



**Department of Business and Management**  
**Master's Degree in Strategic Management**

Chair of Luxury Management

**The Impact of Innovative Technologies in enhancing  
the Customer Engagement in Luxury Retail**

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Prof. Alberto Festa  
SUPERVISOR

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Prof. Carlo Fei  
CO-SUPERVISOR

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Carlotta Talevi 761861  
CANDIDATE

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## INTRODUCTION

The present dissertation aims at investigating the implementation of innovative technologies, such as Virtual Reality (VR), Artificial Intelligence (AI) and Augmented Reality (AR), as important tools to increase customer engagement within the luxury retail industry. This study specifically examine how these technologies could enhance customer engagement by providing distinctive and customized shopping experiences, which will ultimately benefit luxury companies by increasing their perceived value, appeal, and degree of loyalty.

Luxury brands have always been reluctant in adopting new technologies for the purpose of preserving their traditional and authentic values, preferring to remain faithful to traditional retail patterns. On the other hand, luxury brands' models are changing and adapting to the continuously transforming environment. In fact, in order to remain competitive within the industry, these brands are trying to find a way to create new brand experiences for its consumers that can ensure that products are perceived as worthy of their high price point. Although this scenario, innovative technologies are considered key focal points of the future of luxury retail, proving to be new and efficient tools. As a matter of fact, experiential marketing is a new strategy adopted by luxury brands to promote the essence of the product or a brand as a set of tangibles, physical and interactive experiences. Moreover, brands are embracing an omnichannel approach to meet the demands of luxury customers and enhance communication with them, utilizing tools such as AI. On the other hand, data on the success of these technologies and on consumers' engagement rate are currently not available yet due to the novelty of them. Academic research on the role of innovative technologies in enhancing the customer engagement is limited and remains largely unexplored. Against these backdrops, the following research question arises: How do innovative technologies used in retail channels influence consumer engagement in the luxury industry? To answer this question, we conducted a quantitative empirical research based on data acquired during a self-administered survey.

Following this introduction, the first chapter of this work will focus on giving an overview of the luxury industry, detailing its characteristics, markets distribution, and

consumers profiles. Moreover, it also introduces the luxury retail landscape, exploring its evolution, the different typologies (as retail and wholesale, both physical and digital) and what are the key success factors in retailing. The last paragraph of this chapter will overview the concept of customer engagement in luxury industry and the importance for brands to improve strong and lasting relationships with their clientele.

Chapter two will present an analysis of the technological advancements developed retail and useful for customer engagement, analyzing how these technologies are reshaping the retail landscape, enhancing customer experiences, and affecting consumer behavior. Moreover, this chapter will focus on highlighting the importance of shifting toward an omnichannel strategy for enhancing tailored customer purchasing experiences.

Chapter three will illustrate the empirical quantitative analysis done for examining the effects of implementing innovative technologies on customer engagement. Then a description of the research model, the methodology used, and analytic procedures applied (including linear regression and multiple mediating analysis) will be given.

The last chapter will present the findings of the analysis, and interpretation of the results and validity of the hypothesis developed in the previous chapter. Moreover, this chapter will include a paragraph containing strategic recommendations for managers of these brands about enhancing customer engagement via technological innovation developed based on the results of the analysis.

Overall, this dissertation aims to provide a comprehensive understanding of the impact of innovative technologies on customer engagement within the luxury retail industry. By exploring the importance of embracing technological advancements within retail stores to remain competitive and retain and gain customers, this research offers useful and valuable insights and practical recommendations for managers seeking to enhance their customer engagement strategies in an ever-increasingly digital world.

# CHAPTER 1: THE LUXURY INDUSTRY, DISTRIBUTION CHANNELS AND CUSTOMER ENGAGEMENT

## 1.1 OVERVIEW OF THE LUXURY INDUSTRY

The global Luxury Market is remarkable in size reaching 1.5 trillion euros in value by 2023, with a growth of 8-10% from the previous year<sup>1</sup>, emphasizing the strong resilience that characterizes this industry. Despite the challenging macroeconomic conditions and the volatile geopolitical environment, this sector has grown by 11-13% at constant exchange rates, recording an unimpressed rise of about 160 billion euros in the 9 various luxury spending segments. This is due to an ongoing “elevation” of the supply, the expansion of the primary target group of High-Net-Worth-Individuals (HNWI)<sup>2</sup> and international tourism flows. Nonetheless, by the end of 2028, there will be more than 67 billion of HNWI worldwide, of which over 70% will still reside in North America and Europe<sup>3</sup>, even if there is a significant surge of Asian’s population. Moreover, brands must adapt to an ever-increasing complex multi-generational scenario, defined by Generations X, Y and Z, in order to satisfy various needs coming from them. Indeed, by the end of 2030, Millennials will account for 50-55% and Generation Z the 25-30, and online sales will account 30-33%.

### 1.1.1 Introduction to the Luxury Market

Moving on to the origins of luxury, the noun *Luxury* derives from Latin *luxus* that means “excess, extravagance; magnificent”<sup>4</sup>; it also comes from the word *lux* which means

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<sup>1</sup> Bain & Company – Altagamma “Luxury Goods Worldwide Market Study Fall 2023 – 22<sup>nd</sup> Edition”

<sup>2</sup> Individual who holds at least \$1 million in financial assets. Ultra-High-Net-Worth-Individual (UHNWI) is an individual who holds at least \$30 millions in financial assets.

<sup>3</sup> *Luxury Goods: market data & analysis* | Statista. (n.d.-b). Statista. <https://www.statista.com/study/55494/luxury-goods-market-data-analysis/>

<sup>4</sup> *luxury* | *Etymology of luxury by etymonline*. (n.d.-b). Etymonline. <https://www.etymonline.com/word/luxury%C3%B9>

“light”. In this respect, the light has a twofold function: the first refers to the ability of light to make others see in the darkness, and the second alludes to the fact that the light must be seen by people in obscurity. Therefore, people buy luxury goods because they want to be seen by others. Moreover, it can be said that *luxury* is characterized by a strong ambiguity that derives from a negative connotation of excess and sumptuousness and a positive dimension of magnificence and desirability. On the economists’ viewpoint, a luxury good is considered that good whose demand rises more than proportionally compared to income. Hence, unlike classical goods, in the long period, a decrease in price of that good lead to a consequential decrease in its demand.

In 2001 Dubois et al<sup>5</sup>. proposed a theoretical framework which describes six fundamental facets that a good must embody to be classified as “luxury”:

- *Excellent quality*: it refers to the use of superior quality materials and high level of craftsmanship employed in the production processes. In this context, consumers put such a great attention in details so that the product can lasts and perform well overtime. In consumer’s mind these two attributes are so strong that they are often used as synonymous.
- *Very high price*: it is and embedded characteristic of this sector and, for the majority of people, it is strictly correlated to the excellent quality<sup>6</sup> of luxury services and goods. Consumers tend to justify the purchase of a luxury good with a premium price with the durability of a product that only a superior quality brings.
- *Scarcity and uniqueness*: the third characteristics refers to the scarcity and uniqueness of goods, which are strictly correlated with the first two facets mentioned above. First of all, scarcity is related to the availability. Indeed, luxury brands adopt a strategy of selective distribution typical of this industry<sup>7</sup>. The

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<sup>5</sup> Dubois, B., Laurent, G., & Czellar, S. (2001). Consumer rapport to luxury. *Analyzing complex and ambivalent attitudes*

<sup>6</sup> Price and quality are two different words with different meanings, but especially in this field, they are often used together. This because both production and the raw materials (i.e. gold and silver alloys and leather and silk fabrics) costs are really high.

<sup>7</sup> But this is not always true. Referring to the “luxury paradox” that will be deepened on the next pages, many luxury brands are de-humiliating their consumers selling low-costs products (most of the time these brands create a beauty line). As matter of fact, the luxury French Maison Hermès is selling a perfume “Tèrre d’Hermès” at €30 in many perfumeries worldwide. Another example could be the American brand Tiffany&Co. that has a different positioning between US and EU markets: in the first one it is recognized

uniqueness refers to the shopping experience offered by luxury brands (e.g. the atmosphere inside the store, how the items are displayed, the décor and design and post-purchase phase) that must be exceptional and deliver a higher value. As a matter of fact, from a costumers' point of view it is considered as an important source of value, in which they can feel unique and valuable.

- *Aesthetics and polysensuality*: the aesthetic and hedonistic dimensions must be present in luxury since they are required by both goods and distribution system through which products are presented to consumers. Indeed, the purchase of a good evokes all the five senses, giving rise to a dream world where the consumer automatically projects himself, embodying the characteristics of the goods themselves.
- *Ancestral heritage and personal history*: luxury brands must embed a strong heritage and abide by tradition. Indeed, brand history provides an aura of uniqueness and mystic halo, this because there's a link with the past that enhances the scarcity and uniqueness dimensions overtime. Finally, heritage is even followed by a strong aesthetic code that has been built up across decades and trends.
- *Superfluousness*: luxury concept is by definition linked to superfluousness and uselessness. This is because these kinds of goods do not meet vital needs, but only create them by appealing to consumers' emotions and desires.

For what concerns the requisites that are intrinsic within *luxury's* world, the first fundamental one corresponds to the capacity to attribute a status of prestige (which sometimes is even presumed) to those individuals who managed to enjoy it. Within this understanding, it also includes those people who purchase luxury goods with the aim of being accepted by a particular group in which they belong or simply to express an ideal status acquired; this is also strictly related to the negative connotation of the ostentatious dimension of luxury. The second requisite concerns the huge emotional attachment transmitted to the individual by purchasing a good or services. Going on, what characterizes luxury's boundaries are the requisites of exclusivity and rarity. The first one has an elitist meaning and attaches a distinctive attribute to those who use it, and in this

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for selling magnificent diamond rings, by contrast, in the European market it is known for silver jewelry. This because the brand wanted to enter the EU market with an accessible product.



sense, this meaning goes hand in hand with the concept of rarity (Veblen 1899). Lastly, as mentioned above, a premium price for granted defines the status of luxury product. This variable is understood as the sacrifice an individual faces when purchasing a particular item at certain level of quality. Price is thus a necessary, but not sufficient, condition since there are other features that need to be considered, as for instance the intrinsic connection to tradition and craftsmanship in the production of goods.

There's a spread consensus among people that luxury industry is "*built on a paradox*"<sup>8</sup>, meaning that key players are constantly trying to find a balance between being both "exclusive" and "accessible". This is due to the fact that, on one hand, brands must continue to be exclusive to protect loyal customers, and on the other, they also have the need to attract new customers and being accessible to support profit and losses of the year. The differences between these two terms are:

- *Exclusivity* defines a good brand image, allows premium prices, and establishes brand's style.
- *Accessibility* optimizes brand productivity, increases sales and broadness the consumer base.

In this respect, remaining exclusive is still a main trend of luxury companies in the coming years through the main strategy of continuously raising prices to transmit the exclusiveness embedded in these companies. As a matter of fact, Chanel usually increases its prices twice a year of about a total of 16%<sup>9</sup>, doubling the prices of the most iconic bags from the ones of 2016. This strategy is also pursued by other luxury brands such as Louis Vuitton and Hermès, in which the idea behind this relies on creating a small segment of elitist people who can afford these kinds of goods and keeping distance with other people. Another popular strategy used in this industry fundamental to underline the exclusivity is

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<sup>8</sup> "The luxury industry is built on a paradox: the more desirable the brand becomes, the more it sells but the more it sells, the less desirable it becomes" said Patrick Thomas, Former Hermès' CEO. London, L. (2022b, September 27). *The economics of exclusivity: Why luxury brands are hiking prices to draw buyers in*. Luxury London. <https://luxurylondon.co.uk/style/hers/chanel-hermes-price-rises-luxury-scarcity-exclusivity/>

<sup>9</sup> Bishop, L. (2024b, March 27). *Understanding the latest 2024 Chanel bag price hikes and the resale market | Handbags & Accessories | Sotheby's*. Sothebys.com. <https://www.sothebys.com/en/articles/understanding-the-latest-chanel-bag-price-hikes-and-the-resale-market>

*scarcity* (even called “*playing hard to get*”<sup>10</sup>) through which the goods produced by top brands are accessible only by VIP clients with a strong purchase history, as Hermès does with its “*quota bags*” (Kelly or Birkin handbags)<sup>11</sup>. Thru this strategy, these brands aim to increase their overall desirability and consumer enthusiasm, strengthening its market performances<sup>12</sup>.

In conclusion, luxury industry is characterized more than any other sector by intangibility even if there’s a strong substitution of luxury goods. This means consumers receive a superior perceived value called “*luxury signal*” that is immediately attributed to a higher expertise and attractiveness. This perceived added value is extremely important since it reflect brand’s heritage and is completely detached from goods’ features. Indeed, goods are purchased not for a need, but for what they feel during the shopping experience. The shopping experience is really personal and profoundly emotive; hence consumers need to enter into a unique relationship with the brand, thru with they can satisfy a create their desires.

#### 1.1.2 Definition of “luxury brand” and the 3A model.

The boundaries between luxury and fashion are extremely thin for the fact that a luxury brand might also have affordable product lines in their portfolio and vice versa. Therefore, is really difficult to define what is a “luxury brand” since it does not exist a widely accepted definition. The consumers’ reviews of a brand are particularly important to determine if that brand is luxury or not. Indeed, the perception of the brand as “luxury” is a crucial point, as well as the strategies done by managers (such as premium price and superior quality) in order to increase the rating of a brand. E. Ko et al. (2019)<sup>13</sup> proposed

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<sup>10</sup> *Luxury Goods: market data & analysis* | Statista. (n.d.-b). Statista.

<https://www.statista.com/study/55494/luxury-goods-market-data-analysis/>

<sup>11</sup> In the Social Media context, influencers often call it as the “Hermès Game”: people must have a good relationship with their Sales Associate and spend thousands in beauty, chinaware, towels, and other stuffs available in the store in order to be offered for the super exclusive and required Kelly and Birkin handbags.

<sup>12</sup> Indeed, Hermès has four to five times the demand for its products than the supply. Another additional factor that contributes to an increase of Hermès products’ appeal, is that their bags retain their value (even more than their value) in the secondary market.

<sup>13</sup> Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. *Journal of Business Research*, 99, 405-413.

a theoretical definition of a luxury brand composed of five essential elements: “A luxury brand is a branded product or service that consumers perceive to:

1. be high quality;
2. offer authentic value via desired benefits, whether functional or emotional;
3. have a prestigious image within the market built on qualities such as artisanship, craftsmanship, or service quality;
4. be worthy of commanding a premium price; and
5. be capable of inspiring a deep connection, or resonance, with the consumer.”<sup>14</sup>

Given this definition, luxury brands are often associated with customers’ perception of superior quality products due to high level of craftsmanship and materials. Individual’s emotionality is a key point, as well as a strong link with non-functional associations.

Another important aspect to take into consideration is how global luxury brands can manage their worldwide expansion while, at the same time, remain rare and desirable to their consumers. This is also due to the fact that, different customers from various countries might have several and different perceptions of the same brand. In this occasion, luxury brands must adapt themselves to the environment and implement different strategies, always by establishing a strong connection with both brand and geographical area. The emotional factors are extremely important, such as a memorable shopping experience, but it is also true that customers can search for functionality and high product-performances. In this respect, Reddy and Terblanche (2005)<sup>15</sup> divide luxury brands into two categories: the first one refers to those brands which are recognized for their symbolic value for the consumer (e.g. Bulgari) and those brands which are recognized primarily for their functional features they embody (e.g. Ferrari).

For what concerns the success of a luxury brand in the market and in time, Antoni et al. (2004)<sup>16</sup> define that it is related to:

- *Excellence*: the better quality of services and goods is what buyers identify most strongly with luxury as it is necessary to support the premium prices.

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<sup>14</sup> Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. *Journal of Business Research*, 99, 405-413.

<sup>15</sup> Brun, A., Caniato, F., Caridi, M., Castelli, C., Miragliotta, G., Ronchi, S., ... & Spina, G. (2008). Logistics and supply chain management in luxury fashion retail: Empirical investigation of Italian firms. *International Journal of Production Economics*, 114(2), 554-570.

<sup>16</sup> Brun, A., & Castelli, C. (2013). The nature of luxury: a consumer perspective. *International Journal of Retail & Distribution Management*, 41(11/12), 823-847.

- *Brand aura*: for the customer, a brand can build a solid reputation and hold a first-class position by consistently providing excellence overtime. For a company to attain the status of luxury, brands must possess a solid, authentic, and distinctive aura.
- *Desirability*: luxury goods brands need to establish and, therefore, preserve desirability. This is characterized by a product's high price, which elevates its social status, in addition to its strong modern and, at the same time, traditional aesthetic appeal. The product's distinctiveness and rarity increase its overall attractiveness.

Moreover, is important to understand which are the Critical Success Factors (CSF) of a brand, in terms of services and products, needed to compete and succeed in the global environment overtime. The most significant CSFs are:

- Luxury firms most deliver an outstanding *product quality* for their products and services, as a response to their high prices. In this regard, ensuring an outstanding quality means to have a high level of expertise in craftsmanship and premium selection in raw materials.
- A recognizable *style and design* so that consumers can associate the purchase experience with emotions. In this industry, is extremely important for a brand to create a coexistence of both tangible and intangible attributes so the consumer can have a positive association of feelings and perceive the brand as unique.
- A perceived *country of origin* of a product which is one of the most important key elements of distinction of a brand. It relates to the country that buyers associaten with the product<sup>17</sup> (e.g. "Made in Switzerland" for the Watch Industry). This association can be positive or negative in the consumer's mind<sup>18</sup>.

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<sup>17</sup> It is also known as "Country of Origin Effect" (C.O.E). Customers will be more likely to trust (and therefore be affected) brands from a country that is associated to a certain attribute. The importance of the C.O.E. is extremely important in a context where differentiation is hard to get.

<sup>18</sup> Andéhn, M., Gloukhovtsev, A., & Schouten, J. (2016, July). The country-of-origin effect–Key issues and future direction. In *2016 Global Marketing Conference at Hong Kong* (pp. 1746-1754).

- The emotional appeal associated with the *shopping experience* must be achieved. For many consumers the act of purchasing a good or a service has become quite an event, since they want to feel emotions during the purchase<sup>19</sup>.
- A strong a positive *brand reputation* so that buyers during the shopping experience, can feel part of the brand aura.
- Brands must *create a strong lifestyle* so that customers can recognized themselves in it during the purchase.
- For particular brands, especially in the luxury car market, achieving a *superior technical performance* on technical expertise, thru a continuous innovation, is fundamental to let consumer distinguish from ordinary and luxury products.

It is true that a brand must define its strategy by selecting only the most effective CSFs for their business (and not necessarily all of them) to have success in the luxury industry. As an example, a typical luxury brand strategy usually involves four or five factors, and depending on this, one could classify a luxury brand or product as either an emotional or a technological luxury.

In the luxury industry brands are divided into three different segments (proposed through an elaboration between the collaboration of Fondazione Altagamma and Bain & Company<sup>20</sup>), also known as the “3A Model”: Accessible luxury, Aspirational luxury, and Absolute luxury. This classification is based on the brand’s price positioning and on its worldwide presence.

- *Absolute luxury brands* are characterized for a premium price positioning and being renowned worldwide. They are considered “absolute” since they are defined by uniqueness, heritage, elitism, and icon. Moreover, in this category belongs brands that stand out by their long history and traditions, which place a strong emphasis on superior craftsmanship. Products have a distinct value and may have a lead time of many months or even years for delivery. Indeed, their communication is not based on product characteristics, but rather aesthetic and design becomes a key point for transmit exclusivity. These companies (such as

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<sup>19</sup> Nowadays brands are merge physical and digital experiences, as stated by the growing importance of clienteling in store and post-purchase experiences. Even the multigenerational complexity is bringing brands to give greater importance to lived experiences (Executive Summary Monitor 2023 Altagamma Bain).

<sup>20</sup>Altagamma, Bain & Company (2012). *Worldwide Luxury Markets Monitor Spring 2012 Update*.

Vacheron Constantin, Hermès, and Harry Winston) establish new trends and drive the market.

- *Aspirational luxury brands* have an exclusive but reachable price positioning and are known all over the world. Their focus is on providing a superior quality and building a strong brand image, so that they can be recognizable and thus achieving a distinctive position in the market. Marketing communications linked to these goods not only convey the performance attributes but also incorporate stylistic, creative, and aesthetic elements. This because the aim is to emulate the brand’s world, complete with cultural and psychological connotations that justify the premium price. The main communications channels used by these brands are events and PRs with a supportive use of advertisement. Some examples of these brands are Louis Vuitton and Gucci.
- *Accessible luxury brands* are considered as “entry level” luxury products since they are defined by a more affordable price. These brands are mainly purchased by middle-classes individuals in USA and Europe, but there is even an expansion of the segment in the Asia-Pacific, with an exclusion of Japan. One of the main reasons that drives the purchase of goods from these brands is the necessity to show the belonging to a certain “social class” and a certain status symbol. In this market, the brands must set up a constant contact with their target, always communicating the main features regarding the performances of the product. As a matter of fact, the main communication tools implemented is advertising, PRs and events. A brand that belongs to this category is Coach.

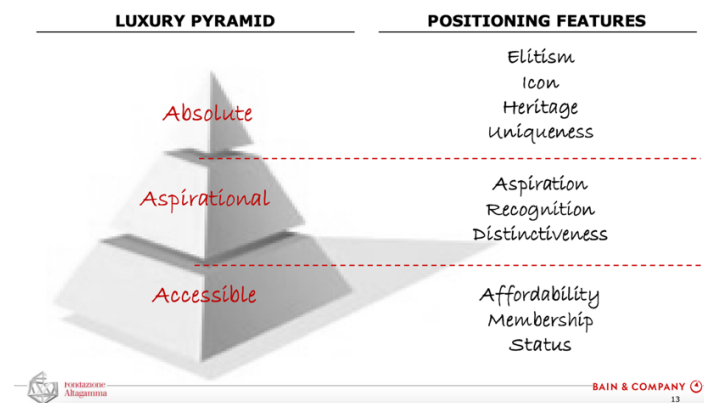


Figure 1: Segmenting the market on brands positioning, we define three layers: the “3 A’s” of luxury.  
Source: Worldwide Luxury Markets Monitor Spring 2012 Update from Bain&Company and Fondazione Altgamma.

The Figure 1, proposed by Bain & Company and Altgamma, shows the different layers of the 3A Model explained above and their relative distinctive positioning features.

One interesting factor is that, according to the different “types” of luxury brands, the adoption of the CSFs in the Supply Chain (SC) differs, as shown in Figure 2. The most relevant CSF for both Absolute and Aspirational brands is exclusivity, determining a real effort in delivering the factors that characterize the luxury industry. On the other hand, Accessible brands are more involved in achieving accessibility in order to reach a wider segment of those consumers who want to be part of an elite group but cannot afford the spending level of Aspirational and Absolute brands. Indeed, as a matter of fact, the customer satisfaction seems to be the most significant CSF for Accessible brands. Another important CSF for both Absolute and Aspirational brands is the superior quality, as a response to justify the premium prices, typical of these brands.

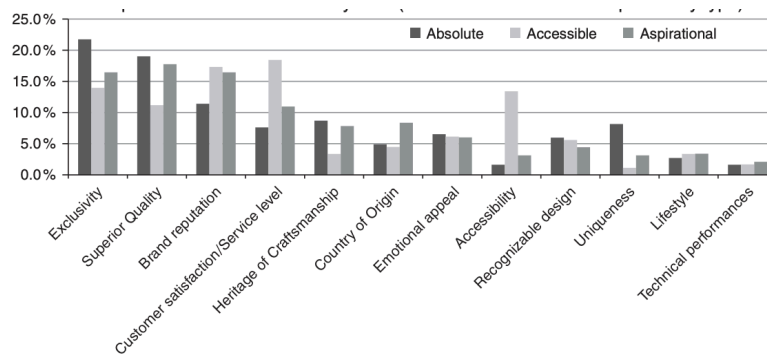


Figure 2: Impact of SC choices on luxury CSF.

Source: Castelli, C. M., & Sianesi, A. (2015). Supply chain strategy for companies in the luxury-fashion market: Aligning the supply chain towards the critical success factors. *International Journal of Retail & Distribution Management*, 43(10/11), 940-966.

The differences between Absolute and Accessible brands are clear. The first ones are providing a superior product through the use of unique resources along the entire supply chain, premium quality of raw materials and exclusivity in terms of high level of experience. Absolute luxury brands, even if they modernized their products and image, are still linked to a past vision of luxury. By contrast, Accessible brands have the focus of widening the customer segment through a continuous enhancement of both customer service and brand reputation. The majority of these brands are “new entrant” with a small investment and have the aim of fully enter the market in a few years through more

concrete SC practices. Lastly, as shown in Graph 1, Aspirational brands are positioned as a hybrid between Accessible and Absolute brands. They can evolve in terms of positioning through the adoption of CSF, typical of the closest segment.

### 1.1.3 Global luxury markets and their geographical distribution

The luxury industry has been classified into 9 different segments (D’Arpizio et al.): Personal Luxury Goods, Luxury Cars, Luxury Hospitality, Fine Wines & Spirits, Gourmet Food & Fine Dining, High-Quality Design Furniture & Homeware, Fine Art, Private Jets & Yachts and Luxury Cruises as shown in Figure 3. The most important segments which accounts the 80% of the total market are the first three mentioned above. The luxury industry has closed the gap with the pre-pandemic levels, registering a growth of 18-20% from 2019. Overall, at the end of 2023, the market’s retail sales value reached €1.51 trillion as a result of a 11-13% increase compared to the previous year, in which every segment registered a positive growth. The main markets that have led to this incredible increase of the overall spending are Asia and the Americas.

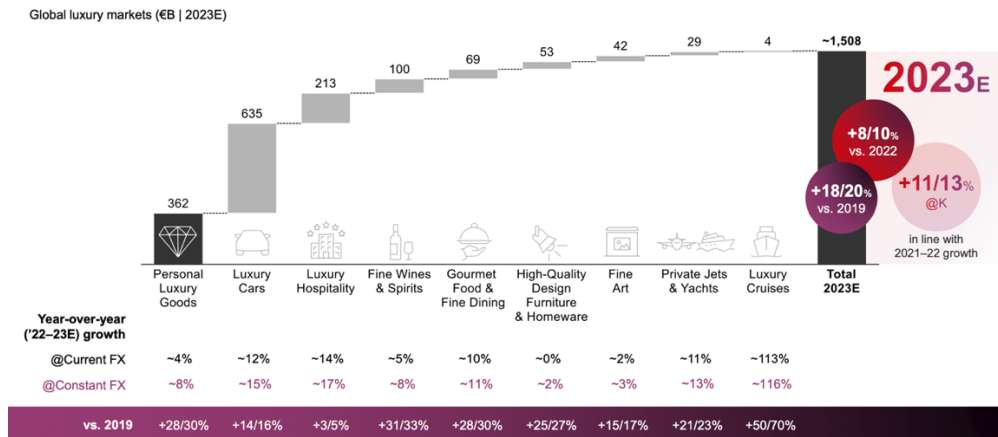


Figure 3: Global luxury markets 2023.

Source: Bain & Company, Altgamma (2023), *Luxury Goods worldwide market study, fall 2023 – 22<sup>nd</sup> edition*.

Analyzing more specifically each segment with data and information taken from the “Luxury Goods worldwide market study, 22<sup>nd</sup> edition” published in fall 2023 by Bain and Altgamma:



- **Luxury Cars:** within this segment belongs high-end automobile brands that aim to appeal to consumers mainly interested in luxury and high performances in their vehicles. For what concern the values, it reached €635 billion in 2023 with growth of 15% at constant exchange rate. This expansion has been made possible due to an increase demand in ultra-customized solutions for absolute luxury brands, a request for electric vehicles for aspirational luxury brands and, finally, for accessible brands there is a shift in consumer loyalty for new entrants' companies in the Asian market. The core of Luxury Cars' brands is to create a unique pre and post purchase experience through the creation of more direct relationships with their consumers. Lastly, there was an unexpected boom of online as a purchasing channel.
- **Luxury Hospitality:** this segment involves luxury hotels, luxury hotel chains and resort addressed to travelers seeking for high-end services and accommodations. Actually, it has an estimated value of €231 billion and it past the pre-Covid levels of about 3-5% due to an increase in occupancy and a stable ADR<sup>21</sup>. This was possible for an expansion of the intraregional tourism flows in US and Latin America. Tourists have a growing concern for what concerns their expectations, and, as a matter of fact, they demand unrepeatabe, customize and transformative experiences that allow the “disconnection” from the real world. Moreover, there's a growing interest for sustainable tourism<sup>22</sup>, especially among latest generations that request for cultural and authentic immersive experiences.
- **Fine Wine & Spirits:** are included in this segment premium and luxury wines and spirits. Compared to 2022, it registered a slight growth of 8% at constant exchange rate, reaching €100 billion in value. This increase was fostered by a came back of a normal life made with a need of convivial and interaction moments. This market is projected to grow a lot due to the massive presence of M&As, wherein the most

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<sup>21</sup> Average Daily Rate

<sup>22</sup> WTO (2017) defines sustainable tourism as: “tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities”, definition retrieved from <https://sdgs.un.org/topics/sustainable-tourism#:~:text=The%20World%20Tourism%20Organization%20defines,the%20environment%20and%20host%20communities%22>

important conglomerate is LVMH Moët Hennessy Louis Vuitton SE (LVMH). In terms of volume, the largest market is China immediately followed by USA.

- **Gourmet Food & Fine Dining:** market that has a value of €69 billion, has registered a good increase of 11% compared to the previous year mainly attributable to the rise of the so-called “entertainment-is-the-star” segment. Moreover, there’s a growing preference in choosing organic ingredients.
- **High-Quality Design Furniture & Homeware:** with respect to 2022, this market remain stable at €53 billion, where the major growth was registered during the first two years after the Pandemic. The need of creating a commercial space more design is still important to make a great customer experience during shopping or work.
- **Fine Art:** this segment reached €42 billion (+3% compared to 2022). Between public auctions and dealerships, the one that are going better are the second ones with an expansion of stores for creating more immersive interactions for collectors. The online channel is in expansion due to a shift of Gen Y, with a growing concern in diversity, equity and inclusion (DEI) subjects.
- **Private Jets and Yachts:** increased of about 11% relative to 2022, reaching a value of €29 billion. Europe is considered the key region of this market, on the other hand due to macroeconomic conditions, China and US registered a slower growth. Both luxury yachts and private jets continued growing, due to a strong order book, a remarkable interest in tailor-made designs and sustainable fuel solutions.
- **Luxury cruises:** even if it is the smallest segment of the 9, with a value of €4 billion, it is the one that has registered the major growth compared to 2022 (+116% at constant exchange rate). This boom is attributable to a new interest in unconventional trips and new-ultra-luxury segment. Also in this segment, there is a new relevance for ultra-customized experiences for consumers that are looking for privacy, comfort, and high level of services during their *voyage*. In addition, many key players of hospitality are trying to enter into this segment<sup>23</sup>.

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<sup>23</sup> As an example, the luxury hotel group Four Seasons as entered the luxury cruises market through the creation of Four Seasons Yachts, with the first sailing expected in late 2025. The reason behind this choice relies in offering custom-made experiences to their guests.

- Personal luxury goods: this market is considered the core of the whole luxury industry, with a value record reached in 2023 of about €362 billion (and expected to reach €368 billion in 2024)<sup>24</sup> in worldwide spending. Within this market are included different categories such as: Jewelry, Apparel, Beauty, Watches, Leather and Shoes. Each of them has shown a resilient and strong increase over the 2023, but the categories that have a larger market size are Leather and Apparel (respectively €81 and €75 billions).

As of today, the luxury good markets are segmented across 4 main regions: Asia-Pacific Economic Cooperation (APAC) & Japan, Americas, Europe and Rest of the World (ROW). Every of these registered a different share of global luxury spending. The one that has recorded both the highest spending growth is APAC & Japan (respectively €560 billion and +6-8% CAGR), as shown in Figure 4. This was due to a re-opening of the tourist flows and a growing interest in personal luxury goods, cars, and design furniture. Americas and Europe highlighted quite the same share of luxury spending and increase, which is around €430 billion. This growth is mainly attributable to a recovery of tourism flows after the stop in the pandemic period and a demand for fine dining and design furniture as a “personal treatment”.

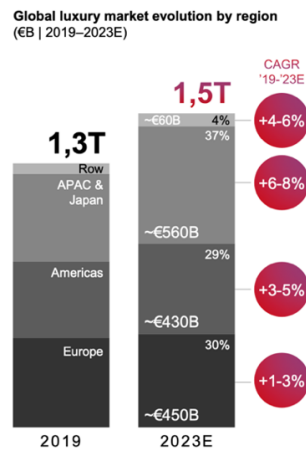


Figure 4: Global luxury market evolution by region (€B | 2019 – 2023E)

Source: Bain & Company, Atagamma (2023), *Luxury Goods worldwide market study, fall 2023 – 22<sup>nd</sup> edition*.

<sup>24</sup> Statista. (n.d.). *Luxury Goods - Worldwide* | Statista Market forecast.  
<https://www.statista.com/outlook/cmo/luxury-goods/worldwide>

Is important to outlook that of the 9 markets mentioned above has a focused region, as shown in Figure 5. As an example, Europe is mostly centered in High-Quality Design Furniture and Luxury Cruises. Indeed, Italy is renowned worldwide for its timeless designs, high level of know-how in craftsmanship, resulting in a delivery of very high-quality and durable products. Moreover, brands within each region might exploit opportunities of diversification to enter into new segments and geographies, always by taking into consideration local specificities and necessities.

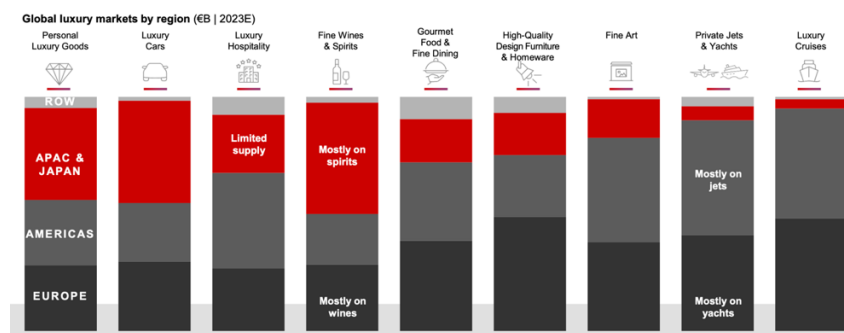


Figure 5: Global luxury markets by region.

Source: Bain & Company, Altagamma (2023), *Luxury Goods worldwide market study, fall 2023 – 22<sup>nd</sup> edition*

For what concern the key players in the luxury market, the fashion industry is more diversified compared to the luxury one which is really concentrated due to the continuous presence of M&A operations<sup>25</sup>. Indeed, in there are only few key players that are not part of a conglomerate, as Chanel Limited and Burberry. Being in a conglomerate matter in this industry, since groups can have an easier access to innovation and be able to be more resilient during crises periods. That's why, in the last 20 years, key companies have been increasing their shares and, thus, gain advantage over their competitors. As shown in Figure 6, in 2022 more than a half of the total revenues (57.3%) are generated by the top 10 companies over a total of 100. Among these companies, the highest increases in luxury sales has been recorded by Richemont (+50.1%), Chow Tai Fook (+41,1%) and PVH (+33.33% and regained a place in the top 10 rank); the other companies have shown an increase in sales between 9% and 29%. For what concern the geographical distribution of

<sup>25</sup> Among the biggest acquisitions made in 2023, Kering acquired the 30% of Valentino's shares from Mayhoola, a Qatar-based company. The acquisition will be completed up to 100% by the end of 2028. Moreover, another important acquisition made in 2023 has been done by Rolex by acquiring Bucherer, a global jewelry and watch retailer. In response, Rolex is accelerating the process of shifting to a D2C model thru an extension of its retail space.

the companies shown in the figure below, the region of France is where the majority of companies have their Head Quarter (the only exception is Chanel that has its HQ in the United Kingdom but is widely considered as a French company), and as a matter of fact these few French companies are generating more profits (32.3%) than the rest of the market. So, even if the greater part of the luxury brands are Italian (23%), the fact that they are part of French groups, let this region gain the biggest portion of sales, more than four times the average for the Top 100.

| Top 10 luxury goods companies by sales, FY2022 |                            |  |                   |                                   |                              |                                  |  |   |   |
|--|----------------------------|--|-------------------|-----------------------------------|------------------------------|----------------------------------|--|---|---|
| FY2022 Luxury goods sales rank                 | Change in rank from FY2021 | Company  | Country of origin | FY2022 Luxury goods sales (US\$M) | FY2022 Total revenue (US\$M) | FY2022 Luxury goods sales growth | FY2022 Net profit margin <sup>1</sup> ** | FY2022 Return on assets <sup>2</sup> ** | FY2019-2022 Luxury goods sales CAGR <sup>3</sup> ** |
| 1  | ↔ 0                        | LVMH Moët Hennessy-Louis Vuitton SE                  | France            | 59,869                            | 83,241                       | 22.6%                            | 18.6%                                    | 11.0%                                   | 19.4%   |
| 2  | ↔ 0                        | Kering SA  | France            | 21,394                            | 21,394                       | 15.3%                            | 18.3%                                    | 11.0%                                   | 8.6%  |
| 3  | ↑ 3                        | Compagnie Financière Richemont SA                    | Switzerland       | 19,248                            | 22,276                       | 50.1%                            | 10.8%                                    | 5.2%                                    | 11.5%   |
| 4  | ↓ -1                       | The Estée Lauder Companies Inc.                      | United States     | 17,737                            | 17,737                       | 9.4%                             | 13.6%                                    | 11.5%                                   | 6.1%  |
| 5  | ↓ -1                       | Chanel Limited                                       | United Kingdom    | 17,224                            | 17,224                       | 10.1%                            | 26.7%                                    | 25.5%                                   | 12.0%   |
| 6  | ↓ -1                       | L'Oréal Luxe   | France            | 15,388                            | 15,388                       | 18.6%                            | n/a                                      | n/a                                     | 9.9%  |
| 7  | ↑ 1                        | Chow Tai Fook Jewellery Group Limited<br>周大福珠宝集团有限公司 | China/HK SAR      | 12,563                            | 12,709                       | 41.1%                            | 7.0%                                     | 7.8%                                    | 14.0%   |
| 8  | ↓ -1                       | Hermès International SCA                             | France            | 12,196                            | 12,196                       | 29.2%                            | 29.1%                                    | 19.4%                                   | 19.0%   |
| 9  | ↔ 0                        | Rolex SA   | Switzerland       | 10,336 e                          | 10,336 e                     | 20.4%                            | n/a                                      | n/a                                     | 13.8%   |
| 10   | ↑ 3                        | PVH Corp.  | United States     | 8,364                             | 9,155                        | 33.3%                            | 10.4%                                    | 7.7%                                    | 1.2%  |
| <b>Top 10*</b>                                 |                            |  |                   | <b>194,319</b>                    | <b>221,656</b>               | <b>22.8%</b>                     | <b>17.5%</b>                             | <b>11.2%</b>                            | <b>12.8%</b>  |
| <b>Top 100*</b>                                |                            |  |                   | <b>346,989</b>                    | <b>386,963</b>               | <b>20.0%</b>                     | <b>13.4%</b>                             | <b>7.7%</b>                             | <b>8.4%</b>   |
| <b>Top 10 share of Top 100</b>                 |                            |  |                   | <b>56.0%</b>                      | <b>57.3%</b>                 | <b>62.5%</b>                     | <b>76.4%</b>                             |   |   |

Figure 6: Top 10 luxury goods companies by sales, FY2022

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Luxury Goods 2023. Analysis of financial performance and operations for financial years ending from 1 January to 31 December 2022 using company annual reports, industry estimates, and other sources.

In conclusion, these companies are known for their remarkable high growth and profitability. The performance of France is mainly lead by 4 global luxury giant companies: LVMH, Hermès, Kering and L'Oréal luxe, for the beauty sector. This demonstrates how much concentrated is this region. On the other hand, in Italy there are 23 luxury goods companies, that accounted only the 7.8% of sales in 2022. The companies within this region are divided into family-owned and luxury fashion houses. The top players, in terms of sales, are Prada Group, Moncler SpA and Giorgio Armani SpA even though the majority of sales (65%) came from the sum of the other 20 companies. This remarks the huge fragmentation in Italy, since there're many small companies.

#### 1.1.4 Different types of Luxury Customers

At the end of 2022, the luxury industry registered a total of luxury consumer of about 400 million, and it is supposed to growth up to 500 by the end of 2030<sup>26</sup>. The share of very top customers has been increasing compared to the 2021, representing 40% of market value in 2022. This increase was drove by the search for one-of-a-kind experiences and products<sup>27</sup>. In the future the luxury industry will be characterized by a heterogeneous consumer base, and in order to not fall behind, brands must react to this by reviewing their consumer strategies based on providing unique products and experiences.

Nowadays, brands must adapt their marketing strategies to a multigenerational complexity due to the fragmentation of different tastes and needs of the global luxury consumer base. First of all, is important to define the scenario based on the different generations that characterized the luxury industry landscape:

- *Baby Boomers* (1946 – 1964): shoppers in this category are considered as a key people in this industry since they prefer purchasing from well-established brands that give them a sense of satisfaction and luxury status. They put a great attention to excellence, craftsmanship and durability within the same product. They are loyal and wealthy clients that consider a personalized shopping experience extremely important. These individuals prefer to spend their money on durable and unique experiences, such as luxury resorts or exclusive cruises, that can show their lifestyles. For this category of customers, the most important marketing strategies used are all based on expressing the heritage, authenticity, quality, and the story behind an item. Every communication channel should advise them on the value of a product and how it can enhance the wellbeing of the shopper. These kinds of consumer prefer traditional (e.g. magazines) and direct communication channels.

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<sup>26</sup> As a matter of fact, by 2030, the luxury industry will face a transformation of BM, far from traditional ones based on excellence in craftsmanship and sales defined by products. There will be an increase of activities powered by tech innovation, such as: new collectibles items based on NFTs technology, virtual events, brand-related media content (e.g. art, music of movies) and “3.0 experiences” as digital shopping assistants and virtual stores.

<sup>27</sup> *Global luxury goods market takes 2022 leap forward and remains poised for further growth despite economic turbulence.* (n.d.-b). Bain.

<https://www.bain.com/about/media-center/press-releases/2022/global-luxury-goods-market-takes-2022-leap-forward-and-remains-poised--for-further-growth-despite-economic-turbulence/>

- *Generation X* (1965 – 1980): this generation lies between Baby Boomers and Millennials, indeed it is often called “transition generation”. Their daily life is characterized for having a balanced work-approach and being pragmatic and independent. Unlike the generation mentioned above, they want to experiment new trends and contemporary luxury brands. Since they put a great attention on long-lasting, quality, and functional products, they mostly invest on high-end jewelry, luxury cars and watches. For them luxury must encompass functionality and elegance overall. The most effective marketing strategies for this segment are all built on enhancing the craftsmanship, functionality and technology of products. To get to this generation, luxury brands most built their strategies on both digital (even using influencers campaigns to enhance brand’s credibility) and traditional communication channels, as they tend to prioritize convenience and comfort during purchasing.
- *Millennials*<sup>28</sup> (1981 – 1996): they are considered as a key generation since they have shaped the consumption expectations in the luxury industry. Therefore, they are more interested in living memorable experiences (e.g. events and travels) than in accumulating material items. Moreover, they seek an emotional connection between the brands and their values, based on authenticity, sustainability, and transparency. As a matter of fact, for the luxury brands must be aligned with social and environmental concerns. These customers are born in the digital era; thus, they heavily rely on social media recommendations before making a purchase. In terms of marketing communications, brands should focus on active participation, interaction, and personalization through offering immersive and customized experiences. Finally, the brand storytelling plays an important role in providing emotional and authentic stories that can match the values of this generation.
- *Generation Z* (1996 – 2015): these consumers are often called “digital natives” since they are born in a context completely surrounded by technology. Moreover, they put a great value on authenticity, customer experience and aspects related to inclusion and diversity. As a matter of fact, brands must reflect these values and demonstrate high social and environmental concerns. This generation, even if is pretty young, has a high purchasing power on spending their resources on valuable

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<sup>28</sup> Also known as “*Generation Y*”.

goods and services. Indeed, they put a great attention on experiences and personalized services<sup>29</sup>. Since they are surrounded by technologies, brands must build their strategies on social media (such as Instagram, YouTube and TikTok) and content creators (influencers) to reach them. In this communications, transparency and authenticity are key points. Consequently, this segment prefers buying luxury goods online as it is a more comfortable purchasing option. In conclusion, marketing strategies should be also based on technological innovations (such as augmented reality, virtual reality and interactive content) to better engage with younger customers.

- *Generation Alpha* (2015 – present): even if it they are the youngest compared to the other ones mentioned above, there are considered as an important generation for the future of luxury industry. Indeed, brands must create content based on their tech-savvy interests and in line with actual trends in the market. They are digitally connected from an early age, engaging with popular digital platforms and interactive apps that shapes their consumer behaviors. This generation appreciates visually appealing content, interactive experiences, and adaptability in luxury offerings that match their fast-changing preferences.

Understanding these different generations that characterized the luxury landscape is the first important thing to better understand and succeed (from the perspective of brands) in this industry. Every generation has its own characteristics and values so brands must create the best strategies that matches both in order to create a long-lasting brand loyalty.

In a nutshell, for what concern the generations' demand from brands are: Gen Z are demanding more concerning inspiration and impact; Gen Y are demanding for emotions and experiences; and Gen X is requiring excellence and aspiration. The strong growth, that has characterized and will characterize the luxury industry, is mainly driven by Millennials and Generation Z. Moreover, the expenditure of both Gen Z and Alpha is supposed to increase at a rate three times faster than that of other generations until 2030, constituting a third of the market. This trend indicates a more open approach to luxury, as Gen Z individuals begin purchasing luxury goods

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<sup>29</sup> This generation is changing their shopping preferences toward purposeful purchase and preferring immersive experiences as the first point of contact with luxury industry.



approximately three to five years earlier than millennials did (at 15 compared to 18-20). It is anticipated that Generation Alpha will exhibit similar behavior in their engagement with luxury products. In terms of numbers, Figure 7 shows the share of global personal luxury goods market (€ billions) by generations (D'Arpizio et al., 2023) forecasted until 2030. As stated in this figure, the primary source of buyers in the luxury industry in 2030 will be Gen Y (Millennials) with a share of 50%, immediately followed by Gen Z (25-30%). Indeed (Generations Y, Z, and Alpha) will represent the 85% of global purchases, becoming the main customers of luxury by far.

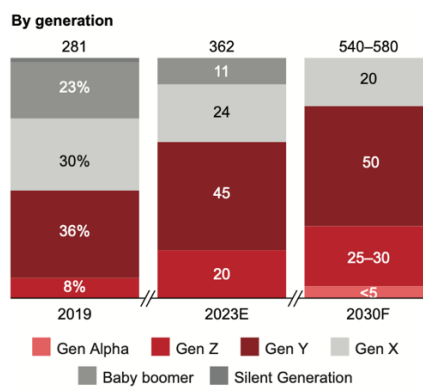


Figure 7: share of global luxury goods markets (€ billions) by generations.

Source: Bain & Company, Altagamma (2023), *Luxury Goods worldwide market study, fall 2023 – 22<sup>nd</sup> edition*

Another customer segmentation was done by Bain (2014)<sup>30</sup> in a report called “7 New Faces of the Global Luxury Consumer”. It has defined by are a complete set of seven luxury consumer categories from a geographical and generational point of view and exhibit divergent tastes and purchasing behaviors:

- The *Omnivore* (average spend of €2.350 per year): they are usually new entrants in the market and younger compared to other clusters. This cluster tend to purchase high-priced items (such as jewelry or watches), indeed they have a high willingness to pay. Their purchases are generally done during travels and in brand’s own stores. Although they strongly support luxury goods, they have a low level of brand loyalty and prefer aspirational brands. Lastly, they originate from Chinese Tier-2 and Tier-3 cities.

<sup>30</sup> *Luxury Goods Worldwide Market Study Winter 2014*. (2019b, July 17). Bain. <https://www.bain.com/insights/luxury-goods-worldwide-market-study-winter-2014/>

- The *Opinionated* (average spend of €1.750 per year): in this category fits high educated Generation X and Y customers that have a preference in acquiring watches and leather items, always taking into consideration the different peculiarities of each brand. Their purchases are made in their city of origin and are highly influenced by social media and online advertisement. Their prevalence came from USA, Western Europe and China Tier-1 cities.
- The *Investor* (average spend of €1.450 per year): this type of consumer has a preference in durable and high-quality items (such as watches) that can be passed down through generations. Every purchase is highly evaluated with research and recommendations from other customers. This cluster is mostly composed of shoppers from Japan, the Middle East, and established markets where discretionary spending is approached with more caution.
- The *Hedonist* (average spend of €1.100 per year): these consumers have a fascination with high-end products and exclusive shopping experience. They purchase many accessories and are strongly affected by brand logos. The biggest effect on them is advertising. They have the lowest levels of brand advocacy despite their desire in luxury for display, sometimes as a result of cognitive dissonance that occasionally arises after a purchase. This segment is the only one that is represented by every generation and nationality.
- The *Conservative* (average spend of €1.000 per year): these shoppers (both female and male) are usually mature and mainstream individuals who show a preference in purchasing jewelry and watches by big-name brands in multi-brand store. Their purchasing decisions are often influenced by recommendations by their relatives. They mainly came from China and mature markets.
- The *Disillusioned* (average spend of €800 per year): within this cluster there are mostly baby boomer shoppers that often experience a sense of “luxury fatigue”. They usually buy durable beauty products and leather goods. Their shopping pattern involves infrequent visited in-stores, with a preference of buying items online. They are not easily influenced by advertising or brand marketing. Lastly, the majority of individuals in this cluster are women who came from USA, Japan and Europe.

- The *Wannabe* (average spend of €500 per year): These shoppers, mostly women, look for affordable beauty and footwear items at the entry level and are inclined to mix and match products beyond traditional luxury offerings. They tend to make impulse purchases, demonstrating a minimal brand loyalty, and are heavily influenced by fashion media and peer referrals. They originate from the global middle class, particularly in regions like the United States, Western Europe, and emerging markets in Eastern Europe.

In conclusion, this report states that even if these clusters have a higher concentration in specific geographic areas, individuals from all segments can be found in every significant luxury market worldwide. Therefore, in order to reach as many consumers as possible, brands must tailor their strategies based on the different needs and behaviors of these consumers. In the future, luxury brands must enhance their brand loyalty through offering perfect experiences and a great selling ceremony, also embracing AI-driven tools to elevate clienteling practices and create tailored, individualized journeys for each customer<sup>31</sup>.

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<sup>31</sup> *True Luxury Global Consumer Insight 2023*. (n.d.-b). BCG Global.  
<https://www.bcg.com/press/5july2023-true-luxury-global-consumer-insight>

## 1.2 LUXURY RETAIL LANDSCAPE

Overall, in 2022 the luxury retail sales value reached €1.38 trillion<sup>32</sup>, a significant increase of 8%-10% compared to pre-pandemic levels. Over the past years, luxury brands have strengthened their control over distribution with a resurgence in significance of directly managed channels. Nowadays, both retail and wholesale channels have reached almost the same level of share (respectively 52% and 48%), with a surpass of retail channel for the first time ever. In this scenario, monobrand stores had a momentum as consumers returned to prefer in-person purchases, after the pandemic that has forced people to make purchases on brands' websites. On the other hand, online sales surged by 20% from 2021 to 2022, reaching an estimated value of €75 billion and maintaining an important market share compared to the previous year. For what concerns department stores, they experienced an accelerated growth of 20%, signaling a renewed appeal in the US and successful reengagement with tourists in Europe.

The landscape of the retail in the luxury industry is dealing with strong changes driven by shifts in the dynamics of the market, technological advancements and evolving customer behaviors. From the very beginning, the traditional physical stores have been played an important role in the creation of the shopping experiences for their clientele. However, a strong transformation is currently ongoing on retailers' side, with the aim of enrich the overall shopping journey. Retailers and luxury global giants are setting new standards for retail excellence, through revolutionizing this scenario with the integration of immersive and emotional experiences. As a matter of fact, luxury consumers have the awareness of what constitutes excellent retail experiences. Indeed, they seek engaging retail journeys that vary from hyper-personalization to innovative experiences that align with their core values, in today's connected and modern world. In this changing retail environment, the physical store is still undoubtedly a focal spot and an essential touchpoint for luxury companies to engage with the clientele and provide immersive experiences that go beyond simple transactions. In this context, physical retailers have the chance to go beyond the superior expectations of luxury customers through an

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<sup>32</sup> *Renaissance in uncertainty: Luxury builds on its rebound.* (2023b, February 28). Bain. <https://www.bain.com/insights/renaissance-in-uncertainty-luxury-builds-on-its-rebound/>

innovation that goes around three areas<sup>33</sup>: a more digital integration of stores, a more attention of retailers about environmental concerns and, finally, the transformation of stores into a place that is more inclusive.

### 1.2.1 *Evolution of Luxury Distribution Channels*

Realizing a luxury distribution strategy is a critical matter for luxury managers aiming to reach their clientele while preserving their brand prestige and service standards. In recent times, luxury brands face significant challenges posed by the rise of new digital channels, convincing them to renovate the shopping experience while maintaining their brand's reputation based on the previous characteristics mentioned above. Now, more than ever, in addition to having a vibrant digital presence, luxury brands face the channel of adapting their business model to an omnichannel context. In order to provide a consistent and cohesive brand experience across technologies and physical touchpoints, omnichannel marketing aims to close experience gaps between channels. This implies that channels are no longer separate entities. There is only one brand presence as a result of each channel supporting and interacting with the others. At the end, both online and in presence shopping experience are part of an overall experience and not should be differentiated and separated by the brand<sup>34</sup>.

Traditionally, luxury brands favored exclusive distribution approaches and heavily invested in their standalone stores. However, brands have been motivated to change their classic businesses model by the need to adapt to changes in market trends, technology development and customer behavior. This transformation has seen luxury industry's brands to diversify their distribution channels by employing tech innovations and online platforms to involve customers in novel ways. Social media, smartphone Apps, and e-commerce have all come together to allow luxury businesses to reach a wider audience,

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<sup>33</sup> BoF Insights. (2024, March 22). BOF Insights | The Evolving Art of Luxury Experiential Retail. *The Business of Fashion*. <https://www.businessoffashion.com/reports/retail/bof-insights-luxury-experiential-retail-development-carbonleo-royalmount/>

<sup>34</sup> Council, F. C. (2017b, June 2). How luxury brands are adapting to an omnichannel world. *Forbes*. <https://www.forbes.com/sites/forbescommunicationscouncil/2017/06/02/how-luxury-brands-are-adapting-to-an-omnichannel-world/>

customize interactions, and provide simple shopping experiences that are catered to individual interests.

Today, the physical store is not anymore only the place where the product is sold to a consumer, instead, it is a brand declination where the consumer meets the demand. As said before, the store has experienced over time some evolutions in order to meet the changing demands and needs from their clientele. Historically, physical stores have been small boutiques located in just few places around the world, nowadays brands are investing huge number of resources to expand their business all over the world and create large monobrand stores (flagships) with many product categories, in order to enhance their positioning. Moreover, the expansion worldwide resides in the fact that brands want to be accessible and easy to be visited by their consumers for many reasons, and not just for the mere act of purchasing an item. As a matter of fact, in the past year a new type of retail has shaped the luxury industry: the experiential retail. Indeed, brands are focusing on providing their clientele experiential experiences that go beyond the simple transactions<sup>35</sup>, especially in the Middle East. As an example, in 2023 the beauty brand Sisley has opened its first Maison in Asia, precisely in Shanghai Zhang Yuan, which comprehends beauty salons and an in-store coffee shop. Brands may be encouraged to expand their product offers beyond traditional apparel and accessories and to try adding new product categories and services as a result of the move towards lifestyle-oriented experiences. As an example, they can begin including wellness or cultural features into their retail environments. Brands may foster a feeling of community and inclusivity among their clients by offering a social media platform that facilitates consumer interaction, relaxation, and socialization. These places serve as gathering points for affluent customers and deepen the relationship between VIC customers and brands. Experiential retail outlets have the potential to boost sales by offering customers chances to engage with products in a deeper manner, leading to a higher probability of forming an emotional bond with the brand and increasing their enthusiasm towards making a purchase.

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<sup>35</sup> Luxury brands invest in experiential flagship stores to escape confines of malls. (2023b, April 27). *Jing Daily*. <https://jingdaily.com/posts/luxury-brands-invest-experiential-flagship-stores-escape-confines-of-malls>

Moreover, there is a growing concern for including sustainability and ethical practices within luxury business models. More than ever, consumers put a great attention when purchasing goods that aren't toxic for the environment, such as the use of recycled materials by a brand<sup>36</sup>. It's for sure a big challenge for brands that now have to assure environmental concerns and, at the same time, ensure exclusivity and high-quality. Indeed, they are increasingly incorporating environmental initiatives within their business model, starting from transparent supply chains<sup>37</sup> and responsible sourcing of materials.

The continuous development of luxury distribution channels is, all things considered, a tactical move in the direction of a customer-focused strategy that combines classic luxury with contemporary ease and innovation. In an ever-changing retail environment, luxury businesses can stay ahead of the curve and provide outstanding value to their customers by adopting digital transformation, experiential retail ideas, and sustainability efforts.

### 1.2.2 *Typologies of Distribution Channels: Retail and Wholesale*

As said in the previous paragraph, the retail stores play a crucial role in creating the customer journey. While in the past it has been seen as a simple place in which consumers make their purchases, it is now regarded as an important symbolic space where brands can convey their values and deliver immersive brand experiences, so that consumers can get in touch with the real embedded essence of the brand. As a matter of fact, unlike the past which stores have been historically perceived as primary touchpoints with their clientele, they are actually the ultimate destination of the purchasing phase. Hence, nowadays it is more frequent that consumers conduct research online before finalizing

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<sup>36</sup> Perez, D., Stockheim, I., Tevet, D., & Rubin, M. M. (2020). Consumers value manufacturer sincerity: The effect of central eco-friendly attributes on luxury product evaluations. *Journal of Cleaner Production*, 267, 122132.

<sup>37</sup> As an example, the luxury brand Burberry an important example of how luxury brands are fighting the climate change by spending great resources on this. Indeed, by the end of 2026 it aims at having the total of traceability of its raw materials.

Source: Deloitte, Global Powers of Retailing 2023, *Revenue Growth and continued focus on sustainability* – February 2023.

the purchase in-store<sup>38</sup> to fully appreciate the final buying experience. After all, brands invests huge amount of money in their stores as they serve as a visual representation of brands, a spot for communicating values and heritage to costumers.

In terms of models of distribution, luxury brands usually reach and engage consumers through two main channels: retail and wholesale.

- Retail channel: it is considered as a direct channel since the brands sell directly to the consumer, bypassing intermediaries as distributors or retailers. This direct-to-consumer approach allows the brand to have a more control over the customer experience and brand image. This let the brands to have more flexibility in terms of adapting different strategies according to the needs of their clientele.
- Wholesale channel: contrary to the first one mentioned above, this involves intermediaries such as distributors or retailers between the brand and the clientele. Luxury brands tend to adopt this model when their aim is to reach a wide range of customers thru established retail channels.

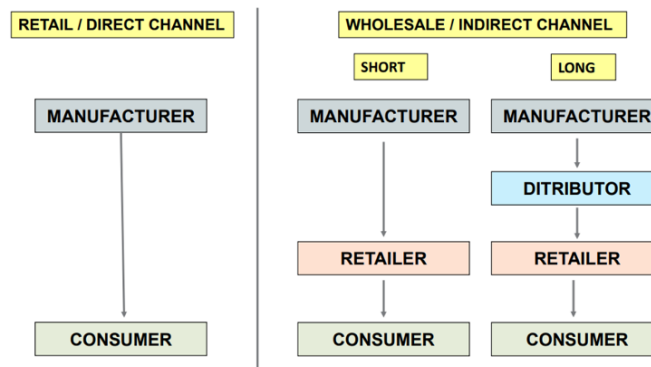


Figure 8: Models of distribution of luxury brands.

Source: Lecture 12, Retail 1(2023) – Distribution of luxury products – Professor Alberto festa

Both retail and wholesale feature different typologies whereby brands reach their costumers and sell their products, as shown in Figure 8. Specifically, by using the Direct Channel (Retail) luxury brands can choose from:

- Directly-owned stores: traditionally, luxury firms have positioned themselves through these types of stores that radiate exclusivity and heritage. These places, also known as “flagship stores”, are meant to seem like temples, providing the

<sup>38</sup> ROPO – Research Online, Purchase Offline.



clientele with unique and engaging experiences. They are a common sight in the fashion hubs of Europe such as Paris, London, and Milan, where luxury brands often cluster in prestigious areas like Rue Saint-Honoré, New Bond Street, or Via Montenapoleone. In an effort to foster genuine conversations and deep emotional bonds with their consumers, brands are progressively making their physical stores look like homes. One of the most important flagships store worldwide is the one of Dior in Paris. It's a 10.000 square-meter store that includes a gallery space, the Monsieur Dior restaurant, and Pâtisserie Dior, overseen by famous French chef Jean Imbert, along with three gardens, a 200-meter guest suite, and additional amenities. In essence, Dior's luxury customers and enthusiasts can now immerse themselves in the brand's world by dining, resting, wearing, and even exercising within this giant store<sup>39</sup>.



Figure 9: Inside the Dior Flagship store. Photo of Kristen Pelou.

Source: Guilbault, L. (2022b, March 3). Inside the new look Dior flagship in Paris. *Vogue*.  
<https://www.vogue.com/article/inside-the-new-dior-flagship-in-paris>

- Pop-up stores: this kind of channel has grown in popularity in this industry and offer temporary retail locations that give clients distinctive and interesting experiences. By using these transitory setups, brands can attract customers' interest and involvement by creating a feeling of exclusivity and urgency. Moreover, they usually focus on brands' storytelling for an unforgettable and fun experience. As an example, the brand Balenciaga launched a total of 12 pop-up

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<sup>39</sup> Guilbault, L. (2022b, March 3). Inside the new look Dior flagship in Paris. *Vogue*.  
<https://www.vogue.com/article/inside-the-new-dior-flagship-in-paris>

stores, completely covered by a pink synthetic fur, to promote the release of “Le Cagole” bag designed by its Creative Director Demna. The reason behind this was this collection, which takes its name from a French expression for an extravagant attitude, reinvents Balenciaga codes in the vein of maximalist it-bags from a bygone period<sup>40</sup>.



*Figure 10: Balenciaga's Le Cagole pop-up in London, Mount Street*

*Source: Pop-up stores | new frontier for luxury retail | ISTITUTO MARANGONI. (n.d.-b). ISTITUTOMARANGONI. <https://www.istitutomarangoni.com/en/maze35/industry/pop-up-stores-new-frontier-for-luxury-retail>*

On the other hand, luxury brands can also choose to sell their products through a wholesale strategy in different ways, according to their needs:

- **Multibrand / Specialty stores:** This type of stores provide a wider selection of brands compared to individual brand stores mentioned above, allowing consumers to directly compare products from various luxury brands. Therefore, they are delivering a shopping experience that is both convenient and varied. This stores not only make it easier to access to a variety of brands, but also enhances the clientele inclination to explore a greater range of brands before finalizing their purchase experience. When consumers get into this store, they know that they are not buying directly from the luxury brands but for this kind of stores, thus their perception is of the wholesale. One example of this kind of store is Luisaviaroma, in Florence.

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<sup>40</sup> *Pop-up stores | new frontier for luxury retail | ISTITUTO MARANGONI. (n.d.-b). ISTITUTOMARANGONI. <https://www.istitutomarangoni.com/en/maze35/industry/pop-up-stores-new-frontier-for-luxury-retail>*

- Franchising Business Model: this type of wholesale distribution model is adopted by those luxury companies who desire to penetrate new markets to engage a wider audience. It can happen that, in order to pursue this objective, the luxury brand must establish a franchising agreement with a local person for benefitting of expertise and knowledge and reducing the financial risk. Even if it is the less distribution channel option chosen by luxury brands, in some regions of the world (e.g. Middle East) many luxury brands adopt a franchising business model. From the consumer viewpoint, this store looks like a monobrand store, so he doesn't know that the store is a franchising or not. As an example, in 2019 the Italian brand Dolce & Gabbana had a total of 220 directly managed stores and 80 franchised stores, as well as 300 multi-brand clients<sup>41</sup>.
- Corners: it consists in a monobrand store (2 walls) within a department store. In most of the cases they are directly managed by the brand with the approval of concessions, but they can also be directly managed by the department store. Compared to the classic monobrand store, which are standalone establishments, the corners are a smaller designed area. The interior design of these store must remark the one present in the flagships in order to maintain a consistency with them.



Figure 11: Prada Corner store, La Rinascente in Rome in Via del Tritone

Source: Roma Via del Tritone - Rinascente. (n.d.). <https://www.rinascente.it/it/store-roma-via-del-tritone>

<sup>41</sup> Muret, D. (n.d.-b). *Dolce & Gabbana conta su Carlo Gariglio per rilanciarsi in Cina*. FashionNetwork.com. <https://it.fashionnetwork.com/news/Dolce-gabbana-conta-su-carlo-gariglio-per-rilanciarsi-in-cina,1152132.html>

Furthermore, the rise of new digital channels presents a special challenge to luxury brands, forcing them to innovate the shopping experience without sacrificing the quality of their brand. Therefore, in recent years has been born a new distribution model through which brands try to reach their actual and future clientele. It is the online channel that can be both direct and indirect:

- Direct E-commerce: it consists in the directly managed e-commerce of the brand (such as Cartier.com or Fendi.com) through which the consumers make their own purchase. In this case, the perception of them is the of buying directly from the brand, indeed the online store will comprehend the entire collection of the luxury brand.
- Indirect E-commerce: in this type of distribution model, the products of the brand are sold by e-tailers or e-commerce (e.g. Luisaviaroma.com). Indeed, it is a wholesale channel on which consumers can find multiple products of different brands. Hence, this e-commerce will sell only a selection of the luxury brands' products based on the preferences of their clientele.

Furthermore, there are other models of distribution systems frequently adopted by luxury brands like outlets, that have the function of selling remanent stocks, and travel retail, that consists in temporary seasonal shops located in holiday destinations (such as, Capri or Saint-Tropez).

In conclusion, as shown in Figure 12, in 2023 Retail and Wholesale channels accounted respectively for 48% and 52%, with a leading position of monobrand stores (about 36%), led by a request of human connection by the clientele. In 2030, it is forecasted that the Retail distribution system portion will be larger than that one of Wholesale system, reaching up to 60%. All together, they will account for 2/3 of the entire personal luxury good market. In this context, both online and monobrand stores will account the same portion of personal luxury good market, both driven by transhuman connections and blending with the customer journey.

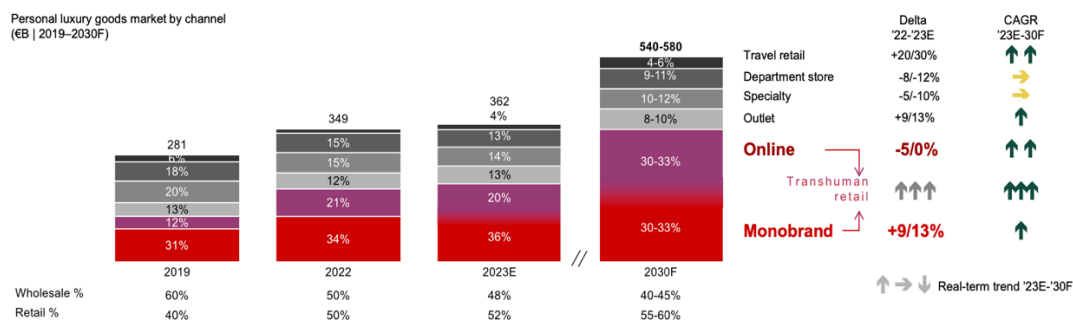


Figure 12: Personal luxury goods market by channel (€B | 2019 – 2030F)

Source: Bain & Company, Altgamma (2023), *Luxury Goods worldwide market study, fall 2023 – 22<sup>nd</sup> edition*

### 1.2.3 Key Success Factors in Retail

Luxury brands' flagship stores, which remain key revenue drivers even after an increase in e-commerce after the pandemic, need an optimization of their in-store offer. This means that, even if luxury brands are the creators of the magnificent experience on site, they have to create a reason to visit for their clientele. Business of Fashion, an online magazine of news and analysis on the fashion industry, indicates 6 essential elements required to ensure the success of high-end retail in 2022<sup>42</sup>:

- Importance of size: the larger a luxury brand is in terms of global sales, the more ambitious its store can be in terms of size. The consumers' perceptions about the brand's value are significantly influenced by the size and the prime location of the store<sup>43</sup>. However, there are some limitations to take into consideration. If a brand's real estate aspirations exceed its capacity to generate foot traffic, this can lead to strong operational challenges. Over the past decade, the luxury brand Prada, for instance, is an example of how the size of its stores has exceeded its ability to attract enough customers.
- Individualized designs is key: when the luxury brands started expanding globally in the early 2000s, they opened their stores with a common and standardized design in order to optimize costs and save time. As a matter of fact, brands put a

<sup>42</sup> Sherman, L. (2023b, October 16). What makes a luxury store successful. *The Business of Fashion*. <https://www.businessoffashion.com/articles/retail/what-makes-a-luxury-store-successful/>

<sup>43</sup> As an example, Dior's success with large stores resides on the fact that it has multiple product categories (e.g. home goods, children, women, and men's clothing), allowing it to use all the space in a proper way and meet multiple demands of consumers.

strong emphasis on consistency and uniformity. However, this strategy has been limited since more sophisticated and well-traveled consumers have begun seeking unique and tailored experiences in specific locations. Luxury retail brands must shift toward a process of “counter-standardization”<sup>44</sup>, emphasizing the importance of creating a distinct, locally embedded stores that still incorporate the DNA of the brand. One example of a brand that has embraced this process is Hermès, by allowing every store’s director to curate goods specific to their location and cooperating with architects to develop bespoke store layouts that are unique and original.

- Unique approach to every type of customer: every consumer, from aspiring to VIC, must receive and perceive a sense of importance and exclusivity. Even if there’re some brands, like Brunello Cucinelli or Chanel, that are establishing by-invitation-only boutiques for their top clients, many other leading ones are adopting multi-level experience approach that caters both aspirational and very important customers at the same time, within the same space. The innovative “Couture Store”<sup>45</sup> concept of Balenciaga has the aim to bridge this gap by allowing its consumer to get access to both limited-edition products and made-to-order designs. This new concept of store has the purpose of engaging a wider audience through the creation of an immersive experience of all customers (both high-spenders and fans of the brand).
- Integrated experiences are essential: to enhance the shopping experiences (and even make it longer), many brands usually offer to their customers amenities such as Champagne, sparkling water, or coffees. Although, actual landscape of these practices is actually evolving. For example, establishments as Polo Bar by Ralph Lauren in New York City and Ralph’s Cafe have overcome the simple brand extension and have become desirable destinations. These places have enlarged their customer base even beyond their clientele that purchases the brand’s items.

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<sup>44</sup> It consist in the process adopted by luxury brands in their stores of creating locally rooted and unique stores that reflect the essence of them, while at the same time meet the specific demands and preferences of individual location. There is a shift toward a more differentiated and personalized experiences that reflects both local and international customers.

<sup>45</sup> O’Connor, T., & Sherman, L. (2023b, October 16). Balenciaga to open Paris ‘Couture Store.’ *The Business of Fashion*. <https://www.businessoffashion.com/articles/luxury/balenciaga-to-open-paris-couture-store/>

- Transforming stores into cultural icons: this process can be possible through using brand-enhancing strategies (e.g. museum exhibitions) to boost the relationship between consumers and brands. While the majority of these experiences traditionally happen outside the retail stores<sup>46</sup>, the others are integrating them into the shopping journey through positioning some cultural entertainment areas inside the stores. For example, Dior’s flagship store in Paris is features the largest fashion museum, just a few steps away from it and it only costs €12. Hence, these immersive experiences provide an additional touch point with the brand, allowing every type of customer to get in touch.

By focusing on these key elements, luxury brands can optimize their physical stores to ensure and deliver a truly immersive and memorable experience that boost sales and enforce customer connections.

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<sup>46</sup> Such as Tiffany’s exhibition named “Vision & Virtuosity” at London’s Saatchi Gallery in 2022.

### 1.3 THE CUSTOMER ENGAGEMENT IN LUXURY INDUSTRY

Nowadays, is extremely important to engage and retain loyal and lasting customers. indeed, luxury companies should focus on consumer engagement, and focus less on conversion, if their strategy is to growth. In the luxury industry, the competition among the different brands that characterize the market is increasing due to the emergence of multiple different sales channel (as online e-commerce and social media) and products offered by companies. In this context, in order to achieve a profitable business that lasts overtime and a competitive advantage over other firms, having a loyal customer base is a key point (Kim and Ko, 2010)<sup>47</sup>. Of all marketing efforts (e.g. offering superior quality in both products and services), involving consumers with the brand through various ways has proven to be a valuable strategy to obtain customer retention and profitability (Kumar and Pansari, 2016)<sup>48</sup>. As an example, to better engage Gen Z, brands must leave their traditional comfort zone and creating events (e.g. virtual fashion shows or virtual shopping events) that are both virtual and physical. Indeed, CE has undoubtedly many positive outcomes for the firm in the way that engagement with the firm is translated into customer participation in the production and creation of value for the brand. Nonetheless, consumers consciously choose to engage with the company only for their own benefits, as searching cheaper or better in quality products.

As said in previous paragraphs, luxury brands typically blend together factors as quality, authenticity and hedonic to appeal to a consumer's emotional and self-esteem values, which promotes their social value and comprehends a will to own a luxury product. This desire of achieving a status of exclusivity, brings consumers to actively participate in activities related to the brand, in a way that consumers can feel a sense of affiliation and connection with it. Through this process, people can communicate and express their association with the luxury brand and the equivalent lifestyle that this industry represents. In other words, the majority of the time in which consumers actively participate with the brand is for enhance their own perceived social status. The desire of achieving and high exclusive well-being is why consumers have the aim to interact with luxury brands. The understand of these motives is a crucial point for luxury brands and

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<sup>47</sup> Kim, A. J., & Ko, E. (2010). Impacts of luxury fashion brand's social media marketing on customer relationship and purchase intention. *Journal of Global fashion marketing*, 1(3), 164-171.

<sup>48</sup> Kumar, V., & Pansari, A. (2016). Competitive advantage through engagement. *Journal of marketing research*, 53(4), 497-514.



marketers. If social factors are an important aspect in influencing the desire of clients to interact with the brand, marketing strategies should focus on addressing them over costly promoting strategies. On the other hand, since the engagement of consumers is an advantage factor for the business, the driving force behind the voluntary engagement of consumers can be more personal diverging from the major emphasis of marketers on financial gains.

Many luxury companies are trying to use data analysis to understand the customers' behaviors behind their purchases, taking into consideration if they subscribe or not to email marketing, if they generate an account on the brand platform, and through which what channel they get in touch with the company. Indeed, if consumers show an active engagement with the brand, it means that the company has an high lifetime value consumer base. Therefore, contrary to the past in which brands in order to recognize their consumer should have waited many times, nowadays is easier and faster for them to recognize their clientele. The modern consumer is keener on establishing durable and sincere relationships with the brand if its communication is open. This evidence shows that brands are serving customers and the community in extraordinary tangible way<sup>49</sup>.

### 1.3.1 *What is Customer Engagement*

Customer engagement is really important in the luxury industry since, based on that, companies can establish a sustainable and lasting relationship with their consumer base. In pursuing the business activity, brands must heavily prioritize this concept since its strength, in the long term, the brand loyalty and drive the growth of the businesses<sup>50</sup>. The concept of Consumer Engagement (CE) is achieving popularity among both companies and scholars. One important thing to mention is that the idea behind the customer engagement behavior stands out from the clientele attitude towards satisfaction, commitment, and trust (Bolton et al. 2004). The etymology of the verb “to engage”,

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<sup>49</sup> BoF Studio. (2023b, October 27). BOF LIVE: The Future of Customer Engagement in Luxury E-Commerce. *The Business of Fashion*. <https://www.businessoffashion.com/events/luxury/bof-live-the-future-of-customer-engagement-in-luxury-e-commerce/>

<sup>50</sup> Danao, M. (2023b, September 12). Customer Engagement in 2024: The Ultimate guide. *Forbes Advisor*. <https://www.forbes.com/advisor/business/customer-engagement/>

according to Cambridge Dictionary<sup>51</sup>, has different employs and meanings as to hire, to become involved, to have an interest in something, to take part. Each of them refers to a *behavioral focus*. Indeed, Van Doorn et al. 2010 proposed a definition of C.E. based on the behavioral sides of the connection between the consumer (even potential) and the luxury brand. In the theoretical definition of this term, Van Doorn et al. (2010, p. 2) founded out that “*customer engagement behaviors go beyond transactions and may be specifically defined as a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers*”<sup>52</sup>. Hence, it refers to the behavioral manifestations of the individuals towards the luxury brands. This concept also embodies the phenomenon of Worth of Mouth (WOM) in the way that the consumers can communicate to their relatives the experience within the store during their shopping journey (they exercise voice) or they can have attitudes aimed at reducing or expanding their relationship with the brand (they exercise the exit). In this view, the loyalty is what drives the consumer in choosing the voice behavior or the exit one, that can be negative or positive.

According to Kumar and Pansari (2016), customer engagement is divided into how shoppers make the purchase, how they recommend the brand to their peers and consequently influence them and, finally, the knowledge that consumers have with respect to the brand. Indeed, consumers must share their brand experience and improve brand’s products and services though giving continuous feedback, demonstrating their connection with the luxury brand. Indeed, since a consumer is driven by a desire before making a purchase, the magnitude of this desire will create CE connections. The higher is it, the more likely the costumers would purchase a luxury product. Moreover, even the social value has an important role in the context of customer engagement with luxury brands. As a matter of fact, people tend to buy luxury products to communicate a certain social status and a well-being. Therefore, consumers are emotionally satisfied after engaging with a luxury brand, resulting in a satiation of their ideal desire state and the share of the brand experience among peers.

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<sup>51</sup> *engage*. (2024b). <https://dictionary.cambridge.org/dictionary/english/engage>

<sup>52</sup> Van Doorn, J., Lemon, K. N., Mittal, V., Nass, S., Pick, D., Pirner, P., & Verhoef, P. C. (2010). Customer engagement behavior: Theoretical foundations and research directions. *Journal of service research*, 13(3), 253-266.

Consequently, customer engagement is about establishing strong connections and relationships with customers at every interaction they have with the brand. In this respect, companies must deeply get to know customer needs, preferences and critical issues, and then customizing the brand experiences to come across and overcome those expectations. This process of engaging a potential consumer starts the moment they learn about a brand or a product and continues even after they make a purchase. It is intended to support in nurturing and keeping current clients in addition to helping attract new ones. Building enduring and mutually beneficial connections with consumers is the ultimate objective of customer engagement, since this will raise the brand's lifetime value. Moreover, real customer engagement focuses on establishing strong and enduring relationships rather than just surface-level brand interaction. Engaged customers tend to exhibit higher loyalty and repurchase intention, resulting in improved customer retention rates and a more favorable brand image. In times of adversity, businesses benefit from having a base of loyal customers. These loyal advocates are inclined to continue purchasing from the brand, providing a sense of stability and a competitive edge even during challenging circumstances.

Furthermore, the concept of CE is interconnected with other two major focal points, to build powerful customer relationships: Customer Experience and Customer Relationship Management (CRM). First of all, customer experience refers to how a customer perceives the interactions that come from a brand, ranging from encountering an advertisement to receiving a product. When it is positive it involves delivering consistent and favorable experiences at all steps of the customer journey. To do this, it's necessary to comprehend client demands, optimize workflows, and make sure that every engagement exceeds expectations. Customer engagement, on the other hand, relates to the emotional connection that exists between a customer and a brand. It focuses on realizing significant experiences that foster greater loyalty and advocacy among customers. Customer Relationship Management (CRM) refers to solutions that enable businesses to address clients interactions, data, and relationships. This involves the use of software to track customer information, communications, and sales activities. The most important objective of a CRM system is to enhance operational efficiency and strengthen customer relationships. A successful CRM solution must centralize data from customer, delivering the organizations with a comprehensive overall view of their tasks and

processes. In addition, it offers valuable information of customer behavior, allowing luxury brands to make more informed decisions driven by the data. Conversely, customer engagement is focused on fostering loyalty through meaningful interactions. While CRM emphasizes creating personalized experiences, it primarily concentrates on data management, analysis, and optimization to enhance overall business operations.

### 1.3.2 *The importance of brand resonance, brand loyalty and brand experience for C.E.*

Nowadays, due to the fact that the market is actually saturated by continuous launches of new products, brands should focus their strategies on customer loyalty, experience, and resonance more than ever. In this context, it is stated that consumers are keener on creating strong emotional connections with a luxury brand if its image is consistent with the one, they have of themselves<sup>53</sup>. Hence, those brands which are perceived to booster or align with client's self-image, might experience higher levels of consumer engagement.

Creating a strong customer loyalty is about creating customized experiences for consumers that should make them satisfied and happy, and not just by providing an attractive product. Indeed, it all resides on creating a sense of community around the brand and what it express through its products. A popular way to measure the customer loyalty is the lifetime value<sup>54</sup>, in other words it is about on how much a client will spend on the company during its entire life. Many brands invest huge resources in online engagement, with the goal of ensuring that the consumer will spend three times more on products as it cost to acquire them at the beginning. However, most of the time brands tend to overestimate the lifetime and have a positive view of loyalty, bringing them to justify elevated marketing expenses in spite of profits. Another way through which brands try to measure the customer loyalty is by having track of repeat purchase rate – the percentage of clients who come back to shop from a specific brand after the initial purchase. If this value is higher than the 50%, the company is doing a great job. If a brand

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<sup>53</sup> Hsu, C. L. (2023). Enhancing brand love, customer engagement, brand experience, and repurchase intention: focusing on the role of gamification in mobile apps. *Decision Support Systems*, 174, 114020.

<sup>54</sup> Chen, C. (2023b, October 24). 5 ways to boost customer loyalty. *The Business of Fashion*. <https://www.businessoffashion.com/articles/retail/customer-retention-loyalty-programme-repeat-purchases/>

lacks loyal customers will quickly be surpassed by competitors and be compelled to invest huge amount of money on advertising to gain new customers. Moreover, brands should have in mind that is good to have fewer, but better and valuable customers. Specific typologies of companies, as the beauty ones, mostly relies on creating loyalty programs to influence their clientele to make more purchases with the brand. Even creating a successful email campaign is crucial for a brand in a way that the consumers can interact with the brand and be aware of new collections and events led by the brand. Indeed, if consumers have a particular affinity and loyalty toward a brand, they are more willing to engage with it.

The concept of brand experience refers to all the feelings, sensations and behavioral act that arouse by a stimulus produced by a brand, as a specific packaging of a product, the physical stores through which consumers get in touch with the brand, but also brand's identity and design (Brakus et al. 2009)<sup>55</sup>. The starting point of the brand experience is when a consumer begins looking for a branded product, whether on both online and physical channels, continues through the purchase process, and ends with the consumption, use and potential disposal (Loureiro, 2020)<sup>56</sup>. It is important for brands to offer to their customers value that beyond basic functionalities and benefits, focusing instead on the whole and diverse consumer journey. In a fast-changing environment as the luxury industry, is really vital that brands incorporate unique brand experiences in their retail strategies, so that brands can create connection points with their consumer base and obtain an advantage over their competitor. As a matter of fact, when consumers buy a specific product or assist to a specific event, they produce a form of communication that can be both uncontrolled (through the WOM) or controlled (when a brand use specific people, as influencers, to sponsor their products). By sharing these experiences and the help of customer engagement, consumer can help the brand to enhance them. Indeed, it is proven that the consumer engagement influence in a positive way the brand experience<sup>57</sup> and the repurchase intentions.

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<sup>55</sup> Brakus, J. J., Schmitt, B. H., & Zarantonello, L. (2009). Brand experience: what is it? How is it measured? Does it affect loyalty?. *Journal of marketing*, 73(3), 52-68.

<sup>56</sup> Loureiro, S. M. C. (2020). Exploring drivers and outcomes of brand centrality experience: the role of partner quality as moderator. *International Journal of Fashion Design, Technology and Education*, 13(2), 150-164.

<sup>57</sup> Hsu, C. L. (2023). Enhancing brand love, customer engagement, brand experience, and repurchase intention: focusing on the role of gamification in mobile apps. *Decision Support Systems*, 174, 114020.

When it comes to consumer brand interactions that are harmonic and consistent in terms of aims and values, brand resonance refers to the level of engagement and connection that a customer has towards a brand. According to Huang et al. (2015)<sup>58</sup>, brand resonance is a relational concept that includes strong psychological and emotional ties as well as a variety of cognitive and affective outcomes linked to consumer-brand interactions (Shieh and Lai, 2017)<sup>59</sup>. According to Donvito et al. (2020)<sup>60</sup>, brand resonance has been studied in a variety of settings and appears to be useful in enhancing a brand's reputation and potential for future consumer engagement relationships. Through a strong brand resonance, the consumer base can identify the prominence of a brand, the relative higher quality of its products and services and, lastly, show a higher level of loyalty towards that brand. This higher brand loyalty refers not only in justifying in paying the premium price, but also for repeat the visit in the stores. As it turns out, the foundation of luxury fashion branding is self-confidence, consistency, and, most importantly, creating a connection of loyalty with clients that lasts an overtime (Hameide, 2011)<sup>61</sup>. The brand resonance, in conclusion, denotes a propensity to interact with and get attached to the brand. Furthermore, the higher the brand resonance, the higher the magnitude of customer engagement created by the company in the mind of its consumers.

To conclude, brands need to put a high priority on creating enduring client loyalty, tailored experiences, and deep emotional connections in the crowded luxury market. Brands that can improve this alignment typically enjoy better engagement rates since consumers are drawn to companies that reflect their sense of self. Creating a feeling of belonging and common ground is essential to fostering client loyalty. While lifetime value and repeat purchase rates are useful measures, organizations need to exercise caution when interpreting them to justify excessive marketing spending or exaggerate customer loyalty. One of the main factors influencing engagement is the brand experience, which

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<sup>58</sup> Huang, R., Lee, S. H., Kim, H., & Evans, L. (2015). The impact of brand experiences on brand resonance in multi-channel fashion retailing. *Journal of Research in Interactive Marketing*, 9(2), 129-147.

<sup>59</sup> Shieh, H. S., & Lai, W. H. (2017). The relationships among brand experience, brand resonance and brand loyalty in experiential marketing: Evidence from smart phone in Taiwan. *Journal of Economics and Management*, (28), 57-73.

<sup>60</sup> Donvito, R., Aiello, G., Grazzini, L., Godey, B., Pederzoli, D., Wiedmann, K. P., ... & Siu, N. Y. M. (2020). Does personality congruence explain luxury brand attachment? The results of an international research study. *Journal of Business Research*, 120, 462-472.

<sup>61</sup> Hameide, K. K. (2011). *Fashion branding unraveled*. Fairchild books.

includes actions, feelings, and sensations. In order to establish significant relationships with consumers, luxury businesses in particular need to integrate distinctive and multifaceted experiences. Lastly, luxury brands that can be able to establish a strong brand resonance, lasting loyal customer relationships and outstanding brand experiences will succeed in the fast-changing luxury landscape. By giving priority to these elements mentioned above, luxury brands can establish a competitive advantage that lasts overtime through deeper, real, and more engaged customer relationships.

### 1.3.3 *The connection between Distribution Channels and Customer Interaction*

The acceleration of the presence of digital marketing channels, including online, mobile, and social media, has placed an ever-growing pressure on luxury brands to level out their marketing strategies, deliver superior-quality experiences across all touchpoints (either physical and digital ones) and, lastly, ensure the creation of long-lasting customer interactions with their clients. In an industry where the brand image is essential, brands must communicate to their consumers an ideal of distinctiveness and exclusivity, always taking into consideration the trends and the needs of their customers. In doing so, luxury brands must be able to anticipate future market trends as: technological innovations (e.g. Virtual Reality, NFTs, Metaverse and others...), attention towards sustainability related matters (e.g. Second-hand luxury, use of raw materials and others...) and, last but not least, embracing a customer-centric approach and exploiting the birth of the digital user-experience in the business model. Indeed, purchasing items in-store is an important element even among young Generations, since it is still the most important touchpoint among stores and clients.

Prodigious fleets of stores are no longer necessary for retailers to reach their client base. That is now more evident than ever because to the coronavirus pandemic: it is true that companies are reducing their physical presence to merge all in one the physical-digital experience<sup>62</sup>. However, the store is still open and continues to change in order to

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<sup>62</sup> As stated in the Bain-Altgamma Market Study published at the end of 2023, the majority of luxury brands is reducing the net openings of new stores of about 40-45% in the previous two years, compared to the pre-pandemic levels. In contrast, they are upsizing their existing stores to focus on their main flagships.

provide its consumer base unique and relevant experiences (that extend over the simple product) across the entire customer journey. As a matter of fact, the physical stores nowadays need to be viewed as marketplaces and marketing possibilities. They are places where customers may engage with businesses and interact with things without necessarily making a purchase. The store serves as an advertising, so even if a customer walks out empty-handed, they are still likely to come back or hunt for items online to purchase later. Digital and in-store commerce go hand in hand.

Moreover, today the stores isn't any more just a distribution channel, it is a place where clients can establish their loyalty and engage with the brand. The future of physical retail is about combining different elements in order to provide a meaningful experience: the store must be a place where customers can create interactions with the product and build a relationship with the brand; the brands must address their stores to be a place where customers can feel part of a community so that it can acquire a wider base of them; lastly, brands must create immersive entertainment contents for their clients as unique experiences and personalized treatment to create a lasting connections among brands and customers. All these elements are fundamentals for retailers to survive and stand out in this industry. Nowadays, shopping isn't limited to internet or offline platforms, indeed it probably combines some aspects of the two. For retailers who want to genuinely transform into the stores of the future, this is the way through which they can engage as much consumers as possible. In 2018, Salesforce and the business consulting firm Publicis Sapient conducted a consumer insight survey that found that over 90% of consumers start their search for a new product online. According to the same survey, 46% of respondents said they would rather make the transaction in person, while 35% preferred computers and 18% preferred cellphones. Even though this is always a plus, a modern store serves practical purposes like online distribution and fulfillment capabilities in addition to enabling customers to interact with products, build loyalty, spread brand awareness, and provide memorable experiences.



## CHAPTER 2: THE INFLUENCE OF TECHNOLOGY ON RETAIL AND CUSTOMER ENGAGEMENT

### 2.1 A NEW APPROACH OF TECHNOLOGICAL INNOVATIONS IN LUXURY RETAIL

The Luxury Industry is world-renowned for its connection with exclusivity, craftsmanship, and innovation, meeting a sophisticated clientele who is seeking for unique and customized experiences, both digital and physical. Nevertheless, this sector has been impacted by recent technological advancements and innovations, attracting a growing attention by scholars in recent years (Pantano & Vannucci, 2019)<sup>63</sup>. Although the luxury industry is historically anchored to traditional values, with the emergence of omnichannel strategies, Digital Identification systems (IDs), and the birth of the Metaverse in recent years, luxury companies have been at the leading edge of incorporating technology and digitization within their business activities. Comparing luxury and non-luxury retailers, the first ones have shifted to tech innovations later than the second ones but in a faster way of adoption. In fact, among the main challenges that luxury companies have been facing for the past few years is the transformation of traditional business models into more innovative ones that can capture changes in new consumption and purchasing behaviors of luxury consumers. Moreover, within the possible benefits that luxury firms can achieve through the use of these tech innovations, there are more engaging shopping experiences (Pantano & Viassone, 2015)<sup>64</sup>, cheapest and more efficient internal operation costs (Renko & Druzijanic, 2014)<sup>65</sup>.

In the business world, Artificial Intelligence (AI) and Generative AI (GenAI) are increasingly vital tools for enhancing customer services, streamlining repetitive tasks, and

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<sup>63</sup> Pantano, E., & Vannucci, V. (2019). Who is innovating? An exploratory research of digital technologies diffusion in retail industry. *Journal of Retailing and Consumer Services*, 49, 297-304.

<sup>64</sup> Pantano, E., & Viassone, M. (2015). Engaging consumers on new integrated multichannel retail settings: Challenges for retailers. *Journal of Retailing and Consumer Services*, 25, 106-114.

<sup>65</sup> Renko, S., & Druzijanic, M. (2014). Perceived usefulness of innovative technology in retailing: Consumers' and retailers' point of view. *Journal of retailing and consumer services*, 21(5), 836-843.

boosting business efficiency. Although AI has been present since the 1950s, its popularity has increased when GenAI came into existence. It is projected that GenAI technology would generate US\$36 billion in revenue globally by 2028, representing a compound annual growth rate (CAGR) of 58% between 2023 and 2028<sup>66</sup>. Conversations, stories, pictures, movies, and music that seem to have been created by people can all be produced by GenAI, indeed there are multiple potentialities that luxury brands can exploit through the use of this tool. More specifically, the content created by it can range from efficiency and creativity to business ideas, so brands can develop both a superior quality content and reformulate a natural language, to deliver a unique message and personalized experiences for their consumers. Like all other forms of Artificial Intelligence, GenAI depends on machine learning models, which are algorithms trained on vast quantities of data. Moreover, the use of this tool can help brands in creating customized designs and improving selling method to reach a wider consumer base. Finally, also marketing costs can also be reduced, and logistics processes streamlined by using these technologies.

From the customer's point of view, they will have a higher interest on those companies that embrace technological innovations to deliver customized experiences. On the other hand, since there're multiple innovative solutions that brands can adopt within their business' fields, it is difficult for them to identify which one of them is the best to adopt. The real challenge of brands relies on presenting new stimuli that will offer novel sensorial experiences capable of transmitting and fostering luxury products, services, and brands without compromising their prestigious allure.

### 2.1.1 *Technological Advancements in Luxury Retail: when and what*

Luxury brands have always been reluctant in adopting new technologies within their operations and strategic planning, since they have always focused on transmitting their traditional and authentic values to their clientele through offering immersive shopping experiences. Indeed, these technological advancements have always been seen by brands in

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<sup>66</sup> *Generative AI software market forecast to expand near 10 times by 2028 to \$36 billion, S&P Global Market Intelligence says.* (2023b, June 8). News Release Archive. <https://press.spglobal.com/2023-06-08-Generative-AI-Software-Market-Forecast-to-Expand-Near-10-Times-by-2028-to-36-Billion,-S-P-Global-Market-Intelligence-Says>

conflict with their historical positioning. As a matter of fact, there're still many brands that have deliberately chosen not to venture into online sales channels, as these online platforms are perceived to lack of authenticity and exclusivity, typical of the physical stores. The result is that brands must find a way through which communicate the same value to their customers through an online platform and create new customer experiences.

Nowadays, brands are dealing with two main important strategic decisions:

- Which technologies should be adopted by luxury brands?
- When should a luxury brand integrate these technologies into their business operations?

First of all, is important to distinguish among radical and incremental innovations. The first one refers to a new innovative idea introduced to the market making existent technologies obsolete. This type of innovation implies huge investments in new skills, knowledge, competences, and capabilities for the management. The use of e-commerce in retail to sell goods is an illustration of this kind of innovation. Conversely, incremental innovation does not need significant advances in technology; instead, it focuses on improving already-existing product features. On the companies' side, these technologies are easier to implement, require few resources and capabilities of management, and involve less uncertainty. One example of these innovations is the use of contactless payments when purchasing an item, as retailers had already implemented technologies for cashless payments. Researchers have found major benefits that radical innovations offer to firms as increased value generation, enhanced market position and higher profits. Contrarily, other studies have shown that luxury firms tend to adopt incremental innovations to face lower risks compared to radical ones (Baker et al., 2014)<sup>67</sup>.

In terms of timing, it is important to understand if a company wants to be weather a pioneer, being the first in innovating, or whether to be a follower, so that the innovation comes later compared its competitors. In terms of the best choice, the first one is considered the best strategic decision for the fact that it increase its reputation and image, higher ability to engage customers and a high level of innovation that competitors cannot replicate in an easier way. On the other hand, it also in includes some negative aspects that are related to the advantages that followers obtain when adopting a technology and

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<sup>67</sup> Baker, W. E., Sinkula, J. M., Grinstein, A., & Rosenzweig, S. (2014). The effect of radical innovation in/congruence on new product performance. *Industrial Marketing Management*, 43(8), 1314-1323.

consequently improving it. Indeed, followers have benefits regarding saving in innovation costs and know-how in client's reaction to technology. On the other hand, many customers perceive the followers in a negative way since they are perceived as copy-cats.

In conclusion, both costs of innovation and imitation have a significant role in the decision between these two strategic choices. In the luxury industry, in particular in the retail related to that, leading innovation frequently entails being the first one to offer an innovative experience. While technological innovations has only lately been a significant issue in retail, innovation has been a major factor in the success of businesses. But the concerns of what technology advancements luxury stores should use and when to do so take on much more strategic importance. The inherent traditionalism and conservatism of luxury retailers pose challenges on addressing the adoption of technology into the luxury industry.

### *2.1.2 The use of Generative AI for Luxury Industry retailing*

The Generative AI (or GenAI) is still in its early stages, but it shows an extremely high potential for luxury companies to embrace productivity, reach the market faster and get to customers in a better way. Overall, in terms of product development, marketing, sales and customer experience, this type of technology can bring huge changes and be easy to implement in the short term. GenAI has the power to transform the whole fashion and luxury ecosystem, since companies can use this technology to decrease marketing expenses, develop more popular products designs, create personalized customer interaction and accelerate processes. Furthermore, it can also reshape supply chain and logistics, store operation and organization support and functions.

According to McKinsey & Company<sup>68</sup> (2023) there are different cases in which GenAI can be used by luxury companies for improving both retail operations and customer experience. First of all, in terms of store operations this technology can:

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<sup>68</sup> Harreis, H., Koullias, T., Roberts, R., & Te, K. (2023b, March 8). *Generative AI: Unlocking the future of fashion*. McKinsey & Company. <https://www.mckinsey.com/industries/retail/our-insights/generative-ai-unlocking-the-future-of-fashion#/>

- Optimize the store layout through the use of several parameters as foot traffic, store size and local customer demographics.
- Enhance the in-store labor management through a monitor of real-time video data.
- Workforce information about products' stock through the use of AR devices.

Moreover, in an industry based on uniqueness and exclusivity it is fundamental to understand the consumers. In this occasion, the technology based on Generative AI can help these brands to understand better their consumer and provide a next-level customer experience. As a matter of fact, GenAI can enhance the customer experience and sales via the following examples:

- A personalization of the digital tools (e.g. web pages) through which the consumer complete its purchase.
- Unique virtual try-ons based on the individual consumer's characteristics.
- Analysis of individual customer data through many touchpoints of machine learning.
- Make tailored experiences based on past in-store client's behavior and automated segmentation.
- Use of chatbots to virtual shopping assistant to develop tailored experiences.

Based on these new functions mentioned above, both luxury brands and consumer can benefit from it. In particular, luxury firms can benefit from GenAI especially in the area of "clienteling", a retail tactic in which sales representatives build enduring relationships with a company's highest-income clients in an effort to boost sales and strengthen brand loyalty. As an example, with appointment-only shopping luxury brands can achieve a sales conversion rate of about 60% / 70% in their boutiques<sup>69</sup>. In this context, when as customer leaves the stores, the tools powered by this technology might continue the conversation or offer style advice, train sales associates on how to communicate with consumers, make personalized messages, and examine customer profiles and online real-time engagement. Indeed, through the analysis of individual customer data, luxury brands can gain important detailed information about the consumer, and, as a consequence, develop personalized customer journeys, marketing and

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<sup>69</sup> Socha, M. (2023b, January 4). What to Watch: Clienteling Is the New Black for Europe's Luxury Giants. *WWD*. <https://wwd.com/business-news/business-features/clienteling-luxury-goods-dior-vuitton-hermes-1235445528/>

communication campaigns, product recommendations, and consumer interaction. At the end, this process will increase the consumer satisfaction and engagement.

Overall, even if retail channels are becoming more digitalized over the last years, the offline one is still projected to account for over 70% of luxury companies' revenues by the end of 2025<sup>70</sup>. Therefore, it is stated that the value of physical luxury boutiques remains really important for customers due to their experiential values (e.g. personalized services) which still cannot be replicated in an online-only store. Deloitte Global research<sup>71</sup> shows that around 60% of clients prefer shopping in physical stores, 47% opt for physically touch and try products before buying, and 70% consider shop assistants' professionalism and product knowledge essential to their shopping experiences. Hence, the future of GenAI is still in its early stages and luxury brands must put a great effort to introduce these technologies into their business model in a way that it can increase the customer experience in every touchpoint. The main challenge of these brands is to create a store in which the expectations of the people are embraced in a omnichannel experience.

### 2.1.3 *Omnichannel in the 4.0 Luxury Retail*

Nowadays, sales and marketing channels are perceived as a unique entity, where the shopping experience flows seamlessly between multiple channels without any interruption. In this context, luxury consumers are completing their purchase process through a variety of sales channels simultaneously, as online platforms, mobile devices and physical stores. Indeed, the concept of omnichannel retailing conceives the integration of both digital and physical channels (Frazer & Stiehler, 2012)<sup>72</sup>, with the final aim of providing a unique and personalized consumer purchasing experience, that is consistent with the brand's values, through the cohesion of multiple activities in many touchpoints.

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<sup>70</sup> Fashion Luxury Industry Trends & Store of the future, Deloitte Global, November 2022

<sup>71</sup> Fashion Luxury Industry Trends & Store of the future, Deloitte Global, November 2022

<sup>72</sup> Frazer, M., & Stiehler, B. E. (2014, January). Omnichannel retailing: The merging of the online and off-line environment. In *Global Conference on Business & Finance Proceedings* (Vol. 9, No. 1, p. 655). Institute for Business & Finance Research.

As of today, there is a new shift towards a “Retail 4.0”<sup>73</sup> in which consumers can buy directly through a hybrid solution where physical and online stores are merged into one. Luxury retailers are increasingly adopting new technologies<sup>74</sup> and new virtual spaces into their retail stores as virtual dressing rooms, interactive walls, and mobile apps to enhance their offer to the consumers.

As a matter of fact, even if the advent of omnichannel retail has posed the luxury industry a new outlook of the future of retailing, the physical stores remain key touchpoints for customers. Actually, there exists two behavioral phenomena of consumer purchasing: first of all, there are consumer that prefer to buy online for a convenience matter of fact (e.g. wider product’s stock) or others that favor in-presence shopping for touching and seeing the items before purchasing. The actual data of online shopping, shows that brands must adopt an omnichannel strategy<sup>75</sup>.

Aiolfi & Sabbadin in 2019 proposed a theoretical framework (Figure 13) on the implementation of the omnichannel strategy for fashion companies<sup>76</sup>, explaining which are the key drivers in this adoption and which are the new challenges that luxury brands will have to face in the future years.

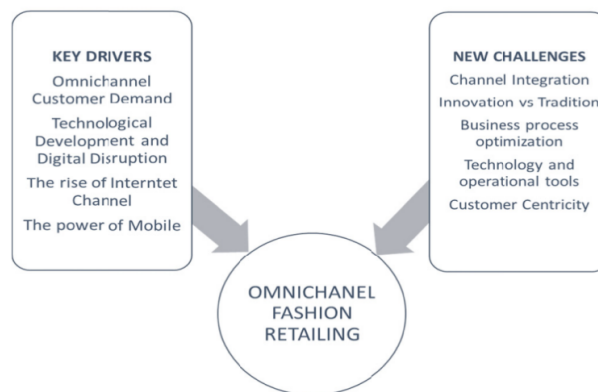


Figure 13: Theoretical framework of omnichannel fashion retailing implementation

Source: Aiolfi, S., & Sabbadin, E. (2019). Fashion and new luxury digital disruption: The new challenges of fashion between omnichannel and traditional retailing. *International Journal of Business and Management*, 14(8), 41-51.

<sup>73</sup> Desai, P., Potia, A., & Salsberg, B. (2012). Retail 4.0: The future of retail grocery in a digital world. *Asia Consumer and Retail Practice*, 1-67.

<sup>74</sup> Which will be further explained in the following paragraphs.

<sup>75</sup> Statista.com shows that the future e-commerce share of personal luxury goods in 2025 will account for the 25%, showing a huge profit margin for companies in luxury industry.

Statista. (2024b, February 22). *Online penetration of global personal luxury good sales 2017-2025*. <https://www.statista.com/statistics/1092062/e-commerce-share-of-personal-luxury-good-sales-worldwide/>

<sup>76</sup> in this occasion, for similarity between luxury and fashion retail, we will consider the both retail landscape almost equal.

The key drivers of the implementation of an omnichannel strategy in the luxury sector are:

- Omnichannel Customer Demand: in the actual landscape, the consumers are always connected, moving from online and offline to finalize their purchase. The consumer behaviors have been changed with the surge of internet and social media. Indeed, they are more informed and precise, seeking for a variety of products and alternatives at every moment and place.
- Technological Development and Digital Disruption: in 2006, C. Christensen<sup>77</sup> coined the term “digital disruption” to indicate the radical disruption that the new technology brings to passed business models. On the other hand, this new type of technology also brings some benefits to every stakeholder. Indeed, they offer a new form of shopping; moreover, companies are trying to innovate store layouts to guarantee a more engaging shopping experience to their clients.
- The rise of Internet Channel & The power of Mobile: as said before, today’s consumers are “always on” meaning that they spend most of their time in using online channels and smart devices. It is true and stated that this huge spread of these technologies has changed the decision-making process of luxury clients in their purchasing journey, allowing them to make the best decision. As a matter of fact, through the use of mobile devices, users can make innovative purchases both online and offline by instantly comparing prices, reading customer reviews, and assessing non-digital items at physical points of sale. Moreover, by creating mobile Apps luxury companies are projecting themselves into the future.

On the other hand, there also exists some challenges that luxury brands will have to face when integrating an omnichannel strategy.

First of all, despite the optimistic view of the omnichannel strategy to create tailored experiences to their consumers, there’s the chance of giving birth to the cannibalization phenomenon across channels (Falk et al., 2007)<sup>78</sup>. Moreover, there is an increasing complexity in managing the corporate operations and higher investments in new technologies for luxury brands. Brands can exploit synergies that derive from both

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<sup>77</sup> Christensen, C. M. (2006). The ongoing process of building a theory of disruption. *Journal of Product innovation management*, 23(1), 39-55.

<sup>78</sup> Falk, T., Schepers, J., Hammerschmidt, M., & Bauer, H. H. (2007). Identifying cross-channel dissynergies for multichannel service providers. *Journal of Service Research*, 10(2), 143-160.



channels by recovering the disadvantages that derive from one channel with positive outcomes that comes from the other.

Another important challenge is to balance the traditional values embedded in luxury brands and the increasing importance of digital channels. Actually, even if luxury brands are trying to focus more on their social presence, the role of the physical store remains crucial since consumers still give a huge importance on seeing and touching products before finalizing the purchase. Retailers must integrate innovative technologies (as in order to transform their physical stores and establishing an omnichannel strategy.

In conclusion, a key aspect of an omnichannel strategy is the consumer. Retailers must accomplish customers' needs and offer a unique and tailored experience. This can be done by communicating, through online platforms, specific characteristics about actual and future products, but also values that are important to the company. These communications must be targeted and direct in order to catch the attention of the consumer base. As a matter of fact, the make investments in communication is essential for luxury brands who need to attract potential consumers with interesting and up-to-date content. The use of video, images, and storytelling to engage with consumers and inform them about brand values is essential to pursuit an experience consistent with the brand's history and heritage.

## 2.2 CUSTOMER ENGAGEMENT IN THE DIGITAL AGE IN THE LUXURY INDUSTRY

As said in the previous paragraphs, the world of omnichannel retailing has completely changed the way through which luxury brands try to engage their consumers. It is forecasted that, along with the physical one, the online channel will be at the leading positions in the following years. This means that companies are working hard to create new ways of creating loyal and lasting connections with their customers, facilitated by the use of innovative technologies. Each physical retail store must embed a distinctive in-store experience which is able to capture the attention of the client and evoke new emotions (see Figure 13 as an example). Indeed, many brands are spending great amount of money on creating multimedia content in their stores that reflects the brands' storytelling (both inside and outside) and valuing the entire purchasing experience and the consumer centricity, with the final aim of engaging consumers<sup>79</sup>. The technological solutions implemented inside the retail stores are focused on realizing an emotional and engaging customer experience: from the sound design to the creation of a schedule that reflects the brand's values; the creation of exclusive video content with the latest technologies; the synchronization between online and offline, and above all in-store analytics: in effect, brands are measuring the interaction data and consumer behavior to constantly enhance their in-store experience. These immersive, digital and engaging moments make the customer loyal with a high rate of engagement and involvement.



*Figure 13: Immersive room created by M-Cube for Dolce & Gabbana Casa*

*Source: M-Cube combina tecnologia e avanguardia per attivare le emozioni in-store del lusso. (2023, November 16). Pambianconews Notizie E Aggiornamenti Moda, Lusso E Made in Italy.*

*<https://www.pambianconews.com/2023/11/16/m-cube-combina-tecnologia-e-avanguardia-per-attivare-le-emozioni-in-store-del-lusso-389678/>*

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<sup>79</sup> *M-Cube combina tecnologia e avanguardia per attivare le emozioni in-store del lusso. (2023, November 16). Pambianconews Notizie E Aggiornamenti Moda, Lusso E Made in Italy. <https://www.pambianconews.com/2023/11/16/m-cube-combina-tecnologia-e-avanguardia-per-attivare-le-emozioni-in-store-del-lusso-389678/>*

### 2.2.1 *A new type of Customer Engagement related to the new technologies.*

Never as before, the role of Customer Engagement (CE) is fundamental for luxury firms since it enhances the whole consumer purchasing experience and positively influences the co-creation of brands' value. The digital era has radically transformed customer engagement in the luxury industry, giving brands many new ways to engage with their clientele and provide tailored experiences. This new type of engagement involves an easier interaction with both potential and existing customers through a variety of digital channels, as e-mails, messaging, social media platforms, live and video chats. All of these channels enable luxury companies to establish enduring relationships with their consumers both virtually and physicaloly, providing a convenient and seamless shopping experience.

Indeed, the advent of Social Media platforms has provided consumers with a greater opportunity to interact with luxury brands, allowing them to actively co-produce or destroy value for them (Van Doorn et al., 2010)<sup>80</sup>. As a result, companies (particularly luxury ones) need to understand their customers' experiences during interactions with them on social media (Choi, Ko, & Kim, 2016)<sup>81</sup>. On the other hand, even if luxury brands have understood the importance of having a strong and valuable online presence, they are still lagging behind and struggling on communicating their values via those channels, resulting in an overall digital delay of the luxury industry.

Luxury firms, in order to be more digitalized and reach a wider consumer base are using innovative tools as Artificial Intelligence (AI) and Internet of Things (IoT). Therefore, in order to target better their clients (and thus, have a superior positioning in their minds to better engage them) luxury brands are using these tools to make innovative and tailored market strategies. Hence, with the quick improvements in digitization and the adoption of AI and IoT technologies, luxury companies can design marketing strategies to increase individual selling and sales management though a classification of customers' choices and improvements their entire purchasing experiences. Moreover,

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<sup>80</sup> Van Doorn, J., Lemon, K. N., Mittal, V., Nass, S., Pick, D., Pirner, P., & Verhoef, P. C. (2010). Customer engagement behavior: Theoretical foundations and research directions. *Journal of service research*, 13(3), 253-266.

<sup>81</sup> Choi, E., Ko, E., & Kim, A. J. (2016). Explaining and predicting purchase intentions following luxury-fashion brand value co-creation encounters. *Journal of Business Research*, 69(12), 5827-5832.

there are other advanced technologies that brands can integrate to enhance the overall customer experiences as Virtual Reality (VR) and Augmented Reality (AR).

The emotional connection that arises when purchasing a luxury item has always been a fundamental element in the long-term engagement of customers. Through this emotional relation brands can satisfy customer's needs and desire to feel part of a certain social status. When purchasing online, consumers are focused on identifying the quality of craftsmanship of the brands' product. In this context, the role of innovative technologies is essential to make consumers feel part of a digital community. Moreover, these technologies are also equally important during the physical shopping experience since the consumer can touch and feel the product with its hands. As a matter of fact, the e-commerce of luxury brands must transmit the high level of craftsmanship through high quality pictures and videos about the product, with the aim of enhancing the customer engagement and transmit the value and prestige of brands' products.

Is thus clear the importance of AI in this industry as a tool that can emphasize the creativity, the precision, and the engagement of consumers. It's a technology that can enhance human interaction by providing skills and insights that go beyond what is considered conventionally luxurious. Luxury brands often use AI to analyze customer data and create compelling stories that connect with their target market. Moreover, they also use this tool to determine which goods a consumer can convert on and, more crucially, how to communicate with them in a way that maximizes engagement and conversion. Personalization is crucial in the pursuit of exclusivity, and AI is the new tailor in this field. As an example, the luxury brand Louis Vuitton adopted Artificial Intelligence to provide a more tailored shopping experience. Its "*LV Virtual Advisor*" personalizes each client's journey by using AI to offer product suggestions and customer support<sup>82</sup>. Moreover, other examples of technologies that can be used by luxury brands with the aim

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<sup>82</sup> As an example of Louis Vuitton using AI to offer tailored experiences there's the collaboration made in 2019 that, through the use of this technology, the brand launched its own perfume collection on the global market. Specifically, the AI paired each of Louis Vuitton's fragrances with seven celebrities, and then used an advertising campaign to determine whether audience had searched for Louis Vuitton, a competitor brand, or other terms associated with the target industry. The message then urged recipients to upload a selfie for artificial intelligence to evaluate and match each recipient with one of seven celebrities. Better involvement and tailored purchasing suggestions are the end results.

Source: Forbes.It. (2019b, December 19). *8 brand di lusso che sceglierai a Natale (anche) grazie all'AI*. Forbes Italia. <https://forbes.it/2019/12/19/regali-di-lusso-8-brand-che-sceglierai-a-natale-anche-grazie-allai/>

of enhancing the customer engagement are chatbots and interactive apps. Companies can use them to foster the customer experience and make it tailored, and answer costumers' questions at every moment and hour; at the same time, they can get and preserve specific consumer-behavioral data that enable companies to create specific marketing strategies. These technologies can improve the customer experience, blurring the dots across personal touch and digital convenience, bringing the company to have a higher and durable customer engagement.

In conclusion, in current's dynamic market, where platforms abound and customer interactions are diverse, consistency in messaging across channels is of primary importance for any luxury brand. Placing the customer at the center of any activity, ensuring they not only make a purchase but also live and breathe the brand experience, is key. Customer retention is a continuous process that extends beyond the point of sale: brands must engage customers through various events, both in-store and beyond, creating experiences that transcend the mere purchasing transactions. Through the use of technology brands can deepen customer relationships, and provide personalized interaction based on their preferences and past purchases. With a variety of sales avenues available, from live experiences in boutiques to remote transactions, brands have the opportunity to engage customers in multiple ways. Ultimately, what truly create the bond between consumers and a brand is the personal touch provided by in-store teams. It is this human connection that elevates the customer experience, evoking emotions and fostering loyalty. While advancements in technology offer added benefits, the irreplaceable essence of in-store shopping lies in the unique interactions and relationships created, making it an integral and essential part of the customer journey that cannot be substituted.

### *2.1.3 Use of Big Data Analytics for designing personalized C.E. Strategies*

In the current Luxury Industry's landscape, the need for luxury companies to start collection data and the following analysis of them is more imperative than ever. As a matter of fact, luxury brands who use data analytics to customize their online shopping experiences for clients have noticed an increase in digital sales up to 50%, according to

McKinsey & Co<sup>83</sup>. Moreover, Big Data and analytics are essential in a market such as luxury where the omnichannel model is growing in importance because of the need to develop unique customer experiences aimed at engaging customers. Indeed, the explosion of Digital Media has created many new ways for companies to capture and generate new customer data and implement deeper consumer engagements. As information and communication technology can collect, analyze, and share vast amounts of consumer data using Big Data techniques, they provide businesses a plethora of options to interact with their clientele. These methods also lead to enhanced competencies and an abundance of chances to capture value coming from customer interaction behaviors, which in turn helps organizations sustain value creation over time.

In an attempt of achieving a long-term success, luxury companies should focus on exploiting synergies across being customer-centric and an attempt of increasing customer's engagement. On the other hand, across all the possible challenges that a brand can occur in analyzing and collecting these data for enhancing the customer engagement there's the fact that it is difficult to collect and reconcile data from huge number of channels relating to client's engagement history, profile, identity, and behavior. In a Big Data era, where data are frequently acquired by other parties / platforms (like Google, Facebook, and cloud-based emailing systems), this may not be the case of the luxury industry. Hence, these data are saved and handled within a firm's Customer Relationship Management (CRM) system. As a consequence, the majority of Big Data ultimately falls outside the company's ownership and control, which makes it difficult to acquire, gather, and integrate the data into the CRM system so that it may be transformed into a dynamic 360° perspective of the client. In addition, the access to such third-party Big Data is sometimes made more difficult by surrounding legal and ethical complications. Indeed, this interactive attribute of modern digital technologies facilitates the mutual sharing and exchange of information between customers and businesses, providing abundant opportunities for engagement. The vast amount of Big Data derived from multiple sources, such as social and digital media, offers a more detailed context where the behavioral aspects of customer engagement can be captured and then analyzed. Moreover,

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<sup>83</sup> Devillard, S., Harreis, H., Landry, N., & Altable, C. S. (2021, October 14). *Jumpstarting value creation with data and analytics in fashion and luxury*. McKinsey & Company. <https://www.mckinsey.com/industries/retail/our-insights/jumpstarting-value-creation-with-data-and-analytics-in-fashion-and-luxury>

with the aid of Big Data, it is currently feasible not only to observe and document many customer engagement behaviors in terms of type and volume but also to analyze and derive meaning from these attitudes.

Through physical interactions, customers provide businesses with real-time, multi-dimensional data that can be analyzed with Big Data analytics tools. Businesses may improve customer engagement and promote positive behaviors related to physical activities by providing consumers with summaries of their physical performance based on this information. To optimize the value gained from this engagement, businesses should inform clients about the advantages of participating and exchanging data on a personal level. Moreover, on the company's side Big Data can help them in achieving a higher ROI<sup>84</sup> arising from engagement, giving the possibility to brands to offer more tailored customer experiences and more personalized engagement opportunities to their clients<sup>85</sup>. Furthermore, Big Data can offer companies the opportunity to target their consumer base and delivering new customized products; this can let companies to react in a dynamic way to changes in consumer's preferences.

To conclude, by gathering and analyzing data on customer-business interactions, firms may use Big Data analytics to evaluate customer engagement while gaining important insights about the preferences and behaviors of their customers. With the use of this data, tailored brand experiences and data-driven campaigns can be developed, strengthening user engagement, and generating steady revenue growth. Big Data analytics provides a number of benefits for customer interaction as the comprehension of its behaviors and preferences. Businesses can create focused marketing efforts, enhance their product offers, and prevent client attrition by examining these data. Nevertheless, there are drawbacks and difficulties with adopting consumer analytics, including issues with privacy, data quality, interpretation, and scope limits. Businesses must guarantee data relevance, accuracy, and consistency through a gathering of data from a variety of resources. In addition, brands can use consumer data for personalization, rewards, product availability, and maintenance.

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<sup>84</sup> Return on Investments.

<sup>85</sup> For instance, luxury brands may measure consumer sentiment about their products, clients' activities, services and resources in real-time to do a sentiment analysis. Investing in social media channels with strong consumer interaction rates will help achieve that.

### **2.3 TECH TRENDS IN RETAIL FOR CUSTOMER ENGAGEMENT**

For many years the innovative technologies have been a subject of science fiction. Nowadays, these ones are currently changing the way through which luxury brands provide new experiences in an effort of engaging their actual and potential consumers. Indeed, given the current dynamic landscape, which includes a technological revolution and an evolving consumer decision-making process, it is imperative for brands to give high consideration to digital integration. As a matter of fact, many luxury fashion companies, which have always been reluctant to adopt innovative technologies, are seriously considering the digital channel to leverage the benefits of business growth, even if they are still in the early stages of adoption. Indeed, they are utilizing these advanced technologies (as Virtual Reality, Augmented Reality, and Artificial Intelligence) to create unique and seamless shopping experiences as consumers want more immersive, interactive, and personalized interactions. Moreover, the development of these tools is one way through which luxury brands try to differentiate themselves from their competitors.

The world of innovative technologies is an important channel for creating experiences within which the consumer is placed at the center, much more than in today's use of smartphones. On the other hand, the role of social media is extremely important since, more than ever, consumers are always connected and active. In this context, social media platforms are incorporating more and more features into the purchasing experience, such as AR try-ons, integrated product catalogs, and livestream sales.

Nowadays, luxury companies are implementing a variety of digital strategies and multiple ways of associations between physical and digital offerings. As a matter of fact, luxury brands are always trying to find innovative touchpoints that can offer exclusive digital experiences to their current and potential customers, with the ultimate goal of creating long-lasting loyalty and engagement. In this context, luxury brands must be capable of knowing which are the best touchpoints that can help them in reaching the previous mentioned objectives. However, engaging with the digital channel can be challenging, particularly for luxury brands, which are steeped in symbolism and emotion. When implementing online communication strategies, luxury brands must be aware of certain challenges (as the quality of customer service or the communication of the brand's heritage) and carefully consider them to ensure a successful digital presence.



### 2.3.1 Artificial Intelligence (AI) technologies

With chatbots and virtual assistants, Artificial Intelligence (AI) is transforming the way through which luxury firms engage with their clientele by offering customized recommendations, streamlining inventory control, and improving customer support. AI systems examine consumer data to provide personalized recommendations, identify patterns, and enhance the overall purchasing experiences.

Among the benefits of integrating Artificial Intelligence within the business models there are opportunities for consumer proliferation in order to provide them with the right products, prediction of trends through data capture, and anticipation of consumer preferences and behaviors. Indeed, with the use of AI-powered technologies luxury brands can track customer journeys and provide seamless and unique experiences to their clients. As the luxury industry is world-wide recognized for its high mastery in craftsmanship and attention to detail, AI should be used as an enhancer technology of these features and not as a disruptor of them. In fact, AI offers additional insights and capabilities for creativity, efficiency, and personalization that go beyond traditional luxury features while, at the same time, enhancing the human touch that characterize luxury industry.

In the chasing of exclusivity, personalization is crucial, and AI provides tailored solutions that cater individual preferences and needs. This technology enables luxury brands to offer a more personalized and unique experience, setting new standards for customer engagement and satisfaction. As an example, the luxury brand Zegna launched on March 2023 the “Zegna X” configurator an AI-powered tool capable of entirely customize the characteristics of a selected item (Figure 14)<sup>86</sup>. In the first period of release, this tool was available only at the flagship retail store on Via Montenapoleone in Milan, in the future it will be available in many more selected cities.

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<sup>86</sup> From Kering to Zegna: How brands can use AI to supercharge luxury shopping. (2023, August 18). *Jing Daily*. <https://jingdaily.com/posts/luxury-brand-shopping-ai-kering-zegna>



Figure 14: Zegna X configurator

Source: From Kering to Zegna: How brands can use AI to supercharge luxury shopping. (2023, August 18). Jing Daily. <https://jingdaily.com/posts/luxury-brand-shopping-ai-kering-zegna>

This tool has the aim of providing its consumers the possibility to personalize its shopping experience with many options available, giving the possibility to them to see themselves in a full outfit, decide garments and fabrics, and view each detail of the product. The *Zegna X* is a right example of how Generative AI is becoming really evident and important in this industry, and brands that will integrate it will enhance either customer experience or the client's engagement.

Another popular way through which luxury brands use AI is through chatbots, a virtual shopping assistant. A chatbot is an AI software that simulates written or audio dialogue from real people. These solutions give brands a new line of communication with consumers who demand 24/7 accessibility, quick response times, and personalized interactions. Customers benefit from having immediate access to the brand, while brands benefit from processing a higher volume of customers at a lower cost. Furthermore, chatbots can be used with other technologies, like Virtual Reality, to build immersive marketing experiences within the Metaverse, a new ecosystem.

Moreover, many luxury brands started using AI into product design and development process, a fundamental aspect of luxury industry which has always been related to human creativity.

In conclusion, although Artificial Intelligence can anticipate a customer's preferences, human interaction still plays a key role in providing the final touches, such as a personalized message and tailored recommendations, as it is endowed with empathy and understanding that AI cannot match. With proper AI integration, luxury companies

can reinvent luxury in terms of service delivery and adaptation to an ever-changing market. Moreover, this tool has the ability to significantly change the luxury industry by improving supply chain management and enabling more individualized purchasing experiences. However, maintaining the human touch is essential to luxury's appeal, and AI must enhance this one by providing seamless shopping experiences.

### 2.3.2 *Virtual Reality (VR) technologies and installations*

The Virtual Reality (VR) is currently among the most important technological innovations that influences marketing communications of luxury brands. Gigante, in 1993, defined the VR as “the illusion of participation in a synthetic environment rather than external observation of such an environment. VR relies on three-dimensional (3D), stereoscopic, head tracked displays, hand/body tracking and binaural sound. VR is an immersive, multisensory experience”<sup>87</sup>. In a synthesis, the Virtual Reality is a specific technology that substitutes the perception of the real world through the construction of a digital reality. While the concept of VR was firstly mentioned in the 1990s, it is only in recent times that advancements in technology and changes in society have enabled VR to shift from a specialized technology primarily used in gaming realities to being integrated into everyday activities and experiences. In 2023, the Virtual Reality's market was valued \$2,690.7 million and is forecasted to reach a market value of \$22,700 million by 2030, with a CAGR of 35.6% during the period between 2013-2030<sup>88</sup>.

The use of Virtual Reality is effectively reshaping and revolutionizing the way through luxury brands seek to engage their consumers via the development of an immersive experience that blends the digital and physical worlds. One of the main features of VR is that it can create a virtual environment within which the consumer can immerse himself and live a very unique consumer-centric digital experience. Moreover, Virtual Reality technology significantly improves customer engagement in the product

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<sup>87</sup> Gigante, M. A. (1993). Virtual reality: definitions, history and applications. In *Virtual reality systems* (pp. 3-14). Academic Press.

<sup>88</sup> Updates, M. (2024, March 14). *Virtual Reality (VR) market Size 2024: Size, share, CAGR, forecast 2031*. <https://www.linkedin.com/pulse/virtual-reality-vr-market-size-2024-share-cagr-forecast-odsfc>

design process, due to features like real-time updates to product designs, immediate interaction, and the visualization of the final product.

One of the first luxury companies that embraces Virtual Reality was Dior in 2015, through the development of “*Dior Eyes*” (Figure 15), created by Dior workshops in partnership with DigitasLBI Labs France.



*Figure 15: Dior Eyes*

*Source: Dior creates its own virtual reality headset - LVMH. (2015, June 12). LVMH. <https://www.lvmh.com/news-documents/news/dior-creates-its-own-virtual-reality-headset/>*

This headset was available only in few selected retail stores around the world and is incredibly immersive. Indeed, by using it consumers has been find themselves projected inside the backstage of a Dior’s runway and had the opportunity to perceive the preparations there are behind the fashion show. With its integrated holophonic audio and high-definition image quality, the headgear allows users to walk around in the virtual world while experiencing a 3D immersion into the backstage environment of a fashion show within which clients were able to move inside this virtual space. Indeed, the idea behind this creation is to offer customers the opportunity to see and experience what really happens in the backstage of a fashion show, without the need to actually participate in it (Figures 16 and 17).



Figure 16: Dior Eyes inside vision of a Dior's Fashion Show

Source: Dior - DIOR Eyes. (n.d.). Clios. <https://cliios.com/fashion-beauty/winner/beauty-design/dior/dior-eyes-18149>



Figure 17: Dior Eyes inside vision of a Dior's Fashion Show makeup preparation

Source: Dior - DIOR Eyes. (n.d.). Clios. <https://cliios.com/fashion-beauty/winner/beauty-design/dior/dior-eyes-18149>

However, the *Dior Eyes* is actually not for sale, so clients who want to participate in real-time to fashion shows must visit specific retail stores and/or showrooms that offer the opportunity to try this headset.

Another example of a luxury brand that embraces the VR technology is Gucci, which creates the “*Gucci Garden Virtual Tour*”<sup>89</sup>. The user experiences an immersive outlook of the House through a navigation in different key areas of the world of Gucci, in particular the “*Gucci Visions*”, for seeing the majesty of Gucci’s Artisans. By logging on the website, the client can enter the virtual space and start exploring the House in whatever directions he wants, through a 360-degree view (Figure 18). The Gucci Palazzo is a physical manifestation of the brand’s commitment to art, design, and creativity, and

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<sup>89</sup>*Gucci Visions*. (n.d.-b). Gucci-garden-2021. <https://guccipalazzo.gucci.com/#/it/editorial-page/gucci-visions>

the virtual tour offers an immersive experience for those who cannot visit the location in person.

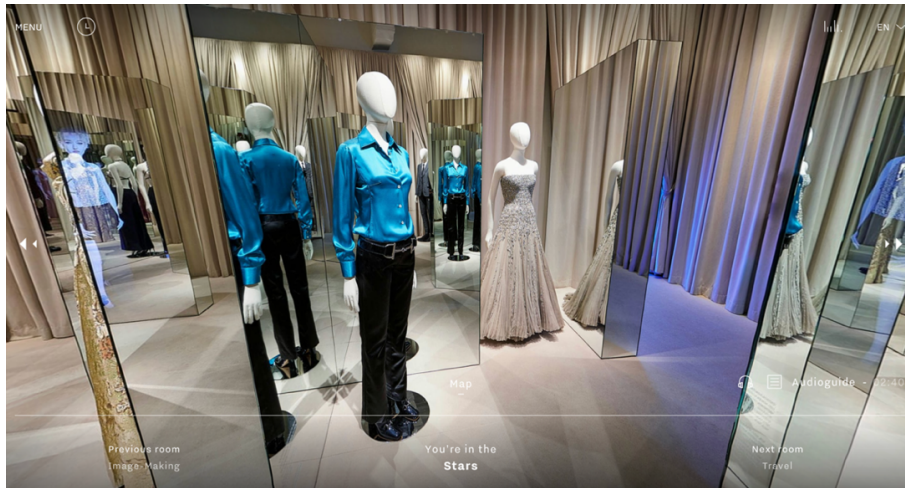


Figure 18: Inside the “Stars” Room of the Gucci Garden Virtual Tour

Source: Gucci Visions. (n.d.-b). Gucci-garden-2021. <https://guccipalazzo.gucci.com/#/en/360/piano-1/stars-02>

Each virtual space has an audio guide or a text that explain each room and its components, so that the user can get as much more information as possible to really immerse himself.

Moreover, among other examples of Gucci using VR to engage their consumers there’s its latest release of the documentary “*Who is Sabato de Sarno? A Gucci story*” in March 2024. In fact, from the 3<sup>rd</sup> of April 2024, people who possess the Apple Vision Pro can immerse themselves inside the docufilm and perceive what is behind the creation of the “*Gucci Ancora*” collection<sup>90</sup>. When users launch the Gucci app on Apple’s Virtual Reality headset, they can access the documentary along with approximately 20 minutes of additional immersive content. This content includes 3D representations of products and other exclusive features, such as being transported to Milan and engaging with a digital version of the *Gucci Jackie Notte* bag.

In Conclusion, with the use of Virtual Reality technology, users may go to other worlds or scenarios while being completely immersed in a simulated and virtual environment. VR is being utilized in the luxury market to provide distinctive brand

<sup>90</sup> Ceci, M., & Ceci, M. (2024b, March 15). *Sabato De Sarno si racconta: il documentario sulla prima sfilata per Gucci*. Amica. <https://www.amica.it/2024/03/15/sabato-de-sarno-gucci-documentario/>

experiences, virtual showrooms, and product visualization. Consumers may interact with the company more fully, virtually try on merchandise, and explore collections online.

### 2.3.3 *Augmented Reality (AR) and Virtual Try-On experiences*

The key components of luxury brands' digitization agenda to compete in this sector include augmented reality (AR) and virtual try-ons experiences. They are a type of technology that combines virtual elements with the physical environment in real-time, allowing for an interactive experience (Javornik, 2016)<sup>91</sup> and frequently used in retail contexts.

Augmented Reality surged within the retail ecosystem as an immersive technology that has the potential of enhancing the customers online and offline purchasing experiences. This technology offers interaction, augmentation, immersion, vividness, and personalization, all of which can enhance customer decision-making process and boost revenue. As a matter of fact, consumers may get content in many new ways due to the ability of AR of overlaying virtual components (as information or images) over the actual world and interacting with it. Furthermore, the Augmented Reality has the ability to change customer behaviors, as product evaluations and information search. As a consequence, the luxury fashion industry's competitive landscape is forcing brands to adapt to a new business model as consumer consumption moves towards the use of this innovative technology. The AR is frequently being used in mobile applications, within which it provides users with a wider range of information about the product to better evaluate and visualize it. In addition, luxury brands usually integrate Augmented Reality to enable consumers to perceive virtual shopping experiences as if they were physically in the store.

Through the use of virtual trial technology, consumers can virtually try on shoes, clothes, watches, makeup and other items to see how they look before purchasing them. In order to provide a realistic virtual experience, it uses the AR by overlaying the product over the user's image. This innovative technology makes it easier for online shoppers to

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<sup>91</sup> Javornik, A. (2016). Augmented reality: Research agenda for studying the impact of its media characteristics on consumer behaviour. *Journal of Retailing and Consumer Services*, 30, 252-261.

make well-informed decisions by enabling them to virtually try on and interact with the item they want to purchase. Specifically, augmented reality (AR) is used by virtual try-on technology to create a virtual environment that mimics the feeling of trying on a product. Among the benefits of this technology there are higher personalization through the use of data and preferences and the possibility for brand of building closer relationships with their consumer base. On the other hand, there are also some challenges for both consumers and companies, as the fact that clients cannot touch the product, or some technical limitations connected to lighting or smart devices.

One successful example of a luxury brand that uses Augmented Reality for the launch of a new collection there is Gucci, which partnered with the social media platform Snapchat to launch its new collection on the platform via a virtual try-on experience, in 2020. Indeed, they developed a virtual try-on lens so that Snapchat's users can perceive how these sneakers looked on their feet. Users could easily try out Gucci sneakers by selecting a pair on Gucci's Snapchat and pointing their phone cameras at their feet to view the shoes on-screen (as shown in Figure 19). The AR try-on options included three different pair of shoes as Gucci's Rhyton, Tennis 1977, Screener shoes, and Gucci Ace, with each gender having a dedicated try-on lens featuring two different pairs of sneakers. Additionally, users could seamlessly transition from the platform to Gucci's website to make online purchases following their AR experience.



Figure 19: Partnership among Gucci and Snapchat made in 2020.

Source: Nguyen, H. (2022, January 4). Augmented reality can be real Gucci - Marketing in the age of Digital - medium. Medium. <https://medium.com/marketing-in-the-age-of-digital/augmented-reality-can-be-real-gucci-304dc41e8551>

This initiative not only boosted brand engagement but also resulted in a significant increase in sales from Snapchat users.



The virtual try-on experience is also used by other brands in the beauty sector, as Chanel. Indeed, through its website clients can try-on virtually some make up products of the brand (e.g. lipsticks, eye shadows, eyeliner and nail polishes) simply by clicking a button, accepting the privacy agreements and then opening the webcam (Figure 20).

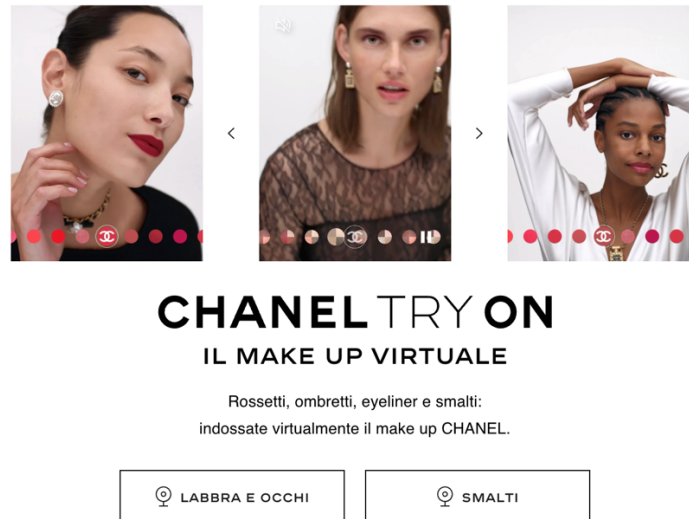


Figure 20: Chanel Virtual Make-Up Try On  
Source: Chanel. (n.d.). CHANEL TRY ON - Make up virtuale | CHANEL. CHANEL. <https://www.chanel.com/it/make-up/make-up-virtuale/>

To conclude, in the current digital era, Augmented Reality is undoubtedly a blessing for both marketing and retail industry, in particular for the luxury one. Customers can enjoy new experiences through the ease of using their mobile devices. Moreover, it also enables them to try products and services before buy them, resulting in a boost in sales and in a higher brand's value. The future of AR is bright, and the need for virtual assistance and Augmented Reality is only going to increase as technology gets more sophisticated.

## **CHAPTER 3: EMPIRICAL ANALYSIS OF INNOVATIVE TECHNOLOGIES IN LUXURY RETAIL: IMPACT ON CUSTOMER ENGAGEMENT**

### **3.1 THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT**

The present study, aims to analyze how the relationship between certain variables, extensively investigated in previous research, affects the engagement of a significant sample of luxury consumers.

Specifically, the starting objective is to evaluate whether or not there is a direct influence of the implementation of innovative technologies in the retail stores, considered as one of the selected independent variables, and customer engagement, considered as the dependent variable. Moreover, brand perception, brand experience, and brand attractiveness are considered as mediator/moderator variables. The choice to employ a moderating analysis is based on the fact that through it is possible to analyze how moderating variables influence the relationship between independent and dependent variables, thus providing a deeper understanding of the factors that might influence the effectiveness of technological innovation strategies in customer engagement.

The willingness to analyze the possible impact that the implementation of innovative technologies within the retail stores (both physical and online) of luxury brands can have on consumer engagement, therefore, has several foundations. First of all, there has been a noticeable change in the way customers engage with luxury brands as a result of the present changes in the global economy, the emergence of a new generation of younger luxury consumers, technological advancements, and digital communications (Ko et al., 2016)<sup>92</sup>. Moreover, customer engagement is currently experiencing a new paradigm and it is widely changed through during years. This change is mostly driven by the surge of innovative technologies, in particular of Artificial Intelligence, Virtual Reality and Augmented Reality. Even if luxury brands are highly recognized worldwide, this industry is currently facing a huge challenge on developing unique brand experiences

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<sup>92</sup> Ko, E., Phau, I., & Aiello, G. (2016). Luxury brand strategies and customer experiences: Contributions to theory and practice. *Journal of Business Research*, 69(12), 5749-5752.

for their consumers in order to ensure the right perception of the superior quality of their products (Hennings et al., 2015)<sup>93</sup>. In this context, traditional luxury companies are reconsidering the value of brand assets and are committed to investing more in digital marketing and using digital technologies to engage their customers, as the new generation of tech-savvy shoppers demands seamless, personalized relationships with the brand that go beyond the simple shopping experience. In addition, luxury brands need to know exactly how to engage their clientele, particularly at a time when digitization is reaching its highest levels, to keep up with trends and withstand the high competition typical of this industry. Therefore, previous studies on this field have highlighted that brands must embed these technologies if they want to engage their clients, keep with trends and stay ahead to competition; but current research still lack on evaluating if these technologies are currently led to an increase in customer engagement. Therefore, in order to study how the implementation of innovative technologies impact the customer engagement, it is hypothesized that:

**Hypothesis 1 (H1):** The implementation of innovative technologies within retails has a positive effect on customer engagement.

Customer engagement is an important aspect which has attracted a lot of attention, since it is a way through which companies try to capture customer value. Moreover, it is a fundamental aspect for understand contemporary marketing and branding dynamics (Brodie et al., 2011)<sup>94</sup>. Particularly, the term “engagement”, in the luxury industry, is linked to the brand experience, on creativity, emotion and brand community interactions. According to Algesheimer, Dholakia, and Hermann (2005), the consumer engagement is “*a consumer’s intrinsic motivation to interact and cooperate with community members.*” Moreover, brand experience is what consumers feels and live during the purchase of a product and or a contact with a brand. As a matter of fact, actual consumers are more focused on living a tailored and seamless shopping experience with respect to seeking

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<sup>93</sup> Hennigs, N., Wiedmann, K. P., Klarmann, C., & Behrens, S. (2015). The complexity of value in the luxury industry: From consumers’ individual value perception to luxury consumption. *International Journal of Retail & Distribution Management*, 43(10/11), 922-939.

<sup>94</sup> Brodie, R. J., Hollebeek, L. D., Jurić, B., & Ilić, A. (2011). Customer engagement: Conceptual domain, fundamental propositions, and implications for research. *Journal of service research*, 14(3), 252-271.

tangible benefits provided by the brand. In order to live a tailored and seamless shopping experience that enhances the customer engagement, brands are incorporating innovative technologies within their business models.

Higgins and Scholer (2009)<sup>95</sup> defines the Customer Engagement as “*A state of being involved, occupied, fully absorbed or engrossed in something (i.e. sustained attention), generating the consequences of a particular attraction or repulsion force. The more engaged individuals are to approach or repel a target, the more value is added to or subtracted from it*”. In relation to this, the component of brand attraction key aspect of the engagement of luxury consumers. In fact, luxury brands must create a strong emotional connection with their clientele in order to maintain and foster their loyalty and engagement in the long run. This strong and authentic emotional connection with consumers is created by the development of unique experiences (with the aid of the implementation of technological innovations), the creation of shared values and a “phygital” presence.

Finally, according to Delgado-Ballester, Munuera-Alemán e Yagüe-Guillén (2003) and Rotter (1967), brand perception can be defined as “*Consumer-perceived security/reliability in brand interactions and the belief that the brand acts in consumers' best interests*”. Accordingly, consumers' perception towards a luxury brand is a key aspect of consumer engagement for many reasons. First, a positive brand perception leads to the creation of a strong emotional bond and loyalty to the brand, which, as a result, leads to lasting customer engagement. Moreover, the purchasing behavior of luxury consumers is directly influenced by the perception of them on the brand. Therefore, the positive perception of a brand as exclusive, prestigious, and high-quality stimulates purchases and fosters engagement. Customers are more inclined to remain engaged with a luxury brand and interact with it frequently if they believe it to be authentic, reliable, and consistent with their beliefs. Moreover, in the luxury industry, this brand image is essential for drawing in and keeping clients. A positive perception of the brand as reliable, safe, and caring for customers' interests is crucial to generating lasting and deep engagement. Consistent with these views, the following hypotheses are developed:

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<sup>95</sup> Higgins, E. T., & Scholer, A. A. (2009). Engaging the consumer: The science and art of the value creation process. *Journal of Consumer Psychology*, 19(2), 100-114.

**Hypothesis 2a (H2a):** Brand experience mediates the relationship between the effect of implementation of innovative technologies on customer engagement.

**Hypothesis 2b (H2b):** Brand attractiveness mediates the relationship between the effect of implementation of innovative technologies on customer engagement.

**Hypothesis 2b (H2c):** Brand perception mediates the relationship between the effect of implementation of innovative technologies on customer engagement.

### 3.2 RESEARCH MODEL

Figure 21 represents the conceptual research model of this empirical analysis, which aims at investigating the direct and indirect effect of implementing Innovative Technologies (independent variable) on Customer Engagement (dependent variable), within the luxury industry. The framework is designed to explore both the primary relationship between the implementation of innovative technologies (independent variable) and customer engagement (dependent variable) and the mediating roles of brand experience, brand attraction, and brand perception.

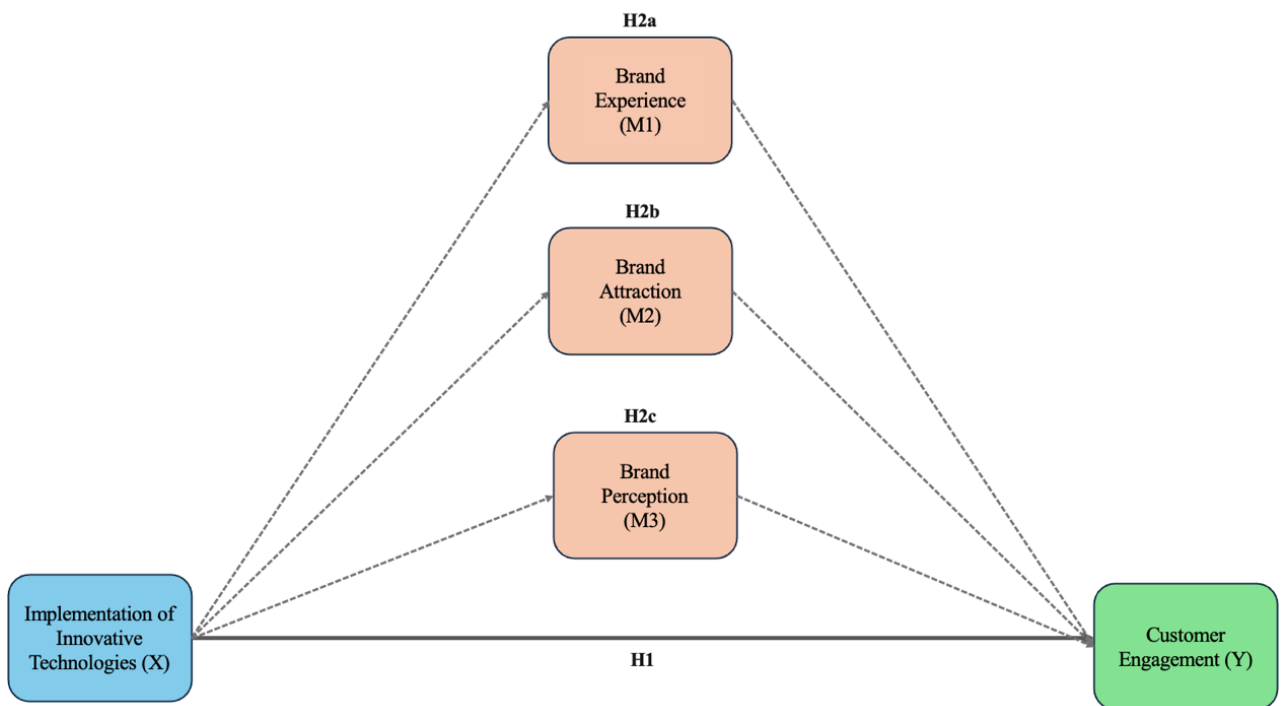


Figure 21: Research Model 1.  
Source: Personal Elaboration.

#### 3.2.1 Components of the model

The independent variable *Implementation of Innovative Technologies (X)* corresponds to the degree to which luxury brands integrate innovative technologies such as virtual reality (VR), augmented reality (AR) and artificial intelligence (AI) within their retail stores, both physically and digitally. *Customer Engagement (Y)*, considered as the dependent variable, reflects the level of emotional and cognitive involvement that consumers have

with luxury brands. This variable encompasses various aspects such as customer loyalty and satisfaction. The hypothesis (H1) suggests a direct correlation exists between using these technologies and engaging with customers.

Moreover, the model also includes three mediating variables that influence the relationship between the implementation of innovative technologies and customer engagement. The first mediating variable is Brand Experience (M1), that corresponds to emotional and sensory experiences lived when the consumer get in touch with the brand. Hypothesis H2a investigates whether and how implementing innovative technologies improves the brand experience, which in turn impacts customer engagement. Continuing on, Brand Attraction (M2) investigates how a brand can draw in and keep customers by its perceived appeal and desirability. Hypothesis H2b explores how innovative technologies affect brand attraction and how that in turn influences customer engagement. Finally, this mediating variable looks at how customers perceive the brand in terms of quality, reliability, and trustworthiness. Hypothesis H2c assesses whether innovative technologies improve brand perception, which in turn influences customer engagement.

### 3.3 METHODOLOGY

#### 3.3.1 *Research Question*

This research focuses on analyzing the impact of technological innovations (as Virtual Reality, Artificial Intelligence, and Augmented Reality) used in luxury retail operations on customer engagement. Situated in the field of luxury management, the presented quantitative analysis has the aim of answering the following Research Question: “*How do innovative technologies used in retail channels influence consumer engagement in the luxury industry?*”.

#### 3.3.2 *Sample analysis*

In order to carry out the presented study, primary data were collected using questionnaire techniques. Particularly, data available for this research was raised through an online self-administered<sup>96</sup> survey released during the period of May 2024, through the Qualtrics.com platform. This technique allows to collect a large amount of data from different types of participants in an efficient way. Moreover, in order to ensure the uniformity of data collection, a structured format has been chosen for the survey. This is fundamental for having consistent and comparable data. Indeed, through the use of questionnaires, it can be possible to analyze in a quantitative way concepts and trends that otherwise remain only subjective and difficult to study.

The recruitment of participants took place from direct channels. As a matter of fact, the questionnaire was mainly sent to personal contacts through direct messages on WhatsApp and published on social media platforms, as Instagram and LinkedIn. Indeed, given the open nature of the survey distribution, no direct sample selection was applied, and respondents were able to join the survey spontaneously. However, in order to ensure a diversification of respondents, screening criteria based on demographic and behavioral variables were considered during the first section of the survey.

The respondents have been informed about the aim of the present research and ensured the confidentiality and anonymity of their personal answers, and no monetary incentives has been given to them. Moreover, also a definition and introduction of

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<sup>96</sup> Also known as “Internet-mediating questionnaires”.



innovative technologies has been given to respondents before starting the survey, in order to ensure the understanding of questions.

The questionnaire has collected a total of 238 answers, of which only 202 can be considered as valid ones after the screening criteria. Invalid responses has been removed from the analysis in order to ensure the appropriateness and quality.

### 3.3.3 Questionnaire design

The questionnaire administered to the participants, consisting of 18 questions, was divided into three different sections and was provided in Italian. The complete questionnaire is available in the appendix.

The first section, comprising of 3 questions, was designed to collect general information about respondents' characteristics, such as: gender, generation (age range), and annual household income.

The second section, consisting of 6 questions, aimed to gathering information about the respondents' purchasing behavior. The first question was an eliminatory one, necessary to determine whether respondents were luxury consumers by asking about their frequency of luxury purchases<sup>97</sup>. Subsequent questions asked about the preferred channel through which consumers buy their products, the most important drivers of their luxury purchases, where they perceive higher quality between online and in-store purchases, and the importance of receiving a tailored experience during the purchase of luxury products. Among the question about the most important drivers, the PRECON scale of Deeter-Schmelz et al. (2000)<sup>98</sup> was used with some adjustments, adding 2 additional drivers. Specifically, the authors identified 5 factors motivating luxury consumption: image, quality, fashion, store atmosphere and patron status. The 2 additional drivers added are: the implementation of innovative technologies by the brand and the reputation of the brand in the luxury industry. The last question of this section used a Likert scale from 1 to 5, where 1 meant "Not important at all" and 5 "Extremely important".

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<sup>97</sup> Particularly, respondents who answered that they have never bought luxury products have been not considered in the analysis, assuming a zero level of consumer engagement and therefore not useful for the purpose of the analysis.

<sup>98</sup> Husic, M., & Cicic, M. (2009). Luxury consumption factors. *Journal of Fashion Marketing and Management: an international journal*, 13(2), 231-245.

The last and final section of the survey, comprising of 9 questions, collected information about the implementation of innovative technologies by luxury brands and the relative consumers' perception and feelings. The first question of this section asked the respondents if they have ever used or would like to use innovative technologies during the shopping experience for luxury products. As a result, participants were required to rate various statements on a Likert scale ranging from 1 to 5, with 1 indicating "Strongly disagree" and 5 indicating "Completely agree". Every statement was focusing on gathering various information regarding consumer involvement, attractiveness of the brand, inclination to make online purchases through VR interactions, adoption of new technologies in retail, shopping experience, and consumer engagement with new technology implementation.

### 3.3.4 Measurement of variables

First of all, *control variables* have been included into the analysis for control the effect of the independent variable over the dependent variables and having more accurate estimations. Specifically, control variables are used for accounting external factors that might influence the final result of the analysis and that are not directly of interest to the analysis. Indeed, their inclusion into the quantitative research allows for more accurate and reliable results. **Table 1** describes in the first column the control variables chosen for this research. In the second column a brief description of the variable is provided. The third column shows the different scale of measurement of the variables.

| Control variables | Description   | Scale of measurement  |
|-------------------|---|---|
| <b>Gender</b>     | Gender of the different participants.                 | 1 = Male<br>2 = Female<br>3 = Prefer not to say   |
| <b>Generation</b> | Generation (age range) of the different participants. | 1 = Baby Boomers (1946 – 1964)<br>2 = Generation X (1965 – 1980)<br>3 = Millennials (1981 – 1995)<br>4 = Generation Z (1996 – 2015) |

|                                 |  |   |
|---------------------------------|--|---|
| <b>Preferred Retail Channel</b> | Preferred retail channel of respondents for purchasing luxury items. | 1 = Official brand's website<br>2 = Physical monobrand retail stores<br>3 = Online multibrand stores<br>4 = Physical multibrand retail stores |
|---------------------------------|--|---|

Table 1: Control variables description and measurement scale.  
Source: Personal elaboration.

Secondly, *independent variable* has been chosen for studying the effect it have over other variables within the study, precisely over the outcome (Customer Engagement). Specifically, this variable has been chosen depending on the research question and the aim of the study, in order to see if there's a casual or predictive relationship in line with the research. **Table 2** describes in the first column the independent variable selected for this research. In the second column a brief description of the variable is provided. The third column shows the different scale of measurement of the variable.

| <b>Independent variable</b>                      | <b>Description</b>  | <b>Scale of measurement</b>  |
|--|---|--|
| <b>Implementation of Innovative Technologies</b> | Desire of respondents about the implementation of Innovative Technologies within retail stores. | 1 = Completely disagree<br>2 = Somewhat disagree<br>3 = Neither agree nor disagree<br>4 = Somewhat agree<br>5 = Completely agree |

Table 2: Independent variable description and measurement scale.  
Source: Personal elaboration.

Thirdly, *mediating variables* haven been selected and individuated in order to see explain the relationship between the dependent variables and the independent variables. Moreover, variations in the independent variables are explained by changes in mediating variables; the same logic is applicable in changes in dependent variables. **Table 3** describes in the first column the mediating variables chosen for this research. In the second column a brief description of the variable is provided. The third column shows the different scale of measurement of the variables.

| Mediating variables         | Description  | Scale of Measurement   |
|-----------------------------|--|--|
| <b>Brand Experience</b>     | Importance of receiving a personalized experience during the purchase phase of a luxury item.                            | 1 = Not important at all<br>2 = Not very important<br>3 = Neutral<br>4 = Important<br>5 = Extremely important                      |
| <b>Brand Attractiveness</b> | Respondents who more attracted to a brand that offers interactive experiences than others that do not offer them at all. | 1 = Completely disagree<br>2 = Somewhat disagree<br>3 = Neither agree nor disagree<br>4 = Somewhat agree<br>5 = Completely agree   |
| <b>Brand Perception</b>     | Brand perception after having used innovative technologies during the shopping experience.                               | 1 = Completely disagree<br>2 = Somewhat disagree<br>3 = Neither agree nor disagree<br>4 = Somewhat agree<br>5 = Completely agree   |
| <b>Brand Perception (2)</b> | Brand perception after having used innovative technologies during the shopping experience.                               | 1 = Not influential at all<br>2 = Slightly influential<br>3 = Neutral<br>4 = Somewhat influential<br>5 = Extremely positive impact |

*Table 3: Mediating variables description and measurement scale.  
Source: Personal elaboration.*

Lastly, *dependent variables* have been chosen for studying the impact of independent variables over the results and outcome of the presented analysis. Indeed, this type of variable represent the phenomenon that is studied in order to assess the effect of independent variables. Through measurement of how the dependent variable changes in reaction to manipulations of the independent variables, the effect of the independent variables on the dependent variable can be estimated. The selection of the dependent variables has been done regarding the aim of the study. **Table 4** describes in the first column the dependent variables chosen for this research. In the second column a brief description of the variable is provided. The third column shows the different scale of measurement of the variables.

| <b>Dependent variables</b>     | <b>Description</b>   | <b>Scale of Measurement</b>  |
|--------------------------------|--|--|
| <b>Customer Engagement</b>     | The use of innovative technologies during the shopping experience increases the engagement towards a luxury brand. | 1 = Completely disagree<br>2 = Somewhat disagree<br>3 = Neither agree nor disagree<br>4 = Somewhat agree<br>5 = Completely agree |
| <b>Customer Engagement (2)</b> | The use of innovative technologies during the shopping experience increases the engagement towards a luxury brand. | 1 = No, I wouldn't feel more involved<br>2 = Unchanged level of involvement<br>3 = Yes, I would feel more involved               |

*Table 4: Dependent variables description and scale of measurement.  
Source: Personal elaboration.*

### *3.3.5 Analytic procedures applied*

In order to carry out this research a quantitative study approach was chosen. The data collected from the explained above questionnaire have been exploited by using techniques of analysis, computing descriptive statistics and correlation techniques on the IBM SPSS software, Version 29.0.2.0 (20). Moreover, a linear regression analysis is run to evaluate the validity of H1 to study the relationship within the Implementation of Innovative Technologies (X = independent variable) and the Customer Engagement (Y = dependent variable). Finally, a multiple mediating analysis has been run to study the validity of H2 (in particular of H2a, H2b and H2c). This analysis has been fundamental in order to study how the independent variable influences the dependent one through mediating variables. This analysis permit us to know and comprehend the mechanism behind the relationship between the Implementation of Innovative Technologies and Customer Engagement.

## CHAPTER 4 - RESULTS AND DISCUSSION

### 4.1 RESULTS

#### 4.1.1 Demographic profile

Through the diffusion of the questionnaire mentioned above, by the use of Qualtrics.com platform, a total of 238 responses have been collected, but 13.45% couldn't progress the survey due to the screening question. In total, 232 respondents passed the screening question as they have at least purchase one time in their total life a luxury item. These responses have been considered as valid ones for the analysis. Among the respondents, 65.55% were Female and 34.03% were Male, moreover just one person preferred to not specify its gender (0.44%). In addition, 67.65% of the respondents were from Generation Z (1996 - 2015), followed by 16.39% from Millennials (1981 – 1995), 9.66% from Generation X (1965 – 1980) and 6.30% from Baby Boomers (1946 – 1964). Lastly, most of the respondent's (39.50%) still do not earn yet, and among the one that earns money, the highest percentages regarding annual household income range occurred between €28,000 and €50,000, corresponding to the 20.59%. **Table 5** presents the demographic profile of the respondents in detail.

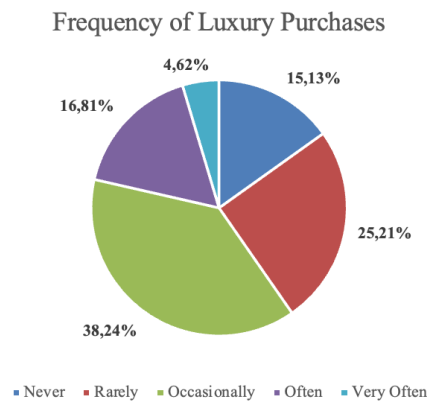
| Items                          | Categories                 | Percentage | Number |
|--------------------------------|----------------------------|------------|--------|
| <b>Gender</b>                  | Male                       | 34.03%     | 81     |
|                                | Female                     | 65.55%     | 156    |
|                                | Prefer not to say          | 0.42%      | 1      |
| <b>Generation</b>              | Baby Boomers (1946 – 1964) | 6.30%      | 15     |
|                                | Generation X (1965 – 1980) | 9.66%      | 23     |
|                                | Millennials (1981 – 1995)  | 16.39%     | 39     |
|                                | Generation Z (1996 – 2015) | 67.55%     | 161    |
| <b>Annual Household Income</b> | Up to €15,000              | 9.66%      | 23     |
|                                | From €15,001 to €28,000    | 12.61%     | 30     |
|                                | From €28,001 to €50,000    | 20.59%     | 49     |
|                                | Over €50,000               | 17.65%     | 42     |
|                                | Still do not earn          | 39.50%     | 94     |

*Table 5: Demographic's profile (in % and number) of respondents.  
Source: Personal elaboration.*

#### 4.1.2 Demographic purchasing behavior

The questionnaire also gathered information about the purchasing behaviors of the respondents. Specifically, 38.64% of respondents purchases luxury products occasionally, while those who purchase them often and very often are 16.81% and 4.62% respectively. Moreover, the 15.13% have never bought a luxury product. This means that they are not considered as luxury consumers, so from this moment on they are not anymore considered in the present analysis.

Moreover, the majority of respondents research online the products before buying them (84.65%). **Figure 22** presents in detail the frequency of luxury purchases of the respondents in a pie chart.



*Figure 22: Frequency (in %) of luxury purchases of respondents.  
Source: Personal elaboration.*

For what concerns the preferred retail channel, the most answered was the physical monobrand store (56.44%), compared to the least preferred one which is the online multibrand store (11.39%). Figure 23 presents in detail the distribution of the preferred retail channel of the respondents in a pie chart.

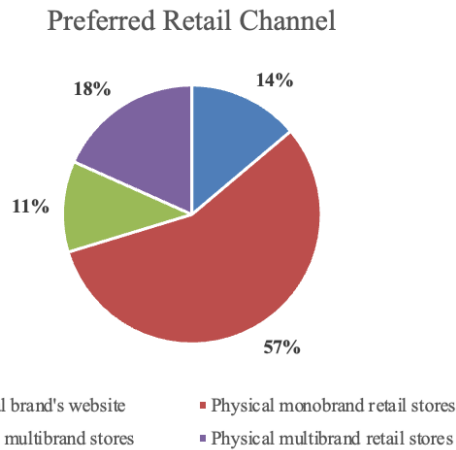


Figure 23: Distribution of the Preferred Retail Channel.  
Source: Personal elaboration.

The most voted reason for why consumers make luxury purchases concerns the superior quality and craftsmanship of the products (36.13%), immediately followed by the satisfaction of owning a luxury item (23.41%). On the other hand, the least voted reason was the implementation of innovative technologies (5.34%). **Figure 24** presents in detail the distribution of the reasons behind respondents make luxury purchases in a pie chart.

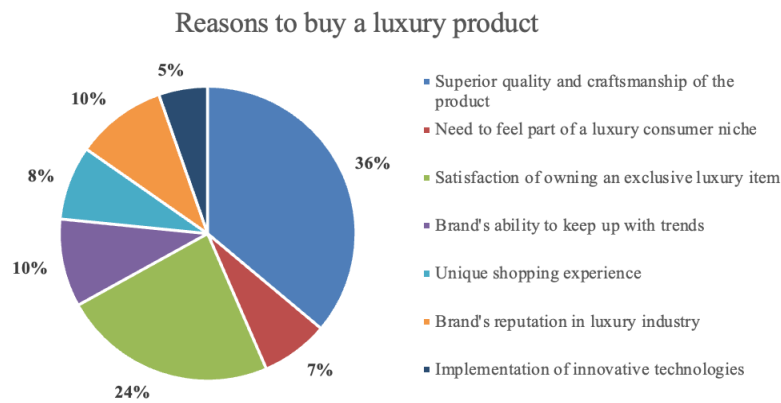


Figure 24: Reasons to buy a luxury product.  
Source: Personal elaboration.

Lastly, the majority of consumers believe that it is important and extremely important to receive a personalized experience when purchasing a luxury product, while only 0.99% do not feel it is important to receive a personalized experience. Figure 25 presents in a pie chart how important it is for respondents to receive a personalized experience and treatment during their purchase journey.



Importance of receiving a personalized Shopping Experience

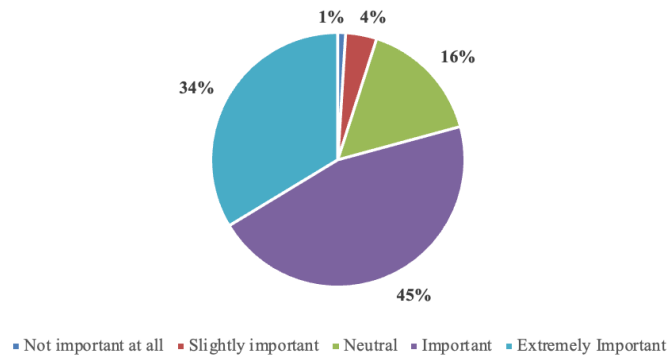


Figure 25: Importance of receiving a personalized shopping experience.  
Source: Personal elaboration.

Finally, for what concern the degree of adoption of innovative technologies during the shopping experience, 52.48% of respondents said they had used innovative technologies previously when purchasing a luxury product, while 47.52% said they had not. Moreover, between these respondents the 24.26% believes that the use of innovative technologies while purchasing a luxury product, influence their perception of the brand.

#### 4.1.3 Data preparation

The data collected from the survey have been exported to IBM SPSS Statistic Data Editor version 29.0.2.0 (20). After being exported, to run the analysis in a proper way, data have been recodified to create dummy variables needed for regression analysis, setting as base line the value with the higher frequency or the most used for our analysis. Moreover, variables have been standardized for the purpose of the analysis.

| Items                           | Recode                               |
|---------------------------------|--------------------------------------|
| <b>Gender</b>                   | 1 = Female                           |
|                                 | 0 = all others                       |
| <b>Preferred Retail Channel</b> | 1 = Physical Monobrand Retail Stores |
|                                 | 0 = All others                       |
| <b>Brand Perception</b>         | 1 = In store                         |
|                                 | 0 = All others                       |

Table 6: Recodification of variables into dummy for the purpose of the analysis.  
Source: Personal elaboration.

#### 4.1.4 Presentation of the results

As previously pointed out, the aim of this study is to analyze the direct impact (and thus the presented relationship) of the Implementation of Innovative Technologies on Customer Engagement, considered as the independent variable (X) and dependent variable (Y), respectively. Next, we go on to analyze how this direct relationship changes with the inclusion of moderating variables, represented by Brand Attractiveness, Brand Experience, and Brand Perception. The purpose is then to analyze how the presence of these variables goes on to shape the impact that such implementation has on customer engagement.

In order to study these relationships, once the items were combined, we created the scales and analyzed the mean, standard deviation, and the correlations between the different variables, analyzing whether they were significant (see **Table 7**).

| Variables                        | Mean  | SD    | 1. | 2.   | 3.    | 4.    | 5.      | 6.      | 7.      | 8.      | 9.      |
|----------------------------------|-------|-------|----|------|-------|-------|---------|---------|---------|---------|---------|
| 1. Gender                        | 0,640 | 0,482 | 1  | 0.04 | -.079 | .081  | -.164** | .135*   | .111    | .037    | -.077   |
| 2. Generation                    | 3,430 | 0,918 |    | 1    | .098  | -.094 | 0.129*  | .238*** | .160**  | .058    | .204*** |
| 3. Preferred Retail Channel      | 0,560 | 0,497 |    |      | 1     | -.103 | -0.092  | .132*   | -.163** | -.084   | -.027   |
| 4. Frequency of Luxury Purchases | 2,010 | 0,846 |    |      |       | 1     | 0.081   | .130*   | -.023** | .022    | -.069   |
| 5. Implementation of Inn. Tech.  | 3,210 | 1,059 |    |      |       |       | 1       | .062    | .440    | .423*** | .487*** |
| 6. Brand Experience              | 4,069 | 0,861 |    |      |       |       |         | 1       | .109    | .149*   | .123*   |
| 7. Brand Attractiveness          | 3,455 | 0,999 |    |      |       |       |         |         | 1       | .560*** | .533*** |
| 8. Brand Perception              | 2,841 | 1,079 |    |      |       |       |         |         |         | 1       | .467*** |
| 9. Customer Engagement           | 3,426 | 1,091 |    |      |       |       |         |         |         |         | 1       |

Table 7: Mean, standard deviation and correlations between variables <sup>99</sup>.

Source: Personal elaboration.

As can be seen from the table reported above, in order to study the correlations between the variables, control variables related to gender, generation, preferred retail channel and frequency of luxury purchases were also included.

Considering their absolute value, and thus eluding the direction (represented by the sign) and considering a 90% Confidence Interval (assuming an acceptable a statistical significance of values between 0 and 0.05), we were able to see the existence of a fairly

<sup>99</sup> Note: Statistical Significance clarification:

- p-value < 0.1 (\*)
- p-value < 0.05 (\*\*)
- p-value < 0.001 (\*\*\*)

high correlation between independent variable and dependent variable. Specifically, the correlation between the Implementation of Innovative Technologies and the Customer Engagement is about 0.487 with a statistical significance of a p-value  $< 0.001$ , meaning that there's a strong relationship between these two variables. These results suggests that the customer engagement can be significantly impacted by the implementation of innovative technologies.

High correlations between almost all the mediating variables (M1, M2, M3) and independent (X) and dependent variable (Y) have been found. In particular, regarding the correlation between the Customer Engagement (Y) and the mediating variables, the higher correlation occurred with Brand Attractiveness (0.533<sup>\*\*\*</sup>) with a statistical significance of a p-value  $< 0.01$ , followed by the correlation with Brand Perception (0.467<sup>\*\*\*</sup>), and Brand Experience (0.123<sup>\*</sup>). On the other hand, for what concerns the correlation between the Implementation of Innovative Technologies (X) and the mediating variables, the higher correlation occurred with Brand Perception (0.423<sup>\*\*\*</sup>), followed by Brand Attractiveness (0.440) with no statistical significance and lastly, even if it is pretty weak, a correlation between Implementation of Innovative Technologies and Brand Experience (0.065) with no statistical significance has been found. These results are extremely relevant for the purpose of this work and the explanation of the relationship between the key variables, meaning that mediating variables can shape the effect that the implementation of innovative technologies has on customer engagement.

The first phase of the study concerns the analysis of the concreteness of:

**Hypothesis 1 (H1):** *The implementation of innovative technologies within retails has a positive effect on customer engagement.*

In fact, this phase consisted in analyzing the causal relationship, and therefore the direct impact, between the independent variable (X = Implementation of innovative technologies) and the dependent variable (Y = Customer Engagement). In order to study this interaction, a simple linear regression was run. Looking at the results obtained in the ANOVA table (**Table 8**), we were able to confirm the existence of the model fit, that is, the adequacy of the model.

ANOVA Table

|                   | Sum of Squares | df  | Mean Square | F      | Sig.               |
|-------------------|----------------|-----|-------------|--------|--------------------|
| <b>Regression</b> | 59.856         | 1   | 59.856      | 66.681 | <.001 <sup>b</sup> |
| <b>Residual</b>   | 179.53         | 200 | 0.898       |        |                    |
| <b>Total</b>      | 239.386        | 201 |             |        |                    |

a Dependent Variable: Customer Engagement.

b Predictors: (Constant), Implementation of Innovative Technologies.

Table 8: ANOVA Table, simple linear regression between Implementation of Innovative Technologies and Customer Engagement.

Source: Personal elaboration.

Specifically, by the analysis of the p-value, under the column “*Significance*”, it was possible to reject the null hypothesis of linear regression (H0) according to which all coefficients are equal to 0. In fact, it was possible to accept alternative H1:

- H0: the regression model is not valid, because  $a = 0$ ,  $b = 0$ .
- H1: the regression is a valid model: either  $a$  or  $b \neq 0$ , or both.

From the ANOVA Table, we can notice that the p-value  $< 0.001$ , therefore the error in rejecting H0 is very low, so it can be rejected. This means that the regression model is valid.

Going on to check the quality of the model fit, we then went to observe the Adjusted R Square (Model Summary Table, **Table 9**), which is a coefficient of determination that allows us to establish, in percentage values, how much variance of Y (Customer Engagement) is explained by X (Implementation of Innovative Technologies). In this case, we can say that the variance of Customer Engagement is explained to 25% by the Implementation of Innovative Technologies. Moreover, looking at the R Square (0.947) we can state that the data are almost perfectly adapted to the model, and the regression model is really effective in explaining variances in Customer Engagement.

**Model Summary Table**

| <b>R</b>     | <b>R square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|--------------|-----------------|--------------------------|-----------------------------------|
| <b>0.246</b> | 0.947           | 0.250                    | 66.681                            |

a Dependent Variable: Customer Engagement.

b Predictors: (Constant), Implementation of Innovative technologies.

*Table 9: Model Summary Table.  
Source: Personal elaboration.*

By virtue of the analysis of the Table of Coefficients (**Table 10**), shown below, it was possible to demonstrate the significance of both the independent variable and the dependent variable, excluding the problem of multicollinearity since there is only one independent variable in the model under analysis (VIF = 1.00 when there are only two variables under analysis).

**Coefficients Table**

|                             | <b>Unstandardized Coefficients</b> |                   | <b>Standardized Coefficients</b> |          |             |
|-----------------------------|------------------------------------|-------------------|----------------------------------|----------|-------------|
|                             | <b>B</b>                           | <b>Std. Error</b> | <b>Beta</b>                      | <b>t</b> | <b>Sig.</b> |
| <b>(Constant)</b>           | 1.772                              | 0.213             |                                  | 8.312    | <.001       |
| <b>Implementation of IT</b> | 0.515                              | 0.063             | 0.5                              | 8.166    | <.001       |

a Dependent Variable: Customer Engagement.

*Table 10: Coefficients Table.  
Source: Personal elaboration.*

By analyzing the significance, it has been decided to adopt a significance level equal to  $\alpha = 0.05$ . Through the table is possible to see that:

- The dependent variable (Y = Customer Engagement) is considered as the linear intercept of the model (Constant). Looking at the significance, it has a p-value < 0.001 meaning that it is statistically significant. Moreover, the estimated coefficient of the intercept (“B” coefficient) is highly different from zero, with a value equal to 1.772, signifying that every unit change of the Implementation of Innovative Technologies, the dependent variable increases by 1.772 units.
- The independent variable (X = Implementation of Innovative Technologies) also has a p-value < 0.001, meaning that it is statistically relevant for the model and the effect of the it on the Y is significantly different from zero. Furthermore, it’s

Beta is equal to 0.515, meaning that every unit change of Y translates in an increase (or decrease) of the Customer Engagement of 0.515 units. As a matter of fact, through the comparison of this effect on the first one, this one seems to have a smaller impact on the Dependent Variable, as reflected by the lower magnitude of B coefficient.

Moreover, also by looking at the “t” value (which is the statistical t test for each coefficient of the regression model) the one of the dependent variable is higher compared to that one of the independent variable ( $8.312 > 8.166$ ) we can see that both values are higher than 2. This means that the Implementation of Innovative Technologies has a significant and positive impact on the Customer Engagement in the luxury industry, even if the t value of X is slightly smaller compared to the one of the Y.

In conclusion, both dependent and independent variables are significant for the model, with the first one having a stronger and more significant impact than the second one. On the other hand, implementing innovative technologies can be still considered relevant for companies since it has a positive effect on customer engagement.

This analysis allows us to state that the initial hypothesis **H1** has been confirmed and that the effect of the independent variable (X = Implementation of Innovative Technologies) on Customer Engagement (Y) is significant, confirming the existence of a strong, direct and positive relationship among them with a B value equal to 0.515 and a p-value  $<0.001$ , as initially hypothesized.

Then mediating variables (M1 = Brand Experience, M2 = Brand Attraction and M3 = Brand Perception) were included within the analysis in order to study if the effect of the Implementation of Innovative Technologies on Customer Engagement is being observed because of a third variable, the mediating variable. After testing the significance of the simple linear regression model between the dependent and independent variables, the second step is to study whether the independent variable (X) influences the mediating variable (M). To check this, a simple linear regression was run for each mediating variable, where the dependent variable corresponds to the mediating variable while keeping the Implementation of Innovative Technologies as independent.

The first linear regression run concerns the study of the effect of Implementation of Innovative Technologies (X) toward the Brand Experience (Y). Results confirmed the positive impact that the implementation of innovative technologies has on brand experience, validating a new hypothesis developed for this new linear regression:

**HP:** *The implementation of innovative technologies positively influences brand experience.*

Going into the details of the results generated by the regression, we can state that:

**ANOVA Table**

|                   | Sum of Squares | df  | Mean Square | F     | Sig.              |
|-------------------|----------------|-----|-------------|-------|-------------------|
| <b>Regression</b> | 2              | 1   | 2           | 2.950 | .087 <sup>b</sup> |
| <b>Residual</b>   | 146.864        | 200 | 0.734       |       |                   |
| <b>Total</b>      | 149.030        | 201 |             |       |                   |

a Dependent Variable: Brand Experience

b Predictors: (Constant), Implementation of Innovative Technologies

*Table 11: ANOVA Table, simple linear regression between Implementation of Innovative Technologies and Brand Experience.*

*Source: Personal elaboration.*

By analyzing the ANOVA Table (**Table 11**) and using a Confidence Interval of 90% (p-value acceptable <0.1), the significance is equal to 0.087, meaning that it is possible to reject the null hypothesis (H0) of this regression model, and confirming the model fit.

**Model Summary Table**

| R                       | R square | Adjusted R Square | Std. Error of the Estimate |
|-------------------------|----------|-------------------|----------------------------|
| <b>.121<sup>a</sup></b> | 0.015    | 0.010             | 0.8570                     |

a Dependent Variable: Brand Experience

b Predictors: (Constant), Implementation of Innovative Technologies.

*Table 12: Model Summary Table.*

*Source: Personal elaboration.*

By observing the R square (**Table 12**), which value is 0.015, the validity of the model is verified, meaning that 1.5% of Brand Experience variance is explained by the Implementation of Innovative Technologies.

**Coefficients Table**

|                             | Unstandardized Coefficients |            | Standardized Coefficients |        |       |
|-----------------------------|-----------------------------|------------|---------------------------|--------|-------|
|                             | B                           | Std. Error | Beta                      | t      | Sig.  |
| <b>(Constant)</b>           | 3.755                       | 0.193      |                           | 19.473 | <.001 |
| <b>Implementation of IT</b> | 0.098                       | 0.057      | 0.121                     | 1.717  | .087  |

a Dependent Variable: Brand Experience.

*Table 13: Coefficients Table.  
Source: Personal Elaboration.*

The Coefficients Table (**Table 13**) permits us to state that there is a positive and significant (p-value < 0.001) effect of Implementation of Innovative Technologies over Brand Experience, with a value of 0.098 (B). This means that, beside the magnitude of the impact, the positive sign of the B coefficient implies that the implementation of innovative technologies has *positive* implications over brand experience.

The second linear regression done concerns the analysis of the effect of Implementation of Innovative Technologies (X) toward the Brand Attraction (Y). The findings validated the positive impact that the implementation of innovative technologies has on brand attraction, validating a new hypothesis developed for this new linear regression analysis:

**HP:** *The implementation of innovative technologies positively influences the brand attraction.*

By analyzing the results of the regression model in detail we can note that:

**ANOVA Table**

|                   | Sum of Squares | df | Mean Square | F      | Sig.               |
|-------------------|----------------|----|-------------|--------|--------------------|
| <b>Regression</b> | 37.877         | 1  | 37.877      | 46.554 | <.001 <sup>b</sup> |



|                 |         |     |       |
|-----------------|---------|-----|-------|
| <b>Residual</b> | 162.722 | 200 | 0.814 |
| <b>Total</b>    | 200.599 | 201 |       |

a Dependent Variable: Brand Attraction.

b Predictors: (Constant), Implementation of Innovative Technologies

Table 14: ANOVA Table, simple linear regression between Implementation of Innovative Technologies and Brand Attraction.

Source: Personal elaboration.

The ANOVA table (**Table 14**) shows that the linear regression model between Implementation of Innovative technologies and Brand Attraction is statistically significant ( $p\text{-value} < 0.001$ ), meaning that implementing innovative technologies within the retail stores positively influences the attractiveness of a luxury brand. This inference is also supported by a high “F” value of 46.554, which confirms the fit of the model.

**Model Summary Table**

| <b>R</b>          | <b>R square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|-------------------|-----------------|--------------------------|-----------------------------------|
| .435 <sup>a</sup> | 0.189           | 0.185                    | 0.902                             |

a Dependent Variable: Brand Attraction.

b Predictors: (Constant), Implementation of Innovative Technologies.

Table 15: Model Summary Table.

Source: Personal elaboration.

The Model Summary Table (**Table 15**) shows that almost the 18.9% (R square = 0.189) of Brand Attraction’s variance, is explained by the Implementation of Innovative Technologies. This suggests that the model has a moderate ability of explaining the variance of Brand Attraction, our dependent variable for this regression model.

**Coefficients Table**

|                             | <b>Unstandardized Coefficients</b> |                   | <b>Standardized Coefficients</b> |          |             |
|-----------------------------|------------------------------------|-------------------|----------------------------------|----------|-------------|
|                             | <b>B</b>                           | <b>Std. Error</b> | <b>Beta</b>                      | <b>t</b> | <b>Sig.</b> |
| <b>(Constant)</b>           | 2.140                              | 0.203             |                                  | 10.544   | <.001       |
| <b>Implementation of IT</b> | 0.410                              | 0.06              | 0.435                            | 6.823    | <.001       |

a Dependent Variable: Brand Attraction.

Table 16: Coefficients Table.

Source: Personal elaboration.

The Coefficients Table (**Table 16**) permits us to state that there is a positive and significant ( $p$ -value  $< 0.001$ ) effect of Implementation of Innovative Technologies over Brand Attraction with a value of 0.410 (B Coefficient). This means that, beside the magnitude of the impact, the positive sign of B implies that the implementation of innovative technologies *positively* influences brand attraction.

Finally, last simple linear regression was done in order to study the effect of Implementation of Innovative Technologies (X) over the Brand Perception (Y). The results confirmed the presence of a positive and direct impact that the implementation of innovative technologies has toward brand perception, confirming a new hypothesis developed for this new linear regression analysis:

**HP:** *The implementation of Innovative Technologies positively influences the Brand Perception.*

Through a detailed analysis of the result of this linear regression, we can note that:

**ANOVA Table**

|                   | Sum of Squares | df  | Mean Square | F      | Sig.               |
|-------------------|----------------|-----|-------------|--------|--------------------|
| <b>Regression</b> | 34.542         | 1   | 34.542      | 36.024 | <.001 <sup>b</sup> |
| <b>Residual</b>   | 155.336        | 162 | 0.959       |        |                    |
| <b>Total</b>      | 189.878        | 163 |             |        |                    |

a Dependent Variable: Brand Perception.

b Predictors: (Constant), Implementation of Innovative Technologies.

*Table 17: ANOVA Table, simple linear regression between Implementation of Innovative Technologies and Brand Perception.*

*Source: Personal elaboration.*

The ANOVA table (**Table 17**) highlighted that the linear regression analysis between Implementation of Innovative Technologies and Brand Perception is statistically significant ( $p$ -value  $< 0.001$ ), signifying that implementing innovative technologies within retail stores positively influences the consumer's perception over that brand. This conclusion is also supported by a high F value of 38.024, which confirms the goodness

of fit of the model. That is to say, the ANOVA's results demonstrate that the Implementation of Innovative Technologies has a positive and statistically significant relationship with the Brand's Perception.

**Model Summary Table**

| R                 | R square | Adjusted R Square | Std. Error of the Estimate |
|-------------------|----------|-------------------|----------------------------|
| .427 <sup>a</sup> | 0.182    | 0.177             | 0.9792                     |

a Dependent Variable: Brand Perception.

b Predictors: (Constant), Implementation of Innovative Technologies.

*Table 18: Model Summary Table.  
Source: Personal elaboration.*

The Model Summary Table (**Table 18**) shows that almost the 18.2% (R square = 0.182) of Brand Perception's variance is attributable to the Implementation of Innovative Technologies. This suggests that the model has a moderate ability of explaining the variance the consumer's perception based on the Implementation of Innovative Technologies.

**Coefficients Table**

|                             | Unstandardized Coefficients |            | Standardized Coefficients |       |       |
|-----------------------------|-----------------------------|------------|---------------------------|-------|-------|
|                             | B                           | Std. Error | Beta                      | t     | Sig.  |
| <b>(Constant)</b>           | 1.429                       | 0.247      |                           | 5.777 | <.001 |
| <b>Implementation of IT</b> | 0.435                       | 0.073      | 0.427                     | 6.002 | <.001 |

a Dependent Variable: Brand Perception.

*Figure 3: Coefficients Table.  
Source: Personal elaboration.*

The Coefficients Table (**Table 19**) permits us to state that there is a positive and significant (p-value < 0.001) effect of the Implementation of Innovative technologies over Brand Perception with a value of 0.435 (B). This means that, beside the magnitude of the impact, the positive sign of the B coefficient implies that the implementation of innovative technologies *positively* influences the perception of consumers toward that brand.

After having analyzed the regression model of each mediator variable on the Implementation of Innovative Technologies, the last phase of the analysis was about conducting a multiple mediating analysis concerning the regression of the dependent variable on the independent variable and on mediating variables simultaneously (regression model of Y on X and M1, M2, M3), to study the validity of H2a, H2b and H2c. Running a multiple mediating analysis is really useful since there exists high significant correlations among mediators and Customer Engagement and also high correlations across some mediating variables. Moreover, a multiple mediating analysis simultaneously evaluates the effect of the totality of the mediators and also provides a more accurate estimate of all the mediated effects, thus turning out to be more accurate.

Looking at ANOVA Table (**Table 20**) we can see the p-value is lower than  $<0.001$ . This means that the multiple mediating model is valid and almost one of the Predictors (b) explains the significant changes in the engagement of customers. Moreover, also by looking at the high value of F (29.303) we can assume that the model is significant.

**ANOVA Table**

|                   | Sum of Squares | df  | Mean Square | F      | Sig.               |
|-------------------|----------------|-----|-------------|--------|--------------------|
| <b>Regression</b> | 88.957         | 4   | 22.239      | 29.303 | <.001 <sup>b</sup> |
| <b>Residual</b>   | 120.671        | 159 | 0.759       |        |                    |
| <b>Total</b>      | 209.628        | 163 |             |        |                    |

a Dependent Variable: Customer Engagement.

b Predictors: (Constant), Implementation of Innovative Technologies, Brand Experience, Brand Attraction and Brand Perception.

*Table 20: ANOVA Table, Multiple Mediating Regression Analysis between Customer Engagement and Implementation of Innovative Technologies, Brand Experience, Brand Attraction and Brand Perception. Source: Personal elaboration.*

The Model Summary Table (**Table 21**), shown below, demonstrates that there is a high correlation ( $R = 0.651$ ) among the dependent variable ( $Y =$  Customer Engagement) and the combined predictors ( $b = X, M1, M2$  and  $M3$ ) of the model. This signifies that the model is relatively good in explaining the dependent variable based on the predictors (b). Looking at the R square, we can assume that 42.4% of the Customer Engagement's variance is explained by the Implementation of Innovative Technologies, Brand

Experience, Brand Attraction and Brand Perception, respectively Y, M1, M2 and M3. This value is pretty high, meaning that the model has a good explanatory power. The Adjusted R Square takes into consideration the model's predictors. In this case, its value is very similar to the R Square, confirming the fit of the model and justifies the addition of the other variables different than the dependent variable. Finally, by looking at the Standard Error of the Estimate (0.871) we can have an estimated mean of difference between estimated and predicted values. The lower it is, the better is the model. In this case, its value is really low, meaning that the model predicts the Customer Engagement with a really high precision.

**Model Summary Table**

| <b>R</b>                | <b>R square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|-------------------------|-----------------|--------------------------|-----------------------------------|
| <b>.651<sup>a</sup></b> | 0.424           | 0.41                     | 0.871                             |

a Dependent Variable: Customer Engagement

b Predictors: (Constant), Implementation of Innovative Technologies, Brand Experience, Brand Attraction, Brand Perception.

*Table 21: Model Summary Table.  
Source: Personal elaboration.*

With the analysis of the Coefficient Table (**Table 22**), the significance of the mediator variables and the dependent and independent variables could be demonstrated, going to exclude the multicollinearity problem among them (i.e., the high correlation between the mediator and independent variables).

**Coefficients Table**

|                             | <b>Unstandardized Coefficients</b> |                   | <b>Standardized Coefficients</b> |          |             | <b>Collinearity Statistics</b> |            |
|-----------------------------|------------------------------------|-------------------|----------------------------------|----------|-------------|--------------------------------|------------|
|                             | <b>B</b>                           | <b>Std. Error</b> | <b>Beta</b>                      | <b>t</b> | <b>Sig.</b> | <b>Tolerance</b>               | <b>VIF</b> |
| <b>(Constant)</b>           | 0.247                              | 0.434             |                                  | 0.569    | 0.570       |                                |            |
| <b>Implementation of IT</b> | 0.246                              | 0.074             | 0.230                            | 3.309    | 0.001       | 0.752                          | 1.329      |
| <b>Brand Experience</b>     | 0.084                              | 0.088             | 0.058                            | 0.957    | 0.340       | 0.975                          | 1.026      |
| <b>Brand Attraction</b>     | 0.435                              | 0.090             | 0.375                            | 4.835    | <.001       | 0.602                          | 1.660      |
| <b>Brand Perception</b>     | 0.181                              | 0.081             | 0.172                            | 2.244    | 0.026       | 0.616                          | 1.625      |

a Dependent Variable: Customer Engagement.

*Table 22: Coefficients Table.  
Source: Personal elaboration.*

As a matter of fact, through the VIF, which stands for “*Variance Inflation Factor*”, it was possible to verify the nonexistence of the multicollinearity problem, the event that occurs when two or more variables (in this case X and M1, M2 and M3) are highly correlated between each other. In order to avoid the multicollinearity problem, the VIF values of the variables must be < of 10. As can be seen in the Correlation Table, no VIF values of our variables were found to be > of 10, a result that precisely leads to the exclusion of the multicollinearity problem and demonstrates a non-excessive correlation among variables under exam.

Going on to interpret in detail all the variables within this multiple mediating regression model:

- Implementation of Innovative Technologies (X) has a positive and significant impact on Customer Engagement (B = 0.246 and p-value = 0.001). This effect remains significant even after controlling through mediating variables, meaning that there is a really high direct and positive impact of X on Y.
- The effect of Brand Experience (M1) over Customer Engagement (X) in this model is not anymore significant since its p-value > 0.1 (0.340). On the other hand, in the simple regression model between Implementation of Innovative Technologies and Brand Experience the p-value was < 0.1 which is significant considering a C.I. of 90%. This means that taken them alone, the Implementation of Innovative Technologies has a positive impact on the Brand Experience, but it does not mediate the effect that that implementation has on Customer Engagement.
- The effect of Brand Attraction (M2) over the dependent variable is significant (p-value <0.001) and positive, with e B value of 0.435. In this case, we are dealing with a partial mediation effect of the direct relationship among the Implementation of Innovative Technologies and Customer Engagement since the significance of the model has not changed.
- The Brand Perception (M3) has a positive (B = 0.181) and significant effect (p-value = 0.026) on Customer Engagement. Moreover, the value of the significance demonstrates, even in this case, that the Brand Perception partially mediates this direct relationship.

Therefore, we can state that both Brand Attraction (M2) and Brand Perception (M3) are partial mediators, since their effects on the Implementation of Innovative Technologies are positive and significant, and their direct effect on the multiple moderating model remain significant. This means that part of the effect of Y on X is mediated by these two variables, leaving another part which constitutes the direct effect of the Implementation of Innovative Technologies on Customer Engagement. On the other hand, Brand Experience (M1) cannot be considered as a mediator of the direct relationship between the Implementation of Innovative Technologies and Customer Engagement since it is not anymore significant in the multiple model. This implies that this factor do not significantly mediates the effect of X on Y. Overall, these results implies that the Implementation of Innovative Technologies has a direct and positive effect on Customer Engagement, but its efficacy is higher and better focusing on Brand Perception and Brand Attractiveness. Moreover, this allows us to state that not all three H2 hypotheses (H2a, H2b, and H2c) can be confirmed. Specifically, the only hypotheses confirmed by the model are H2b and H2c as they were found to be significant, confirming a strong relationship as previously hypothesized. The structural model (Figure 30), compared to the first one proposed in one of the above paragraphs, reports the Beta coefficients and the relative significances of each model analysis run for the purpose of the study. Particularly, Brand Experience (M1) has demonstrated to be not significant as a mediating variable, compared to Brand Attraction (M2) and Brand Perception (M3).

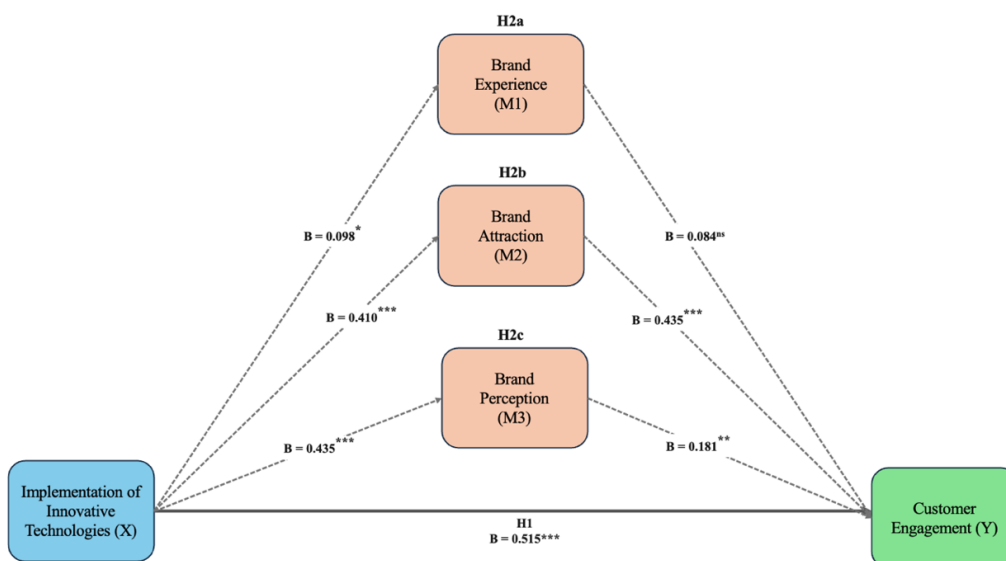


Figure 4: Updated version of the Research Framework, comprehensive of Beta coefficients and significance of the regression analyses.

Source: Personal elaboration.

## 4.2 DISCUSSION

This research aimed to analyze the effect that the implementation of innovative technologies within the retail channels of luxury brands has on customer engagement. In particular, it examined the role of Virtual Reality (VR), Artificial Intelligence (AI) and Augmented Reality (AR) in luxury retail stores in enhancing the customer engagement. Moreover, this analysis explored the mediating role of brand experience, brand perception and brand attractiveness in this relationship. The results, presented in the previous section, provide strong support for the hypotheses developed in the way that innovative technologies have a significant impact on customer engagement through the mediating effect of brand attraction and perception.

### 4.2.1 Summary of findings

This section provides the key findings of the present study. **Table 23** provides a brief summary of the hypothesis testing, comprehensive of the relationships within each HP, its B coefficient, significance, and t value.

#### Results of hypotheses testing

| Hypothesis | Relationship(s)                    | B coefficient | Significance | t     |
|------------|------------------------------------|---------------|--------------|-------|
| H1         | Implementation of IT → C.E.        | 0.515         | <0.001       | 8.166 |
| H2a        | Implementation of IT → B.E. → C.E. | 0.084         | 0.340        | 0.957 |
| H2b        | Implementation of IT → B.A. → C.E. | 0.435         | <0.001       | 4.835 |
| H2c        | Implementation of IT → B.P. → C.E. | 0.181         | 0.026        | 2.244 |

*Table 23: Summary of Results of Hypothesis Testing.  
Source: Personal elaboration.*

In particular, we found out that implementing innovative technologies within retail stores has a direct and positive impact on the customer engagement. This suggest that, in order to increase the engagement of both potential and actual clients, brands should build a strong strategy based on offering immersive and tailored experience through the use of innovative technologies.

Analyzing the role of Brand Experience (H2a) – which was initially hypothesized as a key mediator – was found to have a positive relationship with the implementation of



innovative technologies. However, after having run a multiple mediating analysis, this variable did not remain a significant mediator factor. This means that while immersive and tailored experiences made possible by innovative technology are really important, when we consider brand experience within this relationship, they do not entirely drive the total impact on consumer engagement.

For what concerns Brand Attractiveness (H2b), it has emerged as a key partial mediator within the direct relationship between the implementation of innovative technologies and customer engagement. The analysis showed that introducing technologies within luxury brand's strategy positively influences how attractive a brand appears to consumers. This growth in brand attractiveness really enhances luxury's customer engagement.

Furthermore, Brand Perception (H2c) also has emerged a key partial mediator of the direct relationship between implementation of innovative technologies and customer engagement. According to the results, using innovative technologies enhances consumers' perceptions of a company by making it appear more trustworthy and reliable. Higher customer engagement results from this enhanced perception, suggesting that technologies that boost brand image and perceived reliability are essential for retaining customers' attention and loyalty.

As a whole, both regression and mediating models run were statistically significant, validating the proposed hypotheses. The direct effect of innovative technologies on customer engagement had a high beta coefficient (0.515), and the model demonstrated good explanatory power with an R square value of 0.947 for the direct relationship. The mediating models showed that 42.4% of the variance in customer engagement could be explained by the combined effect of innovative technologies, brand attractiveness, and brand perception.

Looking at demographic's data about respondents, the analysis revealed a high representation of Gen Z (67.55%) and Millennials (16.39%) suggesting that younger customers can be more engaged with luxury brands that employ innovative technologies within their retail stores. This highlight the importance of creating a strategy based on targeting young tech-savvy consumers who are more likely to engage and appreciate technological advancements in luxury retail. Moreover, the majority of respondents (56.44%) preferred physical monobrand stores as preferable typology of store for

purchasing a luxury item, and yet 52.8% had previously used innovative technologies during their shopping journey with a luxury brand. This highlights the importance of maintain high quality in-store experiences and a growing acceptance and expectation of digital enhancements in physical retail stores. Additionally, quality and craftsmanship were the most important drivers for luxury purchases, (36.13%) followed by the satisfaction of owning luxury items, indicating that while technology is important, the intrinsic value of luxury goods remains a key factor. These purchasing drivers can be highlighted by the use of innovative technologies within the retail stores. As an example, implementing AR-based interactive displays can facilitate product exploration and provide personalized recommendations, increasing customer engagement and satisfaction.

Considering that 84.65% of participants undertake online product research prior to making a purchase, firms need to incorporate both virtual and in-person buying experiences. Creating an omnichannel approach that guarantees an easy transition between online and offline touchpoints can help achieve this. Customers will be able to engage with the business across a variety of channels with this strategy, thereby improving their entire purchasing experience.

It is clear that the use of these technologies is becoming ever more important given that 52.48% of respondents have already used innovative technologies while purchasing luxury goods and 24.26% feel that these technologies impact their perception of the brand. To stay ahead of the competition and satisfy the changing demands of tech-savvy consumers, especially younger generations like Gen Z and Millennials, luxury firms need constantly develop and incorporate new technology.

In conclusion, this research confirms the initial hypothesis that innovative technologies play a crucial role in enhancing the customer engagement. The beneficial influence of these technologies is greatly amplified by the creation of a positive brand attractiveness and perception of a brand, even when brand experience alone might not be a substantial mediator. For luxury firms hoping to improve their engagement strategy with technology, these findings offer insightful information.

#### 4.2.2 Managerial implications

The findings from this study suggest that luxury brands should focus on investing in innovative technologies such as Artificial Intelligence, Virtual Reality, and Augmented Reality to enhance the customer engagement. As a matter of fact, these technologies are increasingly modifying the retail landscape (Pantano et al., 2017)<sup>100</sup> in terms of providing new entertainment experiences, in building a relationship with the consumer and revolutionizing the store landscape and layout. As a result, consumers can benefit from these technologies through creating a sense of community and loyalty, where they can interact with the brand and provide feedback through interactive platforms.

As said before, results of this analysis highlights the importance of implementing innovative technologies within retail stores in order to enhance the engagement of consumers in the luxury industry. As never as before, luxury brands need to consider the adoption of these technologies within their internal operations and customer interaction in order to improve the entire shopping experience and foster greater brand loyalty. This implies that even small increases in the implementation of innovative technologies could lead to improvements in customer engagement, and thus, companies could benefit from phased implementation strategies of these technologies.

The luxury industry is currently facing a new challenge in creating new brand experiences for their clientele, aimed at communicating a products' value that reflects the premium prices of these products. In fact, the luxury industry's consumption behaviors focus primarily on personalized experiences to each client's preferences in order to increase satisfaction among consumers, brand loyalty, and repeat purchases. To blur the lines between online and physical purchasing experiences, luxury brand managers ought to aim to create seamless shopping experiences across every touchpoint. Customers can interact with a brand more easily and across a variety of channels when there is a coherent omnichannel strategy in place. Innovative technologies can also foster personalized support and recommendations, through an efficient customer service. This means that a superior customer service improves the brand experience by addressing customer needs efficiently and effectively, leading to higher satisfaction and loyalty.

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<sup>100</sup> Pantano, E., & Verteramo, S. (2015, July). Placeless store or ubiquitous stores?: New technological frontiers in retailing. In *2015 12th International Joint Conference on e-Business and Telecommunications (ICETE)* (Vol. 2, pp. 173-178). IEEE.

Furthermore, luxury managers should collect client data and insights about preferences and behaviors using AI devices and machine learning. The use of data-driven insights empowers companies to consistently improve and customize the brand experience, ensuring its continued relevance and attractiveness to the target market.

Given the importance of the partial mediating roles of brand perception and brand attractiveness, luxury managers should focus on strategies that highlight these two aspects to improve customer engagement. Regarding brand perception, luxury companies can create immersive VR environments that allow consumers to connect with the brand wherever they are. This opportunity provides memorable experiences, enhancing the perception of the brand as exclusive and innovative. In addition, brands can use technological innovations to improve trust toward the brand through communication based on transparency. To achieve this, managers should focus on product traceability (e.g., through blockchain technology) and implement artificial assistance tools to provide accurate information to consumers. In the long run, this leads consumers to be more loyal to the brand. Luxury brands can communicate their ongoing commitment to quality and craftsmanship by utilizing innovative technology as Augmented Reality. Furthermore, these technologies have the potential to improve brand narratives and storytelling, which may have a beneficial impact on brand perception and increase customer satisfaction and engagement. Lastly, managers must develop marketing strategies that emphasize the company's technology leadership. This will help customers see the brand as forward-thinking and creative, which will increase consumer involvement and engagement in the long run.

Regarding brand attractiveness, the first action managers should implement is about creating unique and memorable experiences that lead to a strong emotional connection. Through VR, brands can create unique immersive experiences that communicate the brand story, increasing brand attractiveness and getting consumers to engage deeply and repeatedly. In addition, managers should focus on implementing AR-based interactive displays in retail stores to facilitate product exploration and personalized recommendations, increasing attractiveness and, consequently, customer engagement.

In conclusion, technological innovation is critical, but it must be part of a broader strategy that includes improving brand perception and appeal. Managers should put into practice a variety of strategies that focus on enhancing customer engagement through the

technological and emotional dimensions of consumers' experiences with the brand. Luxury companies can, in fact, greatly enhance the shopping experience for customers, set themselves apart from competitors, and ultimately boost consumer loyalty and engagement by implementing innovative technologies. These management implications offer helpful information that helps companies optimize the effects of their technology investments on customer satisfaction and brand loyalty.

#### *4.2.3 Limitations and Future research directions*

This study applied a cross-sectional design to test the validity of the proposed research framework model. The research findings are based on data acquired in a short period of time from a relatively small sample of luxury consumers, thus it can't be generalizable to sectors other than the luxury one to compare results. Therefore, future research could examine the impact of innovative technologies on consumer engagement in sectors different from the luxury industry and study how these technologies' impact evolves over time.

The presented study generalized multiple technological innovations under the same name, not distinguishing between the different categories of innovations present today, such as Virtual Reality, Augmented Reality, and Artificial Intelligence. Future research can also investigate the effects of various types of innovative technologies to determine which specific technologies have the most significant impact on customer engagement.

This study does not distinguish the different countries of origin of consumers, only considering Italian consumers. Therefore, future research should adopt a longitudinal approach for data collection, including luxury consumers from various parts of the world to compare and investigate differences in shopping experiences and reactions toward technological innovation.

This analysis focuses solely on three mediators, with only two being found to be significant. Future studies could explore the impact of brand experience and additional mediators as customer satisfaction, brand trust, and loyalty that were not included in this analysis, to gain a better understanding of the factors influencing customer engagement.

Moreover, this study principally relies on self-reported data, which may be influenced by biases like social desirability and recall bias. In the future, researchers can combine self-reported data with behavioral data, such as actual purchase behavior, to enhance the validity of their findings. By using experimental designs and observational methods, research can provide deeper insights into consumer behavior and engagement.

Finally, although the study focused on the luxury industry, potential research could investigate how various market segments within this industry (such as mass market and premium market) react to innovative technologies. This would lead to a broader understanding of how the findings can be applied and assist businesses in customizing their technology strategies for different consumer segments.

These constraints and areas for future research can contribute to a better understanding of how innovative technologies affect customer engagement and offer valuable insights to luxury brands on the successful implementation of such technologies.

## CONCLUSIONS

Luxury brands have always resisted technology, fearing it may dilute the exclusivity and personalized service associated with luxury brands. Nonetheless, innovative technologies are actually significantly transforming the retail business landscape and the shopping experience, even if luxury retail sector has never thought of technology as a priority. Indeed, this industry has always been anchored to traditional values that the concept of luxury embed - as *savoir faire*, craftsmanship, heritage, timelessness, exclusivity and human capital. Indeed, even if luxury brands have shifted to technological advancements late enough compared to other retail industries, recent years have seen a rush to implement innovative technologies in this conventionally conservative sector. As a matter of fact, virtualization of luxury is among the major trends present in the luxury industry today.

Nowadays, there's a widespread realization about luxury brands that should embrace innovative technologies to outpace competitors and provide tailored brand experiences. Among the possible benefits of integrating innovative technologies within their luxury retail operations the most significant ones include, above all, the possibility of additional revenue streams, improving customer services, providing extraordinary shopping experiences, and as a result, increasing customer engagement. The need for brands to engage consumers through various channels and methods is expanding as consumer-brand interactions become more direct and digitally focused. Indeed, never as before, consumers require to live new types of experiences that go beyond the mere act of purchasing a product in store or online.

This dissertation also suggest that these technologies are crucial for luxury brands to stay competitive and engage with younger generations. Moreover, they not only enhance customer experiences and increase sales but also lead to greater brand loyalty and satisfaction. Luxury brands must prioritize the implementation of these innovations to secure a long-lasting competitive advantage. Furthermore, digitalization is seen as a key trend that allows brands to activate and reinvent themselves, reaching a wider consumer base. By embracing new technologies, brands can create immersive and personalized shopping experiences that cater to the preferences of tech-savvy consumers.

Ultimately, these advancements offer opportunities for growth, innovation, and differentiation in the market.

In order to come up with an answer to the research question (*How do innovative technologies used in retail channels influence consumer engagement in the luxury industry?*), a quantitative analysis using data from an online survey administered to luxury consumers has been conducted. The questionnaire sampled 238 individuals from various gender, income range and generations. The data analysis revealed that the majority of consumers purchase luxury products occasionally (38.64%) mainly for the superior quality and craftsmanship of them, having a strong preference for monobrand physical and digital stores (56.44% and 18% respectively). Moreover, almost all of the consumers research products online before purchasing, and 52.48% had previously used innovative technologies during their shopping experience. Additionally, 45% of respondents consider receiving a personalized shopping experience to be very important, an aspect that can be significantly enhanced through the implementation of technologies as VR, AR, and AI. The survey results also highlighted that younger generations, particularly Millennials and Generation Z, show a higher inclination towards the adoption these technologies, valuing the enhanced engagement and tailored experiences they offer. This trend suggests that integrating innovative technologies is crucial for luxury brands to remain competitive and relevant, as these younger consumers are likely to be the primary market in the future. The analysis also underscored the roles of brand perception and brand attraction as mediators in the relationship between the implementation of innovative technologies and customer engagement. These mediators highlight that the positive impact of these technologies on customer engagement is partly through enhancing the brand's perception and its attractiveness to consumers. These technologies are various, with a variety of uses and functions that all go toward making the consumer journey more interesting and engaging.

To conclude, this dissertation indicates that implementing innovative technologies can increase the long-term competitive advantage of a luxury brand, which can benefit both consumers and the brand itself. This means that, it can be indeed concluded that innovative technologies significantly increase customer engagement in the luxury industry. While luxury brands are still in the early stages of adopting these technologies compared to other industries, it looks like the coming years will be crucial for brands to



maintain a competitive advantage and a high consumer retention rate. Although traditional retail channels will still exist, they will be improved via the implementation of innovative technologies to provide consumers with one-of-a-kind, customized, and immersive experiences. Indeed, the focus is to create an exceptional journey for each consumer, encompassing experiences that go beyond every touchpoint. Brands that implement these technologies can improve the customer experience and ensure long-term competitiveness in the market.

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## APPENDIX

**Survey's title: CUSTOMER ENGAGEMENT IN THE LUXURY SECTOR: THE IMPACT OF INNOVATIVE TECHNOLOGIES ON THE CUSTOMER EXPERIENCE.**

**Research question:**

RQ: *“How do innovative technologies used in retail channels influence consumer engagement in the luxury industry?”*

**Aim of the survey:**

The following questionnaire aims to examine whether and how the integration of innovative technologies into luxury brands' sales channels, both online and physical, affects consumers' engagement with the brand.

Your contribution will be crucial to ensure adequate availability of information to be explored in the empirical analysis phase.

To ensure complete respect of the privacy of the participants in the research, questionnaire responses will be maintained completely anonymously.

Thank you for your time and attention in filling in.

Estimated time for compilation: 5 minutes.

**Duty of confidentiality:**

The information collected by means of this questionnaire is subject to an obligation of confidentiality.

The results of the research may only be published in aggregate form, and any explicit reference to the names of individual companies surveyed may be made only if explicitly authorized by the company itself in accordance with Legislative Decree 19/03.

Under no circumstances (EVER) will the results related to the individual respondents who filled out the questionnaire be disclosed.

### **Definition of “Innovative Technologies”**

To ensure an easy understanding of the survey questions, a brief introduction about innovative technologies is presented below.

In today’s retail environment, luxury brands are increasingly incorporating innovative technologies aiming at elevating their customer’ shopping experience and to differentiate themselves from their competitors. Artificial Intelligence (AI), Augmented Reality (AR) and Virtual Reality (VR) are some examples of innovative and emerging technologies. These technologies allow consumers to virtually try products before purchase and offer targeted and personalized recommendations. Through them, luxury stores can improve the engagement of their customers and offer them unique and engaging shopping experiences.

### **SECTION 1: General questions about respondents’ demographics.**

#### **Q1: Gender**

- Male
- Female
- Prefer not to say

#### **Q2: To what generation do you belong?**

- Baby Boomers (1946-1964)
- Generation X (1965 – 1980)
- Millennials (1981 – 1995)
- Generation Z (1996 – 2015)

**Q3:** To what annual income bracket do you belong?

- Up to €15,000
- From €15,001 to €28,000
- From €28,001 to €50,000
- More than €50,000
- I do not earn yet

**SECTION 2: General questions about respondents' purchasing behavior.**

**Q4:** How often do you buy luxury products?

- Never
- Rarely
- Occasionally
- Often
- Very often

→ **Logic Jump:** *If a consumer responds "Never", the survey will end immediately.*

**Q5:** Before buying a luxury product, do you do any research online?

- Yes
- No

**Q6:** Where do you prefer to purchase luxury products?

- Official brand's website
- Physical monobrand retail stores
- Online multibrand stores
- Physical multibrand retail stores

**Q7:** What motivates you the most to purchase a luxury good? *More than one possible answer.*

- The superior quality and distinctive craftsmanship of the product
- The need to feel part of a luxury consumer niche
- The satisfaction of owning an exclusive luxury item



- The brand’s ability to keep up with trends
- The unique shopping experience offered by the brand
- The brand’s reputation in the luxury industry
- The brand’s implementation of innovative technologies

**Q8:** When comparing an in-store purchase with one made online, where do you perceive the value and quality of the brand most?

- Online
- In store
- I do not make a distinction; the perceived quality is the same in both cases.

**Q9:** On a scale from 1 to 5 (where 1 = “Not important at all” and 5 = “Extremely important”), how much do you think it is important to receive a personalized experience when purchasing a luxury product?

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**SECTION 3: Specific questions about Innovative Technologies**

**Q10:** Have you ever used/would you like to use innovative technologies (e.g., AI, VR, AR...) during the shopping experience of a luxury product?

- Yes
- No

On a scale from 1 to 5, where 1 indicates “Completely disagree” and 5 indicates “Completely agree”, answer the following statements:

**Q11:** I believe that the use of innovative technologies during my purchase experience of a luxury good can enhance/enhance my emotional involvement with the luxury brand.

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q12:** I feel/would feel more attracted to a luxury brand that offers an innovative and interactive shopping experience, compared to those that don't offer one.

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q13:** I feel/would feel more inclined to buy luxury goods online if I had the opportunity to virtually try on items through innovative technologies (e.g., Virtual Try-Ons).

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q14:** I prefer/would prefer to interact with a virtual assistant (i.e.: Chatbot) rather than a human representative during my purchasing process.

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q15:** I would like luxury brands to adopt innovative technologies within their physical stores.

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q16:** I think that the use of innovative technologies during the shopping experience of a luxury item positively influences my overall buying experience.

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

**Q17:** If you had the opportunity to attend an exclusive event (as a fashion show) of your favorite luxury brand via Virtual Reality, do you think it would increase your engagement with the brand?

- Yes, I would feel more involved
- My level of involvement remains unchanged
- No, I wouldn't feel more involved

**Q18:** On a scale from 1 to 5 (where 1 = “Not influential at all” and 5 = “Extremely positive impact”, how much do you think the use of innovative technologies such as Artificial Intelligence, Virtual Reality or Augmented Reality affects your overall brand perception when purchasing luxury products?

|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|

Thank you for answering this survey.

Your response has been recorded.