LUISS

Department of Economics and Finance

Chair of Management

How Covid-19 Impacted Luxury Industry: MODES Case Study

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Index

Introduction

The Coronavirus epidemic led to a global situation of confusion and social paralysis, changing health conditions, and consequently living habits, social relations and economic activities. The consequences were of great importance and affected the entire world economic system, sparing no one.

The almost total closure of all commercial channels, with the exception of online sales and therefore e-commerce, has seen a very sharp drop in sales. This supply shock has inevitably been followed by a contraction in demand, and certainly luxury goods, unlike food and consumer goods, are the protagonists of this contraction.

The following project therefore illustrates the impact that the Covid-19 pandemic has had on the fashion industry and the relevance that the digital sales channel has had in such a critical situation, thus analysing the figure of a new consumer who is much more sensitive to the customer experience during his purchase process, and who needs to feel increasingly protected and accompanied in his buying process.

Finally, the research work carried out seeks to understand what are the main mitigation actions that have been implemented to limit the effects of the spread of the virus.

In the first chapter of this thesis, the importance that the supply chain has had and still has in the world of luxury has been analysed and how this is closely related to Luxury Critical Success Factors.

In the second chapter the Fashion Luxury sector will be presented. It will also describe the main types of consumers and their characteristics, with particular attention to what drives their purchase choices. Subsequently, the different sales channels will be analysed with particular attention to the omnichannel approach and especially to the importance of having an e-commerce for Luxury Retailers, i.e. a sales channel for products and services based on the Internet, which can overcome any kind of geographical and time barrier.

Finally, the global scenario created by the spread of the Sars-Cov2 pandemic will be described, focusing on the fashion industry.

In the third chapter, the case of MODES, a luxury retailer, will be studied. MODES was able to take advantage of the market deadlock during the pandemic to reflect on what its strategy would be in the following months, i.e. pushing hard on the omnichannel, trying to maintain a fluid flow of communication between physical and digital, breaking down any barriers between the two channels, but above all continuing the expansion of physical shops in strategic destinations.

1. Importance of Supply Chain Over Time

Factors affecting corporate competitiveness require increasing and increasingly contextualized attention, referring in particular to costs, customer service level, quality, lead time, delivery time and time to market.

Over the years, there has been a succession of competitive models differing in the number and intensity of links with other enterprises in the value chain and the resulting strategic applications. More recently, the use of 'network' organizational models has emerged, where relations are developed in a multidirectional manner and coordinated by central units. These are inter-company organizational structures based on extensive decentralization of production activities aimed at producing products and services that are aligned in terms of technical and functional performance, quality, time and cost with customer needs. The success of these organizations is based on the joint maximization of value and depends on the degree of integration they manage to achieve, avoiding the mistake of using resources in activities that do not create value.

Logistics offers in these organizational environments support of fundamental importance as it allows to integrate the processes that develop along the supply chain called Supply Chain (SC), to which the concept of "value" is increasingly linked.

Logistics can be defined in different ways, although they are basically all related to the planning, organization and control of the movement and storage of goods from the points of origin of the processing system to those destinations of the products on the outlet markets. It can also be defined as a service that creates value for the end customer in terms of time, cost and quality.

The Council of Logistics Management (CLM) defined logistics in 1991 as "*the process of planning, implementing and controlling the efficient and effective flow and storage of materials, semi-finished goods and products as well as services and related information, logistics is that part of the supply chain process which plans, implements and controls the efficient and effective flow and storage of goods, services and related information from the point of origin to the point of final consumption in order to meet the requirements of the end customer*".

Process management has been seen by many authors as an appropriate solution to meet new management and organizational needs for flexibility. In his analysis of the value chain, Porter emphasizes the importance of the individual business units with respect to the company as a whole, highlighting that it is precisely the activities that take place within each unit that contribute to the formation of the value chain and its functionality.

From a strategic perspective, therefore, the conjunctural links that are established between activities and how they contribute to the formation of value, assume great importance. In this context, the efficiency and effectiveness of the processes that develop in a certain reference environment, be it the company or the Supply Chain, are strongly conditioned by the level of integration that they achieve and the purpose of logistics is precisely that of achieving and, possibly, optimizing this integration both vertically, concerning the plurality of the value chain, and horizontally among all the entities present in the Supply Chain. The resulting constellation of logistics chains operates successfully in synergy.

The concept of supply chain is re-proposed over time by Handfield and Nichols (2002) and by Quiett (2002). Handfield and Nichols (2002) and Quiett (2002) consider the supply chain as "*all the activities related to the flow and transformation of goods from the organization of raw materials to the consumer, as well as the activities associated with information flow*s"; Quiett sees the supply chain as "*the chain of events that constitutes the cause of activities and/or the configuration or location of a material from one place to another*".

The supply chain, therefore, consists of material and information flows, which when combined create the flow of the entire process.

With the emergence of phenomena such as competition based on product differentiation, globalization of markets, relocation of production, technological innovation, just-in-time and total quality, the role of the supply chain, as demonstrated by the studies of M. A. Ayers and M. Christopher (2001), has been rethought from a strategic perspective. In particular, emphasis is placed on the creation of value for the end customer.

Integrated supply chain logistics should not be confused with integrated supply chain management or supply chain management. As far as Supply Chain Management is concerned, there are two main schools of thought which consider it as a kind of management philosophy or as a model for the design, management and control of processes aimed at the creation of value for the end customers.

The first, therefore, considers it as a relational entity based on the strategic and operational cooperation of the various subjects that compose it, with the aim of achieving the final objective of value direction for customers. The latter, on the other hand, grasps the objective aspect of SCM;

focusing on the identification and implementation of the activities necessary to give unitary decision-making and behavioral orientation to all Supply Chain players, based on integration and collaborative relationships.

The Council of Logistics Management (CLM) 2004 defines Supply Chain Management as "*the planning and management of all activities implemented in the procurement, sourcing, processing and all Logistics Management activities. In particular, this includes coordination and collaboration with partner channels, which may be suppliers, intermediaries and consumers*".

Taking its cue from this definition, Supply Chain Management can be considered as a complex, unitary and integrated relational system, built and implemented by different actors who collaboratively plan their behavior, creating a system of decisions and processes oriented to integrate the activities of supply, production, delivery of products and services to the customer.

The aim of Supply Chain Management is the integrated management of the entire value chain (supply value), which starts with the design of the good/service following market expectations and ends with the after-sales service to the customer or the return flow of the products. Supply Chain Management must therefore synchronize all supply, production, distribution and sales operations in order to achieve the expected performance in terms of time, quality, cost and revenue. Supply Chain Management has strategic and operational aspects:

1. the former concern the choice inherent in the structure of the chain and how the relationships connecting the various entities present in the Supply Chain business are developed.
2. the latter concern the planning, implementation and control of operations aimed at achieving the individual objectives of Supply Chain Management.

All of this must be supported by an adequate information system that allows the real-time transmission of data of their specific interest to all those involved so that they can monitor their own supply chain business.

Supply Chain Management requires decisions that imply quantitative and qualitative assessments; therefore, a measurement estimate is needed to monitor the determining factors for achieving supply chain performance. Monetary or other physical, technical and qualitative measures have to be added in order to visualize, through their multiple combinations, the Supply Chain performance from different perspectives: the economic-financial one, the customer one, the process one and the innovation one and thus allow a rational visualization of the value generation in the Supply Chain.

The process of integrated logistics in the Supply Chain plays a decisive role in that it promotes the integration of all the management processes in the Supply Chain and those of the players in it.

Many authors agree that the right supply chain management strategy is aligned with the Critical Success Factors (CSF) of the specific product or target market. The approach with which the supply chain is managed is not indifferently suitable for every situation: a strong market orientation is more and more necessary to achieve alignment to the right CSF (Castelli and Sianesi, 2015).

There are many reasons why managing the supply chain has become a key issue in recent years.

Firstly, few companies are still vertically integrated, i.e., they keep all stages of the production process in-house. In fact, companies have become more specialized and are outsourcing activities that do not generate a high return on investment. These organizations have also realized that when dealing with other partners within the supply chain, their success is linked to that of others.

A second aspect concerns the increasing national and international competition. Customers have many sources to satisfy their demand for goods. Placing products along the distribution channel to obtain the highest level of service for the customer at the lowest possible cost has therefore become crucial. In the past, companies tried to solve the problem by keeping high levels of inventory along the supply chain, but the instability in the markets caused high risks and high costs of inventory management which were passed on to the product.

The third reason is the realization by many companies that maximizing the performance of one department or function can lead to a failure to optimize the performance of the whole organization. This means that you have to look at the whole supply chain to understand the impact of decisions made in a specific area.

In summary, the changes required in management are due to the following changes in the way manufacturers do business

- large sharing of information between retailers and customers.
- horizontal business processes that form the vertical view by functions of the company.
- shift from mass production towards customized production.
- increase in outsourcing and simultaneous reduction in the number of suppliers.
- great emphasis on organization and flexibility of processes.
- the need for real-time decision support systems.
- increasing pressure for the rapid introduction of new products.

Companies are therefore trying to modernize and simplify all operations to minimize the design and delivery time of their products. For these reasons, careful management of the supply chain has become extremely important. Supply chain managers must therefore be concerned with the success of their partners, in order to make the whole system competitive and not just one organization.

Consequently, there are many differences between SCs facing different CSFs.

In particular, the following critical success factors have been identified for the luxury sector:

premium quality; heritage of craftsmanship; exclusivity pursued through the use of natural or artificial techniques; marketing campaigns that combine emotional appeal with product excellence; brand reputation, which conveys excellence worldwide; recognizable style and design; association with a country of origin; presence of elements of uniqueness; superior technical performance (continuous innovation); creation of a lifestyle.

The luxury industry has attracted the attention of practitioners, investors and researchers for many years due to its large size, rapid growth and attractive margins, while mainly focusing on sociological, marketing and branding aspects.

In today's globalized economies and markets, luxury goods are produced through highly complex supply chains that extend globally and involve numerous actors, including a multitude of small-scale and highly specialized suppliers closely controlled by the owners of large brands.

Many marketing gurus say that consumers around the world, at all income levels, want more luxury, so more and more companies are showing a growing interest in competing in the luxury market and as more and more competitors enter the market, strategies based on marketing campaigns alone are no longer sufficient to guarantee success.

Although a strong commitment to brand repositioning and consolidation is essential to achieve success, marketing efforts alone cannot guarantee long-term stability.

Christopher M. states that the concept of "value" is increasingly linked to the services that the supply chain is able to offer the customer. In conclusion, the whole SC seems to be relevant for success in the luxury industry, although research in this area has been very limited so far. Therefore, there is a need to understand the role of SC operations and management in the success of luxury companies.

On the other hand, little attention has been given to SCM operations and perspective, and this could be explained considering that luxury companies sometimes seek deliberate inefficiencies (e.g., manual labor, long waiting lists), pursuing competitive advantage on rarity and brand exclusivity. But despite this approach, preliminary studies have also highlighted the importance of SCM (Brun et al., 2008; Caniato et al., 2009)

Indeed, in the luxury industry, logistics and supply chain management is crucial for business success. In this globalized scenario, luxury companies face unprecedented challenges due not only to the respective complexity of the supply chain, but also to the volatility of consumer tastes and spending, shorter product lifecycles, increasing need for international compliance, and customer demands for sustainability and transparency.

In fact, if companies want to move brands upmarket and add higher value features to products and services, they cannot focus on marketing efforts alone. In particular, operational issues also appear to be very relevant for luxury companies to sustain their brands, satisfy their customers, and deliver their products worldwide. For example, Brun et al. (2008) addressed the importance of managing different SCs in the same fashion-luxury company for different products: this is because fashion-luxury companies create a certain variety of products that are manufactured and distributed in different ways. Therefore, companies should apply different SC strategies especially when the product portfolio is very diverse.

The preferred approach adopted by fashion-luxury companies to manage SC is oriented towards reducing the risk of becoming obsolete and ensuring the achievement of Critical Success Factors (CSFs). The strong importance of the achievement of CSFs also implies the consistent configuration of the whole SC.

We can affirm that the difference between a luxury company and a non-luxury one often does not lie in the type of choice made but in the meaning that a given choice has for the corporate strategy.

Certainly quality, as a synonym of "excellence", is a must in order to compete in this market: the first requirement for the SC is that it has the desired level of quality in every phase of the processes, both in terms of compliance with defined standards and absence of defects, and in terms of, for example, innovative design, selection of purchased materials, exceptional production capabilities, on-demand logistics or after-sales services.

Availability is also a relevant objective: while for Accessible Luxury brands its meaning is very similar to that of the mass market (i.e., distribute large volumes to make the product immediately available to as many consumers as possible), for Inaccessible and Intermediate brands product availability should mainly reflect a strict alignment with the advertising campaign. In other words, the principle of product scarcity remains valid to create exclusivity but not for the whole product range: stock-outs for seasonal must-haves should be avoided, in order not to disappoint customers looking for them.

In terms of SC management, this implies defining very accurate and selective stock management policies at all points in the logistics network.

Finally, traceability proves to be relevant, especially in order to maintain a high brand reputation. On the one hand, the customer can acquire knowledge about the places of supply and production, the properties of the materials used, thus reinforcing the aspects related to superior quality, heritage of craftsmanship, country of origin and exclusivity; on the other hand, the originality of the product can be guaranteed, allowing the consumer to distinguish original products from counterfeit ones.

On the other hand, significant differences are observed concerning the relevance of SC objectives for Inaccessible and Accessible brands:

- The former direct their efforts along with SC towards creating superior materials and processes and creating uniqueness and exclusivity in terms of product and experience.
- The latter is more focused on brand reputation and customer service, aiming to broaden their customer base by claiming a luxury positioning of their image and providing greater physical accessibility to their products. There is therefore the possibility to evolve in terms of positioning (e.g., from Accessible to Intermediate) by introducing practices in use in the closest segment.

However, it must be highlighted that the global outbreak of COVID-19 has had a dramatic impact on luxury supply chains (Achille and Zipser, 2020). In the carousel of city closures around the world, luxury companies have faced supply chain delays, factory and shop closures, cancellations of trade shows and fashion weeks. Other issues arose as well, such as increased internet sales, a decline in travel-related purchases, and problems with long-term trade agreements.

Uncertainties include supply and demand uncertainties, which led to a domino effect in which declining retail sales caused a disincentive to pay suppliers, factory closures caused orders to be canceled, and eventually, the whole supply chain was disrupted. In this situation, smaller actors upstream in the supply chain had to bear the worst consequences, with many employees being made redundant or companies even facing bankruptcy.

The combined impact of the domino effect moving upstream and the unsynchronized timing of the lockouts around the world has been enormous. Shops in Asia reopened earlier than in other parts of the world, while online shopping hardly stopped. This has posed a huge challenge to supply chain managers and planners, whose (partial) solution has been to rely on omnichannel and develop sustainable long-term strategies.

According to a recent survey by the International Monetary Fund, in general, the COVID 19 pandemic has caused havoc in the global supply chain, the diversification of which could be the key to mitigating the vulnerabilities highlighted by the pandemic. The IMF study shows that if a large supplier is short of labor, the output of an economy can fall by 0.8%, but if a strategy of diversification among supplier countries is implemented, the loss in global GDP can be reduced to 0.4%. Thus, the ability to use more foreign inputs and substitute them at the supplier can increase the resilience to supply shocks. Therefore, to get out of this latest crisis, we need to mix things up. "Dismantling the global value chain is not the answer. As diversification increases, resilience increases," said the IMF researchers.

2. Luxury Industry

The term Luxury has no univocal dimension and definition, as it is a concept linked to the evolution of society, interpreted according to the time, place, customs and culture of individuals, as A. Crosland states: "What one generation sees as Luxury, the next sees as a necessity". Crosland: "What one generation sees as Luxury, the next sees as a necessity". Analyzing the etymology of the word, the meaning that derives from it is "superabundance", "ostentation in the way of life", a display of wealth, pomp, magnificence; a tendency (also habitual, as a standard of living) to superfluous, uncontrolled spending, for the purchase and use of objects that, either for their quality or for their ornamentation, do not have a utility corresponding to their price, and are aimed at satisfying ambition and vanity rather than a real need. According to sociologists, the concept of luxury is described by a series of attributes, defined as micro-descriptors, which in turn are grouped into macro-descriptors, as can be seen in Table 1. It is therefore evident that the concept of luxury has a double valence, both positive and negative. Luxury can be seen as something capable of generating consumer gratification, as simple and pure ostentation, aimed at defining one's belonging to the upper strata of society.

N	Rank	Macro-descriptors of the luxury concept	Micro-descriptors of the luxury concept
1	1°	Status - Prestige	Status; Acceptance in group membership; Pecuniary emulation; Self-expression; Personal recognition; Ritual; Admiration; Prestigious image; Ennobling; Reputation; Wealth; Success
2	2°	Pleasure - Hedonism - Emotion	Pleasure; Hedonism; Emotion; Involvement; Happiness; Gift; Sensual; Satisfaction
3	3°	Qualitative excellence - Aesthetic refinement	Qualitative excellence; Aesthetic; Aesthetic quality; Refinement; Style/design; Creative; Good taste
4	4°	Ostentation	Ostentatious; Envious Comparison; Snob Consumption; Fashion
5	5°	Exclusivity	Exclusive; Elite; Uniqueness; Distinction
6	5°	Rarity	Rare; Limited distribution; Low frequency of purchase
7	6°	High price	High price
8	7°	Heritage	Tradition; Craftsmanship; Made in;
9	8°	Investment	Low risk; Investment
10	9°	Materialism	Materialism
11	9°	Futility	Unnecessary

Table 1 – Micro and Macro-descriptors of the luxury concept. Adapted by Aiello and Donvito (2006) from Brioschi (2000)
(Source: self-elaborate)

The negative meaning comes from those individuals who are not able to understand the value of the good but use it as a pure and simple means of boasting.

Luxury is closely related to the concepts of exclusivity, in the sense of elitist value and distinction that it attributes to the one who uses it, and of difficulty of finding, rarity, both of the good itself and of the materials used to make it. Another distinctive element, even if not absolute, is the high price, which depends in most cases on the refinement of the materials, the scarce availability of the product, or the high intrinsic value of the good itself.

As said, however, this is not an absolute distinctive trait since luxury refers to something that has a high price compared to the goods that are part of the same category and to its utility.

1. Luxury Consumers

In the luxury sector, goods are considered as specific and quality products, which customers want to buy and keep over time. It is precisely for this reason that the word customer is specifically used and not the expression consumer.

In fact, luxury goods are not consumed, thrown away and then immediately replaced in the following weeks or months, but are carefully used and maintained. Hence the difference between the customers of luxury goods who are commonly different from the average traditional consumer.

There are three macro temporal characteristics of the luxury buyer.

The first step is when the person climbs the social classes, freeing himself from poverty and deprivation of possibilities. They remain attracted to functional luxuries such as cars or practical gadgets for everyday life.

The second stage is when the person starts to constantly buy luxury goods that are no longer purely functional.

The third and last step is when the desire to show off one's wealth is intrinsically created within the person, thus buying even superfluous products, where beauty and uniqueness take precedence over functionality. In fact, at this stage, the products that attract attention, that are limited editions, that can rarely be seen, but above all that can be purchased by a few, are rewarded.

In recent times, moreover, luxury is increasingly linked to personal pleasure and preferences and no longer just to wealth and the social status that comes with it.

Now, most luxury buyers are people who have achieved their goal through hard work and in return for their efforts have the opportunity and desire to buy good products, good services and good treatments.

A distinction can also be made between the different luxury customers through four main segments.

First, there are athletes, celebrities and people who have built their wealth through the web or television; that is, a new class of people, with enormous fame, created by the 20th century.

The second category is represented by families inheriting large amounts of money or well-established businesses, where the lifestyle does not depend on the salary these families receive.

The third segment is the opposite of the second: here are the families and individuals who have personally built their fortune and wealth and through hard work, which they continue to do, maintain and increase their wealth; they know the value of money.

The last type of customer is the upper-middle class, where the income comes from paid employment and not from rich inheritances.

In recent times, the fifth group of customers is also being created, namely those so-called 'occasional' customers who only buy expensive goods for special occasions, celebrations or simply when they want to treat themselves. They mix cheap products with high-class products and recognize that their purchase is not necessary. They want excellent, rare, expensive and long-lasting products while appreciating the resulting shopping experience.

For these consumers, luxury goods serve not only to satisfy their wants and needs but are more often purchased to impress others, even if these products are not really for their pockets.

Research conducted by Deloitte, one of the Big Four firms that provide services such as consulting and auditing, identified an average client in the luxury market (Figure 1). The average age was found to be around 43 years old; the average annual earnings are around $143,000 and the investments held by the average client are less than $1 million.

Figure 1 - Typical customer
(Source: https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-luxury-goods-2020.pdf)

Other characteristics found are a passion for digital, a love of online shopping and they are often big spenders, particularly the younger segment of customers (the so-called Millennials).

Figure 2 instead shows the average expenditure of a household belonging to the luxury customer class, depending on the generation to which it belongs (Deloitte, "Global Powers of Luxury Goods 2020").

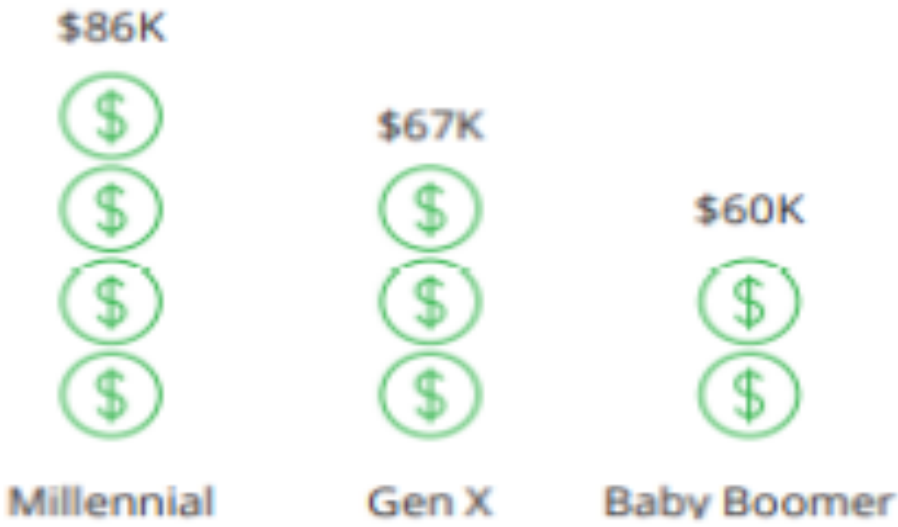

Figura 2 - Average expense by generational class
(Source: https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/at-global-powers-luxury-goods-2020.pdf)

According to Matteo Lunelli, President of Altagamma: "Altagamma's Consumer Insight shows positive signs for 2021 that exceed expectations. China and, above all, the USA are driving growth with more than a third of international consumers planning to increase their spending on high-end goods and experiences, including travel. The sector has shown solidity and is responding quickly to new socio-cultural trends. Sustainability is certainly one of these trends, but also striking is the strong virtualization of the luxury experience, as evidenced by the success of live streaming sales and the entry of brands into gaming, a sector that will be worth $178 billion by 2020".

It is estimated that by 2025, the luxury customer base will expand to 450 million people, up from 390 million today. This increase is mainly due to the growing middle class, particularly from Asia. China is projected to account for as much as 46% of the global market in 2025 (35% today).

As well as accounting for the largest share of consumers, China also accounts for the largest share of those creating market growth, even accounting for 90% of the increase, followed by the rest of Asia at 20% and the Americas at 10%. Europe (although it accounts for the largest volume of business) and the rest of the world

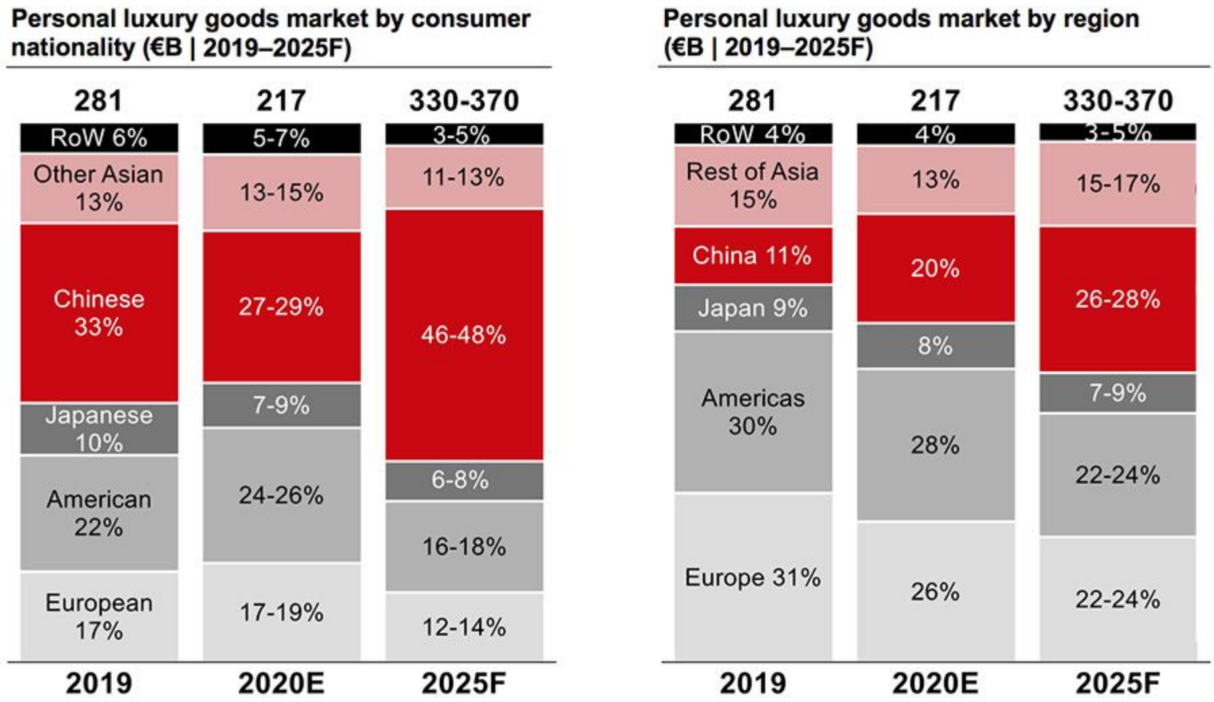

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Figure 3 - Share of global personal luxury goods market, by consumer nationality

(Source: https://altagamma.it/media/source/Altagamma%20-%20Bain%20Luxury%20Market%20Monitor%202021.pdf)

All categories of personal luxury goods saw declines in 2020. In general, however, sales have seen sustained demand in Asia, benefiting from online.

Customers born between 1980 and 1995, more commonly known as the Millennials or Generation Y, have been the largest consumer group over the past year (figure 4), accounting for 44% of total spending, but between 2019 and 2025 these two groups are expected to drive growth, taking their combined share to over 65%. As a result, baby boomers, an aging population that still holds a significant portion of wealth, will account for a smaller share of the market.

From a channel perspective, the changes brought about by Covid-19 have accelerated the presence of online. This year, online sales are estimated to be worth €49 billion in 2020, up from €33 billion in 2019, with the share of purchases made online almost doubling from 12% to 23% in the last twelve months.

By 2025, online is set to become the main channel for luxury purchases.

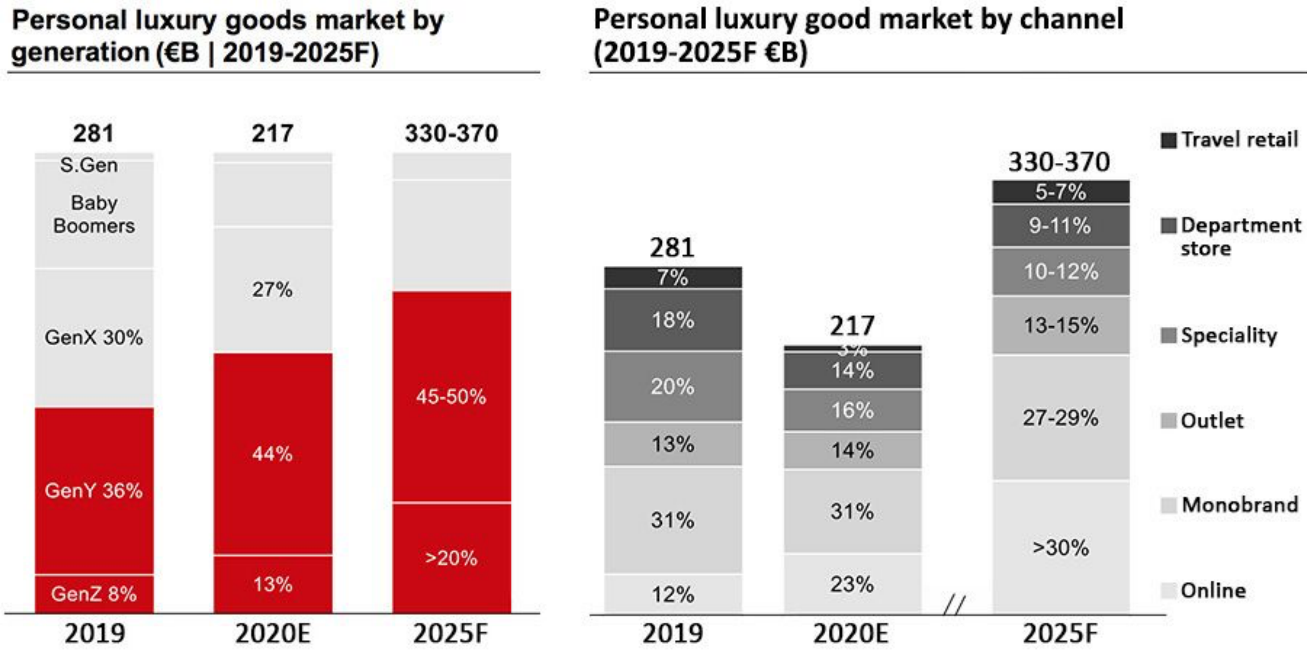

Figure 4 - Personal luxury goods market by Generation and channels (Source: https://altagamma.it/media/source/Altagamma%20-%20Bain%20Luxury%20Market%20Monitor%202021.pdf)

It is precisely this last generation, the Z generation, that shows significant behavioral differences from the previous one. They already represent a growing share of luxury consumption in Asia and see themselves as critical players in brand creativity and communication. They are returning to shops to have physical iterations with brands in order to truly connect and interact emotionally with them.

To define the luxury customers of tomorrow we have to analyze their characteristics:

1) Hic et Nunc (here and now): according to estimates, in the future of the luxury market (understood as clothing and accessories), the fundamentals of the sector will remain positive and favorable, maintaining a continuous and annual growth at the rate of 3% - 5% until 2025, to reach a market value of 335 to 375 billion euros. Nevertheless, in the short term, due to damaging events (as seen with Covid-19), unfavorable policies and recessions, these estimates could change significantly downwards.

2) China: Chinese consumers will account for the majority of customers in the aftermath, a share that could rise to as much as 46% from 35% today. They are also the biggest drivers of growth in 2019.

3) Young (er): Generations Y and Z will dominate the luxury market, also because they will be the majority of the population.

4) Phy-gital: the transformation into digital will be increasingly important, nowadays the online channel is booming and the annual growth has been in double digits for years. The physical channel and shops could peak this year 2020.

5) Diverse (in terms of purchasing power and drivers): by 2025, the customer base will grow mainly from two sources:
   i. The Americas and Asia will be the main places where people with high wealth will settle and these will seek "what money or most people cannot buy";
   ii. In addition to the super-rich, the emerging classes, especially in the East, of possible luxury customers will increase. They will look for innovative and unique products and not just standardized high-end products.

6) Openness: customers will have different canons of judgment from those of today. They will be more open to new value propositions and new business models, especially those that challenge the rules of the game. An example, already today, is the success of "independent brands" in beauty or the growth of the second-hand market.

7) Responsible: as seen above, social commitment will no longer be a priority. For companies, it will no longer be a feature on the side, but will be central and will have to truly transform the business.

8) Emotional: in addition to products, experiences and ideas, feelings and emotions will be the necessary ingredients to provide added value to their customers, making them fall more in love with the brand.

A common retail saying is that 'the customer comes first'. This remains true also for luxury brands.

Although it may not be obvious at first glance, luxury goods consumers who buy in physical shops do not necessarily possess the same characteristics and behavioral patterns as customers who buy luxury goods online.

The success of the Internet depends very much on the fact that wealthy consumers love the Internet and its ease of finding products that suit them.

As seen above, it is Generation X and the Millennials who represent the largest share of luxury customers today. Compared to their predecessors, they are more accustomed to interfacing with the online world. In fact, Generation X still buys heavily through offline channels, with an average of 66%; but it is the Millennials who make the difference. They are actually much more willing to buy products over the Internet; the share for purchases made from computers or laptops are as high as 23% and a remarkable 19% for purchases made from smartphones and mobile devices.

2. Value Chain

The value chain is a concept introduced by Michael Porter in 1985, that describes the full range of activities needed to create a product or service (Figure 5).

In his concept of a value chain, Porter splits a business's activities into two categories, 5 “Primary activities” (which are essential for adding value and creating competitive advantage) and 4 “Support activities” (which make the primary activities more efficient).

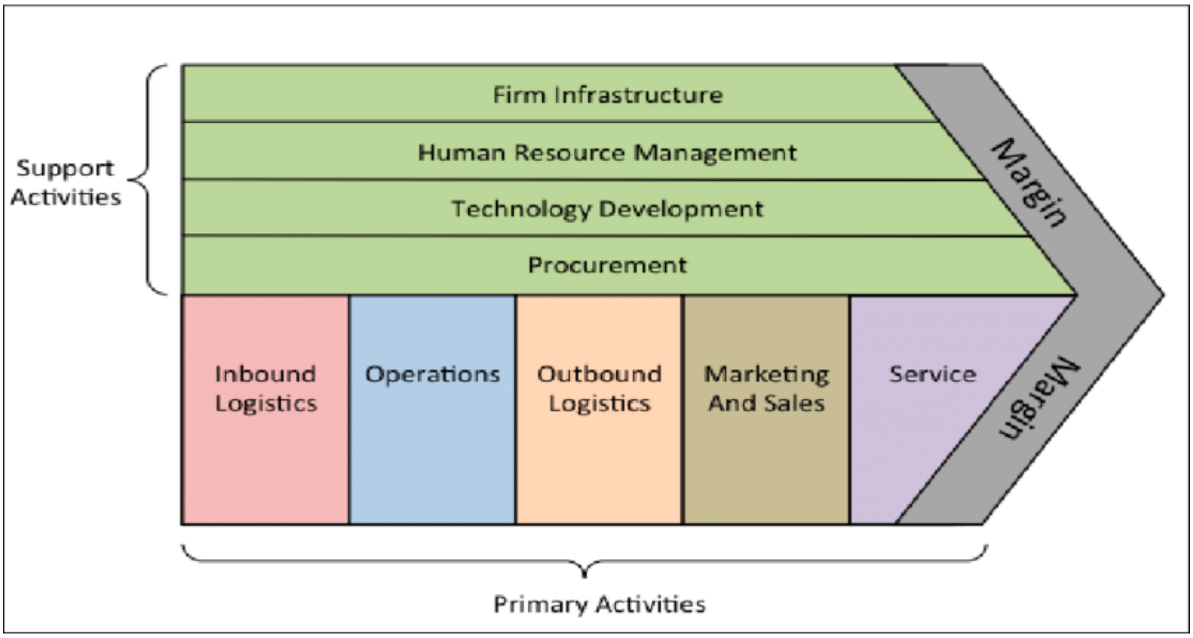

Figure 5 - Porter's value chain.
(Source: https://www.researchgate.net/figure/Michael-Porters-value-chain-6_fig1_316889653)

Primary activities:

1. Inbound logistics: this process can be summarized as materials management; it is this activity that is entrusted with the supply of raw materials and semi-finished products useful for production but not only. It is the activity that monitors the internal movement of goods, quantifies the volume of a stock in the warehouse, controls incoming goods and provides for any returns to suppliers... in other words, internal logistics is the activity related to the relationship with suppliers and the movement of goods.
2. Operations: this category includes all activities related to the transformation of raw materials or semi-finished products into finished products; operational activities include those related to the transformation, assembly, assembly and testing of goods produced, as well as the maintenance of production facilities.

3. Outbound logistics: this type of process identifies all activities related to the management of finished products; it starts with the storage of the products obtained, their warehousing, the management of orders and the related management of deliveries and shipments.
4. Marketing and sales: this function is responsible for establishing the sales price of finished products and the channels through which they are distributed. Essential in this process is also the policy of customer relations and corporate communications, as well as the choice of the type of advertising in which to invest.
5. Services: this is the process that can well be summarized with the term "customer care". The activities carried out in this process are those inherent to the sale and post-sale of the finished products created by the company.

Support activities:

1. Procurement: this category includes all those activities that deal with the external supply of what is needed to carry out primary activities.
2. Technology development: this is the total of the company's IT and technological knowledge, know-how and procedural and process capabilities.
3. Human resources management: this category includes all activities related to the search, selection, recruitment and training of personnel.
4. Firm infrastructure: this category includes all functions, generally classified as 'fixed costs', that provide cross-process support; examples are the general management, the administration or the legal department of the company.

This model allows a concrete vision of the business that is represented schematically and rationally by evaluating the crucial points of each activity related to the creation of the product, marketing, delivery and customer service, as well as the internal activities functional to increase the competitive advantage of the organization.

The value chain of Fashion & Luxury companies has been changing over the years to adapt to a changing business environment characterized by increasingly aware and informed consumers, the explosion of digital technologies and turbulent markets.

Today, competition in the luxury market is much more complex, and it is easy to witness both the sudden success of new brands and the rapid decline of others.

There are essentially five key issues that luxury companies cannot overlook in order to successfully achieve a "luxury" positioning, but above all to maintain it over time:

- Taking advantage of the digital revolution.
  Digital", in all its nuances, is the trend that most characterizes the competitive context of these years and will continue to mark the future path following the challenges that new technologies impose on current business models. It is a factor that can be read as a threat or as an opportunity, depending on how it is addressed. Luxury companies must strategically plan their evolution on the digital front at 360 degrees, reasoning, therefore, on technological developments that are not limited to the creation and use of e-commerce platforms. This means, for example, mapping the purchasing behavior of "smart consumers", creating models to extract useful information from the "big data" collected at points of sale, implementing visibility along the supply chain, virtualizing the development of new products and production processes, and implementing the omnichannel model. Luxury buyers, regardless of age or nationality, are increasingly interested in the transparency of business processes and traceability, and thus in knowing the 'story' of their handbag, from the origin of the materials used, to the assembly plant, to the route taken to the point of purchase. Not being able to access this information could lead customers to prefer another brand.

- Managing digital communication
  "Digital' is also increasingly synonymous with communication channels. Although the last few months have marked an acceleration, many luxury companies are still far behind on this front and should evolve their communication style in order to attract the new important clusters of potential consumers, the so-called "Gen Y" and "Millennials". All this, of course, without losing brand identity.
  The challenge is therefore twofold: on the one hand, it is necessary to learn a new language and use it effectively; on the other hand, it is necessary to manage the virtual/social environments in which the brand is present in order to ensure perfect coherence in an "omnichannel" perspective. In the internet age, any message sent is amplified and retransmitted, becoming a double-edged sword: a wrong move or an inconsistent message will immediately be on the world stage with a direct consequence on the brand image.

- Keep investing in core competencies

Today, a brand cannot do without knowing exactly what the core elements of its success are (design, innovation, excellence in production processes, etc.). The strategic know-how linked to these elements is a fundamental asset to maintain within the company: internalizing the core competencies is perhaps the main driver of some vertical integration choices recently made by leading brands in the luxury market, and not only in the "fashion" sectors.
The first step is to know one's strengths; the second is to continue to nurture them.
Usually, the artisans of the leading luxury companies have on average 35-40 years of experience in the sector: this is not a competitive advantage, but a great risk. Companies should focus on young people, considering them a strategic asset, setting up internal ad hoc training courses not only in the managerial field but also to preserve craftsmanship skills (e.g., a leather-craft academy for leather goods).

- Maintain production activities in the countries of origin
  In many cases, the 'country of origin' is still a critical success factor of great importance for a brand to be able to boast a 'luxury' positioning. When consumers associate a "made in" with a certain product or brand, it becomes mandatory to have production facilities in the country of origin (or even in the region or district of origin). Luxury brands should in general avoid delocalization to low-cost countries, especially if these are not countries with which a good manufacturing reputation is associated for the product in question; this criterion is absolutely valid for the first lines, while for Accessible luxury lines a delocalization approach is plausible, as already mentioned. Therefore, one of the trends on the industrial front is the "re-shoring" of production from the Far East to Europe, also in response to the turbulence in the Asian markets. The period of offshoring to low-cost countries is probably coming to an end; location choices must be guided, rather, by logistical criteria linked to distribution markets.

- Sustainability
  Consumers are increasingly aware of social and environmental issues. The most conscious, in both mature and emerging markets, no longer simply want to display high levels of spending; they often prefer to show their status by devoting attention to intellectually satisfying objects and experiences.
  This trend leads sustainability to become one of the most strategic areas for luxury companies: investing in socially and/or environmentally ethical practices can pay off both in terms of margins (because they would improve product and brand perception) and in terms of long-term savings.

It should be remembered that the third dimension of sustainability, in addition to the social ("People") and environmental ("Planet") dimensions, is purely economic ("Profit").

Luxury companies, therefore, have to work explicitly to make their processes more sustainable, along the whole Supply Chain but also in shops (Karaosman et al., 2017).

2. i. Omnichannel

Omnichannel is the term used to refer to the synergistic management of all contact points between a company and its customers (online and offline) which must be interconnected. The aim is to provide an optimal, seamless and totally consumer-centric brand experience.

The last decade has seen considerable changes in retail, mainly caused by the possibility given to companies to easily market through the powerful online channel. By developing e-commerce, they have been able to increase their turnover, but this has created the problem of overlap between online and offline presence. Hence the need to skillfully align both distribution channels to improve the customer experience and communication with customers. There are so many channels that can be used as consumer contact points (whether for customer service, promotional or sales purposes): from websites to apps, from social pages to chatbots, and also more 'traditional' channels such as TV commercials, flyers and the point of sale. An omnichannel approach presupposes a perfect integration between each of these channels and therefore they all have to work synergistically to create an interconnected system capable of promoting a fluid experience, without ever interrupting the user's information or purchasing path.

Multichannel and omnichannel companies are therefore defined as those companies that have both sales channels, but in the first case they have a separate structure and in the second have an integrated structure. From a semantic point of view, precisely, "multi" means "many" while "omni" means "all" (in this specific case it refers to all touchpoints).

Omnichannel describes a fundamental transformation and is a real change of perspective: the vision is customer-centric and today it drives the many cases of digital transformation. Multichannel, on the other hand, is essentially based on the assumption that companies select some MODES as priorities in dealing with their customers over others, whether in physical shops or on the web. In the analysis of the respective characteristics of the models, it has to be stressed that the best customer experience is undoubtedly the one achieved through the omnichannel service. Attention has been drawn to seven different areas on which companies should focus (in this specific case referring to all touchpoints).

The concept in question is often understood as an approach to selling that focuses on optimizing the customer experience.

Omnichannel is a multi-channel sales strategy that seeks to provide customers with a seamless and discontinuous shopping experience, whether they are buying online from a desktop or mobile, by phone or in a physical shop. The multichannel approach requires integration between distribution, promotion and communication channels.

The path to omnichannel can typically be divided into several stages, which correspond to different degrees of maturity and integration (Figure 6). The first step is multichannel, i.e., the development by the company of multiple contact points, which enrich the portfolio of channels offered to customers. Some examples are the social channel, the mobile app, the chatbot, etc., which are added to the existing ones.

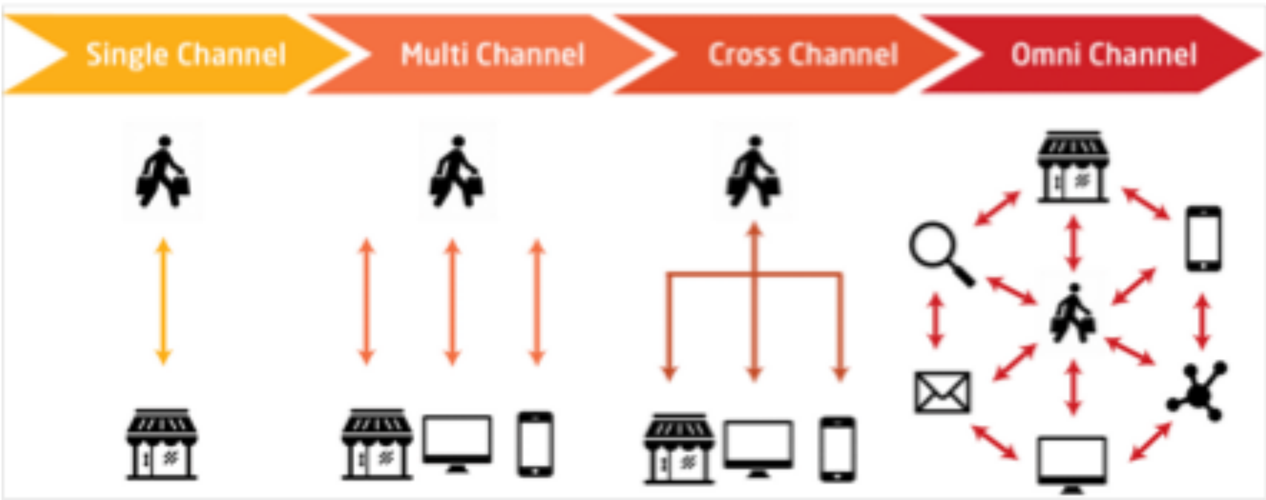

Figure 6 – The path to omnichannel
(Source: https://www.cbinsights.com/research/report/omnichannel-retail-technology/)

In order to try to distinguish the omnichannel approach from the multichannel one, it is necessary to underline that it is possible to have different touchpoints that individually work well (e.g., a responsive and user-friendly website, a functioning chatbot and a good customer experience in-store) but that are not managed in a synergic and perfectly integrated way. In fact, many retailers, when providing customers with different channels of interaction with the brand, present strategies that tend to be mostly multichannel: in these cases, the customer perceives their approach as composed of a series of single marketing actions and different messages or promotions, which may vary according to the channel (social, mobile, website, chatbot) without any interconnection between them. The cross-channel approach tries to bridge this gap by linking different channels (which become complementary to each other), using them to guide the user along the customer journey: some examples are click & collect services, which assume that the order is placed online but picked up at the point of sale, or geo-localized advertising, which aims to drive users into a physical shop.

Thus, the simultaneous use of channels is probably the feature that best distinguishes the omnichannel approach from the cross-channel approach: instead of switching from one channel to another to get more information, for example, the consumer is encouraged to use different channels simultaneously.

Omnichannel goes one step further. Not only does it put the consumer at the center, but it provides for an interconnected system between all contact points. There is, therefore, a transfer of data between different channels and coherent content strategies. In this way the user can not only interact with the company with a multitude of options, but also have the same experience across all touchpoints and no interruptions in the journey from one to the other. It is possible for the user to start an activity on one channel and continue it on another, without having to start all over again. The expectation of customers to find answers to their needs requires companies to have an extensive presence on the different channels used by their target customers.

3. Distribution channels

It is easy to see how today, in the year 2022, in a post-pandemic world that has led to a clear emergence of information technologies, but above all the internet, our lives have changed in almost every aspect and, along with them, how companies operate at all stages of the production process. The introduction of the network is a powerful tool for brands, as it allows them to learn about and invest in the wealth of information that underpins the customer's decision-making process, in order to derive their own competitive advantage. It is as a consequence of all this that today's customer relationship requires the implementation of an omnichannel strategy, which, as mentioned in the previous chapter, consists in providing the consumer with the possibility to create a contact with the brand in any way, eliminating any kind of division between what happens in the "physical" space and what happens online. Thus, in order for a company's shops not to become mere showrooms for large websites such as Amazon, which configure their strength in price and advanced additional services, it is fundamental for the corporate to manage hybrid distribution systems ensuring that the various channels are in total synergy to meet the preferences of customers, who expect the integration of the physical and digital retail channel.

In the context of luxury, the distribution represents a fundamental moment in the relationship between a luxury company and its customers, as boutiques represent the place where the brand expresses itself and where customers can fulfill their dreams and expectations. To understand the right sales strategy for a luxury product, the details of the point of sale must reflect the needs and perceptions of the customers. In other words, only if the point of sale is perceived as a cathedral of luxury will customers be sufficiently engaged in the buying experience.

The company has to understand how to sell someone as well as sell something (Kapferer & Bastien, 2009). The distribution variable influences the constitution of brand identity, due to how a product is presented and is accessible in terms of availability. Furthermore, the type of distribution channel depends on the degree of exclusivity of the luxury, which consequently impacts the degree of intensity of the distribution channels. The elements of uniqueness and rarity that characterize goods with high symbolic value must be consistent with marketing and business development objectives. It is possible to identify two opposite and contrasting needs for companies that have to manage the distribution of goods in high-end markets: to preserve and strengthen the brand image and the idea of the uniqueness of the product, and to make the products available efficiently and effectively in the reference markets. The first requirement leads management to adopt a selective approach to distribution and to prefer choices relating to the control of intermediaries that allow it to maintain leadership in the distribution channel. The second induces management to give products maximum market presence, both through indirect and direct options.

Old and new distribution channels coexist synergistically in the luxury market, which is characterized by the development of a mixed system, direct and indirect, in which companies flank their networks of directly controlled mono-brand shops or franchises with new distribution forms, mainly through online sales channels, where the communication component and the role of the relational approach with the customer prevail.

Having identified the strategic options in luxury goods along a path that leads from exclusive direct distribution to selective indirect distribution, we can now ask ourselves which option is currently most used by market players. Strategic behavior in luxury goods distribution is changeable and varies in relation to three main dimensions: multinational brand extension, perceived value, brand image, and economic value of the product category.

The options are described below:

- Exclusive direct distribution: Large multi-brand luxury players for some brands in their top-level portfolio with inaccessible market positioning and global mono-brands in the same situation tend to adopt mainly an exclusive direct distribution strategy. Exclusive direct distribution is seldom used because companies fear losing market opportunities due to the excessive restriction of outlets in a certain geographical area.

LVMH: The Louis Vuitton Moët Hennessy group has become the world leader in key luxury markets with a diversified portfolio, integrating a plurality of brands, both in product lines closely related to the group's core business and in unrelated product categories. The group is increasingly adopting the option of exclusive direct distribution. The shops are carefully created to ensure the exclusivity and authenticity of the product and to convey its high symbolic value, thanks to the careful conceptual architecture of the shops.

Hermès: Hermès uses a predominantly direct distribution, highly selective, with proprietary shops dedicated exclusively to its products, including in different product categories;

- Selective or exclusive indirect distribution: This is mostly adopted by small companies that do not have the economic resources to make direct investments or by companies that do not want to be involved in the management of the distribution network because they prefer to concentrate their efforts on the development of the brand image and communication activities. Selective or exclusive indirect distribution is adopted by companies as a strategy to enter new markets with uncertain macro-environmental scenarios. Many Italian luxury companies that maintain an artisanal dimension and have not yet developed financial and/or logistical skills do not invest in the development of their own shops and therefore rely on multi-brand retail;

- Mixed distribution: Most companies competing in the luxury goods markets adopt a mixed distribution strategy: direct and indirect, selective and/or exclusive. With this approach, companies are able to strike a balance between the need to achieve sufficient sales volumes and market share and the need to preserve and reinforce the brand image to support the premium price. In a mixed option, the functions assigned to direct and indirect distribution are well identified. The activities carried out indirectly operated shops aim to communicate brand values and products and to provide consumers with shopping experiences. The activities of indirect shops are mainly aimed at ensuring a steady flow of revenues and adequate margins.

It would be wrong to say that firms in the market for high-value goods do not consider the increase of market share through the distribution of their products a priority; thus, if on the one hand the easiest option for the firms we are dealing with seems to be the control of the channel and the selection of intermediaries, on the other hand there is the risk of an inadequate presence in markets where management choices are too selective.

In this sense, the strategic management of the distribution variable of luxury goods involves balancing the two conflicting needs of preserving brand and product exclusivity and gaining market share - in other words, between channel control and adequate distribution coverage.

However, it must be clear that not all sales channels are the same and therefore the question becomes: which sales channels are the most suitable and effective in collecting the most sales (aiming at quality and volume) for a business? There are undoubtedly different solutions, depending on the type of business you want to take off, but if you want to keep up with the competition, and above all if you want to make a difference, the Holy Grail is: to incorporate the online channel into your overall sales strategy.

3. i. E-commerce

Electronic commerce, or more commonly referred to as e-commerce, belongs to the world that in technical jargon is called e-business, although the two words have different meanings and are often confused with each other.

E-commerce can be defined as the main pillar, i.e., the main element of e-business, although it is only a subgroup.

It allows companies to carry out commercial and transactional activities, i.e., to sell their goods and services through the World Wide Web by exploiting the company's virtual shop, called an e-store. In order to better define what it is, it is necessary to refer to the definition given in the Communication of the European Commission COM (97) 157, which defined it as follows: "Electronic commerce is the performance of commercial activities by electronic means. Based on the processing and transmission of data (including text, sound and video images) by electronic means, it encompasses activities as diverse as: marketing of goods and services by electronic means; online distribution of digital content; conducting transactions such as fund transfers, share trading, bill of lading, auctions, cooperative design and engineering; online sourcing; electronic public procurement, direct-to-consumer sales and after-sales services. E-commerce encompasses products (e.g., consumer products, specialized healthcare equipment), services (e.g., information services, legal and financial services), traditional (e.g., healthcare and education) and new types of activities (e.g., 'virtual shopping centres')". Already at the end of the 1990s, the Commission broadly interpreted this definition, including in it all commercial activities that took place and still take place with the help of the Internet. Today, however, common acceptance refers mainly to the simple sale of goods and services.

As a demonstration of the above, the online channel registers an increase of 22%, thus gaining a share of 12% - 13% of the total world luxury sales market.

There are four main types of e-commerce, which are categorized according to the actors involved and the recipients:

- B2B - Business to Business: the subjects of the transaction are both companies. This e-commerce is mostly private and not accessible by end-users, but only by companies with authorized accounts, issued by the company that owns the online shop. These e-stores are mostly used to exchange information about products, prices, order goods and services and pay for them digitally. These shops are also secretive because the products, the price and the discount applied to them can vary depending on the company placing the order because they are mainly based on the size of the counterparty, the duration of the relationship between the parties and the size of the order: therefore, very sensitive data in the eyes of competitors. An example of e-commerce based on B2B can be the Hosting service, where companies such as Aruba or AWS offer companies the possibility of using their own equipment to create the company website.

- B2C - Business to Consumer: in this case, the two interlocutors are on the one hand a company and on the other hand the end customer. This is also the most widespread type of business and has the highest growth rate since the advent of the Internet; there are even more than ten million online shops of this type. E-commerce is now no longer segregated, but available to everyone. Here, the end customer is able to choose and compare between different competitors, studying the different catalogeus of the companies and the prices they apply, then also choosing according to shipping and delivery options. The information, in this case, is as detailed and up-to-date as possible; very often e-commerce also allows the end-user to observe the reviews of the different products entered by previous buyers. Buyers in the online world, unlike offline buyers, play an active role, they are always looking for information about products and services and they search for the best conditions for the purchase, then they verify that the contract and procedures are actually guaranteed. In this thesis, the B2C e-commerce model implemented by luxury clothing companies will be specifically analyzed.

- C2C - Consumer to Consumer: this is the type of online negotiation that has emerged only in the last decade and has been quite successful. These e-commerce companies run online auctions, where goods, services and information are exchanged between end consumers. The entire transaction is thus handled jointly by the seller and the buyer. This typology has developed due to the fact that private sellers, compared to the canonical local markets or ads in newspapers, which are also local, are able to attract more potential customers from a much larger pool by publishing their ads on C2C sites. In Italy, in this category, eBay is the leader, with over 5 million active buyers and more than 35,000 sellers. This site has managed to create a reliable ecosystem, providing consumers with many added services including: the opportunity to evaluate both sellers and buyers, marketing tools and secure payment solutions. The result of this business model is that users are not only buyers, i.e., those looking for the product or service, but are also possible sellers when needed.

- C2B - Consumer to Business: this is the most recent mode and is still in the development phase. The purpose of this type of e-commerce is to act as an intermediary between supply and demand. It allows consumers to set the price they are willing to pay for a product or service, and then it is up to the companies to decide whether to accept or reject this offer. This results in a shorter and more efficient negotiation process, thus making transactions easier. E-commerce, therefore, plays the role of an intermediary between the parties.

Another classification of e-commerce can be with respect to the possible number of parties involved on both the buyer and seller sides.

The first type is a buyer for a seller. In this case, transactions are particularly developed in B2B transactions. Authentication, data protection and specific technologies are the essential features.

The second mode is when there are multiple possible buyers, but there is only one seller. This mode is also the most widespread on the World Wide Web, where the seller tries to reach the general public indiscriminately if his product is a mass one or tries to attract a targeted but still large audience if his product is a niche one.

The penultimate and opposite type is the presence of multiple sellers for a single buyer. This is not very common, if not only for large works concerning contracts in the Public Administration.

The last mode is the presence of both many buyers who want the product or service and many sellers who market it. In this case, they are large e-commerce, more commonly called Marketplaces, where there are multiple sellers trying to sell their products to the millions of people who daily or monthly generate traffic in the online shop. Often these huge marketplaces, such as Amazon, eBay, and Alibaba, were created to market only online and generate huge volumes of traffic, transactions and monetary amounts; they are then listed on the world's largest stock exchanges, such as NASDAQ.

A final possible classification relates to the type of purchasing process.

It depends on the type of product purchased, the type of delivery applied and the means by which the order was placed, thus creating eight possible combinations of which six are hybrids. When developing traditional commerce, the three dimensions are purely physical, whereas when it comes to pure e-commerce the three dimensions become all digital.

Hybrid forms, on the other hand, are characterized by both physical and digital aspects, thus creating only partial e-commerce. This differentiation also allows the study of the necessary components, resources and skills, thus simplifying the most appropriate strategy to be applied according to the needs of one's business.

It should be noted that when physical logistics are chosen, operational problems are more complex and require more effort than digital logistics. The table shows the three qualities used for classification, namely: the nature of the products, the automation of order processing and the logistics required for delivery.

Physical	Physical	Physical	Traditional trade	Buying a book in a supermarket
Digital	Physical	Physical	Traditional trade	Buying a film on DVD in an electronics shop
Physical	Physical	Digital	Classic e-commerce	Buying a mobile phone on Amazon
Digital	Physical	Digital	E-commerce	Purchase playstatio game via ebay with arrival at home
Digital	Digital	Physical	E-commerce	Purchase Sim card in shop activated by email
Digital	Digital	Digital	Pure e-commerce	Purchase of app via PlayStore

Table 2 – Transactional mode classification for the purchasing process
(Source: self-elaborate)

3. ii. Online Luxury Retailers

Sales through company-owned shops imply the creation of its own distribution chain.

It is highly advantageous if the company has a large market share, the production is very diversified and the brand is fairly well recognized.

An example of this type of sale is the retail channel.

Retail is the term used to refer to "retail trade", i.e., the sale of goods to the final consumer through a shop or a network of organized outlets (B2C).

The retailer (shopkeeper or retailer) buys goods in large quantities from the manufacturer, distributor or wholesaler in order to resell them to the final consumer in small quantities in order to make a considerable profit.

Depending on the type of distribution used, there are different types of sales outlets, each with different characteristics and peculiarities, all aiming to achieve the same goal: increasing profit and customer loyalty.

Two of the most popular purchasing channels are mono-brand and multibrand. Monobrand shops, which are shops with products from a single brand, have the advantage of offering customers a wide range of products. The company chooses a mono-brand shop to strengthen its identity and to avoid making a loss, it must increase its sales volume and have good profitability. By using a multi-brand, on the other hand, the customer has a wide choice of brands but a smaller selection of products; the company has a high risk of error in selecting the offer because it follows the traditional cycle of seasonal orders.

Profit maximization is fundamental in the fashion industry as in all other fields, but nowadays many brands aim to strengthen their brand image so that customers can easily recognize the brand, that's why now even the biggest managers of luxury brands believe that the Internet is necessary for any brand and that a lack of presence in the e-commerce would only damage the reputation and fame of the brand.

After having clarified this point, we can analyze the relationship between retail in the luxury market and the Internet, often labeled as a "love-hate relationship".

Like all sales channels, retail has a time before, during and after the Covid-19 emergency, as Retail Trends points out.

The pandemic has taken a heavy toll on retail, with a succession of lockdowns and restarts that have put the industry to the test. Over the past year, the impact of Covid has above all accelerated trends already underway in retail, starting with the bet on omnichanneling and the drive towards sustainability, through to the now central role of online, as well as the importance of offering consumers increasingly sophisticated shopping experiences and the consequent rethinking of some of the rigidities of brick-and-mortar.

On the occasion of the Altagamma Retail Insight 2021, Fondazione Altagamma has released the results of analysis according to which digital sales in the sector grew by almost 50% last year, from €33 billion in 2019 to €50 billion and accounted for 23% of total turnover (12% the previous year). According to the research, luxury e-commerce is expected to reach between €105bn and €115bn by 2025, up 30%, while investment, performance and shop development figures are all down (figure 6).

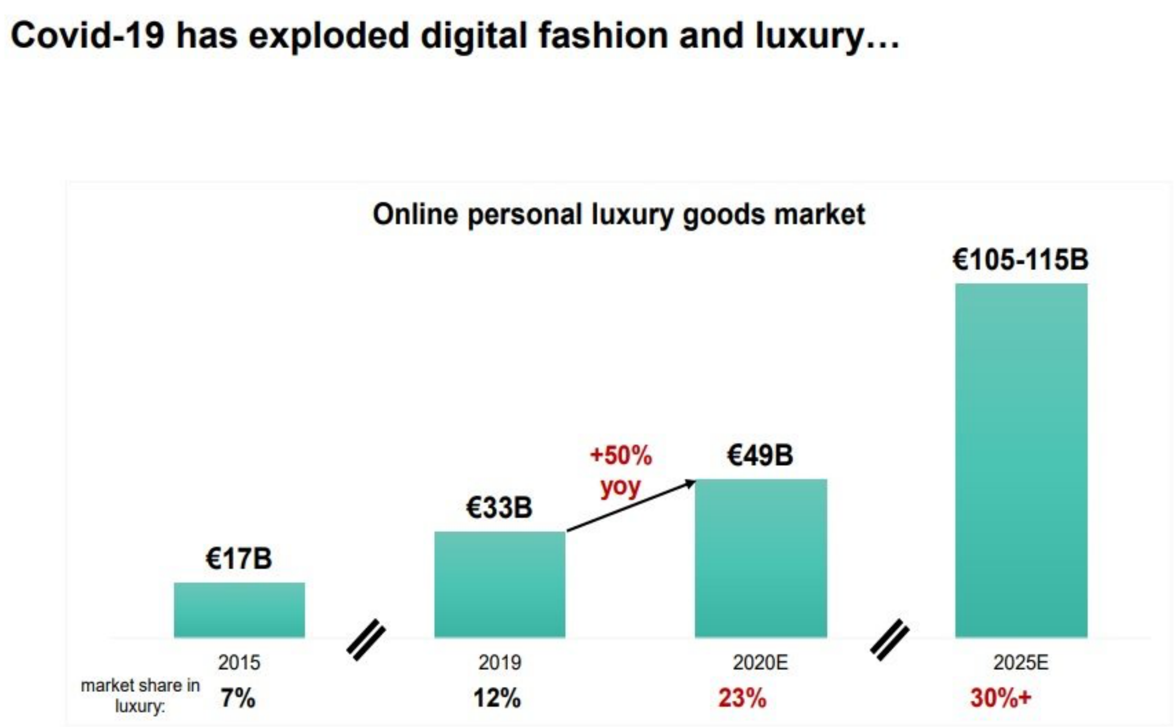

Figure 6 – Market Share in Luxury
(Source: https://altagamma.it/media/source/Comunicato%20Altagamma%20Retail%20Insight%202021_def_2.pdf)

What emerges, in particular, is that new e-tailers and marketplaces outperform almost all traditional department stores in their ability to generate internet traffic and exploit the online channel, even compared to most structured companies in the sector.

It is not new that commerce is confronted with the integration of online and offline, given the success and proliferation of e-commerce and social media. Indeed, the other side of the coin of this trend accelerated by the Covid-19 pandemic is that luxury brands have had to deal with a decrease in traffic and productivity in their flagship shops. A consequence that mainly affects small and medium-sized companies, since the tools to counteract this decline, such as the efficiency of flagship stores, the development of capsule collections, etc., require significant fixed costs, which are easier to sustain with economies of scale.

"Retail has been driving the growth of our industry for decades, and in recent years it has been at the center of a process of evolution, in particular, but not only, due to the growth of the digital channel," commented Matteo Lunelli, President of Altagamma. "Italian companies are implementing a deep transformation of their business model in a digital perspective with consequences on retail, especially after the 2020 acceleration due to Covid-19. This requires large investments that require financial solidity and specific skills. We hope that the PNRR and the 14 billion euro dedicated to Transition 4.0 will provide concrete support to excellent companies of MADE IN ITALY".

It is not true, therefore, that retail is dead with the pandemic, but it will have to change its skin and, above all, companies will have to change their approach, thanks also to omnichannel marketing. According to Alessandro Varisco, physical retail will always play an important role because technology, although a great facilitator in customer contact and service delivery, is cold. The store is the only touchpoint that allows the consumer a visual and sensory experience and the brand to transfer its values in the best possible way. This opens up a world of possibilities for the evolution of physical shops into "experiential and technological hubs, real entertainment points where the product, which will remain central, will have to be enriched by the expression of the value system upstream of the product itself".

In Italy today, the upscale sector is worth 115 billion euros, contributing 6.85% to GDP and employing 402,000 people, both directly and indirectly: exports account for 53% of the total.

4. Impact of Covid-19 on Luxury Industry

Over the last twenty years, the Personal Luxury Goods sector has experienced sustained growth, from a turnover of just under €120 billion in 2000 to over €280 billion in 2019, with an average annual growth rate of around 5% (Figure 7).

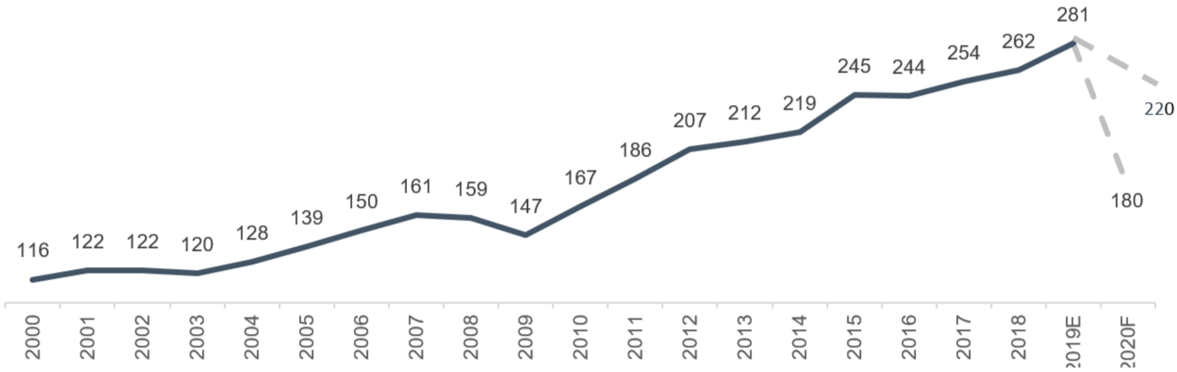

Figure 7 – World Luxury Market (€ bn)
(Source: https://altagamma.it/media/source/COMUNICATO%20STAMPA%20ALTAGAMMA_1.pdf)

According to the picture sketched by the 20th Altagamma Observatory, encouraging signs of recovery compared to pre-pandemic 2019 have emerged, confirming a Boost in consumption in 2021, with 2022 expected to match its predecessor, albeit less vigorously.

The year 2021 marked a clear recovery in global luxury consumption, a sector that accounts for 7.4% of Italian GDP and has grown by 134% over the last two decades.

What is expected in 2022 is more organic growth, even if not as accelerated as in 2021. The reopening of shops and the resumption of travel will fuel the upward trend that will be reflected in margins and promises to consolidate the results of the last twelve months.

The Altagamma-Bain Worldwide Luxury Market Monitor 2021 estimates global sector growth at €1.11 trillion, thus recovering about half of the 2020 losses and bringing the sector closer to the pre-Covid 1.26 trillion. "For personal luxury goods there is a full recovery, with a 2021 market value forecast of €283 billion, up 1% on 2019," explained Bain & Company experts Claudia D'Arpizio and Federica Levato.

Global estimates cannot overlook the specificities of positioning, size and international exposure of brands, with the big luxury players poised to accelerate further against less structured competitors. As a result of the pandemic, Europe, which was experiencing a moderately positive economic performance in the pre-covid period, suffered a double impact, firstly linked to the blockage of tourist flows from Asia and the Middle East - the main buyers of luxury goods at a global level - and subsequently to the closure of local markets. Despite reopening in almost all European countries, luxury brands continued to record a drastically reduced turnover compared to the pre-crisis period, also due to the almost total absence of international tourism. However, according to Luca Solca, senior research analyst, global luxury goods at Bernstein, some companies are now 40% larger than they were in 2019. We are talking about Hermès, Cartier, Louis Vuitton and Dior, for example, which has managed to maintain pre-covid levels thanks to the economic and financial solidity of their artisanal business model, representing an opportunity to further 'lengthen' the distance from their competitors.

In contrast, Italian companies such as Tod's and Ferragamo encountered more difficulties, with Ferragamo estimating a drop in turnover in Q1 2020 of between 25% and 33% due to Covid-19. Almost all companies performed significantly worse than the S&P 500, which has now almost recovered the values of the beginning of the year (Figure 8).

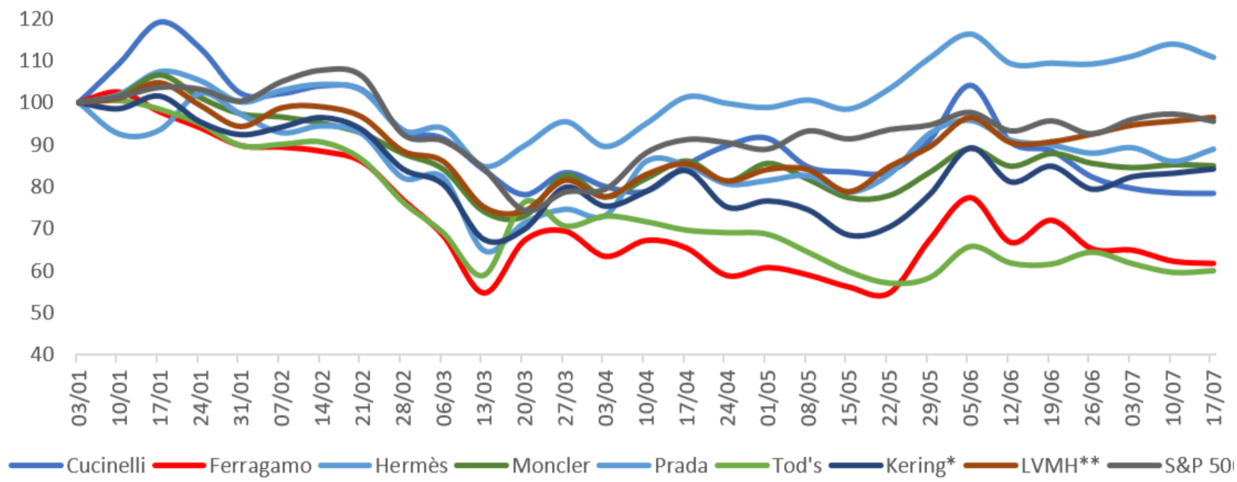

Figure 8 – Evolution of luxury stocks in the main world markets (03/01/2020=100)
(Source: https://altagamma.it/media/source/COMUNICATO%20STAMPA%20ALTAGAMMA_1.pdf)

There are also smaller companies that remain below 2019 levels. The biggest difficulty has been catching up with Chinese demand in China, because the Chinese in the domestic market pay higher prices for luxury goods, and therefore buy predominantly the strongest brands, which they perceive as indispensable". In this sense, although the recovery will be more MODESt in Europe, it cannot be overlooked that 10 of the top 20 "super winners" in the fashion and luxury sector have European origins, so from the point of view of supply, the Old Continent remains a solid base for the entire industry. "At an international level," pointed out Flavio Cereda, managing director of luxury equity at Jefferies, "the sector will close 2021 in line with 2019 thanks to the boost of the American market.

Supply chain slowdowns will represent a risk for luxury only in case of a further worsening of the pandemic. To date, there is no clear idea of evolution. The dynamics of 2022 will be very similar to those of 2021, with more uncertainty in the first part of the year. As for the markets, Europe's 2022 performance will depend on the consistency of tourist flows, which we expect to be very weak. The United States and China will grow in double figures". (PanbiancoMagazine 23/12/2021)

Driving the recovery of the luxury segment in 2021 was China, whose market doubled compared to 2019, especially in luxury, whose sales could grow by 70-90%. The US made a strong recovery, the last area, in chronological order, to record a drop in turnover in the sector, which is already above pre-Covid levels with its €89 billion luxury market, up 41% between 2020 and 2021. In excellent health is the Middle East, which outperformed 2019 by marking a +34% over 2020. Among other areas, we note Europe's +20% over 2020, Japan's +10% and the rest of Asia's +19%, all still below pre-Covid levels.

For its part, digital represents the main growth opportunity, followed by sustainability. In fact, digital is confirmed as the leader, which, after a 50% leap in 2020 compared to 2019, has not stopped since then and is growing by 27% in 2021, with an estimated market value of €62 billion this year.

This evolution of strategy, in particular by luxury brands, has been possible thanks to the brands' affirmation of the various digital channels with a 360° approach, providing customers with innovative shopping experiences, with the flexibility to offer a 'seamless customer experience' across all consumer touchpoints.

Continuing to focus on the current and near-future scenario, we note the complexity and renaissance of the high-end world that could lead to new configurations. The years 2020 and 2021 have brought a turning point for luxury, due to changes in geographies, consumers, communication and values, to the point that the divisions between aspirational, accessible and absolute luxury have lost their meaning. Today, what counts is a human-centric luxury, which 'makes culture' through product, message and ethical commitment, in an era that can be defined as post-consumerist and in which new realities are coming into play, such as the Nft and the metaverse (a 3D virtual earth with futuristic features that is already generating stellar figures).

As already anticipated, 2022 will be a pivotal year for global luxury and fashion. Global sales in 2022 could exceed 2019 levels by 3-8%, recording a higher growth rate than predicted just six months ago.

Despite all this, McKinsey & Company says supply chain issues are the industry's biggest concern and predicts a negative impact on margins in 2022 due to supply chain disruptions. The combination of raw material shortages, transport bottlenecks and higher shipping costs will further inflate production costs and cause imbalances between supply and demand, leading to higher-end prices. Sustainability remains high on the list of priorities, with 60% of companies increasing investment in closed-loop recycling solutions to reduce environmental impact.

1. The history of MODES

The history of Stefania Mode began back in 1971 in the heart of Trapani, in Via Torrearsa to be precise, when Mrs. Stefania, Aldo Carpinteri's mother, opened her first boutique, Stefania Mode, offering an exclusive and refined selection of clothing and sophisticated accessories to satisfy the tastes and needs of luxury-lovers and connoisseurs. This small business has become so popular over time that it has become a real point of reference for lovers and enthusiasts of luxury and fashion.

Figure 7 – Store Stefania Mode, Trapani
(Source: self-elaborate)

Carpinteri has taken up the family legacy, starting from Sicily and succeeding in building, thanks to his entrepreneurial skill and determination, a leading international company in the omnichannel sales sector, in which all the stores, and their assortment, are linked to each other and the online store. All the stock is, therefore, the same in the two channels, making the stores available 24 hours a day. He has shown himself to be skillful, dogged, far-sighted and innovative and has accomplished the feat: turning a local boutique into a global business, a benchmark in the global luxury market today.

This is one of the reasons that made it possible in 2012 for the company to join “The Best Shops”, an association owned by the Camera Italiana Buyer Moda, which identifies the best Italian multi-brand distributors in the clothing sector.

"I have always dreamed of creating something that would go beyond the borders of Sicily, of developing a fashion and retail concept based on innovation and young talent, of using my energy and passion to compete with the rest of the world beyond our island." Aldo Carpinteri

The company's vision can therefore be defined as expanding and creating a unique venue that offers a retail experience for an international clientele and digital audience, with a mission that is to capture the essence of customer self-expression with innovative and instinctive fashion.

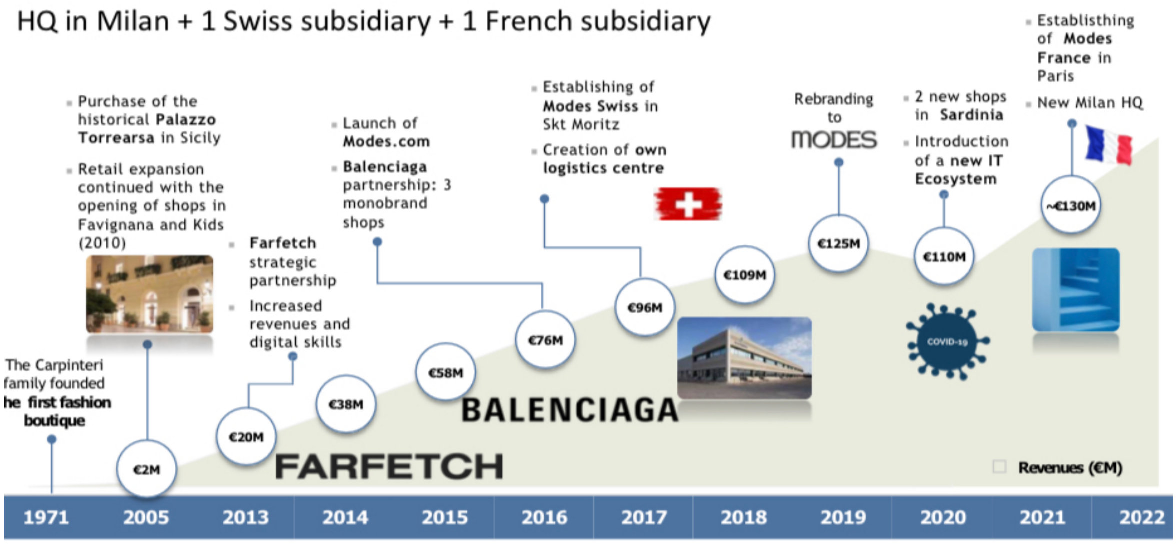

Figure 8: MODES Evolution

(Source: MODES' internal data)

Nowadays, MODES' goal is to express a new concept of fashion, an accurate and organized selection of garments and accessories for men, women and children from over 300 designers, including established and emerging brands, offering all the essential tools for a unique, easy and satisfying shopping experience. All this can be defined as a combination of tradition and innovation, where new talents are allowed to be present in the cult places of fashion and showcases in the most important squares.

An unprecedented vision of style, a passion for work, managerial skills and a marked ability to plan the future innovatively. These are the skills thanks to which Aldo Carpinteri has succeeded in leading a leading local company into an international universe, thanks to the rebranding strongly desired in 2018. With the rebranding, Stefaniamode.com inaugurates its new legal and administrative headquarters in Milan and becomes MODES.com, changing not only the logo but also the management team with a new CEO, Aldo Camillo Gotti (former Prada sales director), aiming to win the challenge of internationalization and thus be more recognizable abroad as an expert in the fashion sector, guaranteeing a tailor-made and punctual service for all customers.

The unstoppability of the company's activity does not stop with the development of retail and its own sign, namely modos.com, in fact, also in 2018 MODES signed an agreement with the luxury giant Kerings for the opening of some mono-brand stores, in 2020 it was included in the roll of honor in the fourth edition of the Felix Industry Award. In addition, counted among the 58 companies based in Lombardy that stood out for management performance, MODES was awarded in the category of resilient companies for its uninterrupted growth in the period between 2007 and 2018 and as a financially reliable company in the Lombardy region.

1. i. Swot analysis

MODES, like many other companies, uses Swot analysis as a fundamental strategic planning tool to focus on the key points of its business and analyze its distinctive characteristics and those of its target market.

Strengths	Weaknesses
Omnichannelity: combination of B2C & B2B. International online market coverage. Continuous research and selection of niche products. Logistics integrated with physical and digital. Showcases in top international resort locations.	Limited offline network compared to competitors. Some non-automated processes (e.g.product allocation between channels, re-allocation, in-store customer monitoring, etc.).
Opportunities	Threats
Strengthening and evolution of the omnichannel strategy. Opening up and expanding to other markets in addition to those already penetrated. Physical expansion of stores in strategic locations.	Increase in the number of boutiques on Farfetch and worsening of performance on the algorithm. Changes in international policy towards foreign purchases (increase in import duties). Shrinking of the physical retail market (closures > openings). Increase in outlet sales channel with low margins. Opening directly to brands by the Farfetch platform.

Table 3 - MODES Swat Analysis
(Source: self-elaborate)

After analyzing the various focal points of the Swot analysis, Carpinteri will focus on investing in its strengths in order to face global competition and lay the foundations for international expansion, taking advantage of the opportunities that the market offers and, with the help of Ernest and Young, has also created a business plan that envisages a stock market listing by 2024 with a turnover of 300 million.

1. ii. MODES' Value Chain

As we have seen in the previous chapter, the value chain for any industry describes how an industry is structured and its methods to maximize revenue and profits. it is independent of competitors and the current state of the market, which is where business strategy comes in.

In general, retailers spend significant time and effort shaping the shopping experience (through shop layout and/or website design) and finding opportunities to increase sales share and overall order size. Marketing efforts focus on point-of-sale, up-selling and cross-selling, encouraging customers to buy more of what they started buying for.

The key for the retailer is to determine the right merchandising mix, offering exactly the right products in the right sizes and colors, together with complementary products. Finally, retailers focus on analyzing purchases and customers to better understand buying habits and tastes.

As MODES is a multi-brand retailer, we can say that its value chain is divided into two distinct components: the buying side of the chain and the selling side of the chain.

1. Buy side of the retail value chain:

The buy-side of the value chain involves MODES in sourcing products from suppliers and incurs costs for infrastructure and preparing to sell. Retailers are very familiar with the buy-side of the chain, which consists of the functions that support the interaction between a retailer and its suppliers.

Due to low margins, and the just passed pandemic crisis, MODES is cost-oriented. It seeks to create economies of scale to overcome the significant fixed costs associated with a large retail footprint. As MODES is also a digital retailer, it reverses much of this with relatively low fixed costs and the ability to grow sales without increasing costs even though premium retailers like MODES are more value-driven than cost-driven.

The cost structure is closely linked to the value proposition, as customers need to feel that they are getting more than they are paying for, or at least the potential to benefit from the company if they make full use of its services. Cost structures include warehouse management activities, inventory management and product and supplier analysis.

Key partners - Supply/purchase side:

Key partners for the MODES industry include manufacturers of major brands primarily, but also emerging designers. To appeal to a wide variety of consumer tastes, MODES has access to national and international brands and an abundance of diverse products. Local governments can strongly influence the choice of retail locations and provide tax incentives, although MODES has chosen to focus on specific locations where there is a greater influx of "fashionistas".

The buy-side consists of the following functions:

Warehouse management:

Warehouse management and distribution logistics involve the physical warehouse, which is located in Trapani, where products are stored after they have been purchased. This function also includes the reception and movement of goods. Finished products normally go to a temporary storage place, to the retail shop, or to the final customer when purchasing online.

Inventory management:

Focusing on omnichannel and the interaction between physical and online, inventory management for MODES involves keeping a certain level of goods and merchandise on hand at all times. This can help protect against delays and ensure that sales to customers can continue, even if unexpected problems arise. Making the right product available to the customer with the right transport costs is the goal. If inventory management is not right, the retailer may end up storing high-value or slow-moving goods in the inventory.

Product and supplier analysis:

MODES focuses on optimizing supply chain operations and property management. Product and supplier analysis involves analyzing sales patterns, inventory levels and supplier performance to ensure that deliveries are accurate, and products are profitable. MODES also relies heavily on human resources and physical infrastructure.

2. The selling side of the chain:

The traditional MODES model emphasizes exclusivity and customer focus as a value proposition. The selling side of the chain comprises the functions that support the interaction between a retailer and its customers, indeed MODES aims at anticipating, satisfying and proactively managing the needs of their customers before a demand arises. The sales side of the chain consists of the following functions:

Sales channels:

The customer interaction point involves interacting with the customer through various channels, which can be online or offline. MODES, as mentioned earlier focuses on omnichannel selling through two main channels: bricks-and-mortar retail shops, its own e-commerce and various websites (such as Farfetch, Yoox, etc..).

Sales operations:

Sales operations involve all functions that directly promote, support, or sell a product or service. As MODES is a premium retailer it generally targets the mass market, but more specifically it targets a specific segment of clothing. And its source of revenue is the profit from the sale of accessories and clothing.

Customer relations and sales analysis:

Customer and sales analysis involves collecting and analyzing information about customers, their concerns and needs. This knowledge can give a retailer a complete picture of the market. For the traditional retailer, customer relationships depend on the style of the retailer. MODES, on the other hand, emphasizes personal assistance and after-sales service.

1. iii. Distribution Channels

Today, MODES is a leader in the fashion field for two reasons: the ability to make itself known throughout the world thanks to a high-performance platform at an international level and the sensitivity in consolidating and expanding a network of physical spaces where it can interface face to face with the consumer.

The rebranding strongly desired by Carpinteri explains the company's strategy:

"*Physical stores have no limits and are accessible worldwide" explains Aldo Carpinteri and adds that "the point of sale is a physical window on the digital world*".

We are therefore talking about an omnichannel company, in which there is a fusion of digital and physical, where the digital is the window to the physical shop 24 hours a day.

' digital journey began in 2012 thanks to a partnership with Farfetch, a strategic partnership that continues to this day, with the company being one of the top three boutiques in the world on this platform. The same year also saw the development of Farfetch's own e-commerce "Stefaniamode.com", followed by Farfetch's black&White division, which mainly does consulting work on behalf of big brands, facilitating online sales and exploiting its resources in the digital sector, providing support for customer service, returns and shipping for multibrand companies.

Thanks to its entry into Farfetch, MODES has seen its turnover grow by 33% since 2012, and by 85% in 2015 alone.

A cornerstone of MODES'' success today is the digital channels, which now account for 85% of the company's turnover and have encouraged the internationalization of the brand, allowing it to open up to a much wider and more varied clientele and thus taking the brand beyond the Italian borders. In fact, MODES, in addition to working with Farfetch, which is the largest marketplace, also works with YOOX and many other important marketplaces.

Moreover, from 2021 the management of e-commerce will no longer be the responsibility of Black&White (part of Farfetch) but managed in-house. "*For us* - explains Carpinteri - *the time has come to manage e-commerce with a concept that is ours alone. We do it regularly with retail, with buying and now we are able to do it with e-commerce*".

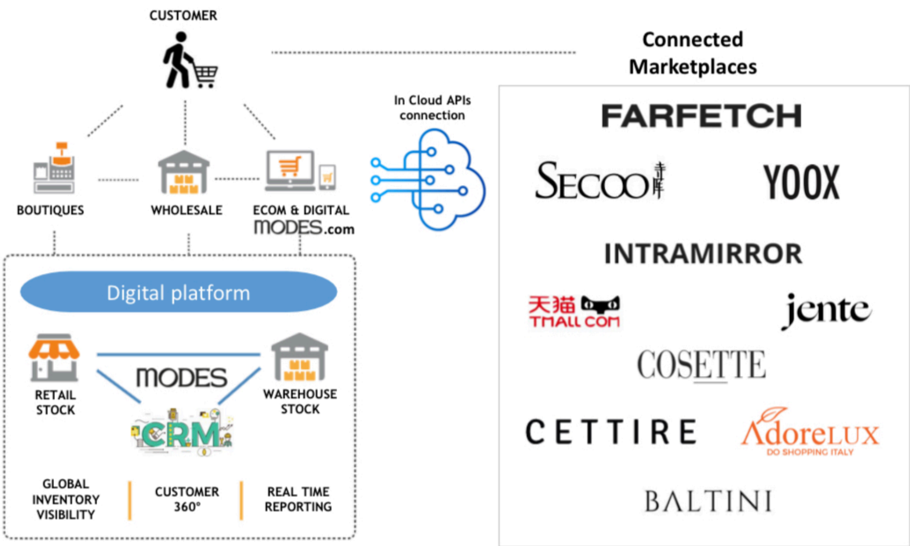

Figure 9 – MODES Distribution Channel
(Source: MODES' internal data)

As mentioned earlier MODES is divided in two, with retail on one side and digital on the other, so we can say that MODES is both a B2B and B2C company. So, while the online sales portal provides a creative, engaging and content-rich shopping experience, MODES now aims to increase the B2C channel as it believes that the costumer experience in physical retail is indispensable.

Investing in this way means solidifying MODES' presence in the territory and offering customers an incredible quality and personalised service. In fact, the brand's philosophy is also expressed through respect for tradition, openness to the new and a network of physical spaces within which the fusion of art and fashion, an intrinsic peculiarity of the brand, is clearly visible.

The company's physical expansion began in 2013, in the prestigious Favignana landing, where Stefania Mode's *"Season boutique"* was celebrated. In a space where tuna was once processed, clothes and research design now coexist in a very scenic concept store; subsequently, in 2016, MODES signed an agreement with the luxury giant Kerings For the opening of some monobrand stores, such as Balenciaga in Porto Cervo, Portofino, Forte dei Marmi and in some important hotel windows and, following the company strategy, during 2018 the MODES store was opened inside Forte Village in Sardinia and in St.Moritz.

" MODES continues to grow, international expansion is becoming more and more fundamental" says Carpinteri, who continues to expand physically in what he considers strategic locations, opening a store in Milan in the shadow of the Madonnina, in Piazza Risorgimento in 2019. But the key projects in terms of brick and mortar were the opening last spring of a MiniMODES store in Milan and St.Moritz, and then the opening of a MODES store on Avenue Montaigne in Paris, the world's fashion

capital, where Aldo Carpinteri has chosen to focus on a careful selection of garments by emerging designers and more famous brands. Just as it did in Milan, the Paris store has already welcomed numerous collaborations and installations in order to remain faithful to its underlying philosophy (figure 10).

Figure 10 – Store MODES
(Source: MODES' internal data)

"As soon as the shops reopened the turnout was evident, today the store is a meeting place for those who are led there by the digital channel and vice versa." explains Carpinteri *"In a historical period of total uncertainty, the incentive to return to the physical shops, albeit with health regulations to protect everyone, comes from the cycle of events agreed with the company representatives of the brands housed in the MODES collections, ready to receive customers in restarting and conviviality events".*

One of the must-haves for the success of Carpinteri's entrepreneurial strategy is in fact the attention and care given to customers, who must be surrounded by beauty, thus enhancing human contact, transforming the purchase of a garment into an experiential path. All the existing physical concept stores have been designed and organised by prestigious architects' studios, so that the frieze of the collections is even more enhanced by the sites that house them.

MODES is not just a simple multi-brand boutique: it is a real point of reference for fashion addicts who want to keep up to date with the latest trends, discover the proposals of emerging and yet unknown designers and enter a world that captures the imagination.

2. Evidences From Covid-19 On MODES Company

According to global business statistics, there are three variables that will lead to not only survival but also growth after the global lockdown of a company: the health of the company's balance sheet before the crisis, the resilience of its operating model (including its digital capability, the agility of its supply chain and its dependence on wholesale channels), and its response to the COVID-19 pandemic.

On closer inspection, the last two points can also be assimilated, as those who were already present on digital platforms and whose customers used their e-commerce as one of the purchasing alternatives, were at an advantage compared to those who had to set up a digital discourse from scratch.

In short, resilience is the key word that has affected industrial production as well as entrepreneurs in recent weeks. And the luxury industry has shown itself to be fully capable of reinventing itself, and it is thanks to this ability that some brands and groups will emerge stronger from the crisis, above all because of their ability to respond to relative short-term urgencies while simultaneously planning and implementing concrete ideas for the future.

Compared to the pre-pandemic period, MODES perceived a change in consumer behaviour, with consumers preferring to shop from the comfort of their own homes, and in their ideologies, but no change in consumer origins. In fact, those defined as *"top countries"*, i.e., countries such as the US, China, Japan and some European countries where MODES was present, both pre and post-pandemic, did not change, with the only difference being a peak in online sales during the pandemic period.

All this prompted the company to safely increase its e-commerce service, which already alone produced 65% of the company's pre-pandemic turnover, rising to 85% in the post-pandemic period, and to carry out more and more research into new brands and to launch its own collection *" MODES Garments",* a private label that fully reflects the eclectic and artistic spirit of the brand with all eco-sustainable garments, strictly made in Italy and in organic cotton.

Market research carried out by the company during the pandemic period has shown a strong demand from consumers for more new brands that produce sustainable garments and are able to arouse consumer curiosity, thanks to the competent creative advisors behind them, who are able to tell a unique and more authentic story than ever before and who focus on the sustainability of product processing and their ethics, to the detriment of the fashion industry's big brands.

The company claims that big brands are no longer at the centre of their business. While their typical customers used to be *"top spenders",* today they are "*Fashonists",* a niche group of people who prefer emerging brands that have a lower retail unit than big brands, but still offer a high quality, eco-friendly product.

We can say that MODES is an excellent example of the ability to be flexible and adapt to the times, as well as to innovate, at a national and international level in the fashion and luxury market, which was able to take advantage of the moment of market deadlock during the pandemic to reflect on what would have been the strategy in the following months, that is, to push hard on omnichannel, trying to maintain a fluid flow of communication between physical and digital, breaking down any barriers between the two channels, but above all to continue their expansion of physical stores in strategic destinations.

With the increase in online sales, it was important for the company to maintain a quality customer service and implement their omnichannel approach, so they ensured that the online platform allowed for an intersection with the in-store one through the practice of *"Click and Collect",* i.e., buying conveniently online and picking up in shops or *"Same Day Delivery",* i.e., same day delivery the day the order is placed, to the customer's home. Not to underestimate the possibility of consignment for VIP customers, who can try on clothes at home.

The company has also decided to invest in a *"Concierge"* service (figure 11), a personalised service that offers customers a shopping assistant 24 hours a day to support them in shipping or in choosing what to buy, both online and in shops, through virtual appointments with WeChat, Whatsapp or FaceTime, with the various boutiques to discover the selection of stores and pick up in shop or have the products delivered to their homes with a maximum of 24/48 hours shipping.

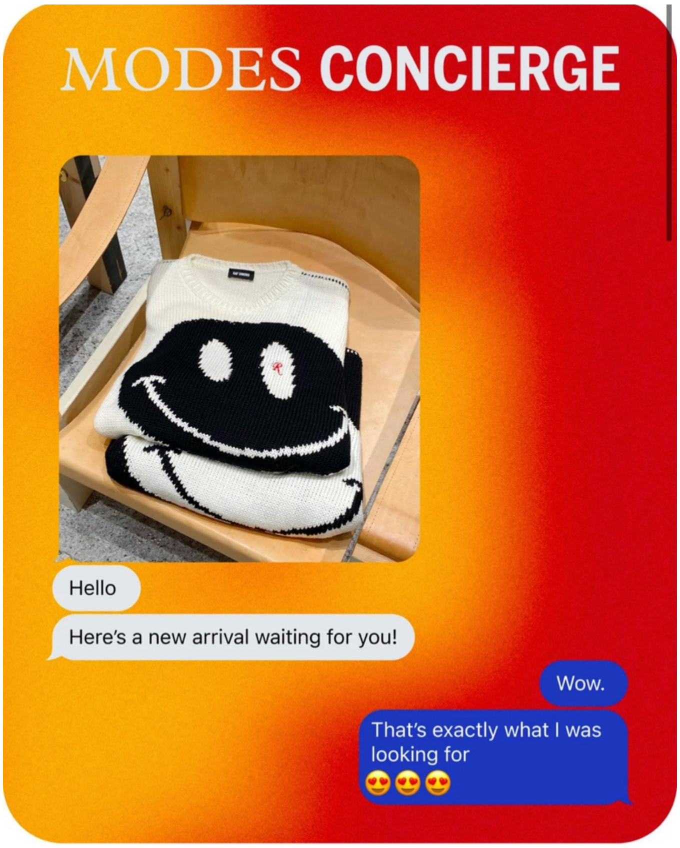

Figure 11– concierge service on MODES.com
(Source: MODES' internal data)

The Concierge strategy is certainly one of the main strategies MODES is currently investing in, but not the only one. In fact, after an entirely virtual year, MODES is still pursuing its major objective, which is to expand physical retail, no longer only through multi-brand stores but also through a series of single-brand openings, through partnerships with important brands, first Burberry, then Jil Sander and finally Alexander Mcqueen. *"Seasonal stores,* - explains Carpinteri - *that a brand could not afford, but a company like ours, which is truly omnichannel, can break even just by staying open half the year"*.

Conclusion

The luxury sector, as can be seen from the paper, is a very particular sector that has been strongly affected by Covid-19; in fact, when the first cases broke out, the demand of the luxury market saw a contraction, unlike all those markets that deal with essential goods.

The study developed in this thesis work allowed us to understand the effects recorded by the Fashion & Luxury sector as a result of the Covid-19 spread in the last months of 2020, trying to highlight the growing importance of e-commerce; in particular, we tried to analyze the impact that the health crisis had on the fashion retail sector.

The data revealed a drop in turnover of -27.5% in the third quarter of 2020 compared to 2019, identifying a clear deceleration compared to 36.2% in the first quarter and -39.0% in the second. However, the first few months of 2021 saw a very similar trend to the last quarter of 2020 described above, with a drop in turnover of 18.4%. It, therefore, emerges that for the fashion sector during the pandemic was a dramatic period, with heavy losses that affected all sectors across the board. But despite this, luxury companies have nobly responded to the crisis by demonstrating resilience and perseverance. Unlike other manufacturing sectors, the Luxury sector has benefited from the rapid recovery of the Asian market, its main growth engine in recent years, and the evident growth of e-commerce: there have been increases of at least 20% in demand for all products categories.

This paper explained the different business models adopted in fashion luxury after theoretically describing the different distribution channels, focusing in particular on purely logistical aspects.

With the advent of the pandemic, e-commerce has been the main element of resilience for the entire luxury sector. Before the pandemic, there was a very cautious approach, which has now been put aside by all brands that have had to transform themselves by going digital and accelerating a trend that was already underway.

This part of the study also showed that the most widely used distribution channels are now digital and retail. The development of the former in recent years is preponderant over the latter because with the spread of the virus and due to the anti-counterfeiting measures adopted by various countries around the world, consumers have been forced to change their buying habits and have necessarily had to buy through the digital channel.

The challenge today for luxury companies is definitely to implement an omnichannel strategy. This type of strategy is defined as customer-centric as it focuses exclusively on the consumer and their needs and allows them to combine the advantages of the traditional sales channel with those of the online channel, using artificial intelligence to collect data and personalize the shopping experience to the maximum.

Despite the moment of strong pessimism and uncertainty in the MODES case analyzed, it was found that the company did not let itself be overwhelmed by the situation, but found the strength and courage to go beyond, demonstrating resilience and perseverance, managing to make the most of the period of stalemate due to the pandemic. Through the awareness of its know-how, and by focusing on omnichannel retailing, MODES was able to create an integration between the physical and digital space to offer consumers the possibility to buy simultaneously in different channels. This is an innovative strategy because in recent years, given the huge growth of e-commerce, most entrepreneurs in the sector have focused and invested mainly in the digital channel, underestimating the importance of the return to the shop for customers.

At the end of my thesis study, we can say that the intuition of the retailer Aldo Carpinteri, founder of MODES, is winning and innovative because in luxury the real need is to create an experience and provide emotional values, achievable only by the combination of the physical store and online, ensuring that mystical, special, magical experience that characterizes the luxury brands. Therefore, e-commerce in fashion, although registering high growth rates, cannot completely replace the in-store experience, especially for top spenders who need direct contact with the product, a personalized purchase to obtain diversified luxury goods and a unique and irreplaceable customer experience.

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