottega Veneta. The data is anomalous concerning the trend found in the analysis. We suggest continuing to invest in macro-areas, paying particular attention to Digital. The decline of Bottega Veneta is given by the lack of appeal of the brand on customer segments that are currently driving the luxury market.
- 4) **Omni-champion:** There are four brands (Dior, Gucci, Louis Vuitton and Hermes) that register both a High OmniCexi Score & High Cagr. These Brands have taken care of the customer experience in every detail, and the above-average market growth confirms the results. They have gained an important competitive advantage and should be taken as an example by competitors.

The first topic to be analyzed is the Digital Area. As we have discussed, digital technologies have gained a primary role and need to be considered as elements that affect the customer experience remarkably.

We divided the Digital Area as follows:

- 3) **Digital Owned Tools:** Corporate Web site, Corporate App
- 4) **Social Media:** Instagram, We Chat, Blog and Communities.

The Digital X variable is related to the digital experience and derives from the first two sub-categories of the questionnaire: Website & App and Social Media. Our X_{dig} can be defined:

$$\{x_{\text{dig}} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_{\text{dig}} = 0.5\bar{x}_{\text{web}} + 0.5\bar{x}_{\text{soc}}$$

The digital X is a real number in the range between 1 and 3 and is the sum of the averages weighted 0.5 of the sub-categories of the questionnaire. Furthermore, we can define X_{web} as

the weighted average of the 21 scores for the website and the App. Instead, X_{soc} is the weighted average of the 19 scores relative to Social Networks.

The store is a physical manifestation of the brand and offers a formidable opportunity to make emotional connections and influence choice. We divided the Physical Area of the analysis as follows:

- 3) **Store Experience:** Location, Welcoming, Purchase Experience (Physical Touchpoints, Purchase Experience (Emotional) Touchpoints, Five Senses Involvement (Sensorial Experience), Digital Instore (Mobile Makeover)
- 4) **Salesforce:** Relationship with the Customer, Relationship with Colleagues, Expertise, Digital Enabled Salesforce.

Physical score is the one related to the physical experience and derives from the second two subcategories of the questionnaire: Store Experience and Salesforce. Our X_P can be defined:

$$\{x_P \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_P = 0.5 \bar{x}_{StEX} + 0.5 \bar{x}_{SF}$$

The physical X is a real number in the range between 1 and 3 and is the sum of the averages weighted 0.5 of the sub-categories of the questionnaire. Furthermore, we can define X_{StEX} as the weighted average of the 27 scores relative to the Store Experience. Instead, X_{SF} is the weighted average of the 12 Salesforce related scores.

The Omnichannel area is based upon the six ‘must-have’ services that are essential in a seamless customer journey. Real-time product stock availability both online & in-store, Home delivery and Click & Collect ,Click and Collect, Return in-store, Integrated Loyalty, Real-time Customer Service.

The last elements to consider is Consistency across all channel. Any organization in an omnichannel environment should expect that autonomous channel interactions manage to generate one organized, **consistent** customer experience.

Omnichannel score relates to purely omnichannel services. Our X_{om} can be defined as:

$$\{x_{om} \in \mathbb{R} \text{ t. c. } 1 \leq x \leq 3\}$$

$$x_o = \bar{x}_o$$

The omnichannel X is a real number in the range between 1 and 3 and is the weighted average of the 11 scores of the omnichannel area of the questionnaire.

Empirical. From the literary references, previous studies, as well as logical-deductive considerations, the following hypothesis have been formulated:

Hypothesis 1: There is a correlation between OmniCexi Score and Performance

Hypothesis 2: Positive Impact of OmniCexi Score variations on Performance variables

We choose to insert as independent variable of the model the OmniCexi Score as it is the synthetic of the omnichannel experience throughout all the touchpoint in analysis. As a measure of the financial performance of the brands, we decide to include as dependent variables of the statistical model the EBITDA Margin Index and the Return on Sales Index.

In this paragraph, we will understand if there is a positive relationship between the OmniCexi score and the performance, and for this reason, we will use the linear correlation coefficient of Bravais Pearson.

We will calculate the Bravais Pearson coefficient for two relations:

The OmniCexi Score set as an independent variable X and the EBITDA Margin as a dependent variable

$$r = \frac{0.02465}{0.2873 * 0.01766} = 0.6455$$

The OmniCexi Score set as an independent variable X and the ROS as a dependent variable

$$r = \frac{0.02083}{0.2873 * 0.1329} = 0.5633$$

In our case, both are positive, so there is a positive linear relationship. In particular, the Bravais Person coefficient is greater in the first case, and for this reason, the relation between OmniCexi Score and EBITDA Margin will be studied with a regression line while the model that relates the OmniCexi Score and the ROS will be used as Robustness Check.

The regression line that correlates the OmniCexi Score as an independent variable and as a dependent variable, the EBITDA Margin is linear.

The equation of the line is the following:

$$y = 0,2055x - 0,2201$$

From the output obtained we can note R square is around 35% with an adjusted R square of ~ 31%. The fit of the model is good. The R square indicates a relatively small amount of dispersion around the regression plane. This suggests that the factors which are considered to be related to the performance of the company can capture it to a satisfactory extent.

Anyway, statistically speaking, only 35% of the variation in the dependent variable can be explained by a variation in the independent one. As said before, the test is significant, so it is possible to infer that at the population level, the same relation will be verified.

The interpretation of the intercept in ours does not have statistical values. As far as the slope is concerned, it refers to the effects that involve unit increases of the independent variable on the dependent variable. In our case, being the positive slope, for each additional unit in OmniCexi it is estimated an average increase of +0.2055 on the EBITDA Margin.

In summary, we can say that the groups present a strong variability in terms of EBITDA margin. Since the P-value is very low (0.015) and lower than the variable x, the model is extensible at a population level. Since this is positive, there is proportionality. So as one variable increases, the other is likely to increase as well. Since it is also lower than 0.05 in the case of our variable, it is to be considered significant.

A model should never be interpreted, suggesting a causal-effect relationship between the two variables. Therefore, we are perfectly aware that the significance of the slope parameter does not allow one to conclude that increasing OmniCexi Score means increasing EBITDA Margin.

A Robustness Check will be carried out by relating the OmniCexi Score and the Ros. This is necessary to confirm the results obtained from the previous analysis:

In both cases, the P-value is lower than the 0.05 threshold and is lower than the variable coefficient. Moreover, even this regression has an R square sufficient to affirm good adaptability of the model. We can conclude that the robustness check confirms what was showed in the previous regression.

There are various limitations to consider before the conclusions. The first one concerns the relative simplicity of the linear model. It is likely that with a second-order polynomial model, we would have had the opportunity to explain the observed values better. We note that using this type of model the R square grows up to ~ 52%.

The most important limitation is about the relatively low number of observations. The small size of the sample comes from the difficulty of recovering the financial data of luxury companies. If there is a possibility of having more data available, the sample would be wider. The questionnaire could be subjected to more people to reduce subjectivity, but they should be aware of the principles of the omnichannel approach.

Moreover, R square is influenced by the fact that the independent variable is unique with more variables we could have had a higher R square but with less probability of finding factors that could statistically influence the dependent variable significantly.

After considering these elements, we can say that both Hypothesis 1 and two are validated by the analysis we have led. There is a positive correlation between OmniCexi Score and Performance.

From this work the importance for firms to adapt their strategy to the new way of conceiving the whole experience for the customer, in an integrated and coherent way through all the touchpoints involved; as shown in chapter one, technology has enabled new kinds of strategies. The shift has been done previously with the coexistence of physical and digital and then progressing towards omnichannel, whose real innovative feature is the focus on the customer's renewed needs and the value offered to him throughout the whole shopping journey. Then we update the Brand identity model, adding the omnichannel identity as an element that impacts directly not only firms process and operation but also the brand image.

We started our analysis understanding the arena where luxury fashion firms are playing and the most needs of the customers they serve. To do this, we firstly segment the personal luxury goods market and then we implement two kinds of customer segmentation: a psychographic one regarding omnichannel shoppers and a socio-demographic one. After understanding with whom brands are playing, we figured out how to deal properly and what technologies and action implement in order to deliver the true omnichannel experience to the right target.

In the last part of the work, we started mapping the touchpoints that brand connects brands and customers. From this map, the literature review and previous studies, we outline the OmniCexi framework to evaluate the overall customer experience correctly. From this methodology of analysis, we have got four outputs: Digital Score, Physical Score, Omnichannel Score and OmniCexi Score. The first three analyze their macro areas of competence, and the fourth is the overall synthetic score.

We have analyzed a sample of luxury fashion firms in order to define what are the best practices and what are the Omni-champion of the market. To do so, we have analyzed in-depth each of them and then done a graphical analysis plotting the four scores in relation to the CAGR (15-18).

The last analysis done has been a linear regression to define the impact of our model on the revenues of luxury fashion firms statistically. As predicted by the hypothesis presented, by considering the model the overall model, the right implementation of the omnichannel strategy has a considerable impact on the profitability of firms in the luxury fashion market. Hence, it has been demonstrated, both literarily and analytically, it creates a real competitive advantage thanks to the best practices that we have shown, like for example Gucci, Dior or Louis Vuitton.

Omnichannel strategy is an opportunity, but also a difficult challenge: change is radical and implies the adoption of the right culture aimed at ensuring a seamless and

coherent experience for the customer, definitely overcoming the barriers between the physical world and the digital world.

General Information	
Brand	
Store Location	
Data Digital Evaluation	
Data instore Evaluation	
Who evaluate	
Acting	
Street Address	
City	
Hour In	
Hour Out	

Omnichannel Index - score results			
Touchpoints		Assigned Weight	Final Score
Digital	Corporate Website/APP		0,2 #DIV/0!
	Digital - Social Media		0,2 #DIV/0!
Physical	Store Experience		0,25 #DIV/0!
	Salesforce		0,25 #DIV/0!
omnichannel	omnichannel Experience		0,1 #DIV/0!
OMNICEXI SCORE			1

Customer Experience (3Moby speaking)
 Main brand values - 1 (if tracked)
 Main brand values - 2 (if tracked)
 Main brand values - 3 (if tracked)
 Is this customer experience able to communicate, emphasize, transfer the brand values, maintain the brand promise and built loyalty exceeding customer expectations?

A) Digital			
Corporate Website/APP			
Area	Assigned Score (1 to 5)	Comments	Partial Score #DIV/0!
Layout			
Navigability			
Web communication			
Mobile Friendly			
Account Benefit			
Assortment			
Price & Promotion display			
Online Product Like & Feel (360° view, description, picture, video)			
E-commerce Shopability			
Online Customization			
Web-Blog			
Newsletter			
Visible references to sustainability/social responsibility online			
Alignment with the brand values			
Locate closest boutique			
Brand storytelling			
Traffico medio mensile			

APP			
Area	Assigned Score (1 to 5)	Comments	
Overall Evaluation			
Gamification			
Link to tech (e.g. AI, ...)			

B) Digital - Social Media			
Instagram			
Area	Assigned Score (1 to 5)	Comments	Partial Score #DIV/0!
Communication			
Profile Layout (colour, type of post..)			
Instagram boutique			
Event report			
Followers			
Stories (type, daily post)			
Post (content, avg post)			
# of post			
AVG Like			
comments			
UGC (number of hashtag post. type)			
interactions with followers			
IGTV			
Instagram takeovers			
We Chat			
Area	Assigned Score (1 to 5)	Comments	
Profile			
Forced Ranking			
Mini Program			
Blog/communities			
Area	Assigned Score (1 to 5)	Comments	
Presence of blog/communities			

C) Store Experience			
Location			
Area	Assigned Score (1 to 5)	Comments	Partial Score #DIV/0!
Location (easy to go, best street)			
Wellcoming			
Area	Assigned Score (1 to 5)	Comments	
Greeting/saluto			
Care, attention to customer/attenzione alla persona (if sensation of being strained/controlled/sensazione di pressione/controllo or not considered/ignorata mark 1 or 2)			
First impression, feeling/prima impressione			
Purchase experience (physical) touchpoints			
Area	Assigned Score (1 to 5)	Comments	
Merchandising			
Assortment			
Purchase experience (emotional) touchpoints			
Area	Assigned Score (1 to 5)	Comments	
Interior Design			
Visual Merchandising			
Surprising aptitude			
Entertainment			
Visible references to social responsibility in store			
Visible references to sustainability in store			
5 senses involvement (sensorial experiences)			
Area	Assigned Score (1 to 5)	Comments	
Sound/ Music			
Smell			
Visionary branding approach			
other sensorial experience			

Digital In store		
Area	Assigned Score (1 to 5)	Comments
Guest Wi-Fi (Free Access, Profiling) Smart Changing room Digital Entertainment Gamification NFC/ QR Code Device (Ipad, computer, smartphone) Surprise feeling		

D) Salesforce			Partial Score
Relationship with customers			#DIV/0!
Area	Assigned Score (1 to 5)	Comments	
Empathy/empatia Willingness/propensione al servizio Interpretation of customer needs/interpretazione del bisogno Kindness,courtesy/cortesia Consistency to company values/adesione ai valori aziendali			

Relationship with Collogues		
Area	Assigned Score (1 to 5)	Comments
Formal/informal approach/stile: informale/formale Teamwork attitude/collaborazione		

Expertise		
Area	Assigned Score (1 to 5)	Comments
Knowledge of foreign languages/conoscenza di lingue straniere Product expertise/competenza sul prodotto		

Socio-cultural Background		
Area	Assigned Score (1 to 5)	Comments
Adequate to company style/adeguatezza allo stile aziendale		

Digital-Enabled Salesforce		
Area	Assigned Score (1 to 5)	Comments
Digital Knowledge Personal Device (Tablet, Smartphone)		

E) OMNICHANNEL Experiences			Partial Score
Best/worst Practices			#DIV/0!
Area	Assigned Score (1 to 5)	Comments	
Online offline Consistency Real Time product Availability (instore) Click & Collect in store Online customer service (mail, live chat) Delivery (timing, fee) Return Policies Live store Availability Digital Customer card (wishlist) Smart Payments Home Delivery Online Instore help Online Boutique appointment Booking			

Best/worst Practices		
Area	Assigned Score (1 to 5)	Comments
Online offline Consistency Real Time product Availability (instore) Click & Collect in store Online customer service (mail, live chat) Delivery (timing, fee) Return Policies Live store Availability Digital Customer card (wishlist) Smart Payments Home Delivery Online Instore help Online Boutique appointment Booking		

Best/worst Practices		
Area	Assigned Score (1 to 5)	Comments
Online offline Consistency Real Time product Availability (instore) Click & Collect in store Online customer service (mail, live chat) Delivery (timing, fee) Return Policies Live store Availability Digital Customer card (wishlist) Smart Payments Home Delivery Online Instore help Online Boutique appointment Booking		

N.B.-Numeric grade (score 1 to 5)
3 - remarkable (always exceed expectations)
2 - neutral, acceptable, (common experience, competitive parity, meets middling expectations)
1 - never again (an "outstanding" negative experience)

OMNICEXI FRAMEWORK

Brand	Digital	Physical	Omnichannel	Omnicexi
Dior	2,76	2,56	2,73	2,67
Louis Vuitton	2,82	2,29	2,91	2,63
Gucci	2,84	2,33	2,45	2,56
Bottega Veneta	2,13	2,69	3,00	2,53
Hermes	2,54	2,30	2,82	2,50
D&G	2,24	2,25	1,91	2,18
Ferragamo	2,08	2,15	2,45	2,18
Loropiana	1,87	2,22	2,27	2,09
Valentino	2,37	1,56	2,55	2,08
Prada	2,39	1,44	2,55	2,04
Versace	2,05	1,93	2,18	2,03
Brunello Cucinelli	1,57	2,12	2,64	2,00
Celine	1,75	1,94	2,36	1,95
YSL	2,03	1,70	2,18	1,93
Max Mara	1,88	1,65	2,36	1,89
Stone Island	1,67	1,96	1,82	1,82
AVG	2,19	2,07	2,45	2,19

TAB 3.3- Index coming from the Omni Cexi questionnaire

Brand	CAGR 15-18
Gucci	28,6%
Stone Island	22,0%
YSL	21,5%
Loro Piana	12,0%
Valentino	8,5%

Dior	8,4%
Brunello Cucinelli	8,3%
Celine	8,1%
Louis Vuitton	8,0%
Max Mara	7,5%
Hermes	7,2%
D&G	6,9%
Versace	4,6%
Ferragamo	-0,4%
Prada	-3,6%
Bottega Veneta	-4,8%
AVG	8,9%

TAB CAGR 15-18

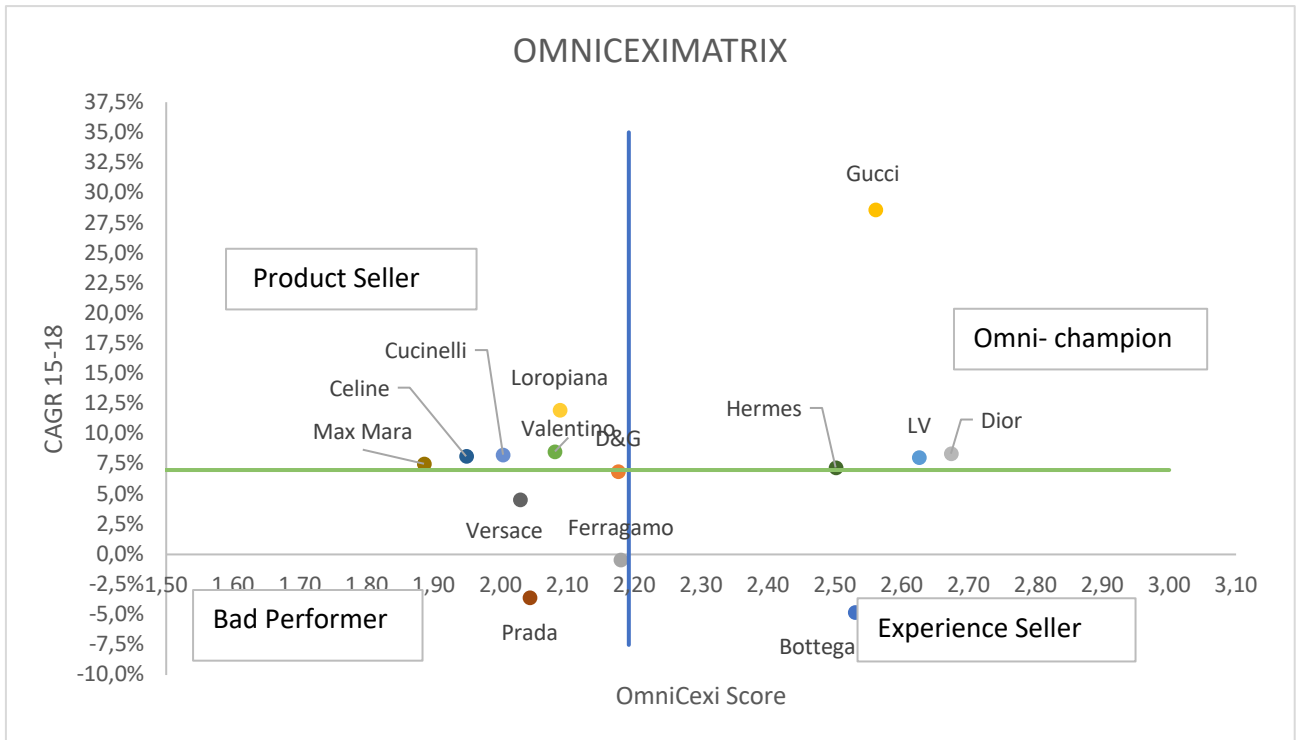
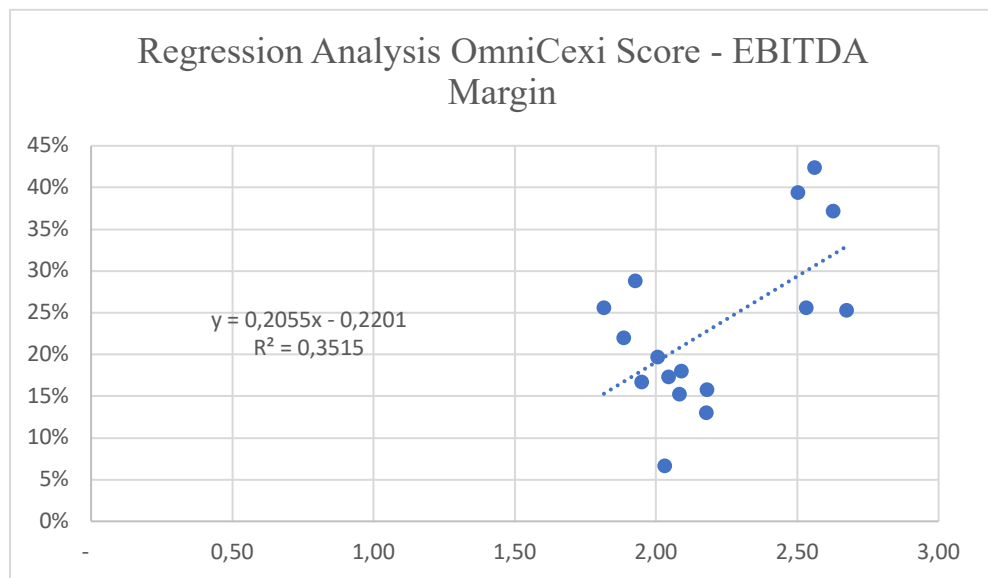


Fig 3.2- OmniCexi Matrix

Brand	OmniCexi	EBITDA Margin 2018	ROS 2018
Dior	2,67	25%	14,8%
Louis Vuitton	2,63	37%	43,8%
Gucci	2,56	42%	39,5%
Bottega Veneta	2,53	26%	21,8%
Hermes	2,50	39%	35,2%
AVG	2,19	23,37%	17,59%
D&G	2,18	13%	2,8%
Ferragamo	2,18	16%	6,5%
Loro Piana	2,09	18%	21,8%
Valentino	2,08	15%	6,0%

Prada	2,04	17,30%	6,5%
Versace	2,03	7%	2,2%
Brunello Cucinelli	2,00	20%	14,5%
Celine	1,95	16,67%	14,4%
YSL	1,93	29%	26,3%
Max Mara	1,89	22%	13,7%
Stone Island	1,82	26%	15,7%

Tab 3.8 Variables of the model



Regression Statistics

Multiple R	0,592885251
R Square	0,351512921
Adjusted R Square	0,305192415
Standard Error	0,083045881
Observations	16

Analysis of Variances

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0,05233644	0,052336442	7,588710775	0,01549938
Residual	14	0,09655266	0,006896618		

Total	15	0,1488891
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	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-0,220144538	0,164842783	-1,335481812	0,203026416
OmniCexi Score	0,205530348	0,074609127	2,754761473	0,01549938

Regression OmniCexi-EBITDA Margin

$$y = 0,2523x - 0,3744$$

<i>Regression Statistics</i>	
Multiple R	0,565331362
R Square	0,319599549
Adjusted R Square	0,270999517
Standard Error	0,10949165
Observations	16

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-0,374410613	0,217336586	-1,722722435	0,106944726
OmniCexi Score	0,25225493	0,098368231	2,564394287	0,022480643

Robustness check OmniCexi-ROS

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General Information	
Brand	
Store Location	
Data Digital Evaluation	
Data instore Evaluation	
Who evaluate	
Acting	
Street Address	
City	
Hour In	
Hour Out	

Omnichannel Index - score results			
Touchpoints		Assigned Weight	Final Score
Digital	Corporate Website/APP		0,2 #DIV/0!
	Digital - Social Media		0,2 #DIV/0!
Physical	Store Experience		0,25 #DIV/0!
	Salesforce		0,25 #DIV/0!
omnichannel	omnichannel Experience		0,1 #DIV/0!
OMNICEXI SCORE			1

Customer Experience (Mickey speaking)
 Main brand values - 1 (if tracked)
 Main brand values - 2 (if tracked)
 Main brand values - 3 (if tracked)
 Is this customer experience able to communicate, emphasize, transfer the brand values, maintain the brand promise and built loyalty exceeding customer expectations?

A) Digital		
Corporate Website/APP		Partial Score #DIV/0!
Area	Assigned Score (1 to 5)	Comments
Layout		
Navigability		
Web communication		
Mobile Friendly		
Account Benefit		
Assortment		
Price & Promotion display		
Online Product Like & Feel (360° view, description, picture, video)		
E-commerce Shopability		
Online Customization		
Web-Blog		
Newsletter		
Visible references to sustainability/social responsibility online		
Alignment with the brand values		
Locate closest boutique		
Brand storytelling		
Traffico medio mensile		

APP		
Area	Assigned Score (1 to 5)	Comments
Overall Evaluation		
Gamification		
Link to tech (e.g. AI, ...)		

B) Digital - Social Media		
Instagram		Partial Score #DIV/0!
Area	Assigned Score (1 to 5)	Comments
Communication		
Profile Layout (colour, type of post..)		
Instagram boutique		
Event report		
Followers		
Stories (type, daily post)		
Post (content, avg post)		
# of post		
AVG Like		
comments		
UGC (number of hashtag post. type)		
interactions with followers		
IGTV		
Instagram takeovers		
We Chat		
Area	Assigned Score (1 to 5)	Comments
Profile		
Forced Ranking		
Mini Program		
Blog/communities		
Area	Assigned Score (1 to 5)	Comments
Presence of blog/communities		

C) Store Experience		
Location		Partial Score #DIV/0!
Area	Assigned Score (1 to 5)	Comments
Location (easy to go, best street)		
Wellcoming		
Area	Assigned Score (1 to 5)	Comments
Greeting/saluto		
Care, attention to customer/attenzione alla persona (if sensation of being strained/controlled/sensazione di pressione/controllo or not considered/ignorata mark 1 or 2)		
First impression, feeling/prima impressione		
Purchase experience (physical) touchpoints		
Area	Assigned Score (1 to 5)	Comments
Merchandising		
Assortment		
Purchase experience (emotional) touchpoints		
Area	Assigned Score (1 to 5)	Comments
Interior Design		
Visual Merchandising		
Surprising aptitude		
Entertainment		
Visible references to social responsibility in store		
Visible references to sustainability in store		
5 senses involvement (sensorial experiences)		
Area	Assigned Score (1 to 5)	Comments
Sound/ Music		
Smell		
Visionary branding approach		
other sensorial experience		

Digital in store			
Area	Assigned Score (1 to 5)	Comments	
Guest Wi-fi (Free Access, Profiling) Smart Changing room Digital Entertainment Gamification NFC/ QR Code Device (Ipad, computer, smartphone) Surprise feeling			
D) Salesforce			
Relationship with customers			Partial Score
Empathy/empatia Willingness/propensione al servizio Interpretation of customer needs/interpretazione del bisogno Kindness,courtesy/cortesia Consistency to company values/adesione ai valori aziendali	Assigned Score (1 to 5)	Comments	#DIV/0!
Relationship with Colleagues			
Formal/informal approach/stile: informale/formale Teamwork attitude/collaborazione	Assigned Score (1 to 5)	Comments	
Expertise			
Knowledge of foreign languages/conoscenza di lingue straniere Product expertise/competenza sul prodotto	Assigned Score (1 to 5)	Comments	
Socio-cultural background			
Adequate to company style/adequatezza allo stile aziendale	Assigned Score (1 to 5)	Comments	
Digital-Enabled Salesforce			
Digital Knowledge Personal Device (Tablet, Smartphone)	Assigned Score (1 to 5)	Comments	
E) OMNICHANNEL Experiences			
Best/worst Practices			Partial Score
Online offline Consistency Real Time product Availability (instore) Click & Collect in store Online customer service (mail, live chat) Delivery (timing, fee) Return Policies Live store Availability Digital Customer card (wishlist) Smart Payments Home Delivery Online Instore help Online Boutique appointment Booking	Assigned Score (1 to 5)	Comments	#DIV/0!

N.B.-Numeric grade (score 1 to 5)
3 – memorable (always exceed expectations)
2 – neutral, acceptable. (common experience, competitive parity, meets middling expectations)
1 – never again (an “outstanding” negative experience)