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Exploring E-Commerce Internalisation in the Fashion Luxury Industry: Strategic and Change Management Implications from Maison Valentino

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1. INTRODUCTION

The fashion luxury industry, while remaining steadfastly anchored to its defining characteristics and peculiarities, is learning to dynamically evolve with society and the changes that define it. Today, many of these social changes revolve around the digitalisation of habits and processes, which consequently alters consumer behaviour. Among the various pillars of digital transformation, the use of e-commerce has rapidly gained ground, even reaching the unthinkable niche of luxury consumers. Indeed, according to more traditional luxury management and marketing currents, as exemplified by Kapferer and Bastien, the combination of luxury and e-commerce was never positively conceived. However, the evolution of technology and society contradicts this notion, presenting a reality in which luxury consumers, like consumers in general, have readily embraced e-commerce and its related digital services.

In this context, companies are responding with changes to their business models and management of different channels, ultimately embracing the concept of omnichannel. The unified and coordinated management of sales channels involves digitizing processes, re-evaluating e-commerce as a genuine strategic lever in the contemporary context. When discussing e-commerce management, there have been significant challenges in the luxury sector due to its specific characteristics and initial resistance to change. Initially, e-commerce management was strongly supported by external agents, such as YNAP and Farfetch, for example, and only later did fashion luxury companies begin to internally manage their e-commerce platforms and related omnichannel services. At present, only few luxury brands do not have their own e-commerce platforms to meet the needs of an increasingly digital consumer base.

The purpose of this thesis is to explore the process of e-commerce internalization in the fashion luxury industry, attempting to construct a theoretical framework that synthesizes the key points of interest in this process. Specifically, this study has two main objectives: first, to investigate and understand the strategic implications that drive luxury brands to internalise e-commerce, and second, to explore the main points of interest in the change management process. For these reasons, the final framework aims to bridge the gap in the literature, contributing with a little piece of knowledge by addressing the following research questions:

RQ1: What are the main strategic implications that push luxury brands to internalise e-commerce?

RQ2: What are the main points of interest and pillars in the change management process related to e-commerce internalisation?

To address these research questions, this thesis draws its main reference from the experiences and perspectives of individuals involved in the internalisation process that Maison Valentino has recently undertaken. Specifically, Valentino has recently concluded its partnership with Yoox-Net-A-Porter (YNAP), the world's leading online luxury and fashion retailer, which had been the external provider of e-commerce services and platform.

From a methodological perspective, this thesis has an exploratory nature, employing a qualitative methodology, specifically through semi-structured interviews to gain a deep understanding of the decision-making process and subjective perspectives regarding e-commerce internalization and the associated change management. Following purposive sampling, a total of 17 participants were selected, comprising 16 respondents from various departments within Maison Valentino and one respondent from Bain & Company. The extensive experience of all interviewees in the luxury and e-commerce sectors facilitated a profound exploration of the topic, yielding valuable information and sector-specific considerations.

The data analysis process used in this study involved theoretical coding. The goal of theoretical coding was to identify underlying theoretical concepts present in the interview data and generate new theoretical frameworks. The interview transcripts served as the basis for the analysis, with the interviewees' statements treated as coding units in the initial phase of open coding. Labels were then assigned to these units based on their alignment with the main topics explored during the interviews. The initial phase of open coding resulted in the generation of 600 different codes, which were subsequently reduced to 62 through different phases of axial coding and further narrowed down to 15 through selective coding, all clustered around four main clusters: Internalization Drivers, focused on elucidating the factors propelling firms to internalize the e-commerce function, with specific reference to Research Question 1; Internal Points of Interest, External Points of Interest and Change Management Pillars, aimed at investigating the change management process and thereby addressing Research Question 2.

The framework provides a concise synthesis of the various strategic drivers and points of interest that emerged from the exploratory study. In doing so, it offers a comprehensive structure for understanding e-commerce internalisation within the fashion and luxury industry. Specifically, regarding Internalisation Drivers, various strategic motivations have been identified, including goals related to economic and financial growth, strategy development investments, enhanced management performance, increased autonomy and adaptability across various business domains (such as design and business development), and the regaining of control over all aspects of platform operations and functionalities. Regarding the internalization process, which requires concurrent change management, its subdivision into three clusters provides a nuanced perspective. The data have enabled the identification of internal synergies and necessary capabilities for approaching internalization while embracing an omnichannel approach as an overarching project vision. The external dimension is particularly relevant to the luxury market's typology and attributes, assuming paramount significance in supporting the entire process through engagement with external partners. Lastly, the Change Management Pillars constitute pivotal domains warranting consideration in the practical implementation of change, providing insights and considerations conducive to the successful execution of the internal e-commerce function.

The first part of this thesis includes the theoretical background necessary to elucidate the theoretical foundation supporting this research and to provide readers with insight into pivotal relevant theories or concepts. Subsequently, the literature review will focus on business dynamics related to e-commerce and change management strategies. Before presenting the study's results, the research methodology and data processing will be explained. Finally, the discussion will present the theoretical framework developed, leading to the study's conclusions.

2. THEORETICAL BACKGROUND

The aim of this thesis is to delve into the process of e-commerce internationalization in the fashion luxury industry. In order to delineate the theoretical background underpinning this discussion and to provide readers with an understanding of the key relevant theories or concepts, this paragraph serves to elucidate the concept of luxury, the primary characteristics of the industry and introduce the e-commerce realm, the main subject of inquiry.

2.1 The dynamic nature of luxury

One of the main peculiarities of luxury is its ability to adapt over the course of history. Numerous scholars have investigated the origins of luxury and its ever-changing appearance and elusive nature, tracing its evolution and social manifestations. This dynamic nature of luxury is a significant contributing factor to the ongoing debate surrounding its meaning and interpretation. As Kapferer (2008) aptly notes, luxury is "constantly on the move," perpetually shifting and adapting to societal, cultural and economic changes. Mortelmans (2005) emphasizes its ability to assume different forms and expressions over time; luxury has transcended traditional boundaries, shifting from a focus on material possessions to encompass experiences, self-expression and emotional connections. As society continues to change, so too will our understanding and perception of luxury, underscoring its dynamic and fluid nature as a captivating and elusive phenomenon. Brun and Castelli (2013) continue asserting that the concept of luxury is not limited to a specific category of products, but rather encompasses a conceptual and symbolic dimension that is closely intertwined with the cultural values of a society during a specific historical period.

To better understand the research development on the motivations that have led luxury brands to internalise e-commerce and the organizational changes they have had to make, it is important to grasp the peculiarities of the luxury concept analysing its ability to evolve throughout history and society. By examining different perspectives, it is possible to outline the industry's codes and fundamental characteristics that impact companies' strategic decisions.

In ancient civilizations luxury was often associated with opulence, extravagance and the possession of rare and precious materials. It served as a marker of power, social status and the ability to indulge in lavish displays of wealth. The focus was primarily on material possessions, reflecting a notion of luxury rooted in scarcity and exclusivity (Veblen, 1899). Veblen discussed two potent devices of social stratification: demonstrative leisure and demonstrative consumption, which luxury was firmly entrenched in. Through extravagant purchases, the upper classes secured their elevated status above the lower social classes. As long as luxury remained a distinct category, these principles held true. However, when the logic of sign value takes precedence, luxury loses its assignability. Luxury becomes entangled in a battle of signs, where the negotiated meaning of a product takes centre stage. In the pursuit of social distinction, luxury perpetually changes its appearance. The intangible nature of luxury's meaning allows even ordinary objects to assume distinctive signs of taste and class within specific contexts. Whether these objects are considered luxury products by the dominant culture is irrelevant. Their usage as markers of social standing renders them luxury products (Veblen, 1899).

In his analysis of the definition of luxury, Hemzo (2023) adopts an interdisciplinary perspective, highlighting how luxury has evolved into a more complex concept over the centuries. Therefore, synthesizing different viewpoints is crucial to understanding a phenomenon that permeates society, the economy and people's consumption choices. Hemzo's thesis argues that luxury makes a significant economic and social contribution to society. However, in order to satisfy customers' desire for luxury, it is necessary to recognize the interconnected network of related ideas that has developed over time. The definition presented to customers is the one that best caters to their requests, encompassing products that possess attributes such as rarity, craftsmanship, symbolic meaning, high price and value, status and acquisition complexity in their luxury goods and services. Proceeding with a similar analysis, Wide Batat (2023) has developed a multi-layered framework to reconstruct the evolving concept of luxury. Therefore, in particular, three main categories have been considered in defining the concept of luxury. It is crucial to remember that the meaning of luxury is not fixed. It changes as societies evolve, new social trends and movements, new consumers and luxury countries emerge and digital transformation occurs. All of these factors can have a significant impact on the definition of luxury products and their consumption.

The changes that companies choose to embrace are always impacted by the sector and the context in which they compete. When it comes to organisation, the definition of luxury remains not clearly defined, voluntarily opening to different interpretations and understanding.

Meanings of luxury are constructed within luxury organizations who purposely maintain a vague and imprecise definition of luxury. This ambiguity allows them to employ marketing, advertising and merchandising techniques to shape the perception of luxury based on target markets and audiences (Batat, 2023). This reasoning has been fully explained by Batat (2023) who states that major luxury conglomerates like LVMH, Richemont and Kering encourage this blurring of definitions as it enables them to offer a range of products and brands that may not necessarily embody luxury craftsmanship and exclusivity. Consequently, advertising and merchandising are employed to elevate ordinary consumer goods such as sneakers and t-shirts, typically targeting the mass market and persuading consumers to pay premium prices by branding them as luxury items. An organizational definition of luxury reflects the vision and culture of the luxury firm (Batat, 2023).

From the demand perspective, the aspiration of purchasing those items regards the fact that not everyone can afford luxury products. Luxury goods are characterized by their superfluous nature. They do not fulfil primary needs and their value is derived not from their functional components but from satisfying other types of benefits. This superfluity can also be linked to the concept of abundance, where the purchase of one unit or a reasonable number of units may be functionally necessary, but luxury is attained when the quantity purchased far exceeds functional requirements (Leibenstein, 1950). In doing so, luxury brands deliberately limit the availability of their products to maintain this scarcity aura. Luxury brands strive to create experiences that transcend everyday life, providing customers with unique and exceptional offerings. The once-in-a-lifetime concept of consumption fascinates masses and consumer, increasing the sense of desire both for present and future consumers. The symbolism encapsulated in a luxury product opens the doors to prestige and aspiration.

The meaning and interpretation of luxury are shaped by its historical context, cultural values and marketing strategies employed by luxury organizations. Luxury has transitioned from a focus on material possessions to encompass experiences, self-expression and emotional connections. It serves as a marker of social status and the ability to indulge in lavish displays of wealth, but its definition extends beyond a specific category of products. Luxury brands strategically employ scarcity, exclusivity and symbolic value to create a sense of desire and prestige among consumers. The organizational definition of luxury reflects the vision, culture and strategic objectives of luxury firms. As society continues to evolve, so too will our understanding and perception of luxury, making it a captivating and elusive phenomenon that continues to shape our consumer choices and aspirations.

2.2 Traditional luxury characteristics

The evolution of the luxury concept continues to this day, with its characteristics adapting to the times. From a perspective that draws upon traditional notions of luxury, Heine (2012) asserts that fundamental elements of luxury include high prices, quality, beauty, exclusivity, uniqueness and symbolic value. To this extent, Ko et al. (2019) analysed the extensive literature to present a comprehensive definition of a luxury brand that has been used as a common starting point for scholars researching in the luxury industry (De Boissieu, et al., 2021; Holmqvist, et al., 2020). Ko has defined a luxury brand as a branded product or service that consumers perceive to possess high quality, providing authentic value through desired benefits, whether functional or emotional (Ko et al, 2019). This concept has been also elaborated by Okonkwo (2009) highlighting that luxury brands can be defined not only by the offer of high-end products, but also by the delivery of emotions, symbols and lifestyle choices associated with them. Therefore, luxury brands are characterised by their unique style, strong brand identity and the ability to evoke exclusivity and emotional connections with consumers. The perception of luxury has moved beyond mere material wealth and emphasises authenticity, craftsmanship and the pursuit of personal fulfilment (Okonkwo, 2009). It is evident that the traditional notion of luxury is rooted in certain fundamental aspects. Brun (2013) emphasizes the unique qualities that distinguish luxury brands and contribute to their success.

- One of the fundamental factors that contribute to the success of luxury brands is their commitment to consistently delivering premium quality. This entails ensuring that all products in the brand's line meet the highest standards of craftsmanship, materials and production processes. From sourcing the finest materials to ensuring meticulous attention to detail during manufacturing, luxury brands prioritize excellence in quality throughout the entire supply chain. By upholding stringent quality control measures and adhering to product specifications, luxury brands establish a reputation for uncompromising quality that sets them apart from their competitors (Vigneron and Johnson, 1999; Nueno and Quelch, 1998).

- Luxury brands often boast a rich heritage of craftsmanship that spans generations. This heritage encompasses the accumulated knowledge, skills and techniques that have been passed down through the brand's history. It is this heritage that sets luxury brands apart, as it represents a legacy of expertise and mastery in creating high-quality objects (Antoni et al., 2004). Whether it is the art of hand-stitched leather goods or intricate watchmaking, the craftsmanship associated with luxury brands represents a unique blend of tradition, artistry and attention to detail. This heritage contributes to the allure and desirability of luxury products, as consumers value the exceptional skills and expertise that are embedded in each piece (Antoni et al., 2004).

- Exclusivity is a key characteristic of luxury brands and is achieved through various strategies. One such strategy is the use of naturally scarce materials, such as rare gemstones or exotic skins, which adds an element of rarity and prestige to the products (Phau and Prendergast, 2000). Limited editions and limited production runs are also employed to create exclusivity, ensuring that only a select few can own a particular design or version of a product. Luxury brands carefully control the distribution of their products, opting for selective distribution channels that align with their brand image. This selective approach ensures that the products are available only in exclusive locations or through authorized retailers. Additionally, luxury brands may create waiting lists for highly coveted items, further enhancing their exclusivity and desirability (O'Cass and Frost, 2002).

- Luxury brands understand the importance of emotional appeal in their marketing approach. While product excellence is a fundamental aspect, luxury brands go beyond functional attributes to create an emotional connection with their customers. This is achieved through various marketing strategies, such as appealing product displays that create a visually captivating and immersive shopping experience (Danziger, 2006). The atmosphere at the point of sale is carefully curated to reflect the brand's values and identity, evoking a sense of luxury, sophistication and exclusivity. By appealing to customers' emotions and aspirations, luxury brands forge a deeper connection and enhance the overall brand experience (Danziger, 2006).

- The global reputation of a luxury brand plays a vital role in establishing its image of world-class excellence. Luxury brands cultivate a reputation for being at the pinnacle of their industry, representing the epitome of quality, craftsmanship and design. This reputation is built through consistent delivery of exceptional products and experiences, as well as strategic brand positioning and marketing efforts. A strong global reputation not only attracts discerning customers but also serves as a symbol of prestige and status. It reinforces the perception that the brand is synonymous with luxury and reinforces its appeal among luxury consumers worldwide (Antoni et al., 2004).

- Luxury brands often possess a distinct and recognizable style and design that sets them apart from other brands. Their products exhibit a unique aesthetic that becomes synonymous with the brand itself. This distinctive style and design serve as a visual signature, allowing consumers to identify the brand even without seeing the label. It signifies a level of craftsmanship, attention to detail and artistic vision that becomes synonymous with the brand's identity. This recognition is not solely based on tangible features but also on the emotional response evoked by the product's design, creating a sense of desirability and prestige (Catry, 2003; Hanna, 2004).

- Luxury firms often leverage their association with a country of origin that is renowned for its expertise in a particular product category. For example, Champagne from France is internationally recognized for its exceptional quality and is closely associated with luxury and celebration (Nueno and Quelch, 1998). This association with a country of origin adds a layer of prestige and authenticity to the brand, as it taps into the heritage, traditions and craftsmanship that are deeply rooted in that specific region. Consumers perceive products originating from such countries as being of superior quality and value, further enhancing the brand's appeal and desirability (Okonkwo, 2009).

- Uniqueness is a hallmark of luxury products and luxury brands often incorporate elements that establish their distinctiveness. This can be seen in the presence of minor imperfections in handcrafted items, such as hand-blown crystal vases (Lamming et al., 2000). These imperfections, rather than detracting from the product's value, actually enhance its allure and exclusivity. They serve as a testament to the artisanal nature of the craftsmanship and add a touch of individuality to each piece. These unique characteristics set luxury products apart from mass-produced items, appealing to consumers who appreciate the artistry and one-of-a-kind nature of luxury goods.

- For luxury brands that are based on technical expertise, such as sports car manufacturers, superior technical performance is a critical factor in their success. These brands strive to achieve best-in-class performance in their respective fields, pushing the boundaries of engineering and innovation. The exceptional technical capabilities and features of their products not only appeal to customers on a functional level but also evoke a sense of excitement, thrill and exclusivity (Reddy and Terblanche, 2005). The pursuit of continuous innovation and cutting-edge technology sustains their product positioning and distinguishes them from ordinary offerings in the market.

- Luxury brands often go beyond selling products and instead create a lifestyle that customers aspire to be a part of. By aligning their brand values, imagery and marketing efforts with a specific lifestyle, luxury brands offer customers an opportunity to immerse themselves in a unique world of luxury and refinement. Owning a luxury product becomes a way for individuals to embody and express their desired lifestyle (Reddy and Terblanche, 2005). Whether it is through fashion, accessories, or home goods, luxury brands provide customers with the means to recreate a sense of luxury and sophistication in their everyday lives, contributing to a sense of self-identity and personal fulfilment.

The presence of all critical success factors (CSFs) identified by Brun et al. (2013) is not a prerequisite for a product to be considered a luxury item. Exclusivity emerges as the most commonly mentioned aspect in the literature, implying its widespread association with luxury across various products. However, when examining the remaining CSFs, such as the brand, emotional appeal, style and design, it is observed that these factors are frequently emphasized in relation to fashion goods, while quality and performance are less emphasized. Conversely, for sports cars, the emphasis is placed on quality and performance rather than on style and design (Catry, 2003).

Through an initial analysis of the characteristics of luxury, this introductory exploration of the concept and its evolutionary nature serves as shared knowledge to appreciate the colours and codes assimilated by the luxury sector. The investigation carried out in this paper aligns with the transformation of the concept of luxury, which requires an understanding linked to the democratization of luxury. The advent of e-commerce, digitalization and social and consumer changes impact businesses' choices, necessitating a deeper exploration of the theoretical aspects of the topic. In particular, the concept of democratization is profoundly interconnected with the digitalisation of industries and consumers' lives.

2.3 Luxury democratisation

The concept of democratization has its origins in political philosophy and is closely associated with democracy. Scholars have approached the definition of democratization from different perspectives. Quelch and Jocz (2007), for instance, define democratization as the freedom of choice and unrestricted access available to all individuals. On the other hand, some researchers examine democratization from a consumer standpoint, emphasizing the accessibility of goods and services through mass production and consumption (Asmussen et al., 2013). It is within this context that democratization has had a transformative impact on the luxury industry and this transformation continues to unfold. Therefore, it is crucial to remember that the advent of liberal democratic systems and the industrial revolution led to the accessibility of luxury to a wider audience, shaping and changing preferences in the emergence of a consumer society. Luxury goods became increasingly mass-produced, serving the hedonistic desires of the modern individual. The perception of luxury has shifted from being viewed as detrimental to the individual and social values to being seen as a tool of consumerism in contemporary society (Cristini, et al., 2017).

The horizontal expansion of luxury, leading to its increased prevalence within society, is counterbalanced by the more individualistic aspect of consumption and experience. As luxury becomes more accessible to a broader range of individuals, it simultaneously undergoes a shift towards catering to personal desires and creating unique experiences. This individualistic approach acknowledges that luxury is not solely about material possessions, but also about the emotions, symbols and personal fulfilment associated with it. Consumers seek luxury not only for its inherent quality and exclusivity, but also for the transformative experiences and sense of identity it provides. This shift towards a more individualistic and experiential perspective on luxury reflects the evolving desires and values of contemporary society (Heine, 2012).

The evolving landscape of luxury consumption and the shifting focus towards individualistic experiences have significant implications for e-commerce strategies adopted by fashion luxury brands. The democratization of luxury and the increased accessibility of luxury products have expanded the consumer base and transformed the perception of luxury beyond material possessions. Consumers now seek transformative experiences and a sense of identity through luxury consumption. This evolving perspective on luxury aligns with the conceptual frameworks proposed by Kapferer and Bastien (2008), which highlights the tendence to move beyond traditional definitions of luxury. In this regard, the two authors acknowledged the proliferation of various conceptual frameworks aimed at identifying new segments, nuances and manifestations of luxury. These conceptual terms, such as trading-up, new luxury, mass luxury, masstige, opuluxe or hyper-luxury, aim to distinguish themselves from the notion of "traditional luxury." Again, luxury is a cultural phenomenon that demands peculiar comprehension in order to authentically engage with it. These frameworks, such as new luxury and masstige, acknowledge the diversification and nuances within the luxury sector, catering to different segments and manifestations of luxury. The recognition that luxury cannot be reduced to predefined rules, but rather demands a deeper understanding of its cultural significance, further emphasizes the importance of studying e-commerce internalisation in the fashion luxury industry.

The democratization of luxury presents an opportunity for less affluent consumers to experience luxury, but raises concerns regarding the classification of goods in this category as true luxury goods. The aforementioned fundamental characteristics of luxury goods, such as high prices and exclusivity, are compromised in this case. Cristini et al. (2017) reports that the pressure from investors to improve financial performance leads companies to diversify their product offerings to appeal to a broader consumer base. While these new consumers may have lower incomes and less brand loyalty compared to traditional consumers, they are appealing to luxury goods manufacturers due to their interests in status (Cristini, et al., 2017). The democratization of luxury can also result in the re-evaluation of a brand, potentially diluting its luxurious character. The examples of Calvin Klein and Pierre Cardin demonstrate that licensing agreements with external companies for perfume production can diminish the perception of a brand as luxury (Kapferer & Bastien, 2009). This poses the greatest threat to any luxury brand.

According to Shukla et al. (2022), their argument suggests that democratization of luxury goods, although initially appealing due to increased consumer access and potential revenue growth, should be approached with caution. The process can lead to a perceived loss of uniqueness and exclusivity, resulting in a lower value for consumers. Negative network effects arise, causing consumers to avoid purchasing democratized luxury goods, ultimately undermining the expected revenue increase. While democratization may appear lucrative in developing strategies with a growing aspirational class, caution is advised. In markets like China and India, where luxury goods are used for status signalling (Veblen, 1899), the negative network effects are particularly pronounced. Luxury brands that have undergone democratization in these markets have faced backlash. Thus, managers entering or targeting developing markets should weight the use of democratization strategies. By boosting consumers' self-identity and customisation, luxury firms can mitigate the adverse consequences of democratization (Shula et al., 2022).

The concept of luxury democratization has brought significant changes to the luxury industry, impacting consumer behaviour, brand strategies and classification of luxury goods. The accessibility of luxury products to a broader consumer base raises concerns about compromised characteristics and dilution of luxury brands. The advent of e-commerce and digitalization has further accelerated these transformations, necessitating the adaptation of structures and objectives by luxury brands. The literature frequently associates democratization and digitalization as interconnected aspects. Therefore, the exploration of e-commerce internalisation in the fashion luxury industry, the focal point of this thesis, needs a greater understanding of digitalization.

2.4 Digital landscape in the luxury industry

In the luxury industry, where the symbolic value and experiential nature of goods play a pivotal role, the advent of digital transformation and e-commerce presents both opportunities and challenges for luxury managers. Digital transformation is a comprehensive and multifaceted process that involves the integration and utilization of digital technologies to drive significant improvements in organizational performance (Hoberg et al., 2017). It encompasses the adoption of digital tools, systems and processes to enhance operational efficiency, streamline communication and collaboration, enabling data-driven decision-making. The ultimate goal of digital transformation is to leverage technology as a strategic enabler, empowering organizations to meet evolving customer expectations, navigate market disruptions and gain a competitive edge in the digital age.

In this context, a specific distinction is also made with the term "digitalisation”. Digitalisation, to this extent, refers to the utilization of digital technologies to alter a business model and create fresh sources of revenue and value (Bloomberg, 2018). It represents the progression towards adopting a digital-based business framework. From a social perspective, Brenner and Kreiss (2016) characterize digitalisation as the overhaul of numerous facets of our social existence through the integration of digital communication and media infrastructures. Their interpretation of digitalisation is primarily grounded in the context of social interactions. Essentially, it signifies the transition from conventional analogical technologies to digital alternatives, aimed at enhancing and streamlining various relational or professional processes.

While an increasing number of businesses recognize the significance of multifaceted interactions and are enthusiastic about integrating digitalization (Breidbach, et al., 2016), the luxury industry has been hesitant to transition toward digitalization by adopting digital transformation strategies. This cautious approach is justifiable, considering that luxury brands heavily rely on their rich heritage and are often wary of abrupt changes (Kapferer and Bastien, 2012). This pivotal aspect in the luxury sector will be revisited later in the discussion when the focus shifts to e-commerce. The analysis conducted by McKinsey (2018) regarding the state of luxury in the digital playground highlights an increasing interest among companies in the industry. Digital technology represents a crucial source of growth and a potent means of enhancing brand equity by cultivating brand advocacy and the crafting of a compelling narrative. Furthermore, digital capabilities empower organizations to re-evaluate critical enterprise processes. The corporate and business landscape is currently assimilating new models in which the digital realm seamlessly integrates with the physical retail world, facilitating heightened immersive experiences across every customer channel and touchpoint. However, challenges in adaptation persist. In her comprehensive study on digitalization within the luxury sector, Cabigiosu (2020) underscores how digital transformation poses fresh challenges for luxury fashion. Once again, the intricate interplay among classical or traditional luxury, digital technology and the evolving demand of the new clientele constitutes a multifaceted dynamic intertwined with emerging digital habits. The innovations propelled by digital technology compel luxury fashion brands to undergo adaptations and redefine their business paradigms to align with the evolving landscape of consumer behaviour. This transformative process necessitates a thoughtful navigation of the intersection between established luxury traditions, emerging digital capabilities and the evolving expectations of contemporary consumers.

2.5 Industry scenario and consumer behaviour changes

It also is important to highlight the specific changes associated with the democratization and evolution of the luxury concept, as the advent of digitalization and the embrace of e-commerce in the luxury sector. In this regard, further sections will delve into the specifics of e-commerce adoption by luxury brands. To understand the rationale behind the implementation of an internalisation strategy and organizational adjustments, it is necessary to take a brief look at the state of the luxury sector, with particular emphasis on the fashion luxury segment. The trends and commercial developments serve as reference points and contextual factors in exploring the effects of e-commerce internalisation on companies in the industry.

The reports by McKinsey and Business of Fashion (2020-2023) over the past four years provide an in-depth analysis of the evolving landscape of the fashion luxury sector. The fashion industry is undergoing a transformative period driven by various trends and challenges. The digital recalibration of the industry has raised concerns among investors regarding the profitability of digital fashion players, leading to a shift in investor sentiment. The Covid-19 pandemic has accelerated digital adoption, with brands embracing online platforms and incorporating digital innovations to enhance the customer experience. This increased online penetration has created opportunities for fashion players to optimize their online presence and integrate digital interactions with a human touch. In light of performance polarization and market uncertainties, firms can expect an increase in mergers and acquisitions as companies strive to gain market share and expand their capabilities. The crisis has also highlighted the need for deeper partnerships within the fashion supply chain to enhance agility and accountability. Social shopping has gained interest, presenting brands opportunities for seamless shopping experiences and personalized in-app purchase journeys. Against a backdrop of global fragility and regional complexities, fashion brands must navigate economic uncertainties and adapt their strategies to suit specific circumstances. In this direction, the direct-to-consumer (DTC) model faces challenges due to mounting costs, prompting brands to diversify their channel mix. As digital marketing faces new regulations, brands are exploring creative campaigns and alternative channels to achieve better return on investment and gather valuable customer data.

The Worldwide Luxury Market Monitor 2022 by Altagamma and Bain provides a coherent version of the current luxury scenario. The study highlights various factors that will influence the market, including rising energy costs, inflation, shortage of raw materials, geopolitical tensions and decreased purchasing power of certain consumer groups. While the luxury fashion segment is projected to demonstrate greater resilience, other categories may experience flat or negative growth, potentially witnessing unprecedented year-on-year declines in volume. Europe is expected to see a 5% growth in the luxury market, partly driven by purchases made by international tourists, particularly Americans and Arabs. The United States, with stronger domestic demand and the development of new suburban areas, is also expected to grow by 5%. Latin America and Japan are projected to grow by 6%, fuelled by real estate development in major cities and an emerging clientele seeking emotionally appealing products. Despite geopolitical tensions and macroeconomic uncertainty, the personal luxury goods market achieved record growth in 2022, reaching a market value of €345 billion. This positive motion continued into the first quarter of 2023, with 9-11% growth over the previous year. However, the market dynamics vary across countries. Factors contributing to the Q1 2023 growth include the gradual decrease of hyperinflation, recovering consumer confidence in Europe, the reopening of the Chinese market and positive trends in Japan and Southeast Asia due to intraregional tourism. Nevertheless, a slowdown is expected in the United States due to consumer caution surrounding a potential recession.

The luxury industry faces key challenges and opportunities in the coming years. Regulatory pressures related to environmental, social and governance (ESG) concerns require luxury brands to focus on decarbonizing their value chains. Additionally, generative artificial intelligence (AI) is expected to impact various aspects of the luxury value chain, providing opportunities for innovation but also posing challenges (Gnamm et al., 2023). Brands that can stay ahead of the curve and leverage new technologies will have a competitive advantage in the market. Overall, to remain relevant in the long run, luxury brands need to strike a balance between uniqueness and status, focus on products and prioritize sustained growth by ensuring strong business fundamentals.

3. LITERATURE REVIEW

In this stage of the thesis, the foundational aspects of the luxury industry have been explored, encompassing the attributes of luxury and the technological and digital advancements. The theoretical background has indeed allowed to narrow the focus to the luxury sector and establish the theoretical context within which luxury brands internalise e-commerce practices. The subsequent chapter will entail a review of the published literature concerning the management of e-commerce, its implementation by companies within the luxury sector and the requisite competencies for its effective operativity. Therefore, the forthcoming exploration will be grounded in the initial context that has been established.

3.1 Determinants of e-commerce adoption

Although the concept of e-commerce has already been mentioned and associated with various topics in the theoretical background, it is appropriate to delve further into detail analysing the definition and describing its adoption within the luxury sector. Rodgers et al. (2002) define e-commerce as the utilization of the Internet for various buying and selling activities, encompassing tasks such as placing orders, making payments and tracking the delivery of consignments. This form of commerce has traditionally been associated with convenience, accessibility and cost-efficiency, offering consumers the ease of shopping from the comfort of their homes and businesses the opportunity to expand their reach beyond physical storefronts. From Kumar and Farooqi perspective (2012), the process of electronic commerce, commonly referred to as e-commerce, encompasses the exchange of goods and services through digital platforms, primarily facilitated by the Internet and other interconnected computer networks. In the contemporary business landscape, e-commerce has emerged as a fundamental component of commercial transactions, revolutionizing traditional modes of trade. Through the utilization of technological advancements and digital infrastructure, e-commerce facilitates the seamless buying and selling of products and services, transcending geographical boundaries and temporal constraints (Kumar and Farooqi, 2012).

As already mentioned, luxury is not simply confined to a single object or product; it represents a multifaceted concept that encompasses an identity, a philosophy and a culture (Okonkwo, 2009). Again, the essence of luxury lies in the tangible and intangible aspects that create a unique and exclusive experience for consumers; these aspects often include sensory elements such as the tactile sensation of touching a luxurious fabric, the olfactory experience of a distinct scent and the overall atmosphere of an upscale boutique. Moreover, there are unique challenges in maintaining the attributes of desire and exclusivity of luxury brands in the global and classless world of the Internet, while preserving and enhancing brand equity (Quack and Thaichon, 2017). At the same time, the luxury sector faces the challenge of increasing sales without excessively exposing the brand and compromising the perception of limited supply. As a result of digitalisation, e-commerce, with its inherent limitations in delivering these physical and sensory experiences, has historically been considered an inappropriate channel for luxury products. Luxury brands have placed a significant emphasis on the in-store experience, creating carefully curated environments that evoke a sense of exclusivity and indulgence for their clientele (Choi et al, 2014).

In this context, in order to establish a sustainable and long-term profitable business, luxury brands are recognizing that the future of fashion retail lies in the omnichannel retail model. As early as 2015, Verhoef et al. conducted research on omnichannel as a consequence of the impact of digitalization and e-commerce on the retail industry. The authors define omnichannel management as "*the synergetic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized*" (Verhoef et al., 2015). It is important to note that the omnichannel model seeks to replace the multichannel approach for greater clarity and effectiveness. Neslin et al. (2006) define multichannel strategy as the management of customer acquisition, retention and development through strategic design, distribution and evaluation of touchpoints to enhance customer value in every different channel. The transition from a multichannel to an omnichannel model is a gradual process that requires specific skills and adaptability to change (Solem et al., 2023).

Examining the literature on e-commerce and omnichannel, numerous scholars have investigated the interplay between offline (retail) and online (digital and e-commerce) realms, advocating a shift in sales practices through omnichannel strategies. According to Pangarkar et al. (2022), omnichannel retailing enables the establishment of long-term, enduring relationships by leveraging trust and commitment on the part of the company. In their study, focused on the corporate perspective, firms should embark on paths of strategic development by integrating and balancing all sales channels and touchpoints through which customers interact. To deliver an exceptional omnichannel experience, retailers must pay meticulous attention and concentrate on harnessing the vast potential and capabilities of phygital (physical and digital) retailing. In doing so, luxury firms can nurture innovative practices, build rapport and provide rich, enduring customer experiences. By effectively managing and delighting customers, companies should develop their e-commerce capabilities and engage customers in meaningful relational interactions that pave the way for long-term success (Pangarkar et al., 2022).

In a similar perspective, according to Aiolfi and Sabbadin (2019) technological advancements have also accelerated the transition to e-commerce and omnichannel models. These innovations facilitate luxury brand with more profound integration of various sales channels, reducing operational costs and providing broader and more convenient access to information and extensive data resources. Moreover, e-commerce and omnichannel strategies empower retailers to craft more efficient and precisely targeted strategies. Within a service-dominant framework, the evolution of the Internet has enabled luxury firms to enhance customer value by delivering a diverse range of supplementary services across multiple channels (Aiolfi and Sabbadin, 2019).

While challenges remain in striking the right balance between online and offline and preserving the exclusivity and brand integrity in the digital space, luxury brands have recognised that e-commerce is not a threat to their essence but rather an opportunity for growth and expansion. By embracing digital technologies and finding innovative ways to create immersive and personalized omnichannel experiences, luxury brands can navigate the evolving landscape and maintain their allure in the digital era.

3.2 E-commerce management: competences and resources

Many scholars have focused their attention on the competences and resources that are necessary to navigate the digital e-commerce environment. This section of the literature review is interested in reporting different perspectives and frameworks dealing with e-commerce management.

In 2021, Gaudenzi et al. concluded an in-depth study exploring how luxury fashion companies may succeed in implementing an e-commerce strategy. Their analysis led to the identification of two key resources, namely, network structure and flows and service architecture, along with four key capabilities, namely, relationship governance capabilities, exploitation of information asymmetry, core logistics capabilities and e-CRM and digital capabilities (Gaudenzi et al., 2021). The first resource analysed pertains to network structure and flow within the context of e-supply chains, encompassing production design, supply chain planning, demand and inventory management, forecasting, fulfilment procedures, interfirm relationships and information management. These resources shed light on the multifaceted nature of e-supply chains and emphasize the importance of effectively managing these various processes to ensure efficiency and competitiveness. The second resource centres on service architecture, focusing on the design and options available to enhance product variety and delivery responsiveness, aligning with omnichannel customer needs, profiles and perceptions. Lim and Winkenbach (2019) as well as Lim et al. (2018) extend this discussion by identifying critical aspects of e-supply chain structure, such as outsourcing and insourcing strategies, that will be presented in the next sections. These scholars underscore the significance of service architecture in shaping the strategic direction of e-supply chains, providing a valuable framework for optimizing their operations.

On the other side of the discussion, the first key capability identified is relationship governance, which encompasses hierarchical governance models and various forms of management. The second key capability is the exploitation of information asymmetry, wherein organizations can choose to invest in information exchange with customers and partners to share knowledge and mutual learning, or conversely, retain information asymmetry to exert negotiation power. The third capability is the presence of core logistics, wherein well-consolidated internal competencies influence the design of e-business supply chain models and organizational value strategies. Concerning this operational, as early as 2001, Murillo highlighted the fundamental importance of the logistics component proficiency necessary to manage the e-commerce flow. E-commerce indeed necessitates multiple assets, among which computers, the internet, satellite technology, logistics assets and services are the most notable (Murillo, 2001). Cho, Ozment and Sink (2008) assert a similar thesis and their analysis of the relationship between a firm's logistics capability and e-commerce performance reveals positive results (Cho et al., 2008). The logistics required for effective e-commerce management inevitably intersects with the technological expertise of the company. Therefore, the last competence identified regards the incorporation of electronic Customer Relationship Management (e-CRM) and digital capabilities, hence, the adoption of information technologies to enhance customer communication and information management. In this context, operational aspects are not the sole point of paramount importance. Hoberg et al. (2017) have examined those skills revolve around the readiness and digital expertise of the company workforce. According to these authors, e-commerce knowledge and digital knowhow are among the most essential competencies for implementing e-commerce or digital tools. Digital readiness is not limited to those directly involved in e-commerce, but it should permeate the entire organization (Hoberg et al., 2017). In the luxury sector, the knowledge component remains a focal point, given the industry's traditional nature and the emerging development of optimal e-commerce and omnichannel management (Holmqvist et al., 2020).

Revisiting the theoretical concepts within the theoretical background, luxury companies are also faced with the critical task of striking a delicate balance between mass appeal and preservation of high-class exclusivity (Hennigs et al., 2012). Creating a prestigious atmosphere both offline and online becomes crucial for luxury managers to maintain the allure and desirability of their brands in the face of digitalization. This requires strategic navigation of the digital landscape, leveraging digital tools and processes to enhance operational efficiency, effectively communicate the brand's values and deliver exceptional experiences. In their study, Berridge (2018) examined the approach on how companies are adapting to e-commerce and digitalization, emphasising the necessity of embracing new competences and knowledge to remain at the forefront in this dynamic environment. The aforementioned advent of e-commerce and digitalization has altered the sales chain, demanding innovative solutions that replicate the personalised services and exclusivity inherent to luxury brands, both online and offline. Various strategies have emerged, enabling luxury brands to create virtual stores and provide immersive experiences for their customers. Furthermore, by leveraging customization and data sharing while complying with the General Data Protection Regulation (GDPR), luxury brands can more effectively target their consumer base. However, to ensure a successful digital experience, luxury brands must deliver the same degree of brand integrity in the online sphere. Although there is no universal solution, dedicating efforts to robust processes and utilising evolving online application tools, along with a thoughtful strategy, can significantly impact luxury brands (Berridge, 2018).

From a broad perspective, Mastropetrou and Bithas (2021) have examined various approaches to e-commerce and digital transformation, advocating for a comprehensive overhaul of service development processes to embrace a more agile mindset. This transformation necessitates a shift in mindset, moving from a static state of knowing to a dynamic state of continuous learning. Additionally, it entails the establishment of cohesive digital units, the creation of ecosystems and forging partnerships with other industries (Mastropetrou and Bithas, 2021). Before delving into an analysis of operational changes and areas of interest towards optimal management, it is imperative to investigate the diverse forms of control and management employed by luxury fashion companies in the realm of e-commerce.

3.3 Different approaches in control and operativity

The spectrum of skills and resources required for optimal management of the e-commerce component thus encompasses all major business functions. The sector-specific challenges previously discussed, linked to the slow digitalisation of the industry and the lack of appropriate knowledge and mindset, initially led luxury brands to explore e-commerce through partnerships with e-commerce and e-retail experts or by completely outsourcing the e-commerce function.

As early as 2002, Al-Qirim and Bathula conducted a literature review regarding various types of outsourcing related to competencies in Information Technology and digital domains, constructing a conceptual framework summarizing the key approaches. The framework delineates five primary approaches along two dimensions, specifically the degree of dependence on the technology supplier (X-axis) and the complexity of the IT technology to be outsourced (Y-axis).

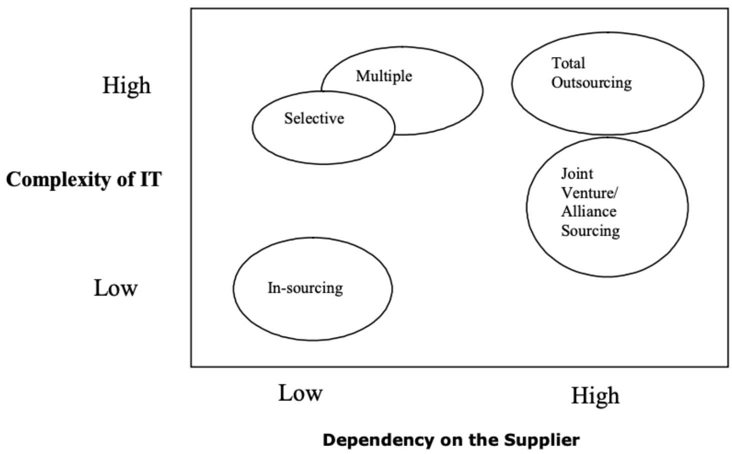

Figure 1: *Typology of Outsourcing (Al-Qirim, Batula, 2002)*

The choice of insourcing varies depending on several factors. Total insourcing is a viable option when the technology required is relatively simple, the organization's reliance on external suppliers is minimal and the IT needs can be adequately addressed by the in-house IT department, such as handling software or hardware upgrades and implementing supplementary application software modules. In contrast, selective sourcing comes into play when the IT technology to be outsourced is more advanced but specific to a particular and narrow activity. When a company encounters multiple such needs, it can opt for multiple sourcing, a strategy in which different suppliers are chosen for various activities, such as obtaining accounting applications from one vendor and manufacturing applications from another. The boundaries between selective sourcing and multiple sourcing are often blurred, as companies may shift between these approaches as circumstances change. For firms seeking long-term support for complex activities, alliance sourcing or joint ventures can be a viable choice, such as collaborating with e-commerce suppliers or consultants. The final option, total outsourcing, is pursued when businesses lack internal IT skills and competencies, placing full reliance on external suppliers. This approach is exemplified by luxury companies in their initial foray into e-commerce, where they may lack the requisite IT expertise and turn to external partners for comprehensive support (Al-qirim and Bathula 2002). The two authors ultimately identified the primary drivers and motivations for outsourcing, including access to new expertise, particularly at the technical and operational levels; a greater focus on outsourcing non-core business functions; a reduction in operational costs associated with management; the acquisition of a competitive advantage when the outsourced scope demands extensive expertise and internal resources are insufficient (Al-qirim and Bathula 2002). In the context of the luxury industry, prominent collaborations and partnerships that luxury sector companies have engaged in to incorporate e-commerce, IT and digital knowledge and expertise include key players such as Yoox, Net-A-Porter (today YNAP) Farfetch, Mytheresa, and Filoblu.

In particular, Yoox-Net-a-Porter is a global online retailer specializing in luxury and fashion brands. It holds a prominent position in the high-end, end-of-season multi-brand online stores and is the preferred partner for numerous luxury brands that have established mono-brand online stores. The company's inception dates back to 2015 when it emerged from the merger of two successful online retailers: YOOX, founded in Casalecchio di Reno (Bologna) in 2000 by Federico Marchetti, and Net-a-Porter, established in the same year in London by Natalie Massenet. In 2018, Net-a-Porter was acquired by the Swiss conglomerate Richemont. Breaking new ground in the realm of high-end luxury retail, Yoox (and subsequently YNAP) has played a pivotal role in assisting luxury brands in managing the operational aspects of their e-commerce channels and related omnichannel services. Through the "Online Flagship Stores" program, the objective is to proactively support brand partners in addressing customer demands while fostering a seamlessly integrated luxury retail experience. The provider offers a comprehensive range of B2B luxury services, including the development of online and mobile stores, meticulous omnichannel logistics, exceptional customer support, impactful digital marketing, data-driven merchandising, and the development of global strategic initiatives. Noteworthy examples of brands that initially embraced e-commerce with the support of YNAP include Armani, Emporio Armani, Valentino, Roberto Cavalli, Missoni, and Isabel Marant.

However, the luxury sector has recently begun to move in the opposite direction, namely, towards internalizing some or all of its e-commerce functions, distancing itself from the aforementioned players and developing increasingly personalized e-commerce and omnichannel strategies. For instance, LVMH, the world's largest luxury group by revenue, has launched *24 Sèvres*, an internally controlled multi-brand luxury shopping site that allows customers to browse and purchase products from within the group online. Following a similar approach, the Kering Group has also started to internally develop its e-commerce and omnichannel functions. In response to the exponential growth of e-commerce and evolving customer expectations, Kering has prioritized an e-commerce model that is more resilient, effective, and robust. Since 2019, Kering has initiated the internalization of its Houses' e-commerce sites as part of an integrated approach that bridges physical and online stores, making them interactive and mutually supportive. Maison Valentino has recently interrupted the partnership with YNAP for the outsourced management of e-commerce and omnichannel services. Numerous brands and groups have therefore re-evaluated their control and operational aspects of e-commerce, transitioning from outsourcing strategies to insourcing and internalization.

3.4 Process reassessment and change management

The considerations discussed earlier lead the discussion towards internalisation, also known as insourcing. Cabral et al. (2013) define insourcing as the decision to bring back an outsourced activity within a company that had previously been transferred to an external supplier (Cabral et al., 2013). On the other hand, according to Sikula et al. (2010), internalization occurs when an organization primarily utilizes internal labour, personnel, and other resources to fulfil its operational needs. Insourcing represents a management decision made to retain control over critical production or competencies.

Numerous scholars have shown interest in the internalisation process and the operational and structural changes that companies must implement. Hameri and Hintsa (2009) focused on analysing insourcing and outsourcing processes concerning logistical and production changes for companies expanding internationally. Foerstl et al. (2016) constructed a framework for analysing outsourcing or insourcing decisions following a conceptual approach guided by transaction cost economics (TCE) and organizational buying behaviour (OBB) theories. In contrast, Fratocchi et al. (2013) emphasized the insourcing process as a reverse strategy to outsourcing in the international manufacturing context. The exploration of internalization processes in e-commerce has received limited attention in the literature, except with regard to the previously discussed capabilities and resources and new supply chain and e-commerce configurations (Dotoli et al., 2003; Mola et al., 2020; Gaudenzi et al., 2021). In any case, any internalization or process modification necessitates structured change management activities. Indeed, change management has been defined as *"the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers"* (Moran and Brightman, 2001). The literature is rich in research and studies related to organizational changes and change management, defining and developing more or less structured models (Beer and Nohria, 2000; Kotter, 2007; Carnall, 2007).

Taking Oakland and Tanner (2007) as an example, the two authors developed the Organizational Change Framework with the aim of summarizing the key critical factors to consider when implementing organizational changes that require change management. According to the framework outlined below, the two main areas of interest are readiness for change, which precedes the actual change, and implementing change, which involves introducing new processes and structures. According to their study, the initial part of the process is often underestimated, resulting in a superficial and confusing approach. The critical aspect of readiness particularly involves defining the drivers of change by assessing external and internal events within the organizational context, as they are necessary to define the practical and organizational needs for change. In this context, a clear and structured definition of leadership and direction should be a focal point for proceeding with the change. Once the need is clearly defined, and there is strong and unambiguous leadership with a well-structured plan in place, the initial focus should shift toward aligning the organizational processes that shape the environment in which individuals both reside and operate. The entire organization and its resources should be structured to align with the new processes, while monitoring and controlling performance and functionality (Systems and Controls). All these aspects drive people to take action and embrace change, so there needs to be an adjustment in mindset and behaviour consistent with the goals of the process. Lastly, it is important to emphasize the significance of having a holistic view of the entire process, believing in and working on synergies in approaching change.

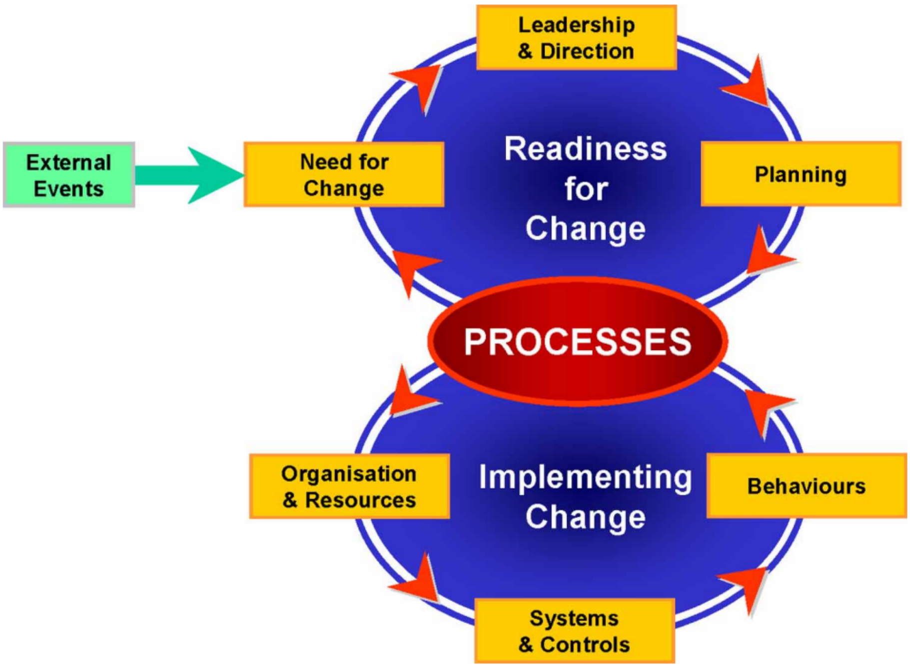

Figure 2: *The Organisational Change Framework (Oakland, Tanner, 2007)*

Following a holistic approach to change management in the digital context, Boston Consulting Group (2016) has reported that leaders of luxury brands should focus on different business pillars when the company engages with technological and innovative change. Referring back to the previously discussed concept of digital transformation, companies need to recognize the impact of digitalization on their businesses and view it as an opportunity rather than a threat.

To effectively navigate the e-commerce environment, leaders should take action in the following areas:

- *Strategy:* develop a deep understanding of how digital technologies influence the business model and adopt a flexible approach to strategy that allows for agility in responding to evolving customer needs.
- *Consumer insight:* leverage big data to gain a comprehensive understanding of customers, apply insights across the entire value chain and create personalized experiences. Utilize tools like social media listening to uncover patterns and derive real-time insights.
- *Products and services:* explore how digital products and services can enhance the brand's value proposition and customer experience. Consider partnerships with technology companies to incorporate digital elements while retaining traditional "high touch" interactions.
- *Marketing and branding:* utilize new technologies to build the brand online and enhance traditional campaigns with precise targeting. Leverage customer data to anticipate needs, initiate personalized conversations and establish emotional connections.
- *Distribution channels:* orchestrate seamless customer experiences across channels and ensure collaboration among different business functions. Strive for a consistent level of service, such as allowing customers to easily exchange products bought online at physical stores.
- *Ecosystems and partnerships:* think in terms of ecosystems and identify potential partners that align with the brand's objectives. Actively manage relationships with online players to extend the brand's reach.
- *Organization and capabilities:* integrate digital thinking and actions throughout the entire company rather than isolating them in separate units. Foster a culture of learning and experimentation, acquire necessary capabilities externally and develop and retain digital talent.
- *Operations and infrastructure:* ensure the company has the capabilities to scale up quickly when digital experiments succeed. Collect and use actionable data in real-time, optimize supply chain and inventory management, leverage predictive modelling and establish trusted data security standards.

Change always remains a critical process that must be organized in order to achieve the established business objectives. Today, the luxury sector, while embracing and retaining many traditional characteristics, is undergoing structural and operational changes that require rigor and evaluation while maintaining an overall vision and collaboration. The e-commerce internalisation process, among the many changes in the operations of luxury companies, remains relatively unexplored and under-investigated. In the next chapter, we will delve into the identified gap and the research purpose in greater detail.

4. METHODOLOGY

4.1 Research gap and purpose statement

The theoretical background and literature review have provided a comprehensive perspective on the evolving e-commerce landscape within the fashion luxury industry. The sector's peculiarities remain focal points for strategic decision-making when it comes to digitalization and change management. Even when discussing e-commerce, it has been observed that sector-specific changes, consumer idiosyncrasies, and a high level of exclusivity and service continue to underpin its foundation. The capabilities and resources that the sector needs to employ to address digital innovation have been analysed in the literature from various perspectives. Many authors have investigated digital transformation, approaches to change management, and insourcing strategies. However, regarding the luxury sector, and particularly the process of internalizing e-commerce, there is a noticeable gap in the literature. Therefore, the purpose of this study is to explore the strategic and change management implications concerning the internalization process of e-commerce. It is crucial to examine the drivers compelling luxury companies to undertake such a significant process and analyse the key factors enabling successful implementation. The study will focus on the following two research questions:

RQ1: What are the main strategic implications that push luxury brands to internalise e-commerce?

RQ2: What are the main points of interest and pillars in the change management process related to e-commerce internalisation?

Through the creation of an initial and exploratory theoretical framework, it will be possible to contribute to the body of knowledge in the academic field of e-commerce, particularly in a rapidly evolving context such as digital innovation and business transformation. The objective is to investigate the motivations behind the internalization of e-commerce, the actions and reflections that drive change, and the operational methods for developing the necessary competencies. To achieve this goal, the thesis will build upon Maison Valentino's experience in the context of e-commerce internalization. Indeed, Valentino has been one of the companies in partnership with Yoox (and later YNAP) for the management and operation of e-commerce.

Specifically, Maison Valentino's internalization process was implemented through a thoughtful and structured change management plan, in collaboration with external consulting agencies. At both strategic and operational levels, the company had to assess and support digital changes and implementations, altering work routines and organizational structures. For these reasons, the research is based on qualitative interviews with employees of varying seniority from different departments. Additionally, one participant is a partner at Bain & Company, one of the most prominent consulting agencies, to provide an industry-specific, expert, and external perspective to the company. This exploratory thesis aims to delve into the internalization of e-commerce, seeking to extract theoretical insights from the experiences and perspectives of industry experts who have undergone this type of process.

4.2 Overview of method

The research methodology adopted in this study is qualitative in nature, with a specific focus on employing interviews as the principal data collection method. This approach is particularly well-suited due to the exploratory nature of the subject under investigation. The selection of a qualitative research design is particularly apt for delving into the intricate and multifaceted dimensions inherent in the process of e-commerce internalisation. Indeed, this complex process includes changes within the organization and adjustments to internal procedures that are hard to deeply analyse by using only secondary data. This methodology facilitates a profound comprehension of the decision-making processes encompassing the myriad factors that cannot be comprehensively captured through quantitative methodologies alone. Conducted through interviews, this approach enables the exploration of subjective viewpoints related to e-commerce and digital transformation, while also delving deeply into genuine sentiments regarding the transformative shifts unfolding within the luxury sector. This enables a broader comprehension. Moreover, interviews offer a direct means of engagement, affording the opportunity to scrutinize the underlying rationale and values that pilot decision-making. This engagement allows participants to share their insights, personal considerations and individual experience in their own expressions. Interviews prove indispensable in examining diverse facets and areas of interest pertinent to the implementation of an internationalization strategy, The method facilitates a holistic examination, not only into whether pivotal alterations to the strategy were enacted, but also into focal elements that necessitate consideration when embarking on transformative ventures.

4.3 Participants

In this exploratory thesis a purposive sampling approach was employed. Purposive sampling, also referred to as judgment sampling, involves intentionally selecting participants based on specific qualities they possess. This type of investigation permits to identify the information needed and seeks out individuals who can offer insights either through their expertise or lived experiences. This approach is commonly used in qualitative research to pinpoint and choose cases that hold valuable information, optimizing the use of available resources. It entails identifying and selecting individuals or groups who possess a strong understanding of the phenomenon of interest. Alongside expertise and experience, the willingness to participate, as well as the ability to effectively communicate their experiences and viewpoints in an articulate, expressive and reflective manner, are crucial considerations. Unlike random sampling, which aims for a broad cross-section of ages, backgrounds and cultures, purposive sampling concentrates on individuals with specific characteristics that can contribute effectively to the pertinent research objectives (Etikan et al., 2016). Following the sampling definition, a total of 17 participants were selected for semi-structured interviews, comprising 16 respondents from various departments within Maison Valentino and one respondent from Bain & Company. The research aimed answer the research questions by developing a theoretical framework that outlines key strategic motivations for implementing an internalisation strategy, as well as the corresponding areas and procedural changes.

As previously reported, Maison Valentino has recently developed an internalisation strategy by fully integrating its e-commerce and implementing a change management process. The selected respondents were deliberately chosen due to their direct or indirect experience with the decisions and changes associated with the internalisation process. Although a majority of the respondents originate from E-commerce and Omnichannel teams, given the central focus of this study, efforts were made to encompass individuals from diverse departments to extract a more comprehensive range of insights. Moreover, where feasible, an effort was made to interview individuals representing diverse levels of seniority and roles, aiming to capture focal aspects at each organizational hierarchy level and construct a diverse basin of experiences and considerations. The data and insights stemming from Maison Valentino's experience in navigating platform transitions and internalising systems and functions, thus constitute the primary sample for this analysis. Regarding the sole respondent external to Maison Valentino, Emanuele Veratti, a Partner at Bain & Company specializing in e-commerce, digital and innovation within the fashion luxury sector, was included. Overall, the sample consists of participants possessing pertinent experiences and knowledge to substantiate the objectives of this study.

Participants were personally contacted via email or Microsoft Teams, with an initial request for an interview participation of approximately 30 minutes. The first interview was conducted on the 12th of July 2023, while the last took place on the 3rd of August 2023. Although all interviews were conducted individually only 2 out of the 17 respondents participated in a group interview, due to work-related constraints, resulting in a total of 15 individual interviews and 1 group interview. Throughout the process, certain interviews extended beyond the projected timeframe, while some did not reach the 30-minute target due solely to work-related factors. All participants exhibited interest in the discussed topics, answered questions thoroughly and displayed willingness to provide further clarification or respond to other inquiries. The job title, department and company are presented in the following table.

JOB TITLE	TEAM/DEPARTMENT	COMPANY
PARTNER	BAIN & COMPANY	BAIN & COMPANY
HEAD OF E-COMMERCE	E-COMMERCE	VALENTINO
HEAD OF E-COMMERCE PROJECTS AND STORE MANAGEMENT	E-COMMERCE	VALENTINO
E-COMMERCE PROJECT MANAGER	E-COMMERCE	VALENTINO
E-COMMERCE PROJECT MANAGER	E-COMMERCE	VALENTINO
E-COMMERCE STORE DEVELOPMENT SPECIALIST	E-COMMERCE	VALENTINO
HEAD OF IT E-COMMERCE AND OMNICHANNEL	IT E-COMMERCE & OMNICHANNEL	VALENTINO
QUALITY ASSURANCE MANAGER	IT E-COMMERCE & OMNICHANNEL	VALENTINO
IT SAP SENIOR PROJECT MANAGER	IT E-COMMERCE & OMNICHANNEL	VALENTINO
IT E-COMMERCE DESIGN & FEASIBILITY PROJECT MANAGER	IT E-COMMERCE & OMNICHANNEL	VALENTINO
IT E-COMMERCE SERVICE MANAGER	IT E-COMMERCE & OMNICHANNEL	VALENTINO
LOGISTICS INNOVATION & CONTROLLING MANAGER	LOGISTICS INNOVATION & CONTROLLING	VALENTINO
INNOVATION & CONTROLLING SPECIALIST	LOGISTICS INNOVATION & CONTROLLING	VALENTINO
ONLINE CLIENT EXPERIENCE MANAGER	CLIENT EXPERIENCE	VALENTINO
ONLINE CLIENT EXPERIENCE SPECIALIST	CLIENT EXPERIENCE	VALENTINO
DIGITAL SOLUTION OMNICHANNEL PROJECT MANAGER	CX AND RETAIL SOLUTIONS	VALENTINO
FRAUD AND COMPLIANCE MANAGER	TREASURY	VALENTINO

Figure 3: *List of participants in the research*

4.4 Data collection

As previously indicated, to gather a comprehensive range of information pertaining to the subject under investigation, a semi-structured interview format was employed. This approach allowed for flexibility in exploring relevant themes, ensuring coherence and comparability among participants. The invitation to partake in the study included the thesis's purpose, thereby expressing the rationale for the personal contact and interest. This approach maximized flexibility in scheduling interviews based on participants' commitments and availabilities. Prior to conducting interviews, participants were informed about the topic but were not provided with the list of questions in advance. This deliberate choice aimed to elicit natural and spontaneous responses, contributing to more authentic data. Furthermore, semi-structured interviews facilitated the ability to focus on specific research aspects while following the flow of conversation. At the outset of discussions, informed consent was obtained, outlining the anonymization of responses and detailing their utilization solely for research purposes. In order to gain a deeper understanding of the participants' perspectives and to obtain more detailed and specific data, the interviews were conducted entirely in Italian. Each interview was conducted either via telephone or computer through video conferencing on Microsoft Teams, accommodating participants' preferences. Upon obtaining informants' consent, interviews were recorded in video or audio format, subsequently transcribed to ensure data accuracy throughout the analysis process. Recordings and transcriptions were securely stored, accessible only to the thesis author as agreed upon with participants. To accurately capture the duration of each interview, the time elapsed was recorded in minutes. Figure 4 presents the 16 interviews in ascending order of duration, along with the transcription page count for each interview, resulting in a total of 111 pages (* for the group interview). It is noteworthy that the sole interview for which recording was not requested and thus no transcript was produced, was the interview with Emanuele Veratti, Partner at Bain & Company, who readily consented to being personally quoted. Notes were taken during the conversation to ensure accurate representation.

Each interview adhered to an identical question structure and topics to ensure the comparability of data collection. The initial segment focused on personal experience within the luxury fashion sector and the interplay between e-commerce and luxury. This was followed by an exploration of the internalisation process and change management, concluding with inquiries about personal perspectives on competencies and skills within the context of change management and digitalization. As previously emphasized, the semi-structured interviews format allowed for fluid exploration of topics introduced through structured questions and spontaneous capture of discussed aspects. It is also noteworthy that participants not only responded with reference to their experiences at Maison Valentino but also drew from instances of other work and personal experiences to substantiate their answers and provide a broader contextual backdrop.

Length recording (minutes)	**Length transcription (pages, single spaced)**
20 ca	-
64,40	13
41,75	9
27,47	7
37,62	9
25,93	5
33,67	7
30,68	6
29,78	7
27,33	8
31,42	6
29,76 *	7
28,80	6
28,96	6
25,27	6
21,07	5

Figure 4: *Length recording and transcription per interview*

4.5 Qualitative data analysis

The analytical approach employed to analyse the interview transcripts was theoretical coding. This approach has been utilized with the aim of identifying underlying theoretical concepts present in the interview data by recognizing patterns aligned with existing theories. It also contributed to theory construction, facilitating the generation of new theoretical frameworks pertinent to the research objectives. Elaborating on the process, the coding was executed manually by the thesis author, avoiding the use of software such as NVivo. Following the phases of theoretical coding (Corbin and Strauss, 1990), the initial phase involved open coding, where raw data were systematically labelled based on potential adaptations. Open coding constitutes the primary stage of qualitative data analysis. This approach entails an exploratory examination of data without preconceptions, aiming to identify emerging concepts, themes and patterns. A code was assigned to each unit of meaning, creating an initial overview of the diverse aspects present in the data. In this regard, phrases, words and concepts mentioned in the transcripts were employed as the initial coding units, resulting in a total of 600 distinct initial chunks. These 600 initial transcript segments were fully coded into 450 unique first-order categories, subsequent to an initial data cleaning process to rectify spelling or typographical errors and to prevent erroneous repetitions of similar concepts. The term "codes" refers to common words or brief phrases assigned to parts of responses to succinctly capture the meaning and core idea conveyed by the interviewees. For the subsequent coding phase, axial coding was engaged. Axial coding follows open coding and seeks to establish structured and hierarchical connections among previously identified codes. Relationships between main codes and subcodes are delineated, constructing a more elaborate system of categories. Specifically, the 450 first-order categories were coded into second-order categories (first iteration), striving to identify potential linkages through a more abstract and theoretical approach. As an example, the second-order category (first iteration) "*Internalising for uniformed project management"* was formed from the following first-order categories (first iteration):

- *Unformed demand project management with IT and business approach*
- *Internalising to control project management evolution and roadmap*
- *Different roadmap with external partners*
- *Internalising to have less project limitation*

The primary aim of this phase was to code the initial labels with greater precision, culminating in 108 unique second-order categories (first iteration). This same procedure was subsequently applied to create a total of 62 second-order categories (second iteration), further refining the data by consolidating diverse labels expressing the same theoretical concept. For instance, between the first and second iterations of second-order categories, the codes *"external partners support for change dynamics"* and *"external partners support for consultancy"* were combined under the shared code *"external strategic support"*. The axial coding process enabled a closer approach to the final constructs, aiding in the creation of a framework to comprehend motivations and the scope of changes during an internalisation process. Nonetheless, for the final coding step, selective coding was applied, pinpointing the core categories and factors of interest in the analysis. Selective coding concentrates on refining and pinpointing the main categories identified during axial coding. This approach aims to develop a deeper understanding of key concepts. The culmination of this process resulted in 15 distinct and final third-order categories (first iteration). Ultimately, this process allowed for the delineation of the sought theoretical framework in the analysis, categorizing the 15 third-order categories into four main clusters:

- Change management pillars
- External factors to consider
- Internal factors to consider
- Internalisation drivers

The following table presents the 15 third-order categories (first iteration), while the comprehensive analysis of the framework is addressed in the Discussion section once the results have been analysed.

Third-order categories: first iteration
Clear and structured processes to change
Clear definition of responsibility and roles
External environment changes
External partners' support
Functional and operational changes
Internal synergies
Internalisation drivers
Knowledge and capabilities
Luxury sector peculiarities
Mindset and people management
Omnichannel customer approach
Organisational changes
Qualitative and quantitative KPIs
Step-by-step approach when internalising
Top management drives change

Figure 5: *Third-order categories (first iteration)*

5. RESULTS

The coding and analysis methodology employed facilitated the elucidation of numerous focal aspects in exploring e-commerce internalisation within the luxury fashion industry. The insights and personal reflections of the interviewees, notably derived from the Maison Valentino case, have shed light on pivotal points and both strategic and operational facets. The forthcoming chapter presents the results, dividing them into the four clusters previously mentioned, which will form the basis of the theoretical framework outlined by the research. This approach aims to provide a more precise and organized understanding of the data. The first section focuses on presenting the results pertaining to the first research question, which investigates the reasons and drivers for luxury sector companies to proceed with e-commerce internalisation. The remaining sections (i.e., sections two, three and four) gather insights regarding how companies should approach change management and the fundamental factors to evaluate concerning both the internal and external environments of the companies. While the detailed exploration of the framework is deferred to the Discussion chapter, the results structure allows for a clear contextualization of the findings and an enhanced comprehension of the analysed data.

5.1 Internalisation drivers

Growth driven investment

Based on the gathered data, an e-commerce internalisation process aligns with a broader business growth trajectory. Indeed, a driving factor for internalisation is interpreting it as an investment for future and overall expansion. However, such an attempt must be substantiated by positive and well-balanced analytics, considering the company's actual capabilities in terms of size and investment capacity. Notably, a company's dimensions and budget allocation play a pivotal role in shaping the internalisation decision. It has emerged that the choice to internalise is weighed against the prospects of future growth, the company's size and the investment capabilities. Related to this, a respondent stated: *"It's evident that for a smaller brand, internal management is typically intricate. Usually, they either fully outsource or handle everything internally; there's not much middle ground".* For smaller brands, internalising e-commerce operations often proves intricate due to resource limitations. The initial approach might involve outsourcing or managing specific aspects only. Some interviewees cited collaboration examples with platforms like YNAP or Farfetch, representing a distinctive approach to utilizing digital touchpoints that still divide the market. Strategically, growth-oriented investments in the luxury fashion industry have become a pivotal consideration for brands seeking strategic positioning in the competitive e-commerce landscape. The growth trajectory seems to function as a significant driver for internalisation. Indeed, factual business growth values (in the context of e-commerce business) lead investment dynamics to exhibit greater interest in future investments. In this trajectory, the external context, which will be further explored subsequently, also influences individual corporate decisions, particularly when the industry's growth prospects move in consolidated directions.

Internalising to increase growth commitment

Continuing to address the aspect of growth, the data has allowed to discern a concept whereby a motivation for internalisation lies in the delicate commitment directed towards the internal company's development and growth. The internalisation of e-commerce operations can serve as a strategic engine to enhance engagement towards growth and accountability within organizations. A notable challenge could be posed by the limited dedication of personnel when e-commerce functions are not internalised. The absence of explicit directives or responsibilities can lead to a lack of ownership. The commitment gap arises when individuals are uncertain about the extent of their involvement in significant projects, causing a lack of engagement due to the absence of specific responsibilities, an aspect that will be discussed later. However, e-commerce internalisation acts as a catalyst for strengthened commitment to growth. There is a pivotal shift in perspective when e-commerce operations are brought in-house. The transition from external to internal management significantly alters the dynamics and level of commitment. This change is particularly conspicuous in scenarios where all the e-commerce functions were previously outsourced to external entities. Upon internalising these functions, there is a clear upsurge in commitment due to a deeper alignment with the company's core values and objectives. In fact, employees who are part of the organization, as in the case of Valentino, possess a comprehensive understanding of the company's ethics, embody its values and have a direct stake in its success. This commitment stems from the integration of e-commerce roles into the organizational structure and broader culture. Essentially, through e-commerce internalisation, an endeavour is made to foster a culture of responsibility and ownership that fortifies the commitment to growth. This internal shift enables individuals to closely align their efforts with the organization's goals and values, thereby enhancing their dedication to achieving growth milestones and overall success.

Internalising for strategic interests

The data analysis reveals the presence of various strategic reasons and interests for undertaking a path of internalization. Although this aspect might appear intuitive, it is significant to report that those interests are connected to motivations that encompass economic and strategic factors linked to the overall e-commerce management. The initial market characteristics can be tied to this discourse, as digital commerce evolves into a pivotal channel aligning with changing consumer habits and market dynamics. This transition from a supplementary to a crucial strategic channel has been pushed by shifts in societal trends and changes in consumer behaviour embracing digitalisation and democratisation. Luxury brands are now beginning to view e-commerce on parity with physical retail, acknowledging its significance in their overall business strategies. As the luxury market expands to include new demographics, such as millennials or Gen Z, the role of e-commerce becomes increasingly essential. Once primarily catering to mature and high-end consumers, the luxury industry now appeals to aspirational customers seeking entry into the world of luxury. This paradigm shift has led to the recognition of e-commerce as a powerful tool for engaging these valuable aspirational customers. The internalisation of e-commerce is steered by strategic interests, especially as luxury brands aim to harness the potential of digital platforms to serve their distinct clientele. The process of internalisation ensures that the brand maintains full control over customer interactions, delivering a seamless, consistent and value-oriented experience. Consequently, the process of internalisation is seen as a substantial yet economically sound decision. Despite the complexities and costs associated with internalisation, it brings long-term economic benefits. Brands can exercise better cost control, enhance profitability and optimize resources, as reported by some participants. Aligning with the aforementioned drivers, the strategic importance of internalisation is reflected in the commitment to prioritize e-commerce as a key channel for future growth. Brands like Valentino recognize that e-commerce holds the potential for substantial revenue generation and this awareness influences investment decisions. E-commerce internalisation allows brands to adopt a more customer-centric perspective, responding swiftly to market changes and customer demands. This is exemplified by efforts to enhance the omnichannel experience, ensuring that both online and offline customers can access a wide array of products, including exclusive items. The internalisation process also aligns with the evolving dynamics of the luxury industry, where customer expectations for personalized and seamless experiences prompt brands to invest in strategies resonating with modern consumers. The profound impact of social shifts and evolving consumer preferences has positioned e-commerce as a strategic tool to reach and engage their customers.

Internalising to increase market and customer responsiveness

Deepening in another strategic implication balanced with sectoral externalities, the decision to internalise processes within the digital and e-commerce landscape is driven by a strong impetus to enhance market and customer responsiveness. This aspect has been mentioned by different and multiple participants. This strategic shift is also prompted by notable changes in consumer behaviour and demand patterns over recent years. Consumer expectations for digital services have evolved, demanding swift responses and personalized experiences. Brands are adapting to these shifting market dynamics by swiftly catering to emerging needs. For instance, during the lockdown period during Covid-19 Pandemic, the ability to rapidly respond to the sudden demand for fast and contactless delivery exemplified the advantages of e-commerce development. While the long-term sustainability of such changes remains uncertain, the capability to respond promptly to technological, experiential, logistical and operational needs demonstrates a newfound agility brought by internalisation. The responsiveness extends to areas beyond customer care, reaching into product offerings, inventory management and personalized experiences.

Internalising to increase time-to-market

Internalisation has emerged by data as a strategic approach to accelerate time-to-market, a crucial factor in the fast-paced digital and e-commerce landscape. Brands are increasingly recognizing the need to reduce the time it takes to bring products from production to online availability. This imperative is underpinned by several factors that emphasize the significance of internalisation in boosting responsiveness and efficiency. One significant element driving internalisation for improved time-to-market is the desire to establish a more agile and reactive approach. Respondents from Maison Valentino have centred the topic highlining the attempt to diminish the delays associated with external partners and providers, allowing them to swiftly respond to market demands and capitalize on emerging opportunities. This is especially vital in the ever-changing fashion industry where trends can evolve rapidly. Internalisation also addresses historical bottlenecks that hindered quick responses to market demands. External providers could introduce time delays due to logistical processes, such as receiving, storing and delivering products. By bringing these operations in-house, luxury brands can exert greater control over these processes, streamlining them for maximum efficiency. This leads to a more seamless and expedited transition of products from production to online availability. Moreover, internalisation fosters tighter integration between different operational aspects, which further contributes to enhanced time-to-market. For example, when an issue arises in the supply chain or inventory management linked to the e-commerce business, the internal teams can collaborate more effectively to address the problem and expedite the resolution. This integrated approach minimizes the time lost in communication and in handovers that can occur when working with external partners. The internalisation approach is also advantageous in reducing the time it takes to address customer inquiries, issues and feedback. Internal teams are better positioned to respond promptly to customer needs and concerns, ensuring a higher level of customer satisfaction and retention.

Internalising to control e-commerce management

Another widely shared driver among participants is the direct control of e-commerce management, both in operational and functional senses. This aspect reflects the increasing interest in taking full managerial control of the crucial e-commerce channel, placing it at the same level of importance as all other direct-to-consumer (D2C) channels. Achieving control over each of these channels, both online and offline, is crucial in fostering a seamless omnichannel approach that aligns with the company's goals. This approach is predicated on the idea that retail and e-commerce should work in harmony, enhancing each other's effectiveness without competing. By directly managing e-commerce operations, the company can capitalize on its control over the entire D2C spectrum. However, transitioning to internal management may encounter resistance, particularly when dependent on external providers. The ability to customize operations according to the company's specific requirements could be limited by external providers' capabilities or reluctance to accommodate certain changes. To address this, internalisation grants the company uniformed control over all digital channels, both online and offline, allowing for a coherent and consistent approach to customer engagement. Internalisation facilitates a tighter grip on e-commerce dynamics and procedures, enabling the organization to adapt swiftly to market demands. One of the primary motivations behind this approach is the desire for enhanced visibility and management of operations. A participant specified: *"By internalising, you gain a lot of visibility into things, awareness, consciousness and you're actually able to bring about improvements within the company"*. The capacity to directly oversee the e-commerce platform empowers the organization to monitor processes, maintain quality and promptly address any challenges that may arise. Moreover, ownership and control over the platform enable streamlined application of pricing strategies that resonate with the diverse customer base. This move towards internalisation aligns with the need for efficient process management and innovative solutions to maintain a competitive edge.

Internalising for higher quality and application maintenance management

On an operational side, the data suggests that the decision to internalise the e-commerce platform stems from the aspiration to achieve higher standards of quality and efficient application maintenance management. The efficiency and effectiveness of e-commerce operations are closely tied to the organization's digital culture and operativity. Internal and robust operativity fosters effective analysis of e-commerce processes, enabling the identification of areas that require improvement or optimization. However, successful internalisation hinges on the organization's digital readiness and ability to harness the full potential of this strategic move. Efficiency in e-commerce operations necessitates continuous monitoring of processes to identify any inefficiencies. and from an internal perspective. From Maison Valentino data collection, an internal complete perspective after internalising boosts that operativity, control and maintenance. Linked to that, internalisation is driven by the imperative need for high-quality assurance. This includes the establishment of internal quality checks to uphold rigorous performance standards. A dedicated quality assurance function is essential not only to promote the brand and enhance perceived quality for consumers, but also to ensure safety and ease of use. With internalisation, the advantage of rapidly addressing issues arises, as the individuals responsible for system setup are also the ones tackling problems. This accelerates issue resolution, contributing to smoother operations. Quality assurance holds paramount importance for both internal and external stakeholders. It not only addresses the company's needs but also caters to user demands, making it a multifaceted concern.

Internalising to control data management

The decision to internalise data management encompasses a comprehensive approach to ensuring 360° ownership and control over all aspects of data throughout the organization. This includes the management of customer data, analytics and insights from both online and offline channels. By managing data comprehensively, an organization gains the ability to extract meaningful insights from a multitude of sources, leading to a deeper understanding of customer behaviour, preferences and market trends. One of the key advantages of internalising data management is the capability to harness analytics effectively. Understanding and utilizing analytics can be a complex effort, especially in the context of retail operation. The ability to interpret website traffic, monitor click-through rates and comprehend customer journey paths becomes essential in optimizing customer experience and enhancing business strategies. Innovatively analysing e-commerce data opens doors to identifying trends and patterns that were previously obscured. From a legal perspective, e-commerce internalisation empowers the organization with major ownership and control over the data it collects. This encompasses not only transactional data but also customer preferences, behaviour and interactions. By unifying these disparate data points, the organization can develop a single and omnichannel customer view, enabling personalized interactions across all touchpoints. Additionally, the shift toward internal data management allows the organization to control legal agreements and compliance aspects related to data collection and usage. The management of legal considerations becomes more transparent and adaptable when under direct control, ensuring data protection regulations are upheld while still enabling the organization to derive valuable insights. By unifying data management through internalisation, the organization gains the agility to respond to market changes, customer demands and emerging trends. The ability to access and analyse data from multiple sources empowers the organization to drive innovation, optimize customer experiences and make informed strategic decisions. Internalising data management is therefore a strategic move that positions the organization to excel in the complex and evolving landscape of modern e-commerce.

Internalising to increase and develop cybersecurity

An interesting aspect emerged from the interviews is related to cybersecurity. Internalising data management not only offers a comprehensive approach to harnessing data insights and refining customer experiences but also serves as a potent means to enhance and develop cybersecurity strategies. The surge in digitalization and the widespread use of technology has brought about a new urgency to safeguard company and customer data from the ever-evolving realm of cyber threats. Thus, the transition to an internalised approach aligns with the imperative to shield the organization from potential cybersecurity breaches that could result in substantial costs and reputational damage. Cybersecurity is no longer a secondary concern but a fundamental aspect of business operations in the digital age. As mentioned by a respondent regarding the experience at Maison Valentino: *"Until recently, we didn't think that someone could hack our credit cards or find our credit card information lying around and use it, but apparently, this can happen"*. In light of this, the internalisation strategy offers an opportunity to strengthen cybersecurity measures across all facets of the organization, starting from the e-commerce panorama. From protecting customer data and financial transactions to safeguarding proprietary business information, a unified approach to cybersecurity becomes paramount. The convergence of internal data management and cybersecurity aligns with the holistic approach of safeguarding sensitive information and sustaining customer trust. The commitment to cybersecurity resonates throughout the organization, from data collection to analysis and all the way to customer interactions. In this interconnected landscape, a secure digital environment fosters customer confidence, enhances brand reputation and ensures regulatory compliance.

Internalising to control e-commerce business development

At managerial and business development level of e-commerce, special attention has been directed towards the desire to internalise e-commerce in order to achieve more uniformed and shared control over project and demand management. In this case as well, participants have emphasized the strategic component in the choice of internalisation, with multifaceted advantages. It not only aligns with the need for uniformed project management but also addresses the challenges associated with external partnerships. The dynamic landscape of e-commerce demands an agile and adaptable approach to business development, a requirement that can be effectively met through internalisation. The trajectory of business development can significantly differ when managing internally compared to relying on external partners. One respondent stated: *"Undoubtedly, through internalisation, we attain the flexibility to customize it (i.e., the e-commerce business development) meticulously to precisely match our specific requirements"*. External partners may have their own roadmap, priorities and limitations that may not perfectly align with the organization's strategic goals. This misalignment can introduce delays, bottlenecks and an overall lack of control over the pace and direction of development. On the other hand, internalising the e-commerce business development process empowers the organization to customize and direct its roadmap with precision. One of the key drivers for internalising business development is the liberty it grants in project execution. This freedom extends across multiple dimensions, from software releases to project management evolution.

Unlike the constraints posed by external partnerships, internalisation allows for a more fluid and flexible demand management system. The organization can implement an agile structure that accommodates changes, addresses emerging challenges and exploits new opportunities swiftly. Furthermore, internalising business development facilitates an independent approach to project management. This independence is vital for decision-making, as it enables the organization to set its priorities, allocate resources and respond to evolving market dynamics without being influenced by external constraints. Such an autonomous approach is especially crucial in the digital landscape, where rapid changes require quick and informed decisions. The internalisation of e-commerce business development not only streamlines project management but also supports the organization in harnessing the benefits of new technologies. By having direct control over the development roadmap, the organization can implement innovative solutions tailored to its unique needs. By unifying project management under its purview, the organization can drive innovation, respond swiftly to market changes and ensure that its strategic goals remain at the forefront. This strategic shift represents not only a means to optimize business processes but also a pathway to achieve sustained growth, customer satisfaction and a competitive edge in the dynamic world of e-commerce.

Internalising to control product supply chain E2E

As can be seen, many of the factors identified relate to the desire to internally manage the processes and aspects of the e-commerce ecosystem. One observed aspect that might seem initially distinct from the e-commerce function is that internalisation is advocated to oversee the entire product supply chain, from its initiation to its culmination, especially extending to the digital sales channel. Internalising the control over the end-to-end product supply chain signifies a strategic move that extends the organization's influence over its product journey from inception to fulfilment. This comprehensive control not only allows the brand to wield a greater degree of oversight but also empowers it to craft a more seamless and integrated customer experience across both online and offline channels. By gaining direct control over the product chain and fulfilment process, the brand can facilitate closer interactions between its personnel and customers. An important point of view illustrated by Maison Valentino, is the direct engagement between couriers and Valentino staff that fosters a more immediate and transparent flow of information. This heightened level of information exchange allows the brand to proactively address customer concerns, promptly handle issues related to transportation and effectively manage claims and disputes. Internalising serves to empowers organisations with the tools to orchestrate a more seamless and integrated customer experience while ensuring the highest standards of product quality and timely fulfilment. This approach encapsulates the brand's commitment to delivering excellence and maintaining a competitive edge in a market that places immense value on efficient supply chain management and exceptional customer service.

Internalising to boost logistics and operations

If the last discussed driver pertains to controlling the product supply chain, the following outcome connects and specifies the interest in achieving improved and enhanced logistics and operations management. The pivotal consequence of this internalisation strategy is the interest in amplifying the availability of stock and the consequential increase in products available for sale. This achievement of heightened availability aligns with the broader goal of bolstering the omnichannel framework and elevating the depth of stock. The advantages of this approach are twofold: a marked reduction in time-to-market and an expansion in the variety and quantity of products ready for sale across channels. A key outcome emerges in the form of augmented stock depth, fostering a more resilient inventory structure. This multifaceted approach to internalisation results in an enhanced logistical foundation that not only reinforces operational agility but also drives improved availability, thus addressing key aspects of e-commerce management in the luxury fashion industry.

Internalising for uniformed omnichannel and phygital customer experience

As analysed in the initial part of this thesis, the concept of e-commerce today is predominantly associated with the notion of omnichannel, which also entails delivering a consistent and aligned brand experience across every sales channel. An important point emphasized by multiple interviewees during the data collection was to perceive the internalisation process as a means to achieve a unified omnichannel and phygital (physical-digital) customer experience. This strategic manoeuvre aligns with the objective of establishing a seamless and consistent customer journey across various touchpoints, encompassing both online and offline realms. This transformation has been motivated by the aim to offer customers a coherent experience, regardless of the channel through which they choose to engage. One respondent from Maison Valentino said: *"For me, it's extremely important to provide a range of exclusive services and unique experiences to our online customers as well. So, how do we do that? Through a set of* *tools and services that can break down the barrier between the computer and the customer"*. The focus on a unified customer experience has led to the development of digital services. For instance, e-commerce and omnichannel services and personalized digital interactions, managed by internal online client advisors, bridge the gap between the digital realm and the physical in-store experience. These services enhance customer engagement, encourage retention and empower brands to provide unique and exclusive offerings. In this regard, the significance of managing an internal e-commerce platform pertains to ensuring the ultimate delivery of a valuable and consistent luxury experience across all points of interaction between the client and the brand. Within an omnichannel context, various sales and interaction channels, such as physical stores, websites, mobile apps, social media platforms and others, are integrated in a manner that allows customers to seamlessly transition from one channel to another, without compromising coherence or information integrity. Therefore, a customer-centric approach has become paramount in this journey. The demand for online and digital services is met by extending a comprehensive ecosystem of services that accompany the core product offerings. This ecosystem supports a holistic customer experience that aligns with the luxury brand's identity and narrative. From Maison Valentino experience it is possible to note a growing interest and fluidity in content management, which assumes a pivotal role in this strategy by highlighting the brand's values and heritage. The prospect of openly engaging with various business functions and thereby recognizing that the e-commerce channel carries strategic value in content delivery and omnichannel experience becomes a viable consideration in the case of an internalisation strategy. Moreover, not only can the e-commerce channel offer a heightened level of integration between the physical and digital realms, thus creating a phygital environment, but it can also introduce content that would be unattainable in a solely physical form. Many respondents also pointed out that, at the sectoral level, the journey towards achieving a truly unified omnichannel and phygital customer experience remains ongoing, guided by the aspiration to provide luxury customers with a seamless, immersive and personalized luxury journey.

Internalising to embed digital and e-commerce knowledge

According to the insights provided by the research participants, a driving force compelling companies to internalise is enhancing and integrating digital and e-commerce knowledge. Initially, several brands found themselves heavily dependent on external entities due to an absence of in-house expertise and, currently, not all luxury sector enterprises have either internalised or completed the process. This dependency is evident in various aspects, ranging from technology adoption to logistical operations and players such as YNAP played a pivotal role in bridging this knowledge gap. They facilitated the integration of brands into the digital landscape, guiding them to comprehend and gradually internalise the necessary knowledge for autonomous management, as it is increasingly evident today. The progression towards embedding e-commerce knowledge is a significant shift in perspective, as brands recognized the need to transition from external dependency to internal mastery. This transition is also motivated by the aspiration to attain self-sufficiency in digital and e-commerce operations. The acquisition of external knowledge, whether through strategic partnerships or talent recruitment, became a means to enhance capabilities and accumulate experiential wisdom. As the digital realm evolved and e-commerce became an integral part of business strategies, brands acknowledged the strategic importance of possessing in-house expertise. By leveraging external resources, they aimed to cultivate a deep understanding of the digital landscape and e-commerce dynamics that were previously foreign. As will be discussed subsequently, it becomes evident that transitioning to internal management does not promptly address the lack of expertise in the field and that even today, external partner support remains nearly essential. Nonetheless, the quest to enhance and cultivate internal competence can be perceived as a distinct driver for embarking upon such a significant change. The goal is to cultivate a holistic understanding of these domains, enabling brands to make informed decisions, execute agile strategies and provide exceptional customer experiences that resonate with the digital-savvy consumer of today.

Internalising to increase and optimize marginality

As suggested by data, a core economic and business driver pertains to the interest in increasing and optimizing marginality. Brands often outsource their e-commerce functions due to initial limitations in resources and expertise, resulting in low marginality. This external dependency involves entrusting agencies like YNAP, Farfetch, Mytheresa, Filoblu and others with a comprehensive management of key critical aspects, spanning from technological infrastructure and financial operations to logistics, customer care and store management. However, as brands recognizes the potential for higher margins and increased control, they embark on an internalisation journey. By assuming direct ownership of these functions, brands could capture a larger share of profits while gaining better control over operational processes. The decision to internalise becomes a lever for bolstering marginality, a crucial factor in achieving sustainable growth and profitability. The act of internalising goes beyond mere e-commerce margin improvement. It encompasses the entire spectrum of business management, including optimization, development and control. Internalising provides the freedom to develop projects, optimize task management and fine-tune operational processes. This shift allows for increased efficiency, where tasks are accomplished faster and more effectively, leading to resource savings and the ability to allocate efforts to other strategic initiatives. In this regard, one respondent reported: *"Internalising, therefore, grants you greater mastery not only of addressing issues and challenges, but also of understanding how to optimize processes"*. Hence, internalising to increase and optimize marginality transcends margin enhancement. It encompasses the mastery of operational intricacies, the empowerment to optimize processes and the capability to make informed decisions that resonate with a brand's unique identity and goals, reaching higher margins.

Internalising to increase autonomy and flexibility

The last driver of internalisation, as identified from the data, pertains to internalisation as a means to enhance autonomy and flexibility. While e-commerce internalisation is rooted in the digital and e-commerce realms, it signifies an enhancement of performance in terms of flexibility in time management and autonomy in development across the entire organization. This strategic choice is influenced by various factors, encompassing limitations posed by external partners, the necessity for e-commerce platform customization and the pursuit of heightened independence. While the external partner ecosystem might offer services, it often comes with limitations. Smaller agencies have their own development timelines, servicing multiple brands with differing needs. This constrains the brand's ability to fully control and customise its e-commerce processes. The internalisation approach provides brands like Valentino with a means to overcome these limitations and achieve autonomy in site management. By taking the development process in-house, brands can exercise direct control over the timing and nature of upgrades, modifications and feature additions. This level of hands-on involvement ensures that the brand's unique insights and feedback are immediately incorporated into the evolution of the e-commerce platform. Moreover, internalisation empowers brands to prioritise and manage their e-commerce operations independently. The freedom to decide which functionalities to develop first based on business opportunities and internal needs is a significant advantage. One respondent suggested: *"In my opinion, one of the main reasons for internalising is to have 100% control over a strategic channel, thus having* *control over timing, readiness, with autonomy and flexibility, to keep up with the market's evolution"*. The ability to customise and control processes and allocate resources enhances operational agility and responsiveness to market dynamics.

5.2 Internal factors to consider

Several factors and aspects to consider during an internalisation process pertain to the internal sphere of the company preparing for the change. Once the motivations and drivers pushing luxury sector companies to internalise e-commerce have been defined, the discussion shifts to the analysis of three main internal aspects to be considered. Through the expertise and competence of the research participants, the data revealed noteworthy factors that can be utilized to prepare for the change management and internalisation process.

Knowledge and capabilities

According to the data collected, a critical consideration revolves around the organization's internal knowledge and capabilities. Striking a harmonious balance between control and expertise within change management becomes pivotal. This synergy ensures that the gained competencies are effectively harnessed to drive successful internalisation initiatives. As the organization integrates its e-commerce operations, the dual aspects of mindset and expertise play a substantial role. It is akin to a delicate equilibrium between cultivating a forward-thinking organizational culture and possessing the requisite skills to execute strategic shifts. This dynamic becomes even more pronounced when contemplating the recruitment of internal e-commerce expertise. Maison Valentino respondents shared that the objective in hiring should not just be to attain personnel with specialized skills but also to foster an environment where their expertise can be effectively utilized. It is essential to recognize that e-commerce internalisation involves the transformation not only of technological infrastructure but also of mindset and competencies of the workforce. This transition necessitates a deep understanding of both the business domain and the technological landscape, as these two dimensions are inherently interconnected. Within the context of change management, the presence of technological expertise is fundamental. The ability to anticipate demands and strategize IT solutions aligns the organization with its evolving goals. The knowledge and proficiency of internal teams in technological areas are indispensable for driving successful internalisation. Moreover, this proficiency becomes particularly crucial in customer relationship management

(CRM) integrations, where seamless data exchange and a holistic view of customer interactions are paramount. However, it is worth noting that while building internal technological expertise, a careful evaluation of costs and benefits is essential. A meticulous analysis of the required skills, the potential return on investment and the strategic importance of these competencies should guide the decision between internalisation and outsourcing. Organizational strategy and structure also come into play, where achieving a balance between competencies and functional roles is crucial. Therefore, the important factor to consider is the combination of knowledge and capabilities in a broad corporate sense. Balancing control and expertise, fostering a culture of innovation and integrating internal and external expertise are vital for a successful internalisation process. The evolving nature of technology, coupled with the dynamic demands of the luxury fashion sector, underscores the significance of continuously enhancing internal capabilities and harnessing these competencies to drive growth and innovation.

Omnichannel customer approach

In previous discussions on internalisation drivers, the concept of omnichannel has been touched upon; however, its further exploration is warranted due to the frequency with which omnichannel has been debated during interviews. In fact, the concept of an omnichannel customer approach represents a pivotal shift in modern business strategies, carrying significant relevance in the luxury fashion sector. The initial section of this thesis has encompassed the definition of omnichannel and its key theoretical aspects. Yet, at the internal organizational level, this approach necessitates a holistic and interconnected perspective. This paradigm acknowledges the imperative of establishing a cohesive and consistent brand experience across diverse touchpoints, whether customers engage with the brand through physical stores, e-commerce platforms, or other channels. This transformative approach underscores the evolving consumer expectations, emphasizing the creation of a unified brand experience that seamlessly transitions between online and offline interactions. Regarding the process of internalising the platform and e-commerce management, the experience of Maison Valentino serves as a reminder that omnichannel is a fundamental approach for crafting a contextually relevant strategy within the competitive and social landscape. Within fashion luxury, the customer journey has undergone a significant transformation. It is no longer acceptable for customers to encounter fragmented experiences or inconsistencies when moving between different channels. The emergence of omnichannel thinking addresses this challenge by endeavouring to weave a common thread throughout all touchpoints, ensuring a complete and coherent brand experience, regardless of whether a customer is perusing the website or visiting a physical store. The convergence of offline and online realms has given rise to the omnichannel model, a concept that Valentino, in collaboration with YOOX NET-A-PORTER GROUP (YNAP), has been at the forefront of delineating. During the period when Maison Valentino's e-commerce management was in partnership with Yoox Net A Porter, the two entities joined forces in 2017 to conceive "Next Era," a program aimed at innovatively shaping a blueprint for a new era of luxury omnichannel retail. This initiative harnessed YNAP's expertise and Valentino's online flagship store to provide unparalleled access to Valentino's products, amalgamating boutique and logistic centre inventories with YNAP's global fulfilment network. The endeavour offered an elevated online shopping experience, expedited delivery and an all-encompassing customer perspective (Valentino YNAP, 2017). In this direction, Maison Valentino continues to internally develop this model, incorporating the benefits and enhancements of the process. In the context, a central tenet of this approach is the recognition that customers anticipate a unified and seamless encounter across all interactions with the brand. The era in which customers could engage with different facets of a brand's operations in isolation has waned. Instead, customers now demand that a brand functions as a unified entity, delivering a consistent experience irrespective of the chosen touchpoint. This implies that traditional silos between departments or channels must be reformulated to provide a truly comprehensive 360° customer-centric approach. Operational and organisational changes are discussed in the next paragraphs. Furthermore, this approach is inherently entwined with the notion of customer centricity. Customers should no longer be subjected to encountering fragmented departments or isolated channels. Rather, the entire organization should embrace a shared understanding of the customer and collaborate to provide a harmonized and personalized experience. This necessitates strategic alignment across departments, adopting a consistent tone of voice, aligning service offerings and ensuring a unified product and brand presentation, elements achievable through internalisation.

Internal synergies

The data analysis revealed that respondents have emphasized the aspect of internal synergies within the company as critical to successfully navigating the internalisation process. The transition to internal management, translated operationally through the introduction of new human resources, processes and technologies, requires a united approach focused on cross-team and cross-functional synergies. This aspect can also be linked to the previously discussed topic of skills and expertise, concerning knowledge sharing and unified collaboration. The alteration of structure and processes demands a heightened emphasis on cross-team collaboration and project management. The introduction of an omnichannel strategy necessitated a shift not only towards external channel management strategies but also towards an internal approach of inter-departmental collaboration. In this regard one respondent added: *"So there must be a holistic attitude, [...] that is, you have to be agile, but cross department"*. The strategic significance of cross-team collaboration cannot be underestimated. It involves not only open lines of communication but also aligning goals and fostering a shared comprehension of project objectives. Regarding Maison Valentino's experience, a tailored demand management process has been created for e-commerce-related projects that interest all parts of the company. Consequently, the process requires input from various teams to manage requests from inception to development. This approach is more comprehensive and allows teams to work together rather than in isolation. From this perspective, the data also suggest that the success of internalisation hinges on the collective commitment of teams to shared business processes and priorities. While each team retains its specific role and expertise, it should be acknowledged that business processes frequently encompass multiple responsibilities. Therefore, the design of these processes necessitates collaboration among departments to ensure a seamless flow of operations. Prioritization has also evolved into a more structured and collective practice. Despite the challenges associated with internalisation, such as increased operational complexity and business risks, the benefits appear to be undeniable. The synergy between e-commerce and the broader company framework, including the retail division, contributes to an all-encompassing customer experience. This shift in perspective influences the company's approach to change management. Communication and change initiatives should permeate the entire organization, ensuring that all employees are well-informed and engaged in the transformation process.

5.3 External factors to consider

In parallel with the internal factors to be considered, the collected data have revealed significant aspects linked to the external environment and synergies associated with external actors beyond the company. It is noteworthy how the exploration of internalisation encompasses both internal and external aspects in an effort to achieve a comprehensive and well-developed understanding, considering interactions among various players and processes. Indeed, it is natural that the internalisation process extends beyond defining strategies solely within the company as a consequence of an in-sourcing journey, but rather is built upon dynamics and external considerations' support.

Luxury sector peculiarities

As previously addressed, the luxury industry encompasses distinct and unique attributes that necessitate evaluation and consideration during e-commerce internalization. The inherent characteristics and value embodied by products, the elevated degree of exclusivity, personalization and service must be taken into account during the transition from external to internal e-commerce management. Additionally, the specific issues pertaining to digitalization and democratization of the sector must be balanced to construct the desired final consumer experience. The luxury industry grapples with distinct digital intricacies that have implications for its e-commerce endeavours. Interestingly, while greater strides have been observed in digital omnichannel advancement within the broader mass-market domain, the luxury brands that operate within this sector exhibit nuances in their approach. This divergence could be attributed to the fact that the luxury sector inherently possesses a retail-centric orientation. Some interviewed have specified that brands specializing in mass-market offerings, in contrast, have displayed a greater digital prowess and a more comprehensive embrace of the omnichannel model. Fast fashion entities like Zara and H&M have demonstrated their adeptness in this digital transition, for example, due to their higher volumes, enabling them to invest more substantially in digital transformation. As already discussed in the theoretical background, the luxury sector is witnessing a complex interplay between traditional and new digital consumer behaviours. The collected data highlights the significance of considering the distinctiveness of consumers in the fashion luxury sector. While there are emerging consumer niches and revolutionary trends, customers often still exhibit a preference for one sales channel over another. This phenomenon underscores that an authentic omnichannel experience embodies the potential for customers to navigate between both realms, retail and online. However, it is essential to acknowledge that within the spectrum of the omnichannel model, customers tend to lean towards one of these avenues, all the while recognizing the coexistence of both, in an endeavour to engage all customers with the brand comprehensively and in an omnichannel manner. However, the distinctive nature of the luxury sector accentuates its clear retail-centric disposition. Throughout history, luxury consumer interactions have been predominantly rooted in the tangible ambiance of boutique settings. The very essence of luxury retail lies in the tactile and experiential elements that customers find while engaging in the sensorial journey offered by a physical store. This traditional approach is deeply entrenched in the sector and the transition to a comprehensive e-commerce model calls for careful consideration of preserving this luxury brand essence. The sectoral characteristics inherent to luxury present an array of challenges in the internalisation process. Fashion companies operating within the luxury sphere often grapple with intricacies that can impede rapid transformations. These luxury entities frequently encounter more intricate, labyrinthine processes compared to their non-luxury counterparts. In the context of e-commerce and digitalization initiatives, the journey for luxury brands often demands an extended duration due to the intricacies involved. As observed in the case of Maison Valentino, a project of such magnitude necessitated a prolonged period for completion. This gradual pace is emblematic of the luxury sector's unique complexities, inherent in the operational systems and traditional practices entrenched over time. As suggested by one of the respondents: *"The very core of luxury, rooted in exclusivity, requires that e-commerce operations align with the sector's high-quality and meticulous standards"*. Elevating the e-commerce standards within the luxury sector presents a distinctive challenge, distinct from sectors with less complex products. Notably, the meticulousness required in luxury product presentation, quality and service demand elevated standards in the digital domain. These requirements extend beyond mere visual appeal to encompass the functional elements of the platform. Customers engaging in luxury e-commerce expect seamless navigation, secure payment gateways and swift resolution of any issues that may arise. It is imperative that luxury brands reflect their high-calibre identity through the entirety of their digital presence. Moreover, the luxury sector's intricate nature is also reflected in the interplay between luxury products and the e-commerce platform. Luxury products are inherently unique, often limited in quantity and imbued with an aura of exclusivity. These attributes dictate that luxury e-commerce platforms must cater to the discerning expectations of luxury consumers.

External environment changes

Not only consumers' characteristics and sectoral peculiarities have been highlighted as factors to monitor in the internalisation process, but also industry changes must be taken into account and weighed. As already mentioned, the external peculiar environment within which luxury companies operate is subject to constant change and one of the pivotal factors impacting contemporary enterprises is the transformation in customer behaviour. The surge in digital engagement has profoundly altered the way customers approach brands and their purchasing decisions. Customers now display a diversified set of needs and consumer requests from a digital perspective. The emergence of digital channels has brought about a significant alteration in customer approach. The accessibility and convenience offered by online platforms have redefined the purchasing journey. This evolution is particularly noteworthy as it has prompted a change in customer interests and requirements in alignment with their evolving purchasing habits. The very essence of customer interaction with brands has transformed, necessitating an adaptive strategy on the part of businesses to cater to this new dimension of consumer engagement. It's essential to recognize the equilibrium that needs to be established between the internal dynamics of an organization and the ever-changing external environment. One respondent said: “*"I believe that a balance is needed, [...] one that weighs the external environment, the market, while considering the customer's needs, which are also the needs of society".* This equilibrium becomes particularly critical when dealing with the nuanced interplay between market emergence, customer needs and broader geopolitical factors. The digital transformation and democratization of luxury further complicate this balance, demanding that brands not only align with the evolving market but also anticipate future shifts in consumer behaviour and expectations. All interviewees have conveyed that the COVID-19 pandemic has been an accelerant for the adoption of e-commerce, revolutionizing the business landscape. Companies, including luxury brands like Valentino, swiftly recognized the importance of adapting to this trend to remain competitive. The Covid-19 pandemic have boosted e-commerce adoption, acted as a catalyst for a seismic shift in consumer behaviour, leading to heightened interest and investment in digital platforms. From the data and personal insights, future expectations have emerged concerning the transformation of the industry, processes and habits that brands must channel and strategically utilize. In this regard, as the competitive landscape continues to evolve, the integration of artificial intelligence, process automation and new omnichannel strategies is anticipated to shape the future of luxury e-commerce, requiring brands to stay agile and proactive in responding to these transformative shifts.

External partners’ support

As reported in the last sections, the external environment, the changes in consumer behaviour and peculiar externalities play an important role in the process. For what concern external support for e-commerce expertise, technical operativity and consultancy, the data gathered showed a pivotal importance. From Maison Valentino experience, for what concerns software development and technological expertise, external partners offer valuable support. One respondent added: *"Maintaining the option of external support still enables greater growth and an increasing potential for the exchange of ideas and technology"*. Collaborating with external developers and software development experts brings diverse skill sets and fresh perspectives to projects. As already mentioned, the external knowledge enhances the organization's capabilities and accelerates development processes. However, the decision to internalise also the technological and programming component should also be evaluated. Having an internal team of developers can provide a deeper understanding of the intricacies involved and offer more control over projects execution. This consideration becomes particularly pertinent as the company's technological investments increase. Moreover, the internalisation of certain roles, such as technical figures, can be strategic. While the fashion industry may not traditionally opt for in-house developers, having individuals with this expertise can enhance technical and problem-solving expertise, while precising communication and comprehension in project management. Notably, some larger enterprises have embraced complete internalisation of software development, exemplifying a shift in organizational structure. In regard to the external balance, partners are instrumental in understanding market dynamics and industry trends. By harnessing external knowledge, companies gain insights that inform their strategies, enabling them to adapt to evolving market conditions. Collaborating with external strategic consultants and maintaining relationships with external providers fosters diversification of background and expertise, enabling the organization to stay agile and responsive to changing market dynamics. Overall, external partners' support is a multifaceted asset that aids organizations in navigating complex external factors. Whether in data management, software development, or market analysis, collaborating with external entities contributes to a well-rounded and resilient organizational structure. Careful consideration of internalisation, change management and knowledge retention is crucial to optimize the benefits of external support while safeguarding against potential pitfalls.

4.4 Change management pillars

The final section of the gathered results showcases the change management Pillars. These pillars should be taken into account during the intricate process of internalising an e-commerce function. These principles can hold significant importance for companies in the contemplative phase of e-commerce internalisation, as they provide valuable insights into the essential aspects of proper change management. The ensuing discussion will traverse a comprehensive range of key themes, each with profound implications for a successful transition.

Step-by-step approach when internalising

Every structured process involving profound changes, as in the case of e-commerce internalisation, necessitates preparation and design to effectively achieve defined strategic objectives. One of the recurring themes that emerged spontaneously during the interviews and was consistently reiterated in relation to various aspects discussed, is the need to embed a step-by-step approach when internalising. As one of the interviewees stated: "*Fundamentally, brands seek to structure themselves internally in a gradual step-by-step approach, first with store management, then perhaps the internal logistics part [...]. So, it's a measured process with 'small' steps taken one after the other to manage the complexity"*. In comparison to the topics already addressed in this chapter, this approach is particularly relevant within the luxury sector, where the initial venture into outsourced e-commerce served as an exploratory phase and a preliminary encounter with the e-commerce and digital landscape. The initial complexity could be appropriately balanced by a complete outsourcing of e-commerce, followed by gradual steps toward the internalisation of different functions and teams. Luxury brands progressively extended their concept of luxury to encompass digital domains. While some brands exhibited greater audacity, others adopted a cautious approach, recognizing that the integration of e-commerce into their marketing strategy was an indispensable developmental step. Notably, the initial slow progress is necessary due to challenges arising from the relatively low technological infrastructure in the luxury sector. The process of internalisation stems from the fact that the notion of e-commerce was often perceived as an additional marketing or secondary channel rather than a primary revenue driver. The shift from viewing e-commerce as supplementary to acknowledging its strategic potential marks a pivotal juncture. This transition should be supported by strategic investments in internalisation, progressively addressing complexities in technology, expertise and operational processes. While outsourcing offers an initial position in the market and consumer perception, it falls short in providing the desired scalability and control over the e-commerce experience. Regarding the initial steps, the gathered data suggest the fundamental importance of the initial design and exploration phase, coupled with a learning-by-doing process and ongoing monitoring. In this regard, a respondent suggested: *"Like all major changes that concern people's daily and work lifestyles, you need assessments and, of course, you need to proceed step by step, collecting feedback that can lead* *to improvements and create what later becomes a tailored product"*. This effort necessitated a comprehensive analysis of the existing e-commerce ecosystem to prepare for the change. Strategic planning is crucial from the outset to ensure a seamless transition, even entailing some initial inefficiencies. Effective training and change management practices play a pivotal role, ensuring alignment throughout the entire organization. Activities aimed at raising awareness about the change, team-building initiatives and a comprehensive onboarding process can enable the workforce to embrace the new internal paradigm. In essence, the step-by-step approach is not merely a sequence of actions, but rather a comprehensive strategy that integrates technology, human resources and organizational culture to successfully internalise e-commerce operations.

Clear and structured processes to change

Adding specificity to the last point, the collected data suggest that the entire change management project should be clearly and formally structured to facilitate organizational transformation. This entails adopting a systematic approach to managing change initiatives, ensuring that each step is precisely defined and adheres to a pre-established framework. Clear and structured processes serve as the foundational framework for change management, guiding organizations through intricate transitions with precision and lucidity. In this regard, a participant added: *"A highly structured approach is necessary to tackle any project entailing significant changes... thus, a remarkably robust organizational process must be managed"*.
Change initiatives often encompass multiple facets, ranging from technology adoption to organizational realignment. This process should involve a thorough assessment of the present state, identification of desired outcomes and the formulation of a comprehensive plan to bridge the disparity between outsourced and insourced e-commerce. Effective change management ensures that all stakeholders are aligned with the objectives and are furnished with the requisite tools to facilitate a seamless transition. Without a well-balanced approach, organizations run the risk of overwhelming their teams, resulting in diminished productivity and potential quality concerns. This equilibrium can be achieved by judiciously allocating resources, streamlining processes and ensuring that the pursuit of change does not eclipse the ongoing operational objectives of the organization. Moreover, challenges in managing personnel and knowledge can impede successful change management practices. Staff members, especially those entrenched in longstanding roles, may exhibit resistance to novel practices, necessitating a deliberate approach to knowledge cultivation and training. Tackling these challenges requires

a commitment in nurturing a culture of learning and, by delivering adequate training, employees can gain competencies and knowledge necessary to acclimate to new processes. Thus, change initiatives should be methodically approached, with each phase meticulously planned and executed. This structured methodology guarantees comprehensive coverage of all transformational aspects, mitigating the risk of oversights and delays.

Clear definition of responsibility and roles

Based on the data analysis, the step-by-step approach and the clear and structured process definition align with the imperative to distinctly outline responsibilities and roles that change agents must undertake. The essence of delineating responsibilities within change management revolves around preparing the business for forthcoming transformations. This involves designating specific individuals or teams with the explicit duty of guiding the change across various organizational units. The experience of Maison Valentino illustrates how during periods of substantial change a phase of organizational uncertainty often emerges, blurring the allocation of responsibilities. The intricacies of role assignment may intensify, particularly with organizational expansion and the need to staff new teams. Such situations can lead to instances of confusion as individuals grapple with comprehending the precise scope of their tasks and ownership, contributing to a sense of disorientation among employees. To address these challenges, it becomes crucial to define clear roles and responsibilities as early as the exploratory stages of the internalisation project, disseminating them throughout the company via effective corporate communication. As one respondent emphasized: *"A more practical aspect is fundamental, namely the definition of roles and responsibilities, as they necessarily change when the business model shifts towards a new platform and a new control. [...] Despite seeming operational, in my opinion, it is of paramount importance for things to function not only from day one when you launch them, but also in the long term, when you need to maintain and operate them"*. In this perspective, individuals holding specific roles must adapt their mindsets to accommodate change. For certain roles, this shift might be more pronounced and embracing the necessity of such adaptations from the outset becomes paramount, especially when the change trajectory is abrupt or carries significant impact.

Top management drives change

A central aspect in change management, consistently and coherently identified among participants, is that top management should lead the change. As a fundamental cornerstone, the role of top management in steering change extends to shaping internal decision-making processes with a proactive and operational approach. While it might be considered normal and straightforward for strategic decisions to be made by top management and to directly impact the organization, the data underscores the motivating and proactive effort within the internalisation process to effectively integrate changes and corporate choices. One respondent added: *"How top management thinks is crucial [...], having the opportunity to converse with top management to understand, comprehend and effect change is optimal"*. In this regard, Maison Valentino emphasizes the significance of clear and cohesive corporate communication, which should originate decisively from top management. Across all facets of the organization, the ability to clearly communicate change and drive its implementation becomes essential. A proactive and communicative top management facilitates tasks execution, enabling individuals to become fully engaged and assume ownership of their responsibilities in working. Taking a moment to assess the state of change, chart the intended trajectory of growth and allowing change management to mature is indispensable for top management's decision-making process. This holds particular relevance within an organizational context where complexities are abundant and where there is an inherent need to provide time and space for the maturation of these transformative processes.

Mindset and people management

Prior to processes, companies are composed of individuals with common and shared objectives. When embarking on an internalisation project, data suggest that one of the pivotal aspects is to foster a coherent and holistic mindset among workers through strategic people management. In this regard, cultivating the right mindset and effectively managing people play pivotal roles in driving successful transformations. Approaching change, with the intention to improve and optimize processes and operations, should be perceived as an opportunity for the entire company. Maison Valentino reports how often, in the midst of day-to-day operations or tasks, individuals might focus solely on their immediate workload, missing the broader perspectives and potential opportunities that change can bring. This resistance to change can impede the recognition of opportunities embedded within transformations. The overarching theme is cultural resistance among employees, stemming from their comfort zones and familiarity with established workflows. Even the implementation of enhancements can be met with reluctance due to operational disruption. Linked to this, the data suggest the necessity of an innovation-driven mindset. The changes stem from an organizational awareness of the need for a proactive approach and these proactive endeavours extend beyond the online perspective, influencing the overall company dynamics. Furthermore, a unified mindset and a shared people management are necessary to mitigate potential conflicts that might arise between functions. One participant stated: *"A unified mindset is extremely useful to create that cohesion, that spirit that fosters general collaboration and helps understand where we are going, why we are doing things in a certain way, why we invest energy and resources in improvement"*. In the context of e-commerce internalisation, the most recurrent concern might revolve around the synergies between e-commerce and retail, due to divergences in objectives or decisions. Therefore, balancing e-commerce and boutique synergies requires a shared mindset and clear objectives. With a collaborative approach and alignment of incentives, innovation and optimization become shared goals. Luxury companies should shed outdated mindsets and consider e-commerce as a facilitator for organizational growth. Such transformative thinking is crucial, given the influence of digital on retail. The unification of objectives, shared decision-making and proactive approaches are central to overcoming resistance and achieving transformative success within organizations.

Functional and operational changes

Among the pillars of change management identified during the data collection, practical and operational aspects were discerned, categorized under the label of "functional and operational changes". These changes encompass a series of transformative shifts within the organization that impact various facets of its operations, functionality and processes. These shifts often involve modifications in functional and operational tasks, alongside changes in data processing, data visualization and overall approach. Once the internalisation process begins, which allows for the internal definition of tools and processes through autonomous development, operational changes necessitate preparation and training. As emphasized before, in this regard, external support from technical and strategic consulting agencies assists in adapting to change by bringing expertise and methodology. Revisiting the omnichannel approach in e-commerce internalisation, changes in strategies and synergies between teams and departments give rise to new objectives and, consequently, new processes and functional changes. The data collected from Maison Valentino suggest that being prepared to structurally modify even functional and operational routines enables better readiness and responsiveness throughout the entire process. Furthermore, in this context as well, the drivers for promoting operational changes must align with business strategies to match broader business goals, respond to market shifts and cater to customer demands.

Organisational changes

The e-commerce internalisation strategy, by its nature, entails organizational changes and process modification. In fact, when discussing functional and operational changes, it appears challenging not to address organizational changes as well, especially when internalising an entire business function. The collected data highlight how changes in organizational structure, responsibilities and roles connected to new business practices can be discerned. Maison Valentino's experience precisely involved reshaping the entire corporate structure, establishing the E-commerce & Omnichannel department to systematically define the corporate change. While these changes enable greater control and customization, they also demand significant organizational readiness and consistent human resources management. New roles, teams and skill sets have to be incorporated to manage expanded responsibilities. Once again, implementing such changes require a structured and shared mindset, fostering collaboration across departments. Revisiting omnichannel as a foundational principle of the new processes, the data collection shed light on an intriguing aspect. Indeed, alterations in incentive systems have emerged as a crucial aspect of change management to adapt and modify organizations. In this context, incentive systems refer to remunerative incentives based on sales or qualitative and quantitative indicators established according to team or individual goals. Maison Valentino identifies the need to adopt a system that acknowledges the new organizational synergies between the physical world of retail and the digital realm of e-commerce as a cornerstone of change management, in order to avoid slowdowns and inefficiencies stemming from traditional processes. These shifts in incentive systems and organizational structures underscore a fundamental aspect of change management: it's not merely about technological advancements or external customer preferences but also about internal alignment and empowerment.

Qualitative and quantitative KPIs

The final pillar of change management identified through data analysis pertains to the evaluation of qualitative and quantitative Key Performance Indicators (KPIs) to assess the process of change management and internalisation undertaken by a company. As previously emphasized, preparing for change and internalisation strategy must be designed following a defined and structured methodology, which should not lack continuous pre and post internalisation performance evaluation. It is crucial to be conscious of the effects of change across the entire company ecosystem, stimulating growth and setting objectives aligned with capabilities and resources. Study participants spontaneously referred to changes in the utilized KPIs as one of the most pertinent aspects to consider, given the subject matter. Economic and financial KPIs are undoubtedly essential, where the primary focus typically around Profit and Loss (PNL) indicators. During periods of change, such as internalisation or re-platforming, cost structures can undergo significant shifts due to altered processes and strategies. Therefore, tracking PNL indicators becomes crucial, comparing performance before and after changes to ascertain if cost efficiencies and financial gains have been achieved. Within the scope of cost-benefit analysis and ROI, the challenges are evident, especially when considering investments that might not be immediately apparent. Such analyses demand a thorough examination of the value generated by investments and their resultant returns, making it necessary to assess both financial metrics and non-monetary impacts like customer perception and engagement. Moreover, it's essential to gauge KPIs related to customer service and satisfaction. While quantitative KPIs, such as order volume and revenue, are paramount, qualitative indicators that assess customer experience, service quality and satisfaction contribute to the comprehensive evaluation of the omnichannel strategy's effectiveness. These elusive indicators, difficult to measure accurately, play a vital role in understanding customer sentiments and their perception of the brand's services. Similarly, KPIs that provide insights into omnichannel success go beyond traditional transactional measurements. Evaluating the impact of digital touchpoints on in-store conversions, understanding the fluidity of the journey and capturing user feedback can be more indicative of a successful omnichannel approach than a narrow focus solely on e-commerce sales. While challenging to calculate, an interesting KPI that can measure the influence of online research (via e-commerce) on in-store purchases is the ROPO. The term stands for Research Online Purchase Offline (ROPO), the phenomenon in the e-commerce realm where consumers seek information, evaluate options and make purchase decisions online but ultimately complete the purchase in a physical store. Lastly, technical KPIs, particularly in the context of digital transformation are fundamental to monitor technical aspects like web performance, which ensures that the core online store retains its functionality and responsiveness, thereby safeguarding user experience. Such KPIs help ensuring that the transformation efforts do not compromise the usability and speed of the online platform. When it comes to assessing performance with qualitative and quantitative KPIs, the internal abilities to understand data and to navigate the intricate tapestry of change management become central. This approach must encompass a broad and holistic objective of improving and developing a controlled and directed strategy.

6. DISCUSSION

6.1 Summary of findings

By combining the results obtained from the data collection, it was possible to construct the following theoretical framework. As previously reported, the framework is divided into four main areas (clusters): Internalization Drivers, aimed at highlighting the factors that drive companies to internalize the e-commerce function, in reference to Research Question 1; Internal Points of Interest, External Points of Interest, and Change Management Pillars, to investigate the change management process, thus addressing Research Question 2.

RQ1	*RQ2*
INTERNALISATION DRIVERS	**INTERNAL POINTS OF INTEREST**
Growth driven investment	Knowledge and capabilities
Internalising to increase growth commitment	Omnichannel customer approach
Internalising for strategic interests	Internal synergies
Internalising to increase market and customer responsiveness	**EXTERNAL POINT OF INTEREST**
Internalising to increase time-to-market	Luxury sector peculiarities
Internalising to control e-commerce management	External environment changes
Internalising for higher quality and application maintence management	External partners' support
Internalising to control data management	**CHANGE MANAGEMENT PILLARS**
Internalising to increase and develop cybersecurity	Step-by-step approach when internalising
Internalising to control ecommerce business development	Clear and structured processes to change
Internalising to control product supply chain E2E	Clear definition of responsibility and roles
Internalising to boost logistics and operations	Top management drives change
Internalising for uniformed omnichannel and phygital customer experience	Mindset and people management
Internalising to embed digital and ecommerce knowledge	Functional and operational changes
Internalising to increase and optimize marginality	Organisational changes
Internalising to increase autonomy and flexibility	Qualitative and quantitative KPIs

Figure 6: *Final theoretical framework*

The framework depicted in Figure 6 represents the final step of the qualitative analysis conducted in this research. It provides a concise overview of the various strategic drivers and points of interest that emerged from the exploratory study, offering a comprehensive framework for understanding e-commerce internalization in the fashion and luxury industry. This framework encapsulates the key findings derived from the theoretical coding applied to the collected data, enabling researchers and readers to grasp the intricate dynamics and interrelationships involved in the internalisation process. Through the methodology employed and the logical interpretation of the author, it was possible to distill the abundance of data and experiences provided by the research participants. Indeed, the framework aims to present the variety of collected data in an easily understandable and visual manner.

In particular, with regard to internalisation drivers, different strategic motivations were observed. The internalization process is necessarily supported by corporate economic and financial growth, primarily to address the investment required for strategy development. Motivations also encompass goals related to improving management performance, increasing autonomy and flexibility in various business contexts (design, business development, responsiveness), and regaining control of all platform activities and functionality, as outsourcing management inherently leads to reduced control. Thus, the internalisation serves to regain full control and operational efficiency, aligning with evolving customer needs and expectations.

Regarding the internalization process, which involves the necessary change management to support the transition, the division into three clusters allows for an insightful distinction. The data have enabled the identification of internal synergies and capabilities required to approach internalization, adopting an omnichannel approach as a holistic project vision. The external component pertains particularly to the typology and characteristics of the luxury market, and the external aspect is essential to support the entire process (external partners). Lastly, the change management pillars represent the fundamental areas to consider in a practical approach to change, providing insights and considerations for a successful implementation of the internal e-commerce function.

6.2 Theoretical and managerial implication

The theoretical implications of this thesis revolve around addressing the gap in existing literature, particularly within the relatively unexplored domain of e-commerce internalization processes. By investigating the drivers that propel companies in the luxury sector into the process of change management, it is possible to augment the existing knowledge base and enhance the theoretical understanding of how organizations adapt their strategies in response to a profound shift in operations, control, and business development.

This research primarily focuses on gaining specific insights, expertise, and knowledge from individuals who have experienced the internalization process at Maison Valentino. This is complemented by an external perspective provided by a partner firm, Bain & Company. Consequently, the study offers valuable insights into the internal dynamics of e-commerce practices and omnichannel development within the luxury industry in the context of internalization. Furthermore, given the qualitative nature of this study, the findings contribute to a more profound theoretical comprehension of a rapidly evolving field, such as digital transformation and innovation. Moreover, the results align with the Organizational Change Framework presented by Oakland and Tanner (2007), as the areas of interest extracted from the collected data confirm various components of the framework, particularly "readiness for change," "processes," and "implementing change".

Conversely, the managerial implications of this thesis offer valuable insights for companies within the luxury sector that are contemplating a process of this scale, as well as for managers and practitioners actively pursuing such a decision. The identified areas and factors of interest within the luxury industry enable companies to assess the change management process by considering external factors and competitive pressures while emphasizing internal synergies. Hence, this approach facilitates a well-informed approach to change management that takes into account both internal and external dynamics.

6.3 Limitations and further research

The present thesis inherently carries certain limitations. The aim of this thesis is to explore e-commerce internalisation in the luxury sector, specifically focusing on the dynamics and decisions within the niche of fashion luxury. This sector operates with distinct characteristics and rules. Furthermore, while the study participants reached a substantial number, it is by no means sufficient to generalize the theoretical framework universally to all companies in the industry. Future research endeavours could enhance the study by increasing the number of participants, ensuring a more equitable representation of both external and internal actors from companies involved in the process. Nevertheless, this thesis paves the way for exploring internalization in a highly distinctive and competitive sector.

Regarding the methodology employed, future studies may choose to adopt a quantitative approach. New quantitative studies could be implemented to measure concrete effects in the internalization process, such as establishing relationships between operational changes and quantitative performance variables.

7. CONCLUSION

This research explored the process of e-commerce internalisation in the fashion luxury industry, providing strategic and change management implication from Maison Valentino experience. By investigating the strategic drivers that push company to proceed with an internalisation and exploring the change management pillars it has been possible to build a theoretical framework that add a little piece of knowledge in the literature.

The study has unveiled that organizations drive change based on operational, economic and strategic factors by implementing a structured change management process, carefully considering internal synergies, knowledge sharing, and external influences. The preparatory component of change management has proven to be fundamental for successfully achieving the desired goals. Furthermore, it has become evident how crucial a shared mindset and a holistic perspective are to effectively embrace change throughout the corporate landscape. In the luxury sector, external context significantly influences innovation and digital transformation. Managerial capabilities increased technical expertise, and a deeper understanding of digital and data management provide valuable tools for navigating the internalisation process.

In conclusion, this thesis contributes the literature by delving into the unique exploration of e-commerce internalisation and the associated dynamics of change management. The drivers of internalisation underscore the need for greater control to deliver a consistent luxury experience within the sector. The desire for increased internal control enables more effective operational management and business development aligned with corporate objectives. Key factors in the change management process encompass both internal aspects, such as synergies, knowledge, and an omnichannel and holistic approach, while also considering external industry support and insights.

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