

Understanding Retail Channel Distribution in the Luxury Category

Ava Jieshan Huang

Supervisors:

Dr Virginia Beal

Professor Jenni Romaniuk

Professor Magda Nenycz-Thiel

Submission for Award of
Doctor of Philosophy

February 2021

Table of contents

Abstract	vii
Declaration	viii
Acknowledgments	ix
Chapter 1 – Introduction.....	10
1.1 Research Background.....	10
1.2 Research Aims.....	12
1.3 Research Gaps	14
1.4 Research Questions	17
1.5 Research Methods and Data Description	21
1.6 Key Findings and Contributions.....	23
1.7 Structure of the Thesis.....	26
Chapter 2 – Luxury.....	28
2.1 Definition and Characteristics of Luxury Brands.....	29
2.2 The Democratisation of Luxury	31
2.3 The Luxury Industry.....	33
2.4 Summary	37
Chapter 3 – Retail Distribution in the Luxury Category	38
3.1 Physical Availability and Distribution	39
3.1.1 Dimensions of Physical Availability	39
3.1.2 Distribution Structure	40
3.2 Retail Distribution Classification	42
3.2.1 Retail Channel at Aggregate Level	42
3.2.2 Retail Channel at Individual Level – Retail Store Format	43
3.3 Evolution of Luxury Retail Distribution	45
3.3.1 Physical Channels.....	46
3.3.2 Online Channels	49
3.3.3 Other Store Formats	53
3.4 Summary	54
Chapter 4 – Luxury Marketing and Retailing	55
4.1 Luxury Marketing Paradox	56
4.1.1 The ‘Anti-laws’ of Marketing	56
4.1.2 The Rarity Principle	57
4.2 Challenges for Luxury Retail Distribution Management	59
4.3 Research Gaps	62
4.4 Summary	68

Chapter 5 – Research Method and Data Description	69
5.1 Overview of the Method.....	70
5.2 Research Philosophy	71
5.2.1 Applying Formal Prior Knowledge	71
5.2.2 Data Reduction	71
5.3 Scope of the Research	73
5.3.1 Channel Level Versus Store Level.....	73
5.3.2 Selection of Research Country	73
5.3.3 Selection of Product Category.....	74
5.4 Research Method.....	75
5.4.1 Selection of Data Collection Method	75
5.4.2 Selection of Sample.....	75
5.4.3 Panel Provider	76
5.4.5 Questioning Approaches: Rating, Ranking and Pick-Any.....	76
5.5 Description of Data	78
5.5.1 Dataset One: Buying of Luxury Skincare Products in China.....	78
5.5.2 Dataset Two: Buying of Luxury Leather Goods in the USA.....	80
5.5.3 Similarities and Differences Between Datasets One and Two.....	84
5.6 Summary	86
Chapter 6 – Channel/Store Format Competition.....	87
6.1 Applying Prior Knowledge of Patterns of Shopper Patronage to Luxury Channels and Store Formats.....	88
6.2 Double Jeopardy – Literature Review and Research Questions	91
6.2.1 The Law of Double Jeopardy	91
6.2.2 Double Jeopardy Deviations	92
6.2.3 Double Jeopardy in Luxury Retail Competition	94
6.2.4 Method.....	96
6.2.5 Results	97
6.3 Duplication of Purchase Law	102
6.3.1 Literature Review and Research Questions.....	102
6.3.2 Method.....	104
6.3.3 Results	106
6.4 Discussion and Conclusions	109
6.4.1 Law of Double Jeopardy	109
6.4.2 Duplication of Purchase Law	110
6.5 Summary	112
Chapter 7 – Channel/Store Format Perception.....	113

7.1	Introduction	114
7.2	Literature Review and Research Questions/Hypotheses	116
7.2.1	Perceptions of Physical Versus Online Channels.....	116
6.2.2	Official Brand Stores Versus Other Store Formats	122
7.3	Method.....	125
7.4	Results	127
7.5	Discussion and Conclusions	134
7.5.1	Perception of Physical Versus Online Channels	134
7.5.2	Official Brand Stores Versus Other Store Formats	135
7.6	Summary	136
Chapter 8 – The Impact of Distribution on Brand Perception		137
8.1	Impact of Level of Distribution on Brand Perception	138
8.2	Perceived Brand Luxuriousness and Physical Versus Online Channels	140
8.3	Method.....	142
8.4	Results	146
8.5	Discussion and Conclusions	152
8.5.1	Level of Distribution and Brand Perception.....	152
8.5.2	Spillover Effect Between Channel and Brand.....	153
8.6	Summary	155
Chapter 9 – Conclusions.....		156
9.1	Summary of Key Findings	157
9.2	Contributions and Implications	159
9.3	Limitations and Future Research.....	167
References		169
Appendix 1		184
Appendix 2		190
Appendix 3		197
Appendix 4		201

List of Tables

Table 2.1: Common characteristics associated with luxury brands	29
Table 2.2: Sales of leading luxury companies worldwide from 2012 to 2019 (in billion Euro)	35
Table 3.1: Retail channel classifications in literature.....	43
Table 5.1: Dataset One – list of retail channels.....	80
Table 5.2: Dataset One – list of retail channels’ attributes	80
Table 5.3: Dataset One – Stage 2 demographic data.....	80
Table 5.4: Dataset Two – list of luxury leather goods brands.....	83
Table 5.5: Dataset Two – list of retail channels	83
Table 5.6: Dataset Two – list of brand luxury attributes.....	83
Table 5.7: Dataset Two – Stage 2 demographic data	84
Table 5.8: Data utilised for each study.....	85
Table 6.1: Past studies on channel competition	89
Table 6.2: NBD-Dirichlet model goodness-of-fit benchmarks	97
Table 6.3: Double Jeopardy – buying of luxury skincare products in China.....	98
Table 6.4: Double Jeopardy – buying of luxury leather goods in the USA	99
Table 6.5: Solely loyal and average purchase frequency	100
Table 6.6: Sole loyalty and market share	101
Table 6.7: Summary of partition	107
Table 6.8: Duplication of Purchase table – buying of luxury skincare products in China.....	108
Table 6.9: Duplication of Purchase table – buying of luxury leather goods in the USA.....	108
Table 7.1: Dataset One – list of retail channels.....	125
Table 7.2: Dataset Two – list of retail channels	125
Table 7.3: Results for convenience attributes	127
Table 7.4: Results for personal interaction attributes.....	128
Table 7.5: Results for pricing/promotion attributes	129
Table 7.6: Results for product assortment attributes.....	129
Table 7.7: Results for shopping experience attributes	130
Table 7.8: Results for trust attributes	130
Table 7.9: Results for shopping experience attributes within physical channels.....	131
Table 7.10: Results for shopping experience attributes within online channels	132
Table 7.11: Results for trust attributes within physical channels.....	132
Table 7.12: Results for trust attributes within online channels	133
Table 7.13: Results summary – Hypothesis 1 to Hypothesis 6.....	135
Table 7.14: Results summary – Hypothesis 7 to Hypothesis 10	135
Table 8.1: Distribution	143
Table 8.2: Brand penetration and level of brand luxuriousness	144
Table 8.3: Perceived distribution luxury perception by attribute ‘It is only for the elite’.....	147
Table 8.4: Perceived distribution luxury perception summary	147
Table 8.5: Purchased distribution luxury perception by attribute ‘It is only for the elite’.....	149
Table 8.6: Purchased distribution luxury perception summary.....	149
Table 8.7: Summary of independent t-test results – physical channel versus online channel	151

List of Figures

Figure 1.1: Structure of the thesis	26
Figure 2.1: Global wealth development	31
Figure 2.2: Value of the personal luxury goods market worldwide from 1996 to 2019	33
Figure 2.3: Value of leading personal luxury goods markets worldwide by country in 2020	34
Figure 2.4: Personal luxury goods market by product category in 2020	34
Figure 2.5: Brand value of the 10 most valuable brands worldwide in 2020 (in million U.S. dollars).....	35
Figure 3.1: Distribution structure	41
Figure 3.2: Nested choice structure	42
Figure 3.3: Value share of global personal luxury goods market by distribution channel and store format.....	46
Figure 3.4: Number of official brand stores worldwide	47
Figure 3.5: Value of the online personal luxury goods market worldwide	50
Figure 3.6: Cultural background of luxury brands and the internet	51
Figure 6.1: Duplication of Purchase Table.....	104

Abstract

Luxury brands have been facing increasingly complex channel management decisions due to growth in physical and online retail opportunities. While distributing luxury products via more channels and store formats provides consumers with more options for buying then, it also presents a number of retail management challenges for luxury brands in the areas of financial return and potential damage to brand image (Kapferer & Bastien 2012; Nenycz-Thiel, Romaniuk & Sharp 2016). However, there has been little research that describes or quantifies the retail competition of luxury brands, and the effect that expanded distribution via more channels and store formats has had on the perception of those brands. This thesis therefore aims to provide empirical evidence that can facilitate more informed retail distribution management decisions in the luxury category.

Three research gaps were identified from these challenges. The first gap relates to channel/store format competition, the second one relates to perceptions of channel/store format, and the third one relates to the impact of retail distribution on consumers' perceptions of luxury brands. Three studies were conducted to address the gaps. Study One addresses the first gap and tests the applicability of fundamental buying patterns to the luxury category. Study Two addresses the second gap and investigates how luxury shoppers perceive differences between physical channels and online channels, as well as differences between official brand stores and other store formats. Study Three addresses the third gap and investigates how a brand's level of retail presence impacts luxury buyers' perceptions of the brand, as well as the spillover effects between online channels and luxury brands' images.

This thesis provides empirical evidence that retail channel/store formats that sell luxury products share shoppers in a predictable manner in line with the Double Jeopardy (DJ) and Duplication of Purchase (DoP) laws, and identifies the key difference between competing channels/store formats as being the number of shoppers they have. Results from this thesis show that luxury brands with a greater retail presence are not perceived as less luxurious. While luxury buyers do perceive physical channels and online channels differently, buying a luxury brand from an online channel does not lead to a decreased level of perceived brand luxuriousness compared to buying from a physical channel. The findings from this thesis therefore reinforce the fact that building distribution is key to brand growth even in the luxury category.

Keywords: Luxury, Channel Perception, Channel Competition, brand luxuriousness

Declaration

I declare that:

this thesis presents work carried out by myself and does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; to the best of my knowledge, it does not contain any materials previously published or written by another person except where due reference is made in the text; and all substantive contributions by others to the work presented, including jointly authored publications, are clearly acknowledged.

Signed:

Acknowledgments

I would like to thank my three supervisors, Dr Virginia Beal, Professor Jenni Romaniuk and Professor Magda Nenycz-Thiel. I am very grateful for all of the guidance, feedback and support they have given me throughout my journey.

I would also like to thank my colleagues at the Ehrenberg-Bass Institute for making the Institute a wonderful workplace to be involved with. Special thanks go to Kelly for being an awesome office buddy.

To my husband Wukey and my daughter Alia, thank you for being a constant reminder of the important things in life.

I would like to acknowledge the Ehrenberg-Bass Institute for Marketing Science and Publicis Media China for their support of data collection for this thesis. I would also like to acknowledge the work of Kerrie Le Lievre in copy-editing this thesis.

Finally, I acknowledge the financial support I received from an Australian Government Research Training Program Scholarship, and from the many sponsors of the Ehrenberg-Bass Institute's fundamental research.

Chapter 1 – Introduction

1.1 Research Background

Luxury goods have been used for centuries to distinguish the social elite from the masses (Veblen 1899). They were first reserved for the aristocracy, then later spread to the ‘happy few’, the rich who wished to emulate them (Berry 1994). However, the world of luxury has undergone dramatic changes in modern society (Hauck & Stanforth 2007). The growth of the global economy and changes in social structure have fuelled a growth in demand for luxury goods.

The luxury goods industry luxury is one of the fastest-growing parts of the global economy (Euromonitor International 2017), with the value of the personal luxury goods market worldwide reaching 281 billion Euro in 2019 (Statista 2020d). The USA and China are currently the two biggest luxury markets in the world, with one representing the traditional luxury goods market and one the emerging luxury goods market (McKinsey & Company 2019).

To take advantage of the mounting demand for luxury goods, major luxury brands have engaged in some very dynamic expansion strategies. One common strategy has been to expand product portfolios, which typically occurs through either horizontal expansion to new categories (Reddy et al. 2009), or downward vertical extensions to develop more affordable items that make the brand more accessible to more people (Riley, Lomax & Blunden 2004; Phau, Matthiesen & Shimul 2020). Another common strategy is to expand distribution, making it easier for people to buy products from many different retail channels and store formats (Chevalier & Gutsatz 2012). This thesis focuses on expansion relating to retail distribution (i.e. retailing luxury goods via more channels and store formats).

This thesis investigates retail channel distribution at both aggregate and individual levels. Retail channels at individual level, such as *department store* and *official brand store*, are called ‘retail store formats’ throughout the thesis. At aggregate level, the various store formats are grouped into two broad types: ‘physical channel’ and ‘online channel’. ‘Physical channel’ refers to all store formats operating in the physical world, such as *department store* and *official brand store*, whereas ‘online channel’ refers to all store formats operating in the digital world using internet transactions, such as *online department store* and *online official brand store*.

Research into retail patronage reveals that when a consumer decides to make a purchase, they start by choosing the format of the retail channel at which they will shop, and later choose a particular store within this format (Gonzalez-Benito, Munoz-Gallego & Kopalle. 2005). While there are differences within particular store formats (e.g. between Walmart and Carrefour as two *hypermarkets*), these differences are not considered in this thesis. The focus of this thesis is on understanding shopper behaviours across different retail channels and store formats.

Luxury brands have been facing increasingly complex channel management decisions due to the growth in physical and online retail opportunities. For example, luxury brands like Burberry and Gucci started to become available in discounted store formats following the introduction of the first designer outlet centre in the UK in the early 1990s (Ruddick 2013; The Fashion Law 2019). In recent years, luxury retailing has also started to expand into mass retailing store formats that are not known for selling luxury products, such as Walmart, Target and Costco. Brands like Prada, Chanel and even Hermès were reported to be available at Costco's Shanghai store (Yu & Ren 2019).

The movement into the Information Age also has had a major impact on distribution of luxury goods. One of the most significant changes in the luxury retailing sector in the last decade has been the ongoing rise of online sales. The value of the online personal luxury goods market worldwide reached 33 billion Euro in 2019, and an estimated 49 billion Euro in 2020 (Statista 2021c). Almost all of the physical store formats that sell luxury products have also developed online versions of their selling points. For example, Burberry sells online to more than 40 countries from its official brand site, Michael Kors sells products on Facebook and Prada has partnered with walmart.com to feature heavily discounted luxury goods online during Black Friday weekend sales (Jaekel 2016).

While the internet is now a major communications and distribution channel that luxury brands have begun to invest in, their attitude toward it is somewhat complex. As a result, physical channels continue to dominate the market, and online channels account for less than a quarter of the value share of the global personal luxury goods market (Bain & Co. 2018; Statista 2021a).

Distributing via more channels and store formats provides consumers with more options for buying luxury products; however, it also presents a number of retail management challenges for luxury brands.

1.2 Research Aims

Distribution is a fundamental aspect of maintaining and enhancing a brand's market share (Joo et al. 2013). Research on distribution and market share reveals a typically convex distribution-market share relationship, in which brands exponentially increase their market share by growing distribution (Farris, Olver & de Kluyver. 1989; Hirche 2018). This positive relationship between distribution and market share has been observed for brands in multiple categories and countries (Farris, Olver & de Kluyver 1989; Reibstein & Farris 1995), and also at Stock Keeping Units level (Wilbur & Farris 2014). These findings indicate that distribution is a fundamental aspect of maintaining and enhancing a brand's market share. There have been considerable advances in understanding how different retail channels and store formats compete for category buyers. However, research on the relationships between distribution, brand performance and retail competition has mainly focused on non-luxury products, and little is known about this in the luxury category.

Luxury is an industry that has been characterised by exclusivity and rarity, and thus a key feature of the literature on luxury is the view that marketing for luxury goods has to be different (Bastien & Kapferer 2013; Keller 2009; Sicard 2013). Kapferer and Bastien (2009) claim that in the context of luxury goods, marketers should abandon most of their marketing beliefs and approaches, because they are not applicable to luxury brands and in fact are potentially damaging. Instead, they encourage luxury brands to embrace 'anti-laws' in their marketing practices. The term 'anti-laws' refers to the idea that the marketing of luxury goods must be different from conventional marketing. One of the principles promoted by the 'anti-laws' of marketing is to make it difficult for clients to buy, which can literally be translated as restricting the distribution of the brand (Kapferer & Bastien 2012). The essence of the 'anti-laws' of marketing also reflects the essence of the Rarity Principle (Dubois & Paternault 1995), which proposes that to maintain their luxury image, luxury brands must sustain high levels of awareness and tightly controlled brand diffusion to enhance exclusivity.

Today's multichannel retail environment presents a number of challenges for luxury brand management (Keller 2010). Each channel/store format expansion comes with costs and creates a constant challenge for brand managers to effectively allocate budget and resources to maximise return on investment and create synergy across channels and store formats (Nenycz-Thiel, Romaniuk & Sharp 2016). For luxury brands, selling via more channels and store formats may also result in possible damage to brand image (Dubois & Paternault 1995; Kapferer & Bastien 2012; Som & Blanckaert 2015). However, there has been little research

that describes or quantifies the retail competition of luxury brands, and the effect that expanded distribution via more channels and store formats has had on the perception of those brands, which presents gaps for further investigation. Therefore, this thesis *aims to provide empirical evidence that can facilitate more informed retail distribution management decisions in the luxury category.*

1.3 Research Gaps

Distributing luxury goods via more channels and store formats presents a number of retail management challenges for luxury brands. Three research gaps were identified from these challenges for further investigation.

This first gap identified in this thesis relates to the financial challenges in retail channel management. With the expansion of retail distribution in the luxury category, consumers are reported to be utilising multiple retail channels and store formats for their luxury goods purchases. For example, 80% of luxury consumers in the USA have expressed a desire for a multichannel shopping experience from the brands they buy, and more luxury consumers are making online purchases from marketplaces and department stores than are buying direct from brands' online stores (Jones 2016a; Ramirez 2019b). These findings support the notion that luxury buyers do buy across channels and store formats. However, little is understood about how it happens.

How can luxury brand managers effectively allocate their budget and resources to maximise returns on investments and create synergy across channels and store formats? At what point does additional distribution add costs but not value? Understanding how luxury shoppers buy across different retail channels and store formats – in other words, understanding how channels and store formats compete for luxury buyers – could provide useful benchmarks for what to expect when evaluating channel and store format performance, which can lead to more informed retail distribution management decisions for luxury brands.

In non-luxury markets, there have been considerable advances in understanding the patterns that underpin consumers' buying behaviours, such as the Law of Double Jeopardy (DJ)¹, which reveals that the main difference between small and large offerings in a category is how many buyers each has rather than the loyalty of each brand's customer base (Keng et al. 1998; Nenycz-Thiel & Romaniuk 2016; Uncles & Hammond 1995), and the Duplication of Purchase Law (DoP)², which reveals that shoppers buy across channels and that store formats compete in line with size of the competitors (Beal, Tanusondjaja & Romaniuk 2016; Dawes & Nenycz-Thiel 2014; Keng et al. 1998; Uncles & Kwok 2009). However, there is a gap in applying these law-like patterns to luxury retail competition. This leads to the first research gap in this thesis:

¹ See Chapter 6, Part 6.2 (p. 91) for a discussion of DJ.

² See Chapter 6, Part 6.3 (p. 102) for a discussion of DoP.

Research Gap 1: Testing the applicability of fundamental buying patterns to luxury retail channel/store format competition

The second gap identified in this thesis relates to the challenge of possible damage to brand image in luxury retail distribution management. The luxury category presents a particularly complex retail market (Jones 2015). It consists of very different selling channels, from offline to online and from glamorous single-branded stores to discounted multi-brand outlet stores, high-end department stores and everyday mass retail stores. There are large structural variations among these competing channels and store formats, such as product assortments, pricing policies and levels of customer service. There are also the additional complications of shopping for luxury products due to the hedonic nature of luxury consumption and concerns about counterfeit products.

Knowing how luxury shoppers perceive different channels and retail formats would be of great value to luxury brand managers seeking to understand the impact of retail distribution on brands. If there are no differences between channels/store formats, then it does not matter where a luxury good is sold. If there are differences associated with different channel types/store formats, however, then this opens the possibility of spillover effect between channel/store format and the brand sold through that channel/store format. While there have been some industry reports on what perceptions shoppers have of different retail channels and store formats, there is a lack of formal understanding in this area for the luxury category. This leads to the second research gap in this thesis:

Research Gap 2: Understanding how luxury shoppers perceive different retail channels and store formats that sell luxury goods

The third gap identified in this thesis also relates to the challenge of possible damage to brand image in luxury retail distribution management. While there have been a number of studies on the impact of expanding retail distribution on consumers' perceptions of luxury brands, there are differing views amongst researchers. Some have claimed that in order to maintain a brand's exclusive position, luxury distribution must manage rarity (Kapferer & Bastien 2009; Okonkwo 2009; Som & Blanckaert 2015).

However, an empirical study of luxury whiskey brands in the USA found that brands perceived as luxurious and exclusive scored lowest on 'not available everywhere', which means that perceptions of exclusive distribution do not necessarily correlate with perceptions

of rarity or luxury (Romaniuk & Sharp 2016). A recent study by Wang, Sung & Phau (2021) that examines how perceived virtual rarity influences luxury consumers for three luxury categories, including bags, wine and cruises, further validates the findings of Romaniuk and Sharp (2016). The findings from these two studies cast doubt on the idea that luxury brands benefit from restricting distribution. Given the importance of this topic and the differing views amongst researchers, further investigation is required in this area.

Distribution can generate consumer awareness of the brand and alter consumers' perceptions of both the retailer and the brand (Wilbur & Farris 2014); this is known as the spillover effect (Simonin & Ruth 1998). While there have been a number of talks and discussions on how channel expansion might result in possible damage to brand image due to spillover effects between luxury brands and distribution channels (Deloitte 2018; Keller 2010; Luxury Insider 2016), there is a lack of empirical research on this topic. Luxury marketers not only have to manage each individual channel in order to maximise their direct sales and brand equity effects, but also pay attention to any indirect brand equity effects from being associated with a particular channel (Keller 2010), knowing how luxury buyers' perceptions of a brand differ based on the channel the brand was bought from would be of great value for luxury brand managers. These factors lead to the third research gap in this thesis, which consists of two parts:

Research Gap 3a: Understanding how a luxury brand's level of distribution impacts category buyers' perceptions of the brand

Research Gap 3b: Understanding how luxury buyers' perceptions of brands differ based on the type of channel they buy from

1.4 Research Questions

Each of the three gaps identified is tested independently in this thesis. Three studies were constructed to address the three research gaps. Each study includes a literature review, hypotheses and/or research questions, and a research method, results and discussion section.

Study One: Channel/Store Format Competition

The aim of Study One is to address the first research gap, by testing the applicability of fundamental buying patterns to luxury retail channel/store format competition. Five research questions (RQ1 to RQ5 as listed below) relating to DJ, Sole Loyalty and DoP were developed for investigation. Details of the literature review and the development of each research question can be found in Chapter 6 of this thesis.

RQ1: Does the DJ law extend to luxury retail competition – i.e. do small store formats have fewer shoppers who are slightly less loyal?

RQ2: Do non-solely loyal shoppers (those who buy luxury products from more than one store format) shop the category more frequently than solely loyal shoppers?

RQ3: Are store formats' levels of sole loyalty correlated with market share?

RQ4: Does the DoP pattern extend to luxury retail competition – i.e. do luxury store formats share shoppers with other luxury store formats in line with penetration?

RQ5: Do physical store formats and online store formats form two distinctive sub-markets – i.e. does a physical partition and/or an online partition exist?

Study Two: Channel/Store Format Perception

The aim of Study Two is to address the second research gap, which is about understanding how luxury shoppers perceive different retail channels and store formats that sell luxury goods. This study investigated how luxury shoppers perceive the differences between physical channels and online channels, as well as the differences between official brand formats (single-brand) and other store formats (multi-brand). A set of 20 hypotheses (H1a to H10a and H1b to H10b as listed below) were developed for investigation. Details of the literature review and the development of each hypothesis can be found in Chapter 7 of this thesis.

H1a: When buying luxury skincare products, luxury shoppers will perceive online channels as more convenient than physical channels.

H1b: When buying luxury leather goods, luxury shoppers will perceive online channels as more convenient than physical channels.

H2a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

H2b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

H3a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing better prices than physical channels.

H3b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing better prices than physical channels.

H4a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

H4b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

H5a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

H5b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

H6a: When buying luxury skincare products, luxury shoppers will perceive physical channels as more trustworthy than online channels.

H6b: When buying luxury leather goods, luxury shoppers will perceive physical channels as more trustworthy than online channels.

H7a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

H7b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

H8a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

H8b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

H9a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

H9b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

H10a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores more as trustworthy than other store formats within online channels.

H10b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as more trustworthy than other store formats within online channels.

Study Three: The Impact of Distribution on Brand Perception

The aim of Study Three is to address the third research gap, which is about understanding the impact of distribution on brand perception. Study Three consisted of two parts. The first part addressed part 'A' of the third gap; two research questions (RQ6 to RQ7 as listed below) were developed for further investigation, one relating to perceived availability and one to the actual purchased availability. The second part of Study Three addressed part 'B' of the third gap and aimed to provide an answer to question (RQ8 as listed below) of whether buying a luxury brand from an online channel leads to a lower level of perceived brand luxuriousness than buying from a physical channel. Details of the literature review and the development of each research question can be found in Chapter 8 of this thesis.

RQ6: Do luxury shoppers who perceive a brand as having greater distribution perceive that brand as less luxurious?

RQ7: Do luxury shoppers who purchase the brand from more store formats perceive the brand as less luxurious?

RQ8: Does buying a luxury brand from an online channel lead to a lower level of perceived brand luxuriousness compared to buying from a physical channel?

1.5 Research Methods and Data Description

This thesis applies positivist research philosophy and focuses on discovering observable and measurable facts and regularities (Hunt 1991). Epistemologically, the researcher looks for law-like generalisations and uses these laws to help to explain and predict behaviour (Robertshaw 2007).

Two very different datasets were constructed to address the research questions. The context of Dataset One is the buying of luxury skincare products in China, and the context of Dataset Two is the buying of luxury leather goods in the USA. Luxury skincare products and luxury leather goods were chosen because they are key categories in the personal luxury goods market that have been widely distributed in both physical and online channels (Bain & Co. 2017). China and the USA were selected for investigation because they are the two biggest luxury markets in the world, with one representing the emerging market and one the traditional luxury goods market. As well as being leaders in the luxury market, China and the USA also have well-developed online distribution channels (KPMG 2017). The established online market in these two countries provides good potential for research into both physical and online channels, which are highly relevant to the research focus of this thesis.

While it might seem more logical to collect data in the same country but a different category, or in a different country but the same category, the researcher decided to collect data in two different countries with different categories. The rationale for this was to test the generalisability of the findings. Differentiated replication and expansion allows for patterns to be tested across different conditions, which can contribute to a more comprehensive understanding of the area. If the results are consistent over a range of conditions such as different products and different countries, as in this thesis, it provides strong evidence to support the pattern (Ehrenberg 1990).

It has been common practice in luxury research to use student samples (e.g. Kuksov & Xie 2012; O’Cass & McEwen 2004; Rucker & Galinsky 2009). Although some students buy luxury products, however, they are unlikely to be the main consumers of luxury goods. Therefore, using student samples in luxury goods research is likely to reduce the representativeness of the findings. To overcome this limitation, this thesis used real luxury consumer samples.

The data collection approach was an online survey. Toluna was appointed to program, host and collect the data from the appropriate sample. There were two stages for both

datasets – Stage 1: identifying appropriate retail channels for the category (qualitative), and Stage 2: surveying channel perception and buying history across channels (quantitative). The data from Stage 2 were used to answer the thesis research questions.

For Dataset One, 600 female skincare consumers (those who had bought luxury skincare products in the preceding 12 months) were surveyed online and asked about their perceptions of and buying history across the channels identified in Stage 1. The sample demographics were as follows: 100% female; 50% 18–25 years and 50% aged 26–35 years.

For Dataset Two, a sample of 404 luxury leather goods consumers (those who had bought from at least one of the top luxury brands) were surveyed online and asked about their perceptions of and buying history across the channels identified in Stage 1, as well as their perceptions of competing brands in the luxury leather goods category. The sample demographics were as follows: 50% female and 50% male; 23% 18–29 years; 19% 30–39 years; 18% 40–49 years; 16% 50–59 years; and 24% > 45–59 years.

More information on the research method and details of the data can be found in Chapter 5 of this thesis. This thesis uses three independent studies to address the three research gaps identified. Dataset One is used in Study One and Study Two, and Dataset Two is used in all three studies. Each of the studies employs a different analytical approach to address the related research questions/hypotheses; these are specified before the results section in each study, and details can be found in Chapter 6, Chapter 7 and Chapter 8 respectively.

1.6 Key Findings and Contributions

The overall purpose of this thesis is to provide empirical evidence that can facilitate more informed retail distribution management decisions in the luxury category. A literature review in the retail domain identified three gaps that needed to be addressed in order to inform luxury brands' channel management decisions: one relating to the area of channel/store format competition, one relating to channel/store format perception, and one relating to the impact of distribution on consumers' perceptions of luxury brands. Each of these three gaps is tested independently in this thesis and the key findings are presented below.

Channel/Store Format Competition

The first gap (Chapter 6) investigated in this thesis is whether two well-established patterns in retail competition, DJ and DoP, apply to the luxury category.

Overall, the results indicate that these fundamental patterns of shopper behaviour do exist in the luxury category. The real differences between competing channels and store formats are in the number of shoppers they have, and the fact that they share shoppers in line with the size of their competitors. This thesis extends research on DJ and DoP to luxury retail competition by providing an empirical framework from which to develop an understanding of how luxury shoppers use different retail channels and store formats. It adds to the theoretical understanding of how retail channels compete in different contexts. In addition, it covers an extensive list of buying store formats for the category, which places DJ and DoP in more complex conditions to further test their applicability. The applicability of DJ and DoP to luxury channel and store format competition provides a benchmark for what to expect when investigating retail competition data. Luxury brand marketers can apply their own data to fit the pattern in order to examine the performance of their distribution channels and store formats.

The finding that there is greater variation in the number of shoppers than there is in shopper loyalty indicates that for any channel and store format, growth comes from growing the shopper base rather than from growing shopper loyalty. Retail channel marketers should be aware that the luxury category is not an exception to this rule, and avoid over-investing in their customer relationship management programmes and loyalty reward programmes in an attempt to grow the number of loyal customers. The finding that luxury channels and store formats compete primarily based on how many customers they have suggests that luxury retail marketers should aim to build their shopper base in order to remain competitive.

Furthermore, marketers must not ignore larger channels and store formats in favour of smaller and more exclusive ones when planning marketing activities.

Channel/Store Format Perception

The second gap (Chapter 7) investigated in this thesis relates to how luxury shoppers perceive differences between physical channels and online channels, as well as between official brand store (single-brand) and other store format (multi-brand).

Overall, the results indicate that luxury shoppers perceive physical channels and online channels differently. Physical channels are perceived as providing better personal interactions and shopping experiences, and as being more trustworthy than online channels, whereas online channels are being perceived as more convenient and providing better prices than physical channels. Furthermore, luxury shoppers consider official brand channels (both online and physical) to be superior to other channels of the same type in terms of trust. While there have been a number of industry reports on what perceptions shoppers have of different retail channels (Jones 2015; Nicoletti 2019; Staff Reports 2017), there is a lack of formal understanding of what perceptions luxury shoppers have of different retail channels. The findings from this thesis provide empirical information about shoppers' perceptions of different types of channels, which will contribute to formal understanding in this area.

This thesis also extends its investigation to include shoppers' perceptions of channels at both the aggregate level (e.g. between physical channels and online channels) and the individual level (e.g. official brand store formats and other store formats). While retailers within the channels advertise, the channels themselves do not. The findings of this thesis contribute to our understanding of the degrees to which people form different perceptions of channels in the absence of channel-specific advertising, which is a valuable addition to the literature. Awareness of the perceived differences between channels and store formats will also help marketers to understand what needs to be addressed within each channel in order to improve shoppers' overall shopping experience. This knowledge will provide strategic guidance for managers in how to arrange physical and online channels so that they complement each other and provide a seamless shopping experience.

Impact of Retail Distribution on Brand Perception

The third gap (Chapter 8) investigated in this thesis is the impact of a brand's level of distribution (perceived and purchased) on category buyers' perceptions of it, as well as the

impact of buying a brand from an online channel on the level of perceived brand luxuriousness compared to buying from a physical channel.

Overall, the results indicate that there is a high level of positive correlation between brand penetration and levels of both perceived and purchased distribution. Luxury brands with greater perceived and purchased distribution are *not* perceived as less luxurious. Buying a luxury brand from an online channel *does not* lead to a lower level of perceived brand luxuriousness compared to buying from a physical channel.

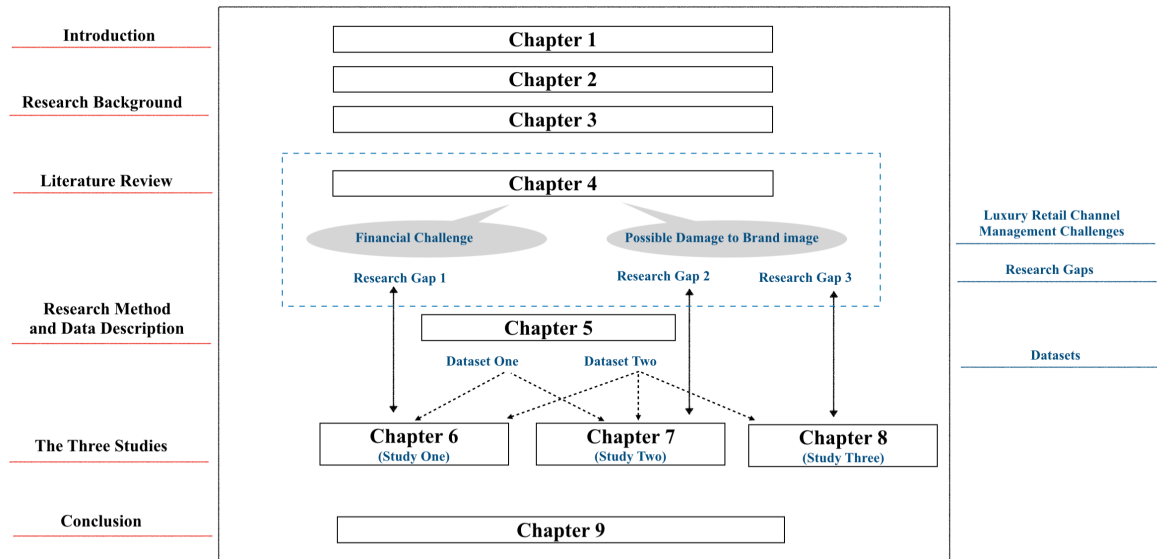
These findings contribute to understanding in this area and provide much-needed empirical evidence to assist practitioners in developing more effective distribution strategies. It reinforces the fact that building distribution is key to brand growth, and that the luxury category is not an exception to this marketing rule. It is therefore recommended that luxury marketers should aim to build retail presence to reach more shoppers with an eye to building their customer base.

Luxury brand marketers do not need to worry about loss of luxury status when expanding into online channels, as this thesis finds that luxury buyers' perceptions of a brand's level of luxuriousness *do not* differ based on the channel the brand is bought from, whether physical or online. It is therefore recommended that luxury marketers aim to reach more buyers and build their shopper bases rather than holding up development in certain channels.

1.7 Structure of the Thesis

This thesis comprises nine chapters. Figure 1.1 illustrates the structure of this thesis, and shows how the chapters flow from one to the next.

Figure 1.1: Structure of the thesis



Chapter 1 is the Introduction, which provides an overview of the thesis. Chapter 2 and Chapter 3 are background chapters that provide contextual information for this research; one relates to luxury, and one relates to retail distribution.

Chapter 4 is the literature review, which provides a review of the literature in the areas of luxury marketing and retailing and identifies research gaps for investigation in this thesis. Two luxury retail channel management challenges are discussed, and three research gaps are identified. Research Gap 1 relates to financial challenges in retail channel management, and Research Gaps 2 and 3 both relate to the challenge of possible damage to brand image. Each of these three gaps is tested independently in this thesis. Three studies were constructed to address the three research gaps identified for further investigation. Each study includes a literature review, hypotheses and/or research questions, and a research method, results and discussion section (see Chapter 6, Chapter 7 and Chapter 8).

Chapter 5 is the research method chapter, which introduces the research philosophy and research approach applied in this thesis, as well as providing a detailed description of the data used in this thesis. There are two datasets in this thesis; Dataset One is used in Study One and Study Two, and Dataset Two is used in all three studies.

Chapter 6 is the first of the three studies that address the three research gaps. Study One relates to channel/store format competition, which addresses Research Gap 1.

Chapter 7 relates to channel/store format perception (Study Two), which addresses Research Gap 2.

Chapter 8 relates to the impact of distribution on brand perception (Study Three), which addresses Research Gap 3.

Chapter 9 is the final chapter of this thesis; it concludes the thesis by summarising its main results, discussing the contributions, implications and limitations of the research, and identifying avenues for future research.

Chapter 2 – Luxury

This chapter provides contextual background for this research in relation to luxury. The chapter starts by introducing the definition and characteristics of luxury brands, then discusses the democratisation of luxury and the current state of the luxury industry.

2.1 Definition and Characteristics of Luxury Brands

It is widely believed that the term ‘luxury’ comes from the Latin word *luxus* and translates as ‘indulgence of senses, regardless of the cost’ (Nueno & Quelch 1998). Despite this historic meaning, the term luxury in fact has multiple facets (Kapferer & Michaut 2015), and has evolved into a subjective word with different meanings for different individuals and cultures (De Barnier, Falcy & Valette-Florence 2012; Dobrian 2006).

Many definitions of a luxury brand have been proposed by academics and practitioners (e.g. Heine 2012; Hagtvedt & Patrick 2009; Nueno & Quelch 1998); however, there is not a single widely accepted definition of what constitutes a luxury brand. It is challenging to compose a definition of luxury brands because luxury is a relative concept, and perceptions of what constitutes luxury has fluctuated over time (Cristini et al. 2017).

While a specific definition of luxury brands has not been agreed on, there appears to be agreement on what characteristics are typical of luxury brands in literature. In general, luxury brands are said to have a history of heritage, association with dreams and exclusivity, high prices, high quality and expressiveness.

Table 2.1: Common characteristics associated with luxury brands

Dimensions	Cited by
Authenticity/heritage	Nueno & Quelch 1998; Vigneron & Johnson 1999; Beverland 2005; Dubois, Czellar & Laurent. 2005; Prince 2005; Baker 2007; Keller 2009; Heine 2010; Arora 2011; Cervellon & Coudriet 2013.
Desirability/dream	Dubois & Paternault 1995; Dubois, Czellar & Laurent 2005; Chandon, Laurent & Valette-Florence 2016.
Exclusivity/rarity	Dubois & Paternault 1995; Kapferer 1998; Nueno & Quelch 1998; Wong & Zaichkowsky 1999; Phau & Prendergast 2000; Dubois, Laurent & Czellar 2001; Kapferer 2001; O’Cass & Frost, 2002; Catry 2003; Hannam 2004; Vigneron & Johnson 2004; Beverland 2005; Dubois, Czellar & Laurent 2005; Okonkwo 2009; Kapferer & Bastien 2009; Arora 2011; Kapferer 2012; Kapferer & Michaut 2015.
High price	Quelch 1987; Dubois & Duquesne 1993; Kapferer 1997; Nueno & Quelch 1998; Vigneron & Johnson 1999; Dubois, Laurent & Czellar 2001; Prince 2005; Keller 2009; Kapferer & Michaut 2015.
High quality	Kapferer 1997; Nueno & Quelch 1998; Beverland 2005; Dubois, Czellar & Laurent 2005; Baker 2007; Keller 2009; Arora 2011; Kapferer & Michaut 2015.
Symbolic/expressive	Veblen 1899; Vigneron & Johnson 1999; Vickers & Renand 2003; Dubois, Czellar & Laurent 2005.

The characteristics associated with luxury brands cover a wide range of dimensions (as summarised in Table 2.1), and thus it is common to use multiple dimensions to define a luxury brand in the literature (Keller 2009; Tynan, McKechnie & Chhuon 2010). A consensus is yet to be reached on a comprehensive definition of a luxury brand; however, this area of research is outside of the scope of this thesis. For the purpose of this thesis, the researcher therefore follows the theoretical definition proposed by Ko, Costello & Taylor (2019, p. 406), which states that:

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 within the market built on qualities such as craftsmanship, craftsmanship, or service quality;*
- 4) be worthy of commanding a premium prices; and*
- 5) be capable of inspiring a deep connection, or resonance, with the consumer.*

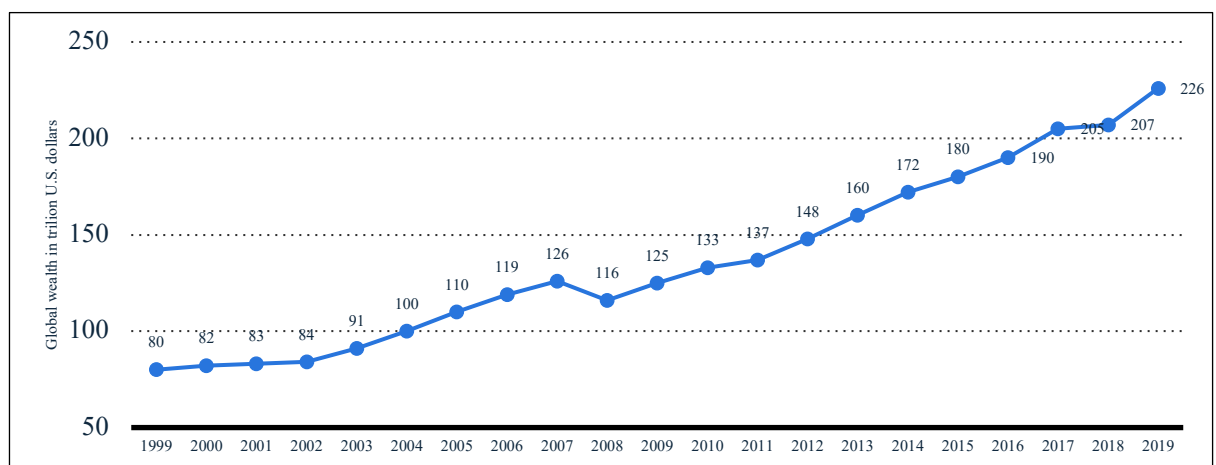
2.2 The Democratisation of Luxury

“Luxury, once the ordinary of extraordinary people, has become the extraordinary of ordinary people too.” (Kapferer & Valette-Florence 2018, p. 38)

Luxury goods have been used for centuries to distinguish the social elite from the masses (Veblen 1899). They were first reserved for the aristocracy, then later spread to the ‘happy few’, the rich who wished to emulate them (Berry 1994). However, the world of luxury goods has undergone a dramatic change since the beginning of the twentieth century (Hauck & Stanforth 2007). From this point onward, the world of luxury gradually ceased to be a world apart, as an ever-growing slice of the population began to gain access to it. This phenomenon is called the democratisation of luxury (Kapferer & Bastien 2009). With the decline of social stratification, ordinary consumers have gained access to luxury products, with their own financial capabilities constituting the only limit to that access (Hauck & Stanforth 2007; Kapferer & Bastien 2009).

The increase in spending power around the world implies that more and more people now have the ability to buy luxury products, which is why the client base of luxury brands has grown exponentially (Sharp & Romaniuk 2016). According to the Boston Consulting Group (2020), global wealth has steadily increased in the last two decades despite multiple crises along the way (as illustrated in Figure 2.1). This economic growth has put more wealth in more hands, with the number of millionaires globally reaching 56 million in 2020 (Credit Suisse 2021).

Figure 2.1: Global wealth development



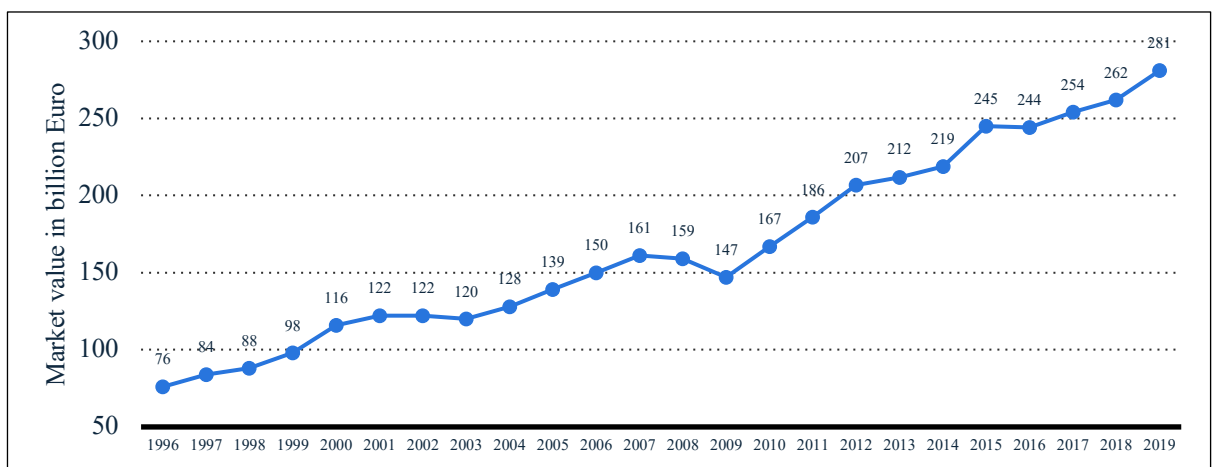
Source: Boston Consulting Group 2020

Rich people may buy more luxury goods per capita, but it is important to note that today's modern luxury market also consists of a vast number of new, occasional clients who do not need to be rich to buy goods made by what they consider luxury brands (Dubois & Paternault 1995; Kapferer & Laurent 2016). For example, many bottles of luxury wine are bought by currently impoverished students who save or pool their money to try something special now and then, on special occasions (Sharp & Romaniuk 2016). As a result, luxury has moved from being "the ordinary of extraordinary people" to "the extraordinary of ordinary people" (Kapferer & Valette-Florence 2018, p. 38).

2.3 The Luxury Industry

The growth of the global economy and changes in social structure have fuelled a growth in demand for luxury goods. The luxury goods industry luxury is one of the fastest-growing parts of the global economy (Euromonitor International 2017). Traditional luxury goods markets have continued to show stability in developed markets and growth in emerging markets, with the value of the personal luxury goods market worldwide reaching 281 billion Euro in 2019 (Statista 2020d). Figure 2.2 shows the value of the personal luxury goods market worldwide in the last two decades.

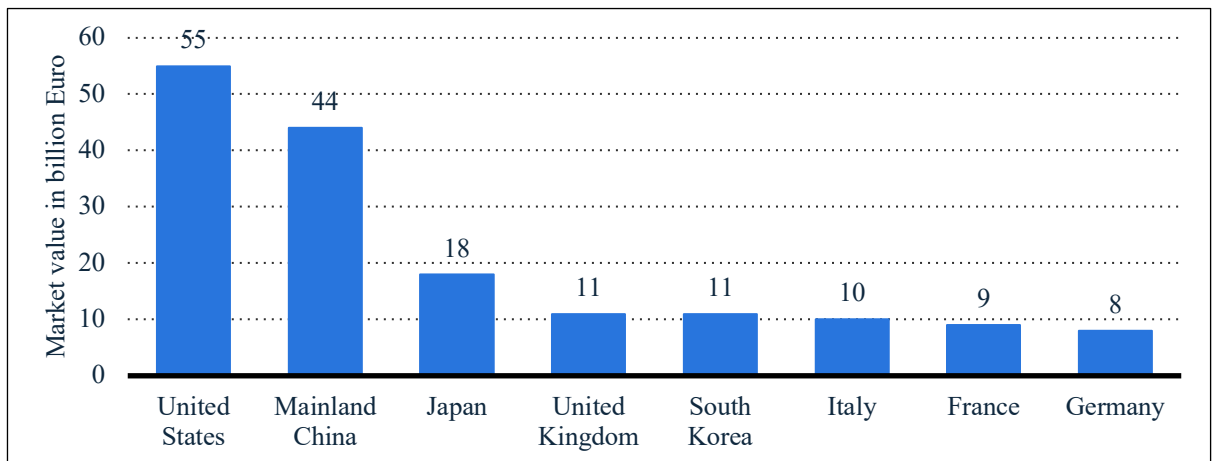
Figure 2.2: Value of the personal luxury goods market worldwide from 1996 to 2019



Source: Statista 2020d

As shown in Figure 2.3, the USA and China are currently the two biggest luxury markets in the world, with one representing the traditional luxury goods market and one the emerging luxury goods market (Statista 2020d). Emerging markets, and China in particular, are predicted to be a major force driving future increases in luxury spending. According to McKinsey & Company (2019), Chinese consumers will account for over half the total global market by 2025.

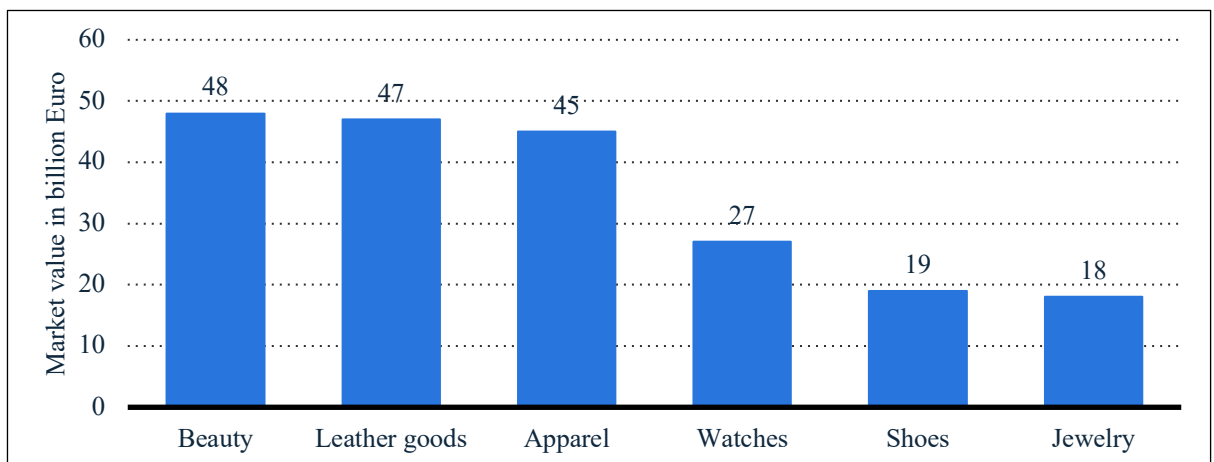
Figure 2.3: Value of leading personal luxury goods markets worldwide by country in 2020



Source: Statista 2020d

Within the personal luxury goods market, beauty (e.g. skincare products, makeup) and leather goods are the top two product categories in terms of market values, followed by apparel and watches (Statista 2021b). As shown in Figure 2.4, the market values for beauty and leather goods are both approaching 50 billion Euro in 2020.

Figure 2.4: Personal luxury goods market by product category in 2020



Source: Statista 2021b

Sales of leading luxury companies worldwide shows steady growth for most brands over the past decade. While there are some fluctuations in terms of ranking for some brands, LVMH has stayed on top throughout the years (Statista 2020a). As shown in Table 2.2, sales of LVMH reached an estimate of 47 billion Euro in 2019.

Table 2.2: Sales of leading luxury companies worldwide from 2012 to 2019 (in billion Euro)

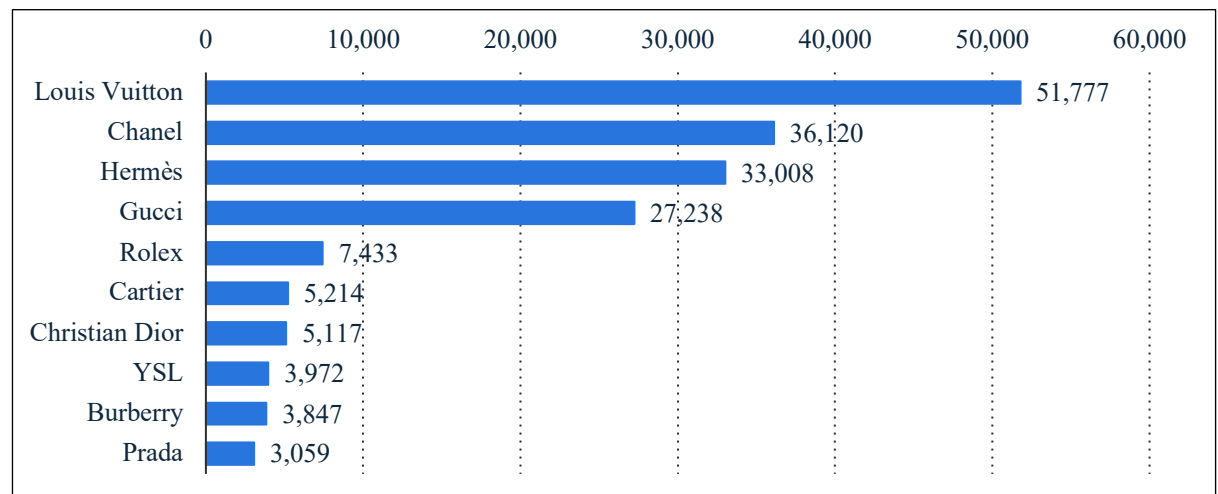
Company	Year							
	2012	2013	2014	2015	2016	2017	2018	2019*
LVMH	29	28	29	31	36	38	43	47
EssilorLuxottica	7	7	7	8	9	9	9	16
Richemont	11	10	11	10	11	11	11	14
Kering	10	10	10	10	12	12	16	14
Chow Tai Fook	9	5	9	7	7	6	6	8
Swatch	8	6	8	8	8	7	7	8
Hermès	4	3	4	4	5	5	6	8
Ralph Lauren	7	5	7	7	7	6	5	6
Tapestry	5	3	5	4	4	4	4	5
Capri Holdings	3	2	3	4	4	4	4	5
Tiffany	4	3	4	4	4	4	3	4
Prada	4	3	4	4	4	3	3	3
Burberry	3	2	3	3	3	3	3	3
Hugo Boss	2	2	2	3	3	3	3	3
Moncler	1	0	1	1	1	1	1	1
Ferragamo	1	1	1	1	1	1	1	1

Note: * estimated value

Source: Statista 2020a

Louis Vuitton from LVMH takes the lead in terms of brand value in the personal luxury goods market (Statista 2020a). Figure 2.5 shows the brand value of the 10 most valuable brands worldwide in 2020. In that year, Louis Vuitton was the most valuable luxury brand worldwide, with a brand value of 51.777 million U.S. dollars.

Figure 2.5: Brand value of the 10 most valuable brands worldwide in 2020 (in million U.S. dollars)



Source: Statista 2020a

To take advantage of the mounting demand for luxury goods, major luxury brands engaged in a range of expansion activities to make their products more physically available to consumers around the world (Chevalier & Gutsatz 2012; Silverstein 2005). One common strategy when doing this is to expand product portfolios, which typically occurs through either horizontal

expansion to new categories (Reddy et al. 2009; Phau, Matthiesen & Shimul 2020) or downward vertical extensions that develop more affordable items to make the brand more accessible for more people (Riley, Lomax & Blunden 2004). Another common strategy is to expand distribution to make it easier for people to buy a product through more retail channels and store formats (Chevalier & Gutsatz 2012). For example, Burberry sells online to more than 40 countries, and Michael Kors sells products on Facebook.

This thesis focuses on investigating expansion relating to retail distribution (i.e. retailing luxury goods via more channels and store formats). The next chapter of this thesis will introduce the contextual background of retail distribution in the luxury category.

2.4 Summary

While a specific definition of luxury brands has not been agreed on, there appears to be agreement on what characteristics are typical of luxury brands in literature. In general, luxury brands are said to have a history of heritage, association with dreams and exclusivity, high prices, high quality and expressiveness. This thesis follows the theoretical definition proposed by Ko, Costello & Taylor (2019, p. 406), and defines a luxury brand as a branded product that consumers perceive to: be high quality; offer authentic value via desired benefits, whether functional or emotional; have prestige within the market built on qualities such as craftsmanship, craftsmanship, or service quality; be worthy of commanding a premium prices; and be capable of inspiring a deep connection, or resonance, with the consumer.

The growth of the global economy and changes in social structure have fuelled a growth in demand for luxury goods. The luxury goods industry luxury is one of the fastest-growing parts of the global economy (Euromonitor International 2017). To take advantage of the mounting demand for luxury goods, major luxury brands engaged in a range of expansion activities to make their products more physically available to consumers around the world (Chevalier & Gutsatz 2012; Silverstein 2005).

This thesis focuses on investigating expansion relating to retail distribution (i.e. retailing luxury goods via more channels and store formats). The next chapter of this thesis will introduce the contextual background of retail distribution in the luxury category.

Chapter 3 – Retail Distribution in the Luxury Category

This chapter provides contextual background for this research in relation to retail distribution in the luxury category. The chapter starts by defining the different retail channels and store formats used in this thesis, then discusses the evolution of luxury retail and the current state of the luxury retail industry.

3.1 Physical Availability and Distribution

Physical availability refers to the quality and quantity of the distribution points where a product or brand can be bought (Sharp 2010b). It means making a brand as easy to notice and buy as possible, for as many consumers as possible, across as wide a range of potential buying situations as possible (Nenycz-Thiel, Romaniuk & Sharp 2016). Physical availability is one of the two market-based assets that is vital for brand growth and that underpins the financial performance of a business.

The core of physical availability is about making the brand ‘easy to find and buy’. Decades of research into patterns in buying behaviour and marketing metrics have led to the conclusion that brands that are easier to buy for more people on more occasions get bought more often (Farris, Olver & de Kluyver 1989; Reibstein & Farris 1995; Wilbur & Farris 2014).

3.1.1 Dimensions of Physical Availability

There are three dimensions of physical availability: presence, prominence and portfolio (Nenycz-Thiel, Romaniuk & Sharp 2017). The first is about the quantity of distribution, and the other two are about its quality.

Presence, the first dimension of physical availability, covers decisions on where to distribute the brand across time and locations, including channels, geographic locations and times when buying happens. Distribution is a fundamental aspect of maintaining and enhancing a brand’s market share (Joo et al. 2013). Research on distribution and market share reveals a typically convex distribution-market share relationship, in which brands exponentially increase their market share by growing distribution (Farris, Olver & de Kluyver 1989; Hirche 2018). This positive relationship between distribution and market share has been observed for brands in multiple categories and countries (Farris, Olver & de Kluyver 1989; Reibstein & Farris 1995), and also at Stock Keeping Units level (Wilbur & Farris 2014). These findings indicate that in the non-luxury category, distribution is a fundamental aspect of maintaining and enhancing a brand’s market share, which contradicts the benefits of restricting physical availability claimed by the ‘anti-laws’ of marketing for luxury goods (Kapferer & Bastien 2009).

The second dimension, prominence, is about making the brand easy to find in all shopping environments. Simply being present and having relevant offerings is not enough; the brand needs to compete with clutter from both competitors and the often-chaotic environment.

Mental availability helps buyers to think of a brand, while ‘distinctive assets’³ can help them find it. Strong visual distinctive assets that cut through the competitive environment can also give the brand a chance to catch a shopper’s eye in the shopping environment, even if it is not mentally available to the shopper at that time (Romaniuk & Caruso 2018).

The third dimension, portfolio,⁴ relates to decisions about relevant product options that make the brand easy to buy across buying occasions. For example, sometimes we want something small (a quick drink on the run), and sometimes something big (a drink to share at the family dinner table). Being buyable also means removing or minimising barriers to purchase. Barriers can take a number of forms, such as price points, package sizes and payment options. For example, in the luxury sector, it is a common practice for luxury brands to offer downward vertical extensions to affordable items to make their products accessible to more people (Riley, Lomax & Blunden 2004).

This thesis will mainly focus on the first dimension of physical availability: presence, or in other words decisions about where to place the brand. This dimension is commonly referred to as ‘distribution’ or ‘place’ in the marketing mix, and will be referred to as ‘distribution’ throughout the remainder of this thesis (Nenycz-Thiel, Romaniuk & Sharp 2016).

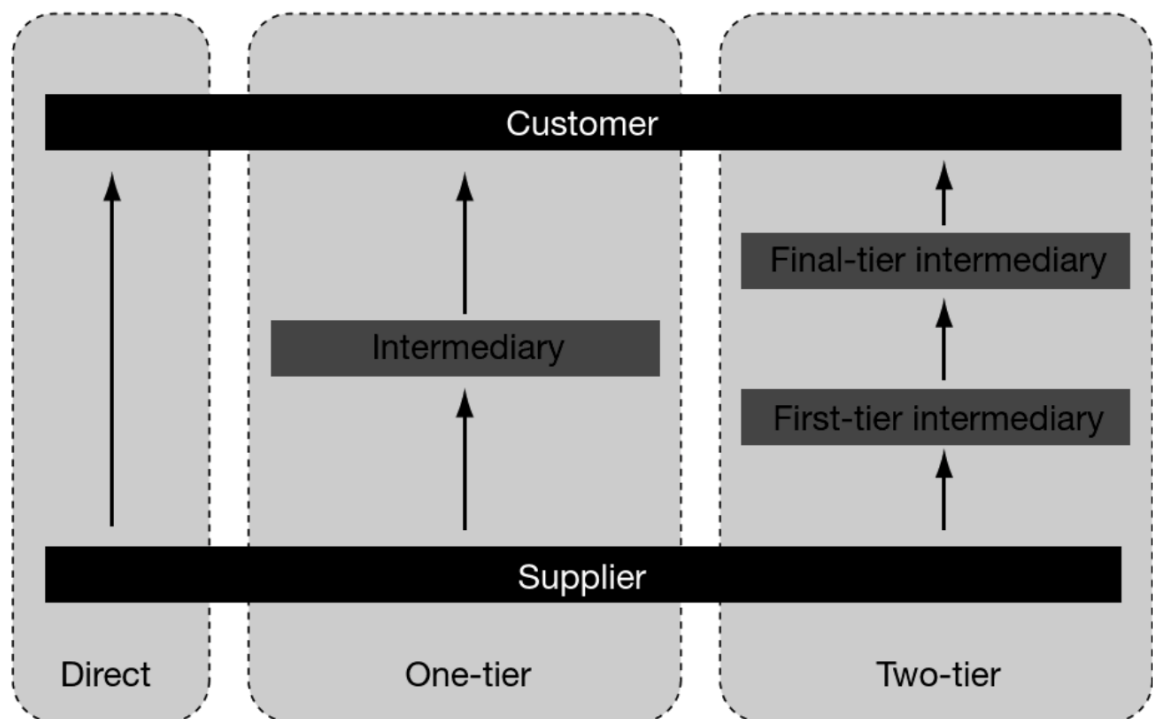
3.1.2 Distribution Structure

A typical distribution structure involves the supplier, an intermediary, and customers (Dent 2014). Products can be sold direct to the final customers or sold through an intermediary to consumers, as illustrated in Figure 3.1.

³ Distinctive assets are non-brand-name elements such as colours, logos, characters and fonts that can trigger recognition of the brand for category buyers (Romaniuk & Caruso 2018).

⁴ This was previously called ‘relevance’ (Nenycz-Thiel, Romaniuk & Sharp 2016).

Figure 3.1: Distribution structure



Source: Dent 2014

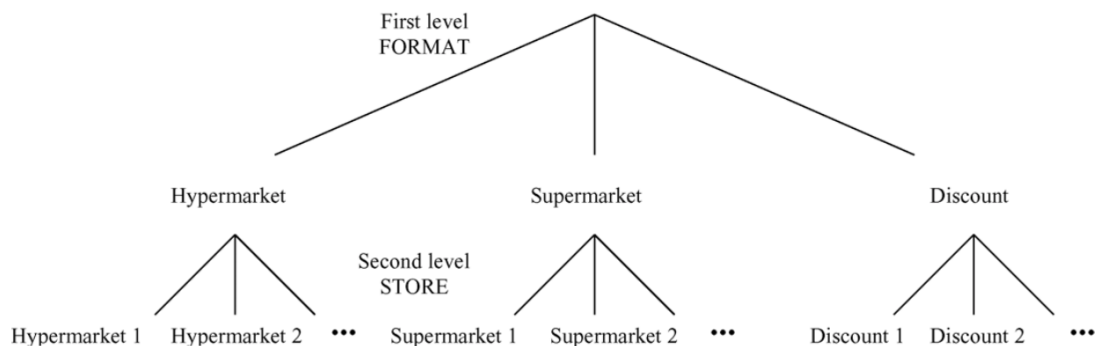
There are different business arrangements between the supplier and the intermediary, such as joint ventures, franchising and licensing, and each of these distribution arrangements involves different levels of control and capital investment (Som & Blanckaert 2015). Therefore, there are distinctive differences between them from a brand's point of view. However, consumers may not be aware of these behind-the-scenes activities; what they see is the different types of retail channels and store formats that they can buy the products from. For example, to a consumer, a Burberry store is a Burberry store, regardless of whether it is directly operated by the brand or owned by a franchisee. Similarly, when consumers buy a bottle of Gucci perfume from a department store, they have no information on how that product got listed on the shelf (i.e. whether via a wholesale agent or a franchisee, or directly from the brand).

This thesis is a consumer-oriented study. As the researcher is interested in understanding how consumers buy from and perceive the channels and store formats, it will focus only on the retail level, and in particular, on the different retail channels and store formats that consumers can directly buy products from. In the context of luxury shopping, however, there are also retail channels and store formats that consumer can buy second-hand products from, or even rent them for a certain period. These second-hand and rental retailing are not included in this thesis.

3.2 Retail Distribution Classification

Research into retail patronage has revealed a *nested choice structure* that breaks down shopping into two decision levels: one that is related to the format of the store (retail channel) in which the consumer wishes to shop, and one that is related to the specific store chosen from the selected store format (Gonzalez-Benito, Munoz-Gallego & Kopalle 2005). As illustrated in Figure 3.2, when a consumer decides to make a purchase, they start by choosing the format of the retail channel at which they will shop, and later a particular store within this store format (Gonzalez-Benito, Munoz-Gallego & Kopalle. 2005).

Figure 3.2: Nested choice structure



Source: Gonzalez-Benito, Munoz-Gallego & Kopalle 2005

These two decision levels are both very important in influencing shopping decisions. While there are differences within particular formats (e.g. between Walmart and Carrefour, as two hypermarkets), these second-level differences are not considered in this thesis. The focus of this thesis is on the first level of the choice structure, which is about understanding shopper behaviours across different retail channels and store formats.

There are different ways of classifying retail channels in literature, which will be discussed in detail in the rest of this section.

3.2.1 Retail Channel at Aggregate Level

There is no commonly accepted classification of retail channels. Instead, the literature reveals a wide range of classifications that vary in their emphases and scope. At aggregate level, some authors classify retailing channels into two broad types with various expressions, such as physical channels vs. internet channels (Wang et al. 2016), store-based channels vs. non-store-based channels (Zhang et al. 2010), and online channels vs. offline channels (Sorescu et al. 2011). Some also recognise catalogue and/or TV shopping as an additional retail channel

(Krafft & Mantrala 2006; Neslin et al. 2006; Spiller & Lohse 1997). Some consider mobile shopping to be a channel on its own (Huang, Lu & Ba 2016; Kumar et al. 2012), while some consider it part of the internet-based channel (Brynjolfsson, Hu & Rahman 2013; Ngai & Gunasekaran 2007). Some authors use multiple terms for each channel in the same article, such as traditional and physical (Pantano & Priporas 2016), offline channel and store channel (Verhoef, Kannan & Inman 2015), traditional and brick-and-mortar (Brynjolfsson, Hu & Rahman 2013), and online and internet (Brynjolfsson, Hu & Rahman 2013).

For clarity, this thesis integrates the classifications in the literature and groups the different channels into two broad types with the following descriptions: ‘physical channel’ and ‘online channel’. ‘Physical channel’ refers to all physical store formats, while ‘online channel’ covers all retail formats that are conducted in the digital world using internet transactions. Table 3.1 shows the different retail channels’ classifications in the literature.

Table 3.1: Retail channel classifications in literature

Descriptions of Channels	Cited By
Physical store, paper catalogue, online store	Spiller & Lohse 1997
Physical store, online shop	Peterson et al. 1997
Retail Store, internet, catalogue	Neslin et al. 2006
Stationary, internet, catalogue, tele-shopping	Krafft & Mantrala 2006
Store-based, non-store channels	Schröder & Zaharia 2008
Store, TV, catalogue, online	Cho & Workman 2011
Online channels, offline channels	Sorescu et al. 2011
Brick-and-mortar/traditional, online/internet (mobile)	Brynjolfsson, Hu & Rahman 2013
Physical store, online shop, mobile shops	Kumar et al. 2012
Web channel, mobile channel	Huang, Lu, X & Ba. 2016
Traditional/physical, e-channel, mobile channel	Pantano & Priporas 2016
Physical channel, internet channel	Wang et al. 2016

3.2.2 Retail Channel at Individual Level – Retail Store Format

Retail is an evolving industry. Its levels of complexity and sophistication have undergone tremendous change over time due to advances in social and technological environments. One of the consequences of the intense transformation experienced by the retail sector in recent decades has been the expansions of retail store formats (Da Costa, Gallina & Halpern 2017). In this thesis, retail store format refers to retail operating styles (Fernie, Fernie & Moore 2015) such as *department store*, *speciality store*, *hypermarket*, *duty-free store* and so on.

Similar to the lack of consensus on how to classify retail channels, there is a wide range of classifications and descriptions of the different types of retail store format in the literature

(Dawson 2000). Walmart, for example, has been variously described as a ‘discount store operator’, a ‘hypermarket’ and a ‘power centre’ (Reynolds et al. 2007). In addition, there are no clear boundaries among the terms used. Some authors use the term ‘retail store format’ (Moore & Birtwistle 2004; Sorescu et al. 2011), others use the term ‘store format’ (Marques, Trindade & Santos 2016) or ‘store type’ (Uncles & Kwok 2009), some use a combination of terms (Nenycz-Thiel, Romaniuk & Sharp 2016), and others simply refer to them as retail channels (Kim, Kim & Lee 2010; Kim & Lee 2011).

This thesis investigates retail channel distribution at both aggregate and individual levels. Retail channels at individual level, such as *department store* and *official brand store*, are called ‘retail store format’ throughout the thesis. At aggregate level, the various store formats are grouped into two broad types: ‘physical channel’ and ‘online channel’. ‘Physical channel’ refers to all store formats operating in the physical world, such as *department store* and *official brand store*, whereas ‘online channel’ refers to all store formats operating in the digital world using internet transactions, such as *online department store* and *online official brand store*.

3.3 Evolution of Luxury Retail Distribution

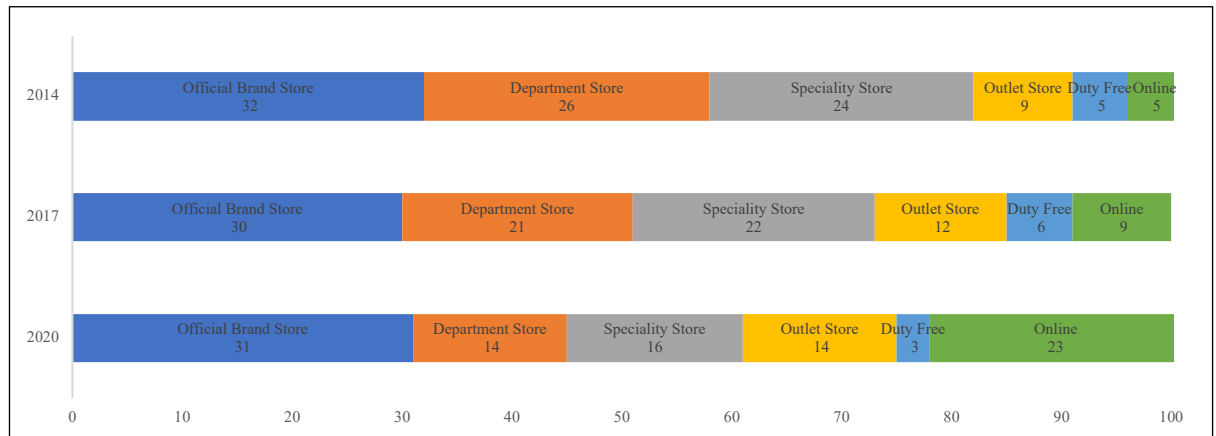
The distribution of luxury goods is by definition synonymous with selectivity, if not exclusivity (Godey, Lagier & Pederzoli 2009). Historically, luxury products were only accessible to a small selection of people due to their high-priced nature (Berry 1994), and therefore were only distributed via limited channels. Luxury buying experiences used to involve dressing up and going into an upmarket boutique to consult with a salesperson on what to buy, and enjoying the one-on-one service. The movie *Breakfast at Tiffany's* truly demonstrates the power of a luxury brand and people's obsessions with its stores: the image of Audrey Hepburn dressed up in a black dress, having 'breakfast at Tiffany's' while looking in at the shop's window is one of the classic images of New York.

With the democratisation and globalisation of luxury in society that has occurred since the start of the twentieth century, luxury products are now more widespread, and more people around the world have access to them (Kapferer & Bastien 2009). To take advantage of the mounting demand for luxury goods, major luxury brands have begun to engage in some very dynamic channel expansion strategies. For example, luxury brands like Burberry and Gucci started to become available in discounted store formats following the introduction of the first designer outlet centre in the UK in the early 1990s (Ruddick 2013; The Fashion Law 2019). In recent years, luxury retailing has also started to expand into mass retailing store formats that are not known for selling luxury products, such as Walmart, Target and Costco. Brands like Prada, Chanel and even Hermès were reported to be available at Costco's Shanghai store (Yu & Ren 2019). The movement into the Information Age also has had a major impact on luxury goods distribution. Almost all of the physical store formats that sell luxury products have also developed online versions of their selling points. For example, Burberry sells online to more than 40 countries from its official brand site, Michael Kors sells products on Facebook and Prada has partnered with walmart.com to feature heavily discounted luxury goods online during Black Friday weekend sales (Jaekel 2016). In other words, luxury brands have utilised the internet as a distribution channel in the same way as other brands in the non-luxury category. Today, shoppers can wake up in their pyjamas and, while eating breakfast in bed, make their purchase from the Tiffany's website instead of dressing up to visit the actual store.

While the online channel has seen steady growth, the physical channel continues to dominate the value share of the global personal luxury goods market (Bain & Co. 2018; Statista 2021a). Figure 3.3 illustrates the evolution of the global personal luxury markets by

distribution channel and store format in the past decade. The development of these retailing channels and store formats will be discussed in the following section.

Figure 3.3: Value share of global personal luxury goods market by distribution channel and store format



Source: Bain & Co. 2018; Statista 2021a

3.3.1 Physical Channels

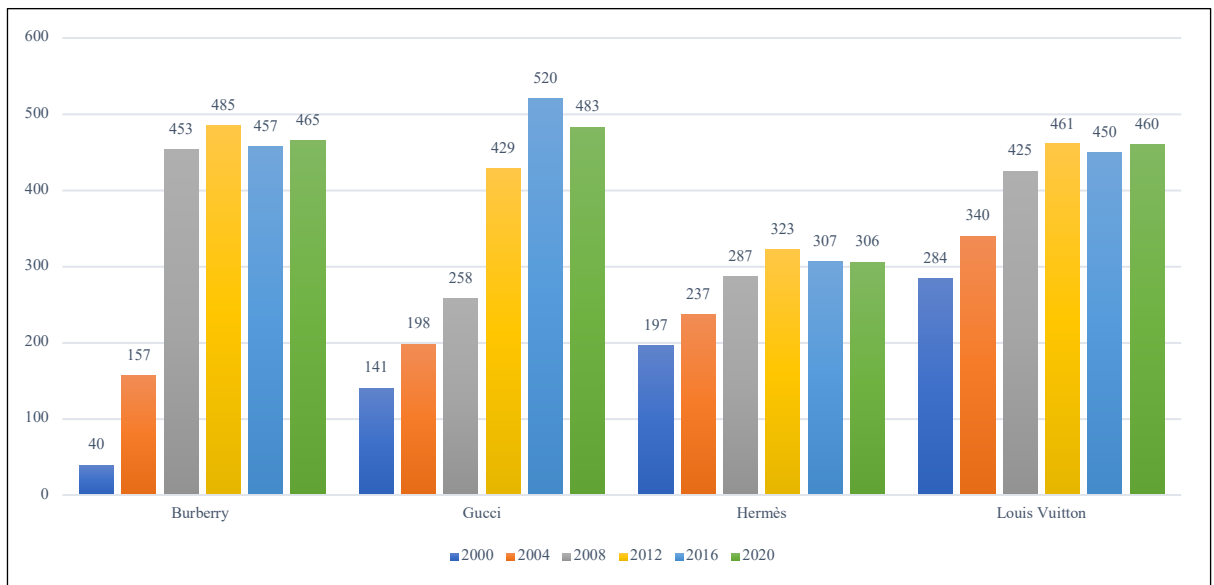
Official Brand Stores

Official brand stores, also known as mono-brand stores, feature only one brand throughout the entire outlet. Official brand stores allow the brand to have full control from all points of view (e.g. the product, price and service), and thus are considered to be most natural and most coherent with the origin of luxury and the notion of personal relationship (Kapferer & Bastien 2012; Desmichel & Kocher 2019). In official brand stores, all of the senses are aroused by a strictly calibrated atmosphere of animation, movement, audio elements and so on (Joy et al. 2014). These harmonious situations are referred to as ‘luxemospheres’ (Okonkwo 2009). Official brand stores, particularly flagship stores, are at the top of the ‘luxemosphere’ pyramid, as each store is dedicated to featuring only one brand, whereas the other channels sell multiple brands on the same premise (Moore, Doherty & Doyle 2010). For example, consumers visiting the Louis Vuitton flagship store in Hong Kong described it as apparently having been conceived of by the curator of a top museum or art gallery (Joy et al. 2014).

Some of the strongest shifts in the luxury industry have been the increasing shift of brands from a wholesale to a retail model. Louis Vuitton became the pioneer in this shift when the brand decided in the 1970s to be sold only in its official brand stores, and this retailing strategy is considered one of the key reasons for the brand’s success (Chevalier & Gutsatz 2012). The number of official brand stores increased rapidly in the first decade of the

twenty-first century for the leading luxury brands (Statista 2021a). However, there has also been a trend towards scaling back the number of official brand stores in the last decade (as illustrated in Figure 3.4). The official brand store remained the number one store format throughout the last decade and currently accounts for close to one third of the value share of the global personal luxury goods market (Bain & Co. 2018; Statista 2021a).

Figure 3.4: Number of official brand stores worldwide



Source: Statista 2021a

The official brand store's role is evolving with the rise of online channels. While still functioning as a place of commerce, the official brand store now primarily serves as a physical touchpoint to engage visitors with the brand's history, point of view and craftsmanship (Jones 2019). With luxury brands looking to blend the commercial and the experiential, store concepts are getting a makeover to enable more flexibility, space and experiences. For example, in 2017 Tiffany & Co. opened an eatery inside its official brand store on Fifth Avenue to bring the dream of having 'Breakfast at Tiffany's' to fruition (Luxury Daily 2017).

Department Stores

Department stores offer a wide range of product categories from different brands. Department stores used to be the primary retail channel for selling luxury goods in many countries (Chevalier & Gutsatz, 2012). Along with needing to compete with other multi-brand stores, department stores have faced increasing competition from online channels and official brand stores (Ramirez, 2019b), and have struggled to retain their position in the global personal

luxury goods market over the past ten years (Bain & Co. 2018; Statista 2021a). There are reports of established players going out of business, such as Barneys filing for bankruptcy in 2019 (Ramirez 2019a), followed by Neiman Marcus Group filing in 2020 (Luxury Daily 2020).

Speciality Stores

Speciality stores, also known as multi-brand stores, are much smaller than department stores and present a more limited selection of products. They generally specialise in fashion and accessories and have very upscale positioning. Similar to department stores, speciality stores are losing market share to online channels and official brand stores (Bain & Co. 2018; Statista 2021a).

Outlet Stores

As mentioned above, the high-priced nature of luxury goods is one of the main factors preventing shoppers from buying luxury brands. With the introduction of the first designer outlet centre, in the UK in the early 1990s, luxury products started to become available in discounted store formats at discounted prices (Ruddick 2013). Almost every brand uses factory outlets to unload some of its overstock. Brands like Coach, Ralph Lauren and Burberry are strong users of the system, and brands like Gucci and Prada are now present in the most visited designer outlets in the world.

Department stores and speciality stores have also opened outlet stores to sell luxury products at discounted prices (Jones 2015). For example, Nordstrom Rack started as the bargain basement of Nordstrom's Seattle store, then went national throughout the 1980s and 1990s. Saks Off 5th started in the 1990s too, and Neiman Marcus tried its hand at off-price retail in 1988 with its Last Call stores.

Discounted store formats have been one of the fastest-growing channels for luxury product sales since the Global Financial Crisis and ensuing recession (The Fashion Law 2019). In the past, factory outlets were small locations taken from the factory floor to sell excess stock. While there have been great improvements in the infrastructure of outlet shopping centres, the store settings and levels of customer service that they offer do not compare to the full-priced luxury retail channels. Over time, the merchandise presented in discounted store formats has also changed. In addition to overstocked or out-of-season items,

some brands now manufacture special products exclusively for this channel at prices lower than those in mainstream stores.

Duty Free

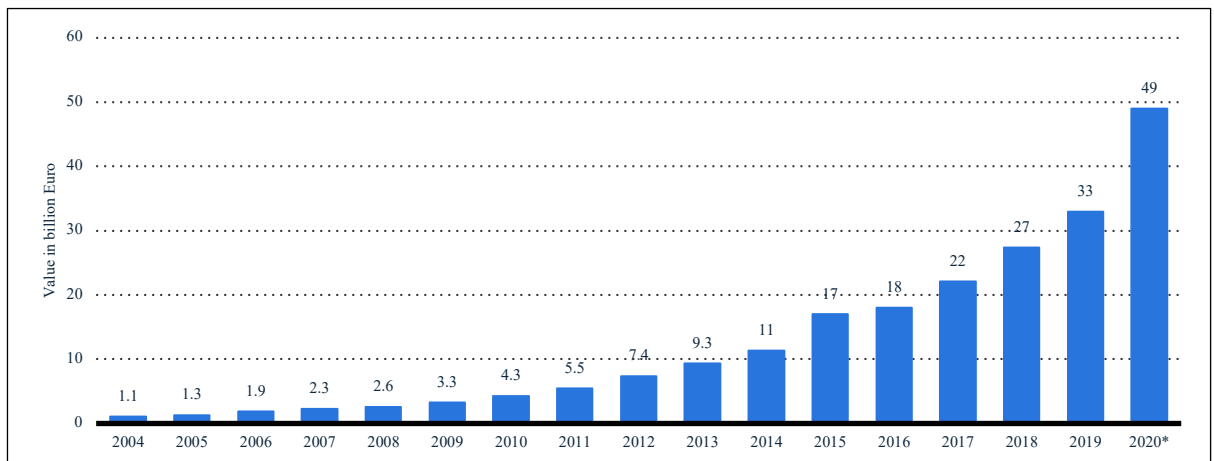
With the introduction of the first duty-free store at Shannon Airport in Ireland in 1947, luxury products started to become available to international travellers. Most duty-free stores are located in airports; therefore, their physical accessibility is largely dependent on how often people visit airports. As the products in them have not, in legal terms, entered the countries in which the stores are located, they are not liable for import duties, which presents a good opportunity to provide discount prices and real customer savings (Chevalier & Gutsatz 2012). Sales via duty-free stores are significant (Arnett 2019). Wealthier people with time to kill before a flight are a sales opportunity; thus, most luxury brands have stores in the biggest airports.

3.3.2 Online Channels

The movement into the Information Age also has had a major impact on luxury goods distribution. Almost all of the physical store formats that sell luxury products have also developed online versions of their selling points. For example, Burberry sells online to more than 40 countries from its official brand site, Michael Kors sells products on Facebook and Prada has partnered with walmart.com to feature heavily discounted luxury goods online during Black Friday weekend sales (Jaekel 2016). In other words, luxury brands have utilised the internet as a distribution channel in the same way as other brands in the non-luxury category.

One of the most significant changes in the luxury retailing sector is the ongoing rise of online sales in the last decade (as illustrated in Figure 3.5). The value of the online personal luxury goods market worldwide reached 33 billion Euro in 2019, and an estimated of 49 billion Euro in 2020 (Statista 2021c).

Figure 3.5: Value of the online personal luxury goods market worldwide



Note: * estimated value. The dramatic increase in online sales could be due to the lockdowns and social distancing guidelines of Covid-19 (Khan 2020). The impact of Covid-19 is outside the scope of this thesis; thus, the researcher will not discuss or link the concern of Covid-19 to this thesis.

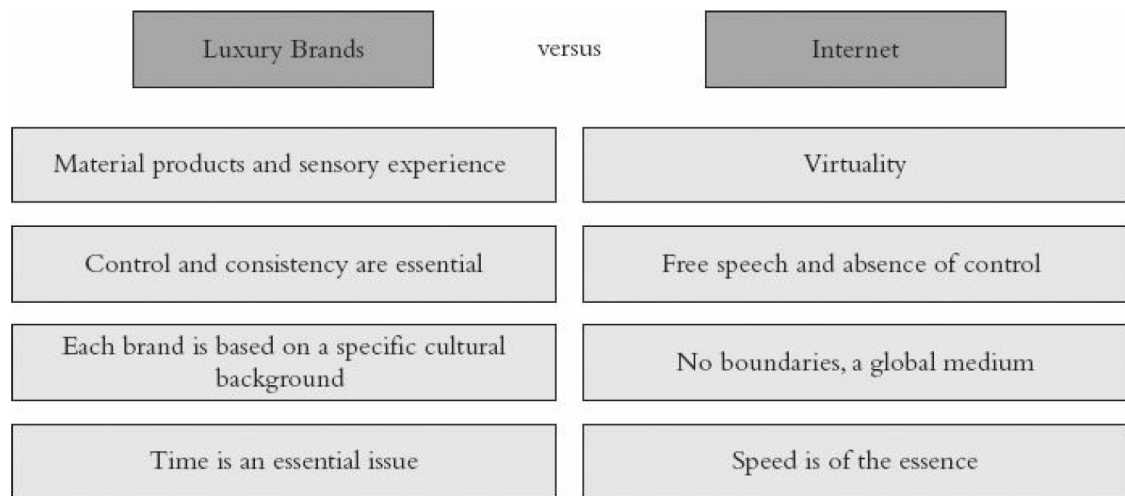
Source: Statista 2021c

Online channels at aggregate level account for close to a quarter of the value share of the global personal luxury goods market in 2020 (Bain & Co. 2018; Statista 2021a). However, it has been a long journey for the luxury industry to embrace the internet as a distribution channel. According to Chevalier and Gutsatz (2012), there are four major phases that luxury brands go through on the internet.

- *Phase 1: No website.* Many luxury brands did not have websites in the early twenty-first century. For example, the Prada website was famous for consisting only of the words ‘Opening Soon’ for many years; it eventually opened a perfume website at the end of 2005, and its main site only in 2007.
- *Phase 2: An institutional website.* The website is of an aristocratic nature, and allows the brand to present its essence, its history, its events and its collections, but has no selling functions.
- *Phase 3: An e-commerce site.* Once a brand has recognised the internet as a distribution channel in its own right, it embeds e-commerce sites into its institutional websites and develop apps for m-commerce. Most luxury brands today are at this stage of their internet development.
- *Phase 4: Multichannel e-commerce.* All of the internet-savvy luxury brands have now jumped on the social media bandwagon and begun to sell via social media platforms such as Facebook and Instagram. Some also partner with multi-brand online marketplaces or other retailers to sell their products.

While the internet is now a major communications and distribution channel that luxury brands have begun to invest in, their attitude toward it is somewhat complex. This is because luxury brands have historically believed that luxury and the internet have two very different cultural backgrounds, as illustrated in Figure 3.6 (Chevalier & Gutsatz 2012). The virtual issue and the control issue have been instrumental in the relationship luxury brands have with the internet. Luxury brand managers have claimed that the essence of a luxury product is its ‘feel’ and ‘sense’, meaning that a customer has be able to touch and feel the product, and that the presence of a sales assistant is essential. Despite the lack of personal interaction, which remains one of the greatest drawbacks for online purchasing (Heller et al. 2019), more and more luxury shoppers are buying from the internet (as illustrated in Figure 3.5). Therefore, the real concern is the control issue: luxury brand marketers and executives alike feared (and still fear) that a strong, uncontrolled online presence will endanger their brand equity, as they will lose control of the brand into the hand of netizens (Chevalier & Gutsatz 2012; Kapferer & Bastien 2012; Nabec, Pras & Laurent 2016).

Figure 3.6: Cultural background of luxury brands and the internet



Source: Chevalier and Gutsatz 2012

While there are different individual store formats within online channels (e.g. *online official brand store* and *online department store*), is it a common practice to refer them as online channels at aggregate level. Since almost all of the physical store formats that sell luxury products have also developed online versions of their selling points, the different online store formats are best kept separate, as physical channel store formats are. This thesis therefore takes the lead to investigate online channels at individual level and specifies different online store formats.

Online Official Brand Stores

Most luxury brands today sell their goods online from official brand sites. Similar to the physical official brand store, the online official brand store also features only one brand throughout the entire online store.

Online Department Stores

Department stores also sell their goods online from their brand sites. Similar to the physical department brand store, the online department brand store also lists a wide range of product categories from different brands.

Online Speciality Stores

There are two types of online speciality store: one is the online selling point of the physical speciality store (e.g. Sephora, apart from selling from its physical stores, also sells online from its brand site); the other one is the pure online retailer that specialises in selling online (e.g. Net-A-Porter, which sells luxury goods online to more than 170 countries without any permanent physical stores). These types of online stores sell a wide range of products from different brands, and thus are also known as multi-brand stores.

Online Outlet Stores

Online outlet stores sell a wide range of products from different brands at discounted prices. A number of online department stores and online speciality stores also operate outlet versions of their online stores. For example, Nordstrom Rack online store is an outlet version of the Nordstrom online store, and The Outnet online store is an outlet version of the Net-A-Porter online store.

Online General Stores

The term online general store in this thesis refers to the many general stores that operate within e-commerce platforms, such as Taobao in China and Amazon in the USA.

Online Social Media Stores

A number of social media platforms (e.g. Facebook and Instagram) have introduced business transaction functions and allow brands to sell direct to their customers from their social media accounts. This format of retailing is referred as an online social media store in this thesis.

3.3.3 Other Store Formats

Mass Retail Stores (Within Both Physical and Online Channels)

In recent years, luxury retailing has started to expand into mass retail store formats, which are not known for selling luxury products (Kenton 2019), such as superstores (e.g. Walmart and Target) and warehouse club stores (e.g. Costco). For example, Omega and Gucci partnered with Walmart to feature heavily discounted luxury goods online during the Black Friday weekend (Jaekel 2016), and brands like Prada, Chanel and even Hermès were reported to be available at Costco's Shanghai store (Yu & Ren 2019).

In contrast to the traditional luxury retail channels that predominantly sell high-priced products from luxury brands, mass retail store formats sell a wide range of non-luxury products at affordable prices. While there is a trend for mass retail store formats to start to include luxury products in their stores, these only account for a very tiny proportion of their portfolios, and the numbers of luxury items available for purchasing are also very limited.

Online Shopping Agents (Within Online Channels Only)

Online shopping agents are a unique shopping format used by mainland Chinese consumers to acquire luxury products from overseas. Product scarcity is one of the key motivations for using this format, as often particular products are only available in overseas markets. Price difference is another key motivation driving shoppers to use the shopping agent format. At its peak, in around 2014, when big-name fashion houses such as Chanel and Gucci routinely priced their wares as much as 80% higher in China than in Europe, online shopping agents accounted for four out of ten luxury goods purchased by Chinese consumers (Bloomberg News 2019). However, that success prompted a clampdown on the illegal practice by the Chinese government, which was losing out on potential tax revenue. While there are potential savings from buying luxury products via shopping agents, there are also a number of issues relating to this format, such as lack of after-sale service and counterfeit scams (Jing Daily 2016). This format is unique to the Chinese market and therefore will only be included in the dataset related to Chinese shoppers.

3.4 Summary

This thesis is a consumer-oriented study, thus focuses only on the retail level of distribution, and in particular on the different retail channels and store formats that consumers can directly buy luxury products from.

This thesis investigates retail channel distribution at both individual and aggregate levels. Retail channels at individual level, such as *department store* and *official brand store*, are called ‘retail store formats’ throughout the thesis. At aggregate level, the various store formats are grouped into two broad types: ‘physical channel’ and ‘online channel’. ‘Physical channel’ refers to all store formats operating in the physical world, such as *department store* and *official brand store*, whereas ‘online channel’ refers to all store formats operating in the digital world using internet transactions, such as *online department store* and *online official brand store*.

To take advantage of the mounting demand for luxury goods, major luxury brands have begun to engage in some very dynamic channel expansion strategies. The evolution of retail channels in the luxury category has provided luxury shoppers with more channel options from which to shop for luxury products, but it has also created challenges for luxury brand retail channel management decisions, which will be discussed in the following section.

Chapter 4 – Luxury Marketing and Retailing

This chapter reviews literature in the areas of luxury marketing and retailing and discusses the challenges for luxury retail distribution management. The purpose of this chapter is to identify evidence to inform luxury brands' channel management decisions and highlight gaps in the literature for further investigation.

4.1 Luxury Marketing Paradox

Luxury marketing rests on a paradox. In order to achieve success in the marketplace, a luxury brand has to reach certain level of diffusion; however, if the brand is over-diffused, it will lose its luxury character (Dubois & Paternault 1995). Therefore, some researchers claim that to build a successful luxury brand and to make it remain a luxury brand, one has to forget the classical marketing rules applied in the non-luxury category (Kapferer & Bastien 2009). This section introduces the two popular principals in luxury marketing: the ‘Anti-laws’ of Marketing and the ‘Rarity Principle’.

4.1.1 The ‘Anti-laws’ of Marketing

A key feature of the literature on luxury brand management is the view that marketing for luxury goods has to be different (Kapferer & Bastien 2012; Keller 2009; Sicard 2013). Kapferer and Bastien (2012) claim that in the context of luxury goods, marketers should abandon most of their marketing beliefs and approaches, because they are not applicable to luxury brands and in fact are potentially damaging. Instead, they encourage luxury brands to embrace ‘anti-laws’ in their marketing practices. The term ‘anti-laws’ refers to the idea that the marketing of luxury goods must be different from conventional marketing. The ‘anti-laws’ state that luxury brands must balance the need for strong brand awareness through advertising with maintaining widespread desirability through controlled distribution and high prices (Kapferer & Bastien 2009; Kapferer & Bastien 2012).

Kapferer and Bastien (2012) proposed a list of 24 principles that covers various aspects of luxury marketing (e.g. product, pricing, promotion and distribution). Out of the list, the two principles that relate to distribution are most relevant to this thesis: Principal 7 (‘Make it difficult for clients to buy’) and Principal 24 (‘Just sell marginally on the internet’).

‘Make it difficult for clients to buy’ can literally be translated as restricting the distribution of the brand. According to Kapferer and Bastien (2012), to protect their luxury status, brands should “reduce diffusion, and increase the obstacles to accessing the brand. This is done through a large rise in price ... This is also done by a reduction of distribution, increased selectivity, exclusivities offered to clients” (p. 129).

‘Just sell marginally on the internet’ refers to the proposition that luxury brands should not sell online, except for entry-level products. The authors claim that selling luxury online is extremely dangerous as it will dilute the desirability for the brand (Kapferer & Bastien 2012). According to the authors, selling online provides too easy an access to the products to too

many non-qualified people, which reduces to nil the effort needed to obtain a luxury product, and thus undermines the feelings of exclusivity attached to the brand. Consequently, the authors suggest that in order to maintain the luxury status of the brand, only entry products, and in limited quantities, should be sold online.

While much of the talk about the ‘anti-laws’ of marketing for luxury are opinion pieces rather than research based on empirical evidence, these ‘anti-laws’ have been widely promoted by luxury researchers and marketers (Gurzki & Woisetschläger 2016).

4.1.2 The Rarity Principle

The essence of the ‘anti-laws’ of marketing also reflects the essence of the Rarity Principle (Dubois & Paternault 1995), which propose that to maintain their luxury image, luxury brands must sustain high levels of awareness and tightly controlled brand diffusion to enhance exclusivity. In order to understand the relationship between brand awareness, ownership and desirability for luxury brands, Dubois and Paternault (1995) surveyed 3000 Americans about their buying habits, perceptions and attitude towards a set of 34 luxury brands from various product categories. A regression equation named the ‘dream formula’ was developed from this survey, which explains the relationship among dream value, brand awareness, and purchasing behaviour of luxury brands.

$$\textit{The ‘dream formula’}: \textit{Dream} = 0.58*\textit{Awareness} - 0.59*\textit{Purchase} - 8.6$$

In the ‘dream formula’, the awareness co-efficient is positive while the purchase co-efficient is negative. The negative purchase co-efficient suggests that an increase in ownership of a luxury brand decreases the desirability of the brand, which implies that by making the dream come true, the purchase act itself takes away some levels of the brand’s luxuriousness. As a result, Dubois and Paternault (1995) recommended that luxury brands should aim to develop a high level of awareness but tightly control the supply and distribution of their goods in order to maintain a level of brand luxuriousness.

The Rarity Principle has been one of the most influential beliefs in luxury marketing. The study by Dubois and Paternault (1995) is among the top 30 most cited references ranked by citation frequency out of the list of 1,315 publications with relevance to the luxury subject across disciplines (Gurzki & Woisetschläger 2016). However, two later studies raise doubts on the generalisability of this principle.

To test the relevance of the Rarity Principle to Asian consumers, Phau and Prendergast (2000) conducted a similar study in Singapore. The results from the Singapore study clearly indicate that increasing awareness yields higher levels of brand preference, which generate stronger purchase intentions. The study in Singapore rejects the Rarity Principle found in the USA study. Phau and Prendergast (2000) conclude that Asian consumers hold different perceptions of the ownership of luxury brands compared to Western consumers, and the Rarity Principle may not be relevant in the Asian luxury market.

The original study by Dubois and Paternault (1995) mixed brands of vastly different product categories and different prices. Sharp and Romaniuk (2016) pointed out that ownership is inevitably low for expensive products (e.g. watches) and high for less expensive products (e.g. cosmetics), and when mixing categories and brands of vastly different price levels, people would naturally prefer an expensive luxury product (e.g. a Rolex watch) as a prize than some comparatively less expensive one (e.g. a Revlon lipstick). Sharp and Romaniuk (2016) considered this a flaw of the original research, and adapted a different approach to test the Rarity Principle. Sharp and Romaniuk (2016) compared brands within the same category and of similar price and quality levels. The relationship between brand ownership and desirability was tested for three categories (i.e. luxury clothing champagne and luxury watches) across three countries (i.e. China, Russia and the USA). Overall, the results show that brands having more owners (greater penetration) does nothing to depress demand, as ownership does not decrease desirability. This finding suggested that the Rarity Principle may not be relevant in today's luxury market, regardless of countries.

Despite the lack of empirical evidence for the claims promoted by the 'anti-laws' of marketing, and the Rarity Principle being found to be unsupported by later studies, the idea of controlling brand diffusion to enhance exclusivity remains influential in luxury marketing.

To take advantage of the mounting demand for luxury goods, major luxury brands have begun to engage in some very dynamic channel expansion strategies. While distributing via more channels and store formats provides consumers with more options for buying luxury products, it also presents a number of retail management challenges for luxury brands, such as potential damage to brand image (as suggested by the 'anti-laws' of marketing and the Rarity Principle), which will be discussed in the following section.

4.2 Challenges for Luxury Retail Distribution Management

Today's multichannel retail environment presents a number of challenges for luxury brand management (Keller 2010). Each channel/store format expansion comes with costs and creates a constant challenge for brand managers to effectively allocate budget and resources to maximise return on investment and create synergy across channels and store formats (Nenycz-Thiel, Romaniuk & Sharp 2016). For luxury brands, selling via more channels and store formats may also result in damage to brand image (Kapferer & Bastien 2012; Som & Blanckaert 2015).

Financial Challenge

While luxury retail expansion provides consumers with more options for buying luxury products, it also presents a financial challenge for luxury brands and luxury retailers. Each retail expansion comes with costs, and brand managers face a constant challenge to effectively allocate budgets and resources in order to maximise return on investments and create synergy across channels/store formats (Chevalier & Gutsatz, 2012; Nenycz-Thiel, Romaniuk & Sharp 2016).

In the physical world, opening a branded store imposes very expensive rental costs, and requires adding staff to the payroll and financing large inventories (Chevalier & Gutsatz, 2012). Selling wholesale to retailers and department stores could reduce fixed costs, but the brand would then make a relatively smaller percentage of gross margin on its products, as the retailers would request a retailer's margin (Dent 2014). In the online world, there are also costs involved in setting up distribution channels. Take selling handbags, for example: Instagram takes 5% of the selling fee per shipment (Instagram Business Team, 2019), and Amazon takes 15% of the total price for products with a total sales price above \$75 (Amazon 2020). Other additional costs such as account service fees and onsite advertising fees might also be incurred, and there are also fulfilment issues when doing more business online. For luxury brands, there are also potential costs in terms of relationship management with distributors, technological know-how and fulfilment issues to doing more business online (Chevalier & Gutsatz 2012). While the operational costs associated with distribution will impact the financial performance of the channel/store format, how to manage operational costs to maximise return on investment is beyond the scope of this thesis.

This thesis focuses on the challenges related to how to effectively allocate budgets and resources in order to maximise return on investments. For example, would investing money in

loyalty reward programs in an attempt to grow shopper loyalty generate more return compared to investing money in reaching more buyers in an attempt to build a shopper base?

Louis Vuitton is known for selling only in its official brand stores, and this retailing strategy is considered one of the key reasons why the brand has become the most valuable brand in the personal luxury goods market (Kapferer & Bastien 2012; Statista 2020a). While it has been proven to be part of Louis Vuitton's success, how applicable is this single-format retailing strategy for other brands? In another word, can other luxury brands also benefit from selling only in their official brand stores?

While *department stores* have been decreasing in popularity, they are still the one of the biggest store formats in the global personal luxury goods market (Bain & Co. 2018; Statista 2021a). However, other emerging store formats like *social media stores*, while popular amongst younger buyers, only account for a small share of the global personal luxury goods market (Bain & Co. 2018; Statista 2021a). Which store formats should be prioritised for better returns? Should money and resources be withdrawn from the fading yet still important store formats such as department stores and invested in trendy yet still small store formats like social media stores?

There are always opportunity costs to making choices, and identifying how to effectively allocate budgets and resources in order to maximise return on investments is a constant challenge for luxury brand managers. Understanding the underlying structure of shoppers' buying patterns – in other words, understanding how channels and store formats compete for luxury buyers – could provide useful benchmarks for what to expect when evaluating channel and store format performance. This framework can then be used to identify deviations that help in developing better strategies for retail distribution management.

Possible Damage to Brand Image

Luxury is an industry that has been characterised by exclusivity and rarity, and luxury goods are thus, by definition, not widely available. It has been argued that satisfying the dramatic increase in demand for luxury goods may lead to a lack of exclusivity for luxury brands (Kapferer & Bastien 2012). According to Kapferer (2009, p. 203), in order to maintain its status, a luxury product must deserve it, whether through its financial (price) or cultural (initiation) effects, or by the need to dedicate time (e.g. going to a given city and into a specific shop) and patience (e.g. joining a waiting list) to acquiring it. Extensive distribution erodes the allure of the luxury brand and eventually reduces consumer demand for it (Som &

Blanckaert 2015). Thus, luxury brands with wide distribution are said to be less desirable, as purchase makes the ‘luxury dream’ come true and therefore contributes to destroying it (Dubois & Paternault 1995). However, the modern luxury industry has experienced rapid growth, and little research exists describing or quantifying the distribution of luxury brands and the effect that expanded availability via more channels has had on customers’ perceptions of luxury brands. Thus the pertinent question is: is it necessary to have limited availability to be exclusive, and therefore a luxury brand?

Distribution can generate consumer awareness of a brand and alter the consumer’s perception of the retailer and the brand (Wilbur & Farris 2014). Therefore, one concern for luxury brands is the spillover effect between brands and distribution channels (Nabec, Pras & Laurent 2016). Luxury brands are facing the challenge of creating and retaining the ‘desire’ and ‘exclusivity’ attributes of luxury brands in the mass and classless internet world, while at the same time maintaining and enhancing the equity of the brand (Okonkwo 2009). For example, Jean-Jacques Guiony, CFO of LVMH – which owns Louis Vuitton and other luxury labels – has stated publicly that there is “no way” LVMH would do business with Amazon, as he believes that Amazon’s existing business model does not fit with their brand (Luxury Insider 2016). Luxury brands are also reluctant to publicly talk about their operations in discount channels, in an effort to maintain the upmarket images (Deloitte 2018). For example, none of the world’s leading luxury companies, such as Kering or LVMH or Richemont, publicly states the value of their ‘off-price’ or discounted sales in their annual reports (Financial Times 2016). Such speculations have made luxury brands cautious about the development of certain distribution channels, yet there is a lack of empirical evidence to inform their retail management decisions.

4.3 Research Gaps

As discussed in the previous section, distributing luxury goods via more channels and store formats presents a number of retail management challenges for luxury brands in the areas of financial return and potential damage to brand image (Kapferer & Bastien 2012; Nenycz-Thiel, Romaniuk & Sharp 2016). However, there has been little research that describes or quantifies the retail competition of luxury brands, and the effect that expanded distribution via more channels and store formats has had on the perception of those brands. This thesis therefore aims to provide empirical evidence that can facilitate more informed retail distribution management decisions in the luxury category. Three research gaps were identified to address these challenges.

The first gap identified in this thesis relates to the financial challenges in retail channel management. With the expansion of retail distribution in the luxury category, consumers are reportedly utilising multiple retail channels and store formats for their luxury goods purchases. For example, 80% of luxury consumers in the USA have expressed a desire for a multichannel shopping experience from the brands they buy, and more luxury consumers are making online purchases from marketplaces and department stores than are buying direct from brands' online stores (Jones 2016a; Ramirez 2019b). These findings support the notion that luxury buyers do buy across channels and store formats. However, little is understood about how it happens.

Each channel/store format expansion comes with costs, and brand managers face a constant challenge: to effectively allocate budgets and resources in order to maximise return on investments and create synergy across channels/store formats (Chevalier & Gutsatz 2012; Nenycz-Thiel, Romaniuk & Sharp 2016). How can luxury brand managers effectively do this? At what point does additional distribution add costs but no major value?

Understanding the underlying structure of shoppers' buying patterns – in other words, understanding how channels and store formats compete for luxury buyers – could provide useful benchmarks for what to expect when evaluating channel and store format performance. This framework could then be used to identify deviations that help in developing better strategies for retail distribution management.

In non-luxury markets, there have been considerable advances in understanding the patterns that underpin consumers' buying behaviours. In particular, two law-like patterns have emerged. The first one is DJ and the second one is DoP. DJ (Keng et al. 1998; Nenycz-Thiel

& Romaniuk 2016; Uncles & Hammond 1995) reveals that the main difference between small and large offerings in a category is how many buyers each has (penetration), rather than the loyalty of each brand's customer base (purchase frequency). DoP, which reveals that shoppers buy across channels and store formats compete in line with size of the competitors (Beal, Tanusondjaja & Romaniuk 2016; Dawes & Nenycz-Thiel 2014; Keng et al. 1998; Uncles & Kwok 2009).

DJ and DoP are both found to be applicable for luxury competition at brand level, such as for the buying of Estée Lauder products in the luxury skincare market (Patrick et al. 2016) and for the buying of Rolex watches in the luxury watch market (Romaniuk & Sharp 2016). While the 'anti-laws' of marketing claim that that luxury brands should be marketed differently (Kapferer & Bastien 2009), findings from empirical studies cast doubt on the idea that luxury brands are a boundary condition for classical marketing laws.

Competition in retailing largely mirrors the patterns of buying across brands (Keng & Ehrenberg 1984; Keng et al. 1998; Uncles & Hammond 1995); nevertheless, it is more complex than competition at brand level. This is because structural differences between stores (e.g. format, pricing policy, location) impact the relationship between penetration and loyalty (Nenycz-Thiel, Romaniuk & Sharp 2016). The luxury category is a particularly complex retail market. It consists of very different selling channels and store formats, from offline to online, from glamorous single-branded stores to discounted multi-brand outlet stores, and from high-end department stores to everyday mass retailing stores. There are large structural variations among these competing channels and store formats, including product assortments, pricing policies and levels of customer service. There are also the additional complications of shopping for luxury products due to the hedonic nature of luxury consumption and concerns about counterfeit products. Since shopping for luxury products is more complex than shopping for non-luxury products, it is unclear whether knowledge about non-luxury categories can be applied to luxury retail competition.

To the researcher's knowledge, there are only one empirical study that has examined the patterns of retail competition in the luxury category (Beal, Tanusondjaja & Romaniuk. 2016). Beal, Tanusondjaja & Romaniuk (2016) applied DoP to analyse the sharing of customers between e-commerce sites in Asian markets, and found that sites compete primarily based on how many customers they have, rather than based on the type of site, which is a close fit for DoP. This finding is useful in enabling marketers involved in e-commerce to understand the nature of competition in the online marketplace. However, as their study only includes three

online channel formats, it is uncertain whether the results can be generalised to a wider selection of online channels and physical channels. Furthermore, Beal, Tanusondjaja & Romaniuk (2016) study only applied DoP, and the other laws remain untested. There is a gap in applying existing law-like patterns to luxury retail channel competition. Filling this gap will not only provide empirical evidence that can facilitate more informed retail management decisions, but also help scholars understand whether luxury retail channels compete in a similar manner to non-luxury channels, which can inform the literature on theories of similarities and differences in retail channel competition between luxury and non-luxury categories. This leads to the first research gap in this thesis:

Research Gap 1: Testing the applicability of fundamental buying patterns to luxury retail channel/store format competition

The second gap identified in this thesis relates to the challenge of possible damage to brand image in luxury retail distribution management. The perceptions consumers hold have long been considered an important part of consumer-based brand equity (e.g. Aaker 1992; Datta, Ailawadi & van Heerde 2017; Keller 1993). These are ideas about brands that are held in memory, often operationalised in line with Associative Network Theories, in which nodes linked to the brand name node can be activated when someone uses a cue to access memory (Anderson 1983; Anderson & Bower 1979). These thoughts have two roles: to act as a cue to retrieve the brand, and to be retrieved when the brand is a cue (Holden 1993; Nedungadi 1990). This can influence both brand consideration and brand evaluation.

Similarly, research has found that consumers also form perceptions of retail stores. The concept of retail perception was first introduced by Pierre Martineau (1958), who describes store image as the way the store is defined in the consumer's mind, which is partly by its functional qualities and partly by an aura of psychological attributes. It has generally been acknowledged that consumers form thoughts and feelings associated with retailers and that these overall impressions strongly influence their shopping and patronage behaviours (Aghekyan-Simonian et al. 2012; Collins-Dodd & Lindley 2003; Imran, Ghani & Rehman 2013; Porter & Claycomb 1997). Similar to Martineau's work, many studies on retail perception focus on the store level within particular channel formats (Anselmsson, Burt & Tunca 2017; Keaveney & Hunt 1992; Lindquist 1974). The researcher acknowledges that differences between perceptions of retail brands might exist within particular formats (e.g.

between Walmart and Carrefour or Macy's and Nordstrom); however, these differences are not considered in this thesis.

Brand perceptions are reported to be raised from three main sources. The first one is direct experience, such as buying the brand from a retail store (Brakus, Schmitt & Zarantonello 2009; Sahin, Zehir & Kitapçı 2011; Zarantonello & Schmit 2013); the second one is word-of-mouth communication from others (East et al. 2017); and the last one is advertising or other marketing communications (Krishnan 1996). While retailers within the channels and store formats advertise, the channels and store formats themselves do not. Understanding how shoppers form perceptions of channels and store formats in the absence of channel-specific advertising will be a valuable contribution to the literature.

Relating to this thesis, knowing how luxury shoppers perceive different channels and retail formats would be of great value to luxury brand managers seeking to understand the impact of retail distribution on brands. If there is no difference between channels and store formats, then it does not matter where a luxury good is sold. If there are differences associated with the channel type and store format, then it opens the possibility of a spillover effect between channel/store format and the brand that is sold through that channel/store format. While there have been some industry reports on what perceptions shoppers have of different retail channels and store formats, there is a lack of formal understanding in this area for the luxury category. This leads to the second research gap in this thesis:

Research Gap 2: Understanding how luxury shoppers perceive different retail channels and store formats that sell luxury goods

The third gap identified in this thesis also relates to the challenge of possible damage to brand image in luxury retail distribution management. The purpose of distribution is to make a brand 'easy to find and buy'. Decades of research into patterns of buying behaviour and marketing metrics have led to the conclusion that brands that are easier to buy for more people on more occasions get bought more often (Nenycz-Thiel, Romaniuk & Sharp 2016). For example, Coca-Cola's strategic aim throughout the 1990s was to make it easier to buy a Coca-Cola (Dent 2014). This positive relationship between distribution and market share has been observed for brands in multiple categories and countries (Farris, Olver & de Kluyver 1989; Reibstein & Farris 1995), and also at Stock Keeping Units level (Wilbur & Farris 2014). These findings indicate that distribution is a fundamental aspect of maintaining and enhancing a brand's market share (Joo et al. 2013). However, research on the relationship

between distribution and brand performance mainly focused on non-luxury products, and little is known about this in the luxury category.

In the luxury category, some researchers have suggested that the greater the inaccessibility – actual or imagined – of the product, the greater the desire for it (Som & Blanckaert 2015). Thus, luxury brands with high distribution are said to be less desirable, as purchasing makes the luxury dream come true and therefore contributes to destroying it (Dubois & Paternault 1995). One of the principles promoted by these ‘anti-laws’ is to make it difficult for clients to buy a luxury brand (Kapferer & Bastien 2009), which can literally be translated as restricting distribution. Conversely, an empirical study of luxury whiskey brands in the USA found that brands perceived as luxurious and exclusive scored lowest on ‘not available everywhere’, which means that perceptions of exclusive distribution do not necessarily correlate with perceptions of rarity or luxury (Romaniuk & Sharp 2016).

A recent study by Wang Sung & Phau (2021) examines how perceived virtual rarity influences consumers of luxury goods for three luxury categories including bags, wine and cruises, further validating the findings of Romaniuk and Sharp (2016). Perceived virtual rarity in the study by Wang Sung & Phau (2021) was measured by adapting the three-item selective distribution scale from Kapferer and Valette-Florence (2016): 1) cannot be found everywhere, selective distribution; 2) is produced in small series, not en masse; and 3) stores are very select, with a real atmosphere. Overall, Wang Sung & Phau (2021) found that perceived virtual rarity did not show any significant effects across any of the three categories.

The findings from these two studies cast doubt on the idea that luxury brands benefit from restricting distribution. Given the importance of this topic and the differing views amongst researchers, further investigation is required in this area. This leads to the first part of the third research gap in this thesis:

Research Gap 3a: Understanding how a luxury brand’s level of distribution impacts category buyers’ perceptions of the brand

Research on brand equity has found that shoppers have expectations about how certain brands should be distributed, and preconceptions about how their products should be displayed when for sale (Buchanan, Simmons & Bickart 1999). Consequently, distribution can generate consumer awareness of the brand and alter consumers’ perceptions of the retailer and the brand (Wilbur & Farris 2014), which is known as the spillover effect (Simonin & Ruth 1998).

Luxury marketers not only have to manage each individual channel and store format in order to maximise their direct sales and brand equity effects, but also pay attention to any indirect brand equity effects from being associated with a particular channel (Keller 2010). Luxury brands face the challenge of creating and retaining the ‘desire’ and ‘exclusivity’ attributes of luxury brands in the mass and classless internet world, and at the same time maintaining and enhancing the equity of the brand (Okonkwo 2009). For example, as previously noted, Jean-Jacques Guiony, CFO of LVMH, has stated publicly that there is “no way” it would do business with Amazon, as he believes that the existing business of Amazon does not fit with their brand (Luxury Insider 2016).

A survey of UK luxury consumers suggests that e-commerce can work against exclusivity (Magnetic 2016). According to the report, 7% of Baby Boomers, 19% of Gen Xers and 25% of Millennials strongly agree that if a luxury product can be bought online, it is not exclusive anymore. While this report provides some empirical evidence to support the claim, however, the reporter’s interpretation of the survey results is unconvincing, as 93% of Baby Boomers, 81% of Gen Xers and 75% of Millennials do *not* think that selling online matters for exclusivity.

A study on brand-retailer fit found that a selected upscale brand being distributed via a mass online retail store could negatively affect it in terms of store image transfer, changes in value perceptions and changes in purchase intentions, potentially resulting in brand dilution (Nabec, , Pras & Laurent 2016). However, this study only included two selective brands and two retailers. It does not necessarily follow that the results can be generalised to a wider selection of brands and channels.

Luxury brands are not naturally luxurious in and of themselves; rather, they need to be perceived as luxurious by consumers (Hudders, Pandelaere & Vyncke. 2013). Knowing how luxury buyers’ perceptions of a brand differ based on which channels the brand is bought from could therefore be of great value for luxury brand managers. While there have been a number of talks and discussions on how channel expansion might result in possible damage to brand image due to spillover effects between luxury brands and distribution channels (Deloitte 2018; Keller 2010; Luxury Insider 2016), there is a lack of empirical research on this topic. This leads to the second part of the third research gap in this thesis:

Research Gap 3b: Understanding how luxury buyers’ perceptions of brands differ based on the type of channel they buy from

4.4 Summary

Luxury marketing rests on a paradox. In order to achieve success in the marketplace, a luxury brand has to reach a certain level of diffusion; however, if the brand is over-diffused, it will lose its luxury character (Dubois & Paternault 1995). Therefore, some researchers claim that to build a successful luxury brand and to ensure it remains a luxury brand, one has to forget the classical marketing rules applied in the non-luxury category (Kapferer & Bastien 2009).

Today's multichannel retail environment presents a number of challenges for luxury brand management (Keller 2010). Each channel/store format expansion comes with costs and creates a constant challenge for brand managers to effectively allocate budget and resources to maximise return on investment and create synergy across channels and store formats (Nenycz-Thiel, Romaniuk & Sharp 2016). For luxury brands, selling via more channels and store formats may also result in possible damage to brand image (Kapferer & Bastien 2012; Kim, Kim & Lee 2010, Som & Blanckaert 2015).

Three research gaps were identified from these challenges. This first gap identified in this thesis relates to the financial challenge in retail channel management. The second gap and the third gap identified both relate to the challenge of possible damage to brand image in luxury retail distribution management. They are as follows:

- *Research Gap 1: Testing the applicability of fundamental buying patterns to luxury retail channel/store format competition*
- *Research Gap 2: Understanding how luxury shoppers perceive different retail channels and store formats that sell luxury goods*
- *Research Gap 3a: Understanding how a luxury brand's level of distribution impacts category buyers' perceptions of the brand*
- *Research Gap 3b: Understanding how luxury buyers' perceptions of brands differ based on the type of channel they buy from*

Each of these three gaps is tested independently in this thesis. Each study (i.e. Chapter 6, Chapter 7 and Chapter 8) includes a literature review, hypotheses and/or research questions, research method, results and discussion section. The following chapter will introduce the research method and data applied in this thesis.

Chapter 5 – Research Method and Data Description

This chapter outlines the research philosophy that underlies this thesis and informs its choice of methods to answer the research questions.

5.1 Overview of the Method

The overall purpose of this thesis is to provide empirical evidence to inform luxury brands' retail distribution management decisions. To address this objective, this thesis applied a positivist research philosophy and focused on discovering observable and measurable facts and regularities (Hunt 1991). Epistemologically, a positivist researcher looks for law-like generalisations and uses these laws to help to explain and predict behaviour (Robertshaw 2007). Two very different datasets were constructed to address the research questions. The context of Dataset One is the buying of luxury skincare products in China, and the context of Dataset Two is the buying of luxury leather goods in the USA. The data collection approach is an online survey. A professional online panel provider called Toluna was appointed to program, host and collect the data from the appropriate samples.

This thesis has identified three research gaps, and uses different methods to address research questions related to each gap. A detailed description of the method used to address each research question is given at the beginning of each study. The following sections will detail the research philosophy that permeates this thesis and informs the choice of methods employed to answer the research questions.

5.2 Research Philosophy

All research philosophies are based on what the researcher perceives truth, reality and knowledge to be. There are three well-known philosophical research paradigms commonly used to guide research methods and analysis: positivism, interpretivism and critical theory (Ryan 2018). Positivism relates to the philosophical stance of the natural scientist, and entails working with an observable social reality to produce law-like generalisations. Interpretivism values subjectivity, and thus is in direct opposition to positivism, while critical theory considers the wider oppressive nature of politics or societal influences.

The overall aim of this thesis is to provide empirical evidence that can facilitate more informed channel management decisions in the luxury category. Therefore, this thesis applies a positivist research philosophy and focusses on discovering observable and measurable facts and regularities (Hunt 1991). Epistemologically, the researcher looks for law-like generalisations and uses these laws to help explain and predict behaviour (Robertshaw 2007).

5.2.1 Applying Formal Prior Knowledge

Formal prior knowledge is the knowledge of previous findings that have been empirically validated over a range of conditions and then brought together as an intuitive or formal model (Uncles, Ehrenberg & Hammond 1995; Uncles & Hammond 1995). This thesis replicates and extends prior research to further progress knowledge and identify whether findings repeat across new conditions (from the buying of non-luxury products to the buying of luxury products), or whether potential boundary conditions exist where the patterns differ (Dawes & Nenyecz-Thiel 2014; Lindsay & Ehrenberg 1993; Wind & Sharp 2009).

When using this approach, it is recommended that researchers look for ‘significant sameness’ rather than ‘statistical significance’ or ‘best fit’ (Bound & Ehrenberg 1989). If the same regularities are observed, researchers can use what is already known about the market to explain the observations in new data.

5.2.2 Data Reduction

‘Data reduction’ is an approach to data presentation that aids in the identification of patterns (Ehrenberg 1975). Once main patterns and sub-patterns have been identified, deviations and exceptions are also easy to spot. Ehrenberg (1975) suggests six rules to follow when using the data reduction approach:

1. Round numerical figures to two digits.

2. In tables, use row and column averages as foci.
3. In tables, place figures to be compared in columns.
4. Order rows and columns in tables by size.
5. In tables, use single spacing and occasional deliberate gaps to guide the eye.
6. Use graphs only to convey qualitative messages.

Presenting the data in this fashion allows the main patterns in the data to be seen almost immediately by simply ‘eyeballing’ the data (Collins 2002; Ehrenberg 2000). This approach allows other researchers to easily see how the researcher has reached their conclusion. The analysis and findings presented in this thesis therefore describe broad patterns and generalisations across two datasets using prior knowledge and aided by data reduction techniques. The researcher also utilises traditional statistical tests, where appropriate, to complement the data reduction approach.

The next section will identify the scope of the research.

5.3 Scope of the Research

5.3.1 Channel Level Versus Store Level

According to *nested choice structure* (see Figure 3.2), consumers break down shopping into two decision levels: one related to the format of the store (retail channel) at which the consumer wishes to shop, and one related to the specific store chosen from within the selected store format. When a consumer decides to make a purchase, they start by choosing the format of retail channel at which they will shop and later choose a particular store within this channel (Gonzalez-Benito, Munoz-Gallego & Kopalle. 2005).

The two decision levels are both very important in influencing shopping decisions. While there are differences within particular store formats (e.g. between two hypermarkets such as Walmart and Carrefour), these second-level differences are not considered in this thesis. The focus is on the first level of the choice structure, which is about understanding the buying of luxury products across different retail channels and store formats.

5.3.2 Selection of Research Country

A number of the leading countries for luxury consumption in both traditional and emerging markets, such as the USA, China, Japan and the UK (as listed in Figure 2.3), were considered as sites for data collection for this thesis. However, it was financially impractical to attempt to collect data in that many countries.

The two countries selected for investigation were China and the USA. These are the two biggest luxury markets in the world, with one representing the emerging market and one the traditional luxury goods market. The USA is currently the world leader in the luxury sector (Euromonitor International 2017). Emerging markets, and China in particular, are predicted to be a major force driving future increases in luxury spending. According to McKinsey & Company (2019), Chinese consumers will account for over half the total global market by 2025. The future of the luxury industry relies heavily on these two countries due to their leading positions in the luxury market (Rambourg 2020). Therefore, it is anticipated that results from these two countries will be of great interest to luxury partitioners.

As well as being leaders in the luxury market, China and the USA also have well-developed online distribution channels (KPMG 2017). During 2017, the year of data collection for the China dataset, China was the largest online market in the world, with retail e-commerce sales passing US \$1 trillion, and close to a 70% penetration rate for online shopping (Statista 2020b). In 2018, the year of data collection for the USA dataset, the USA

was the second-largest online market in the world, with retail e-commerce sales reaching US \$309,054 million, and over 70% penetration rate of online shopping (Statista 2020c). The established online market in these two countries provides good potential for research into both physical and online channels, which are closely relevant to the research focus of this thesis.

5.3.3 Selection of Product Category

A wide range of leading product categories in the personal luxury sector, such as beauty, leather goods, apparel, watches, shoes and jewellery (as listed in Figure 2.4), were considered as subjects for data collection for this thesis. However, it was financially impractical to attempt to collect data on that many product categories.

The two categories chosen were luxury skincare products and luxury leather goods. These were chosen because they are key categories in the personal luxury goods market that have been widely distributed in both physical and online channels (Bain & Co. 2017). Within the luxury category, they are also more affordable compared to other categories such as jewellery and timepieces. There are a good number of actual shoppers for these categories, which makes researching buyers of the category more practical. Finally, their relative affordability contributes to a relatively high purchase frequency compared to other, more expensive categories. Studies of memory reveal that more frequent buying behaviour means that consumers will be able to recall purchase occasions with relative ease, thus providing more accurate responses (Tourangeau 2000).

The next section will detail the choice of methods employed to answer the research questions.

5.4 Research Method

5.4.1 Selection of Data Collection Method

A common approach to obtaining purchase data is through recorded longitudinal panels (either from households or individuals) such as those provided by the Nielsen, Kantar and IRI companies. Records of purchases obtained through such panels adhere to strict compliance protocols designed to maximise accuracy, and do not rely on respondents' memories. However, this data is mainly available for grocery products. No actual sales data for the purchasing records of luxury products was available at the time of this research.

Another common approach is surveys, which include structured questioning of participants (Wilson 2006). Surveys rely on claimed purchase data rather than actual purchase records. While claimed purchase data have been criticized for being prone to recall biases such as memory fading and telescoping (Tourangeau 2000), a number of studies have proven the applicability of using survey data in luxury research (Patrick et al. 2016; Romaniuk & Sharp 2016), as well as research in the retail context (Beal, Tanusondjaja & Romaniuk 2016; Nenycz-Thiel, Romaniuk & Sharp 2016).

Surveys can take many forms; face to face, mail, phone and online are the most common. An online survey was selected as the data collection method in the thesis for the following reasons:

1. cost effective
2. convenient for respondents to complete
3. broad coverage, can be easily conducted across different geographic locations
4. the anonymity of respondents is secured. (Wilson 2006, p. 38)

According to research from McKinsey & Company, luxury buyers are technologically well-equipped – globally, close to 100% of luxury buyers have access to the internet (Remy, Catena & Durand-Servoingt. 2015). Therefore, the issue of online surveys not being feasible for accessing the entire population was not a concern (Ilieva, Baron & Healey 2002).

5.4.2 Selection of Sample

It has been common practice in luxury research to use student samples (e.g. Kuksov & Xie 2012; O'Cass & McEwen 2004; Rucker & Galinsky 2009). Although some students buy luxury products, however, they are unlikely to be the main consumers of luxury goods. Therefore, using student samples in luxury goods research is likely to reduce the

representativeness of the findings. To overcome this limitation, this thesis used real luxury consumer samples. Detailed information about the screening criteria are provided in the data description sections below.

Sample size is very important in obtaining accurate, statistically significant results (Cramphorn 1998). If the sample is too small, the study may include a disproportionate number of outliers and anomalies. These skew the results and do not present a fair picture of the whole population. On the other hand, if the sample is too big, the whole study becomes complex, expensive and time-consuming to run, and although the results may be more accurate, the benefits do not outweigh the costs. Errors are inevitable. This thesis therefore follows the most commonly allowed margin and allows for a margin of error of +/- 5%. Detailed information on the sample size is presented in the following data description section.

5.4.3 Panel Provider

To ensure the quality of the sample, participants were sourced from a professional online panel provider called Toluna. Toluna was also appointed to program, host and collect the data from the samples.

Toluna is a technology company that delivers real-time insights at the speed of the on-demand economy. It combines innovative technology, award-winning research design, vertical expertise and a panel of over 30 million consumers. Toluna's consumer panel is seamlessly integrated and delivers insights in real time, not days or weeks. Members of Toluna's panel are engaged with content and survey topics that are relevant to them. Ongoing member quality checks include participation limits and a proprietary scoring system, ensuring the best respondents for the research. Fraud prevention is ensured using proprietary Toluna technology. Ongoing member quality checks prevent bot attacks and fraud at survey and project level. More information on Toluna can be found at <http://www.toluna-group.com>.

5.4.5 Questioning Approaches: Rating, Ranking and Pick-Any

A number of different techniques were used to capture the extent of the link between brand names and relevant concepts of interest (Barnard & Ehrenberg 1990). These methods can be categorised as:

1. **Rating** – respondents are typically asked to respond on a 5- or 7-point scale, which ranges from, for example, strongly agree to strongly disagree (Likert 1932). The score gauges the extent to which the respondent feels the brand is associated with a certain attribute (e.g. *How much do you agree that Brand X is good value?*)

2. **Ranking** – brands are ranked relative to competitors according to their association with an attribute (e.g. *How much do you agree that Brand X is good value?*).
3. **Pick-any** – respondents are asked which brands, if any, they associate with each attribute (Holbrook, Moore & Winer 1982). Respondents can name any, all or none of the brands (e.g. *Which brands are good value?*).

The key difference between rating and ranking approaches is that while two brands cannot be afforded the same rank, they can be afforded the same rating. The key difference between pick-any and the other two approaches is that the pick-any measure is a response indicating association with the brand, rather than degree of association. With the pick-any technique, multiple brands can be associated with the same attribute, but there is no discrimination between those brands as to the degree of association with the attribute by that individual.

Although the measures differ in terms of respondent tasks, studies comparing these three methods have shown that they provide similar results (Driesener & Romaniuk 2006). However, the free choice method has been found to discriminate better between brands (Rungie et al. 2005). Therefore, the free choice pick-any technique was used in this thesis to capture consumer perceptions about competing brands and channels.

The following section will describe the two datasets used in this thesis in detail.

5.5 Description of Data

5.5.1 Dataset One: Buying of Luxury Skincare Products in China

Dataset One was co-collected as part of a commercial research project for a leading international luxury skincare brand (the researcher is not permitted to name the brand due to confidentiality agreements). The project was commissioned by Publicis Media China and conducted by the Ehrenberg-Bass Institute for Marketing Science. The researcher would like to acknowledge the Ehrenberg-Bass Institute for Marketing Science and Publicis Media China for their support of the data collection for this thesis.

There were pros and cons to co-collecting data for this thesis. On the downside, there were several restrictions that the researcher had to accept. Firstly, the researcher had no control over the demographic breakdown of the respondents (i.e. gender, age, income). Secondly, the researcher had no control over the locations of data collection (i.e. cities). Finally, there were limits on the number of questions the researcher could add during the data collection process. As a result, the researcher could only collect cross-store format buying data at category level (i.e. the buying of luxury skincare products in general) and not at individual brand level (i.e. the buying of specific brands of luxury skincare products). Furthermore, the researcher had no capacity to collect brand luxury perception data.

Data from real luxury buyers are very expensive to obtain due to low incidence rates. The commercial research project coincided with one of the researcher's target categories (luxury skincare products) and countries (China). While there are limitations to the data, the researcher is confident of the representativeness of both the sample and the cities in which data was collected. Therefore, the researcher took the opportunity to be part of the project and collect data for this thesis.

The context of Dataset One is the buying of luxury skincare products in China. The data collection included two stages. Stage 1 covered identifying appropriate retail channels for luxury skincare categories in China (qualitative), and Stage 2 covered surveying channel perception and buying history across channels/store formats (quantitative). The data for both stages were co-collected as part of the commercial research project discussed above.

Stage 1: In order to identify appropriate retail channels/store formats for the luxury skincare category in China, 106 female skincare consumers were interviewed online. Only female consumers were included because they account for the majority of the category purchases. A wide range of questions about their skincare buying experiences were asked,

relating to where, when, why and how often they buy skincare products. Sample questions included: *How would you describe the process of buying skincare? How do you feel about this process? Thinking about where you can buy skincare for your face, which are your preferred options? Why do you like these options? Are there any retailers that sell skincare, but you would not buy from them? Why don't you like to use these options? Have you researched or bought skincare online or via your mobile phone? How do you feel about buying skincare online? What are the benefits? What are the drawbacks?* These questions were designed to capture information on as many different buying contexts for luxury skincare products as possible, and on the variety of circumstances that surrounded those contexts. The verbatim responses generated were translated using native speakers and expert coders to ensure appropriate interpretation and classification. A broad range of responses was generated. The most frequently mentioned responses were cross-checked against both industry data and the academic literature to identify the most representative store formats and retail attributes. The final list of store formats and retail attributes was also cross-checked by a group of experts, including three academic researchers and three industry experts, to ensure that they were appropriate for use in this thesis.

In total, 12 store formats and 14 attributes were identified during Stage 1 (see Tables 5.1 and 5.2 for details). The 12 store formats included both physical and online channels, and the 14 retail attributes covered a broad range of factors including shopping convenience, personal interaction, pricing/promotion, product assortment, shopping experiences and trust.

Stage 2: 600 female skincare consumers (those who had bought luxury skincare products in the preceding twelve months) were surveyed online and asked about their buying history across the store formats identified in Stage 1. The respondents were also asked about their channel/store format associations with the attributes identified in Stage 1. A pick-any approach was used, whereby respondents were asked *which, if any, store formats they bought luxury skincare products from in the past twelve months*. The same approach was used for the perception question, whereby respondents were asked *which, if any, store formats they link to each attribute*. Demographic data including age, income and occupation were also collected (see Table 5.3 for details). For details of the questionnaire for Dataset One see Appendix 1.

Table 5.1: Dataset One – list of retail channels

Channel Type	Store Format Type	Store Format	Example
Physical	Official brand store	Official brand store	Estée Lauder Store
Physical	Department store	Department store	Réel Department Store
Physical	Speciality store	Speciality store	Sephora
Physical	Speciality store	Pharmacy	Mannings
Physical	Duty free	Duty free	Lotte Duty Free
Physical	Mass retail store	High-end supermarket	Ole Supermarket
Physical	Mass retail store	Hypermarket	Walmart
Online	Official brand store	Online official brand site	https://www.esteelauder.com.cn/
Online	Speciality store	Online speciality store	https://cn2.strawberrynet.com/
Online	General store	Online general store	Taobao Stores
Online	Social media store	Online social media store	WeChat Stores
Online	Shopping agent	Online shopping agent	http://www.zhigouyp.com

Table 5.2: Dataset One – list of retail channels’ attributes

Convenience	Easy to access
Convenience	The buying process is quick and easy
Convenience	Has good delivery systems so you can get your product quickly
Personal interaction	Can experience the product in detail before you buy
Personal interaction	Has helpful customer service when needed
Pricing/promotion	Offers products that are good value for money
Pricing/promotion	Often has sales where you can buy something at a bargain price
Product assortment	Has the latest styles
Product assortment	Sells products that you can’t buy anywhere else
Product assortment	Offers a wide range of products/brands
Shopping experience	Is a retail environment well-suited to shopping for luxury products
Shopping experience	Offers an enjoyable shopping experience
Trust	Can be trusted to only sell authentic products
Trust	Offers payment options I am happy to use

Table 5.3: Dataset One – Stage 2 demographic data

Demographic	Stage 1, n = 106 Percentage (%)	Stage 2, n = 600 Percentage (%)
Gender		
Female	100	100
Age		
18-25	43	50
26-35	56	50
Location		
Shanghai	40	33
Chengdu	37	33
Taiyuan	24	33
Annual Household Income		
Less than RMB 80K	26	6
RMB 80K – RMB 100K	25	34
Above RMB 100K	49	60

5.5.2 Dataset Two: Buying of Luxury Leather Goods in the USA

As discussed earlier in this chapter, the target product categories in this thesis are luxury skincare products and luxury leather goods, and the target countries are China and the USA.

The context of Dataset One is the buying of luxury skincare products in China. When it came to collecting data for the next dataset, the researcher had the following options:

- Option 1: Buying of luxury leather goods in China.
- Option 2: Buying of luxury skincare products in the USA.
- Option 3: Buying of luxury leather goods in the USA.

While it might seem logical to collect data in the same country but a different category (i.e. Option 1) or in a different country but the same category (i.e. Option 2), the researcher decided to pursue Option 3 and collect data in different countries and different categories. The rationale for this was to test the generalisability of the findings. Differentiated replication and expansion allows for patterns to be tested across different conditions, and this can contribute to a more comprehensive understanding of the area. If the results are consistent over a range of conditions such as different products and different countries, as in this thesis, it provides strong evidence to support the pattern (Ehrenberg 1990).

Therefore, the context of Dataset Two is the buying of luxury leather goods in the USA. The data collection included two stages.

Stage 1: The purpose of this stage was to identify appropriate variables for luxury leather goods in the USA. In particular, we aimed to identify: 1) appropriate brands; 2) appropriate retail channels/store formats; 3) appropriate luxury attributes; and 4) appropriate retail channel attributes.

The brands selected for this study were the top luxury leather goods brands reported by Euromonitor International (2017). These 19 brands (see Table 5.4 for details) represented the top luxury leather goods brands in the USA in terms of retail value in 2016, which was appropriate for the purpose of our study. The retail channel/store format list was developed in conjunction with industry experts and experienced luxury shoppers. It was designed to capture a wide range of retail store formats that consumers can buy luxury leather goods from. In the end, 15 retail store formats were selected for this study (see Table 5.5 for details). The retail channel attributes identified for the study in skincare products were also considered appropriate for the luxury leather goods study; thus, the same retail channel attributes were used.

The luxury attributes used (see Table 5.6 for details) were sourced from items developed by Kapferer and Valette-Florence (2016) in a paper that aimed to identify which factors

structure luxury and illustrate which of them contribute most to desirability (dream), and to identify the perceived luxuriousness of some selected brands beyond rarity. Eight factors that profile the brand luxury experience were tested in the paper (*product superiority, selective distribution, class and status, very actual still unique, not for everybody, glamour, elitist and fashion*). The original study by Kapferer and Valette-Florence (2016) included an initial list of 42 items, and the respondents (n=1,286) were asked to evaluate one brand across all items. Of the 42 items, 34 were retained after items with low communalities were deleted.

The original study by Kapferer and Valette-Florence (2016) investigated luxury brands in general, without prompting the respondents to consider any specific product categories, whereas this thesis specifically investigates the buying of luxury leather goods. It is unrealistic to ask respondents to answer questions on just one single brand, as there are many brands on the market within the luxury leather goods category. However, as there were 19 brands considered in this thesis, it was also impractical to ask the respondents to go through the full list for each brand. Therefore, the researcher selected 10 out of the 34 items retained by Kapferer and Valette-Florence (2016) to test luxury brands' levels of luxuriousness in this thesis instead of retaining the full list. The items selected were those that had the highest scores for each factor (two items for *product superiority* and *selective distribution* respectively), and thus were the most representative items. Selecting only the most representative items instead of retaining the full list also helped to avoid multicollinearity.

Stage 2: A sample of 404 luxury leather goods consumers were surveyed online. To qualify for the survey, consumers needed to have bought from at least one of the top luxury leather goods brands as listed in Table 5.4. They were asked about their buying history across the channels and their attitudes and attributes for both brands and retail channels.

The respondents were asked about the perceived availability of the listed brands, and then *From which retail store formats are the listed brands available to purchase?* Regarding their buying history, respondents were asked *Which, if any, store formats have you ever purchased the listed brands of leather goods from?* The respondents were then asked *How many times in the last five years have you purchased from each of the store formats that you have ever purchased from?* The time period of five years was chosen because the buying of luxury leather goods is an infrequent behaviour, and a longer time frame can enable the researcher to pick up light buyers of the category, as well as capturing more cross-store-format purchases.

The respondents were also asked about their brand and channel associations with the attributes identified from Stage 1. The same approach was used for the perception question, whereby respondents were asked *Which, if any, brands/channels do you link to each attribute*. Demographic data including age, income, education and occupation were also collected (see Table 5.7 for details). For details on the questionnaire for Dataset Two see Appendix 2.

Table 5.4: Dataset Two – list of luxury leather goods brands

Bottega Veneta	Louis Vuitton
Burberry	Marc Jacobs
Céline	Michael Kors
Chanel	Prada
Coach	Ralph Lauren
Fendi	YSL
Gucci	Salvatore Ferragamo
Hermès	Tory Burch
Kate Spade	Tumi
Loewe	

Table 5.5: Dataset Two – list of retail channels

Channel Type	Store Format Type	Store Format	Example
Physical	Official brand store	Official brand store	Gucci Store
Physical	Department store	Department store	Nordstrom
Physical	Outlet Store	Official brand outlet store	Prada Outlet Store
Physical	Outlet Store	Outlet department store	Nordstrom Rack
Physical	Duty free	Duty free	DFS
Physical	Mass retail store	Super store	Walmart
Physical	Mass retail store	Warehouse club store	Costco
Online	Official brand store	Online official brand site	https://us.burberry.com/
Online	Department store	Online department store	https://www.nordstrom.com
Online	Speciality store	Online multi-brand luxury store	Net-A-Porter
Online	Outlet Store	Online outlet department store	https://www.nordstromrack.com
Online	Outlet Store	Online outlet multi-brand luxury store	The Outnet
Online	Mass retail store	Online super store	https://www.walmart.com
Online	General store	Online general store	Amazon Stores
Online	Social media store	Online social media store	Facebook Stores

Table 5.6: Dataset Two – list of brand luxury attributes

	Factor	Original Item	Adapted Item
1	Product superiority	Each of its products expresses a unique know-how	Has a range of unique products
2	Product superiority	This brand symbolizes refinement	Offers superior quality products
3	Selective distribution	It is produced in small series, not in mass	It is only produced in limited numbers
4	Selective distribution	Cannot be found everywhere, selective distribution	Only available to buy in exclusive locations
5	Class and status	The brand endows class to those who use it	Good for someone who wants to project a high-class image to others
6	Very actual still unique	We still hear about this brand today	Has kept its originality over time
7	Not for everybody	It is not purchased by customers from all walks	Has high-end options with prices that are unaffordable to most
8	Glamour	The brand makes us think of rich and famous people	Makes me think of the 'rich and famous'
9	Elitist	Some of its products are really unaffordable	It is only for the elite
10	Fashion	It sets the fashion launches styles	Sets the trends that everyone else follows

Note: The original study by Kapferer and Valette-Florence (2016) was conducted in France and all items were initially tested in French. The English translations of the original items were found to be inaccessible to American readers; thus, the wordings of the original items were adapted to suit the language used in the USA.

Table 5.7: Dataset Two – Stage 2 demographic data

Demographic	Percentage (%) n=404
Gender	
Male	50
Female	50
Age	
18-29	23
30-39	19
40-49	18
50-59	16
60+	24
Location	
Chicago	12
Dallas	10
Houston	8
Los Angeles	27
New York	17
Philadelphia City	11
Phoenix	7
San Antonio	3
San Diego	4
San Jose	2
Education	
Less than high school degree	1
High school degree or equivalent	10
Some college but no degree	25
Associate degree	9
Bachelor's degree	30
Master's degree	13
Professional degree	5
Doctorate	7
Annual Household Income	
Less than USD 50,000	25
USD 50,000 – USD 74,999	19
USD 75,000 – USD 99,999	18
USD 100,000 – USD 124,999	9
USD 125,000 – USD 149,999	9
USD150,000 – USD174,999	4
USD175,000 – USD199,999	5
USD200,000 – USD249,999	4
USD250,000 or above	4

5.5.3 Similarities and Differences Between Datasets One and Two

This section introduces the similarities and differences between the two datasets. The researcher purposely constructed two different datasets to address the research questions, with the rationale being to test the generalisability of the findings. Differentiated replication and expansion allows for patterns to be tested across different conditions, which can contribute to a more comprehensive understanding of the area. If the results are consistent over a range of conditions such as different products and different countries, as in this thesis, this provides strong evidence for the pattern (Ehrenberg 1990).

Channel and store formats: The two datasets both include two types of channels: physical channels and online channels. The store formats are also different, which reflects the natural state of the product category as well as the retailing environment of the countries where the data collection was conducted. For example, *online shopping agent* is a unique shopping format used by mainland Chinese consumers to acquire luxury products from overseas. At their peak, online shopping agents accounted for four out of ten luxury goods purchases made by Chinese consumers (Bloomberg News 2019). However, this format is unique to the Chinese market and therefore only included in Dataset One. Nevertheless, there are a number of store formats that are common to both datasets, such as *department store*, *official brand store* and *duty free*.

Purchase time period: The purchase time period for the buying of luxury skincare products in China was the last 12 months, whereas the purchase time period for the buying of luxury leather goods in the USA was the last 5 years. The reason for having two different purchase time periods was because the buying of luxury leather goods is an infrequent behaviour, and a longer time frame enabled the survey to pick up light buyers of the category, as well as allowing for the capture of more cross-channel purchases.

Channel/brand luxury attributes: The same channel attributes are used across both datasets. Brand luxury attribute data was only collected in Dataset 2.

This thesis comprises three studies that address three research gaps identified in the literature for further investigation: one relating to channel/store format competition, which tests the applicability of fundamental shopper behaviour to the luxury category (Study 1); one relating to perceptions of channel/store formats, which examines luxury shoppers' perceptions of the different channels/store formats that sell luxury goods (Study 2); and one investigating the impact of channel expansion on consumers' perceptions of luxury brands (Study 3). Each of the studies (presented in Chapters 6, 7 and 8) employs a different method; these are specified before the results section in each chapter. The data utilised for each study are summarised in Table 5.8.

Table 5.8: Data utilised for each study

Study	Data utilised	
	Dataset One	Dataset Two
Study 1 – Channel/store format competition	√	√
Study 2 – Channel/store format perception	√	√
Study 3 – The impact of distribution on brand perception	n/a	√

5.6 Summary

The overall purpose of this thesis is to provide empirical evidence to inform luxury brands' channel management decisions. To address this objective, the researcher has employed an empirical generalisation approach to examine the application of formal prior knowledge to the data. Two very different data sets were constructed to address the research questions. The context of Dataset One was the buying of luxury skincare products in China, and the context of Dataset Two was the buying of luxury leather goods in the USA.

The data collection approach was an online survey. Toluna was appointed to program, host and collect the data from the appropriate sample. There were two stages for both datasets – Stage 1: identifying appropriate retail channels for the category (qualitative), and Stage 2: surveying channel perception and buying history across channels (quantitative). The data from Stage 2 were used to answer the thesis research questions.

For Dataset One, 600 female skincare consumers (those who had bought luxury skincare products in the preceding twelve months) were surveyed online and asked about their perceptions of and buying history across the channels identified in Stage 1. The sample demographics were as follows: 100% female; 50% 18–25 years and 50% aged 26–35 years.

For Dataset Two, a sample of 404 luxury leather goods consumers (those who had bought from at least one of the top luxury brands) were surveyed online and asked about their perceptions of and buying history across the channels identified in Stage 1, as well as their perceptions of competing brands in the luxury leather goods category. The sample demographics are as follows: 50% female and 50% male; 23% 18–29 years; 19% 30–39 years; 18% 40–49 years; 16% 50–59 years; and 24% > 45–59 years.

Chapters 6, 7 and 8 will further investigate the three gaps in the literature identified in Chapter 3. Each chapter includes a literature review, hypotheses and/or research questions, results and discussions. Since each of the studies presented in Chapters 6, 7 and 8 employs a different method, these are specified before the results section in each chapter.

Chapter 6 – Channel/Store Format Competition

The aim of this chapter is to investigate channel/store format competition in the luxury category. To address this objective, it examines the application of two well-known patterns of shopper behaviour to luxury channels and store formats. These patterns are DJ (Goodhardt, Ehrenberg & Chatfield 1984; Keng et al. 1998; Uncles & Hammond 1995), and DoP (Dawes & Nenycz-Thiel 2014; Goodhardt 1966; Uncles & Kwok 2008).

6.1 Applying Prior Knowledge of Patterns of Shopper Patronage to Luxury Channels and Store Formats

Growth in retail opportunities both physically and online means that luxury brands are facing increasingly complex channel choice decisions. With more options available, consumers are reported to be utilising multiple retail channels and store formats for their luxury goods purchases (Jones 2016b, Ramirez 2019a). However, it is unknown how buyers behave toward different channel options.

Each channel expansion comes with costs, and brand managers face a constant challenge: to effectively allocate budgets and resources in order to maximise return on investments and create synergy across channels/store formats (Chevalier & Gutsatz 2012; Nenycz-Thiel, Romaniuk & Sharp 2016). How can luxury brand managers effectively do this? At what point does additional distribution add costs but no major value? Understanding the underlying structure of shoppers' buying patterns can provide a useful notion of what is normal. This framework can then be used to identify deviations that help in developing better strategies for retail distribution management.

There have been considerable advances in understanding the patterns that underpin how consumers behave toward different retail channels and store formats in non-luxury markets (as summarised in Table 6.1). In particular, two law-like patterns have emerged. The first one is DJ (Keng et al. 1998; Nenycz-Thiel & Romaniuk 2016; Uncles & Hammond 1995), which reveals that the main difference between small and large offerings in a category is how many buyers each has (penetration), rather than the loyalty of each brand's customer base (purchase frequency). The second pattern that emerged is DoP, which reveals that shoppers buy across channels and retailers compete in line with size of the competitors (Beal, Tanusondjaja & Romaniuk 2016; Dawes & Nenycz-Thiel 2014; Keng et al. 1998; Uncles & Kwok 2009). Table 6.1 summarises the past studies conducted in retailing which apply the DoP or DJ.

Table 6.1: Past studies on channel competition

Study	Country, Category, Channel	DJ	DoP
Uncles & Ehrenberg 1990	Country: USA Category: packaged goods Channels/Store Formats: independent grocers, large regionals, wholesaler-sponsored, convenience store	x	x
Uncles & Hammond 1995	Country: USA Category: grocery Channels/Store Formats: supermarket	x	x
Keng et al. 1998	Country: Japan Category: grocery Channels/Store Formats: supermarket, drugstore, general store, department store	x	x
Uncles & Kwok 2008	Country: China Category: packaged goods Channels/Store Formats: hypermarket, supermarket, accepting, grocery, wholesale, supermarket in department store, others	x	x
Uncles & Kwok 2009	Country: China Category: packaged goods Channels/Store Formats: hypermarket, supermarket, accepting, grocery, wholesale, supermarket in department store, others	x	x
Dawes & Nenycz-Thiel 2014	Country: UK Category: grocery Channels/Store Formats: online, in-store		x
Nenycz-Thiel, Romaniuk & Sharp 2016	Country: multiple countries Category: grocery Channels/Store Formats: supermarket/hypermarket, convenience, local/traditional, discounter, online/mobile	x	x
Nenycz-Thiel & Romaniuk 2016	Country: Singapore Category: fashion Channels/Store Formats: online, offline	x	
Beal, Tanusondjaja & Romaniuk 2016	Country: Asian market Category: E-commerce in luxury goods Channels/Store Formats: own-brand, retailer, e-tailer		x

While competition in retailing largely mirrors the patterns of buying across brands (Keng & Ehrenberg 1984; Keng et al. 1998; Uncles & Hammond 1995), it is more complex than competition at brand level. This is because structural differences between stores (e.g. format, pricing policy, location) impact the relationship between penetration and loyalty (Nenycz-Thiel, Romaniuk & Sharp 2016). The luxury category is a particularly complex retail market. It consists of very different selling channels and store formats, from offline to online, from glamorous single-branded stores to discounted multi-brand outlet stores, and from high-end department stores to everyday mass retailing stores. There are large structural variations among these competing channels and store formats, including product assortments, pricing policies and levels of customer service. There are also the additional complications of shopping for luxury products due to the hedonic nature of luxury consumption and concerns about counterfeit products. Since shopping for luxury products is more complex than

shopping for non-luxury products, it is unclear whether knowledge about non-luxury categories can be applied to luxury buying channels and store formats.

Prior knowledge plays a role in turning data into meaningful and generalisable information, as it provides information on what patterns to expect, or simply what is 'normal' (Bound & Ehrenberg 1998). Applying prior knowledge can help to provide more insight into areas with less developed knowledge, such as retail channel and store format competition in the luxury category. Given that little is known about how luxury shoppers behave across different luxury retail channels and store formats, empirical investigation of expected patterns based on prior knowledge is an important foundation of this thesis.

The following section presents the literature review and research questions related to DJ. The method is described and the results are presented. Next, a second set of research questions relating to DoP is developed and tested. This is followed by discussions and conclusions with managerial implications.

6.2 Double Jeopardy – Literature Review and Research Questions

6.2.1 The Law of Double Jeopardy

DJ was first identified by McPhee (1963) in media measurement, then extended into the buying context by Ehrenberg (1972, 1988). It refers to the multiple challenges faced by small brands in comparison to their larger competitors. Specifically, this law reveals that small brands are punished twice: they have far fewer users, and these users are slightly less loyal (Ehrenberg, Goodhardt & Barwise. 1990; Sharp 2010a). McPhee (1963) showed mathematically that DJ has to occur when consumers choose between two similar alternatives, one big and one small. The reason for this is that people who are aware of the lesser-known alternatives also know the popular alternatives, whereas people who know the popular ones may not be aware of the lesser-known alternatives. Thus, those that only know the well-known alternatives will choose them, while those that are aware of the lesser-known alternatives will choose either those or the well-known ones.

DJ effects have been observed across a number of diverse consumption settings, extending back as far as the early 1960s across multiple categories and countries, including comic strip and radio announcer preference (McPhee 1963), Chinese hair products (Yang, Bi & Zhou 2005), the UK performing arts industry (Hand 2011), and more recently luxury products (Sharp & Romaniuk 2016).

Relevant to this thesis, DJ has also been observed in retail settings (Nenycz-Thiel, Romaniuk & Sharp 2016; Nenycz-Thiel & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Hammond 1995). Uncles and Ehrenberg (1990) examined patterns of buying for packaged goods at retail chains in the USA. The study found that various aspects of how consumers buy packaged grocery products at different store formats are largely regular and predictable. A major conclusion from their study is that marketing-mix factors and store image do not appear to affect a channel's loyalty, other than through the number of customers the channel attracts for the product. Sales of products differ between channels mainly because the numbers of buyers differ, not because customers at one channel buy more or less often than those at another. It reflects the DJ pattern that small channels generally have fewer buyers, and those customers shop there less often. A similar study was conducted in Japan and drew comparisons with brand loyalty in Western industrialised countries (Keng et al. 1998), and despite these differences, in virtually all cases, the observed data were closely in line with Dirichlet predictions, showing that the patterns for Japan were similar to those in the West. Finally, DJ is also found in less developed markets. For example, a study in retail

channel and store format choice for grocery shoppers in Mexico revealed that channels and store formats with fewer shoppers also have shoppers who visit the channel and store format a bit less frequently (Nenycz-Thiel, Romaniuk & Sharp 2016).

Solely loyal customers are those who buy only one brand within a product category in a given time period (Cannon, Ehrenberg & Goodhardt 1970). In the context of channel competition, sole loyalty refers to all the category purchases made in one specific channel in a given time period. Solely loyal customers are thought to be the most desirable, as it is believed that they can bring in more revenue than disloyal customers who divide their loyalty across many brands (Reichheld & Sasser 1990). Furthermore, some researchers suggest that behaviourally loyal customers are easier to please, as they also tend to be attitudinally loyal (de Ruyter, Wetzels & Bloemer 1998). As a result, many CRM programs are aimed at growing the number of loyal customers a brand has (Bogomolova 2011). When looking into the relationship between the incidence of sole loyalty and brand size, DJ is found to hold for a sole loyalty metric: smaller brands have a smaller proportion of their customer base who are solely loyal (Ehrenberg, Uncles & Goodhardt. 2004, Keng et al. 1998; Sharp 2010b).

The DJ pattern provides researchers and practitioners with the context to correctly interpret shopping metrics across channels, as it reveals what is normal, and where channels gain higher or lower loyalty than they should given the size of their customer base. While the above studies provide a foundation in understanding DJ in retailing, none is related to the luxury category. As the luxury category presents a particularly complex retail market, it is uncertain whether knowledge attained about non-luxury categories applies to luxury shopper behaviours.

This next section will introduce deviations from DJ from the literature, and discuss the applicability of DJ in luxury retail.

6.2.2 Double Jeopardy Deviations

While DJ is pervasive across diverse conditions, there are cases of deviations from the pattern – brands that have greater or lesser loyalty than expected given their number of buyers. Evidence of persistent deviations plays a vital role in benchmarking exercises, as interpretation of these deviations further strengthens them by enhancing managerial understanding (Bhattacharya 1997; Ehrenberg, Goodhardt & Barwise. 1990). Four types of brands are reported to exhibit deviations from DJ in the literature:

1. Niche brands: these are also known as speciality brands, and generally target a small group of customers with special needs, e.g. anti-dandruff shampoo. Niche brands usually show low market penetration but relatively high purchase frequency when compared to an average brand in the same category (Kahn, Kalwani & Morrison 1988).
2. Change-of-pace brands: these are brands generally created to meet consumers' variety-seeking behaviour (Kahn, Kalwani & Morrison 1988). A typical example is seasonal brands, such as Easter eggs in the chocolate category – a lot of people will buy the brand around Easter, but repeat purchases are low.
3. Private labels: also known as store brands, these are created by retailers to be sold exclusively in their own stores. This type of brand is reported to have excessive levels of loyalty (Dawes & Nenycz-Thiel 2013; Pare & Dawes 2011).
4. Leading brands: by definition, these are the brands with the leading market shares within their categories. Brand leaders are found to enjoy an 'excess loyalty premium', as they exhibit higher than expected levels of loyalty (Ehrenberg, Goodhardt & Barwise. 1990; Fader & Schmittlein 1993). Such a premium is also found in the context of retail competition, where leading channels/stores are reported to show higher than expected levels of loyalty (Keng et al. 1998; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009).

The DJ empirical generalisation is explained and predicted by the NBD-Dirichlet theory of repeat purchase (Goodhardt, Ehrenberg & Chatfield 1984). Literature that looks for possible reasons for DJ deviations found it relates to the NBD-Dirichlet model assumptions (Fader & Schmittlein 1993; Rungie 2006; Uncles & Ehrenberg 1990). The NBD-Dirichlet model, which accounts for the DJ pattern, is characterised as *stationary* in the medium–long term (Goodhardt, Ehrenberg & Chatfield 1984), in the sense that it effectively represents a market that shows few or no trends (little variation in individual brand sales levels) and no market partitioning. Any departure from these conditions would show up as deviations from the model (Uncles & Ehrenberg 1990).

While the NBD-Dirichlet model does not explicitly account for the effects of marketing-mix variables, proponents suggest that marketing-mix effects can often be inferred as deviations from the Dirichlet baselines (Ehrenberg 1988). For reasons external to the NBD-Dirichlet model, brand availability is found to be the key reason for deviations. For example,

wider availability (extensive distribution network and strong shelf presence) could lead to excess loyalty, which is in the case for leading brands (Fader & Schmittlein 1993); restricted availability (limited distribution network) could also lead to excess loyalty, which is in the case for private labels (Bound & Ehrenberg 1997). In the context of retail competition, uneven geographical distribution of store outlets is found to be a key reason that leads to deviations from the pattern (Uncles & Ehrenberg 1990). Price is another: high-priced brands that are typically bought for special occasions or given as gifts (e.g. premium whiskey brands), when analysed alongside standard brands, look different (Sharp & Romaniuk 2016). In the retailing sector, channels with high selling prices (such as convenience stores) are found to have lower than expected loyalty, as shoppers mostly used these stores for occasional fill-in purchases rather than regular purchases (Uncles & Ehrenberg 1990).

Drawing on the knowledge of DJ deviations, the next section aims to discuss the applicability of DJ to luxury retail competition.

6.2.3 Double Jeopardy in Luxury Retail Competition

As discussed in the earlier parts of this thesis (see Chapter 3), the luxury retail industry has undergone tremendous evolution in the last two decades. The luxury retail landscape has changed constantly, and the luxury industry has experienced an influx of new retail opportunities, both physical and online, on an ongoing basis. At the same time, there are reports of established players going out of business, such as department store giant Neiman Marcus Group filing for bankruptcy in 2020. The NBD-Dirichlet model predicts stable brand performance measures from stable market shares (Ehrenberg & Uncles 1999). The disruptive nature of the luxury retail market violates the model's *stationary* assumption (Goodhardt, Ehrenberg & Chatfield 1984). Thus, luxury retail performance measures could show up as deviations from the model (Uncles & Ehrenberg 1990).

Past studies in retail settings mainly focused on shopper behaviours when purchasing packaged goods and groceries, where channels are assumed to compete within a single partition. In the luxury category, there is much greater variation in terms of offerings across different channels (Jones 2015). Luxury purchases involve high-quality, high-priced products, which provide pleasure as a central benefit (Hagtvedt & Patrick 2009). Consumers with high hedonic shopping values have been found to avoid online shopping (Sarkar 2011), which suggests that physical channels and online channels could potentially form two distinctive sub-markets. For luxury brands, there is the additional complication of the abundance of

counterfeit luxury products, which could lead to consumer suspicions of the authenticity of products sold through certain channels (Baghi, Gabrielli & Grappi. 2016). Therefore, it is anticipated that buyers with concerns about authenticity will be more inclined to only buy from official channels, which could lead to higher than expected levels of sole loyalty. The presence of potential sub-markets in the luxury retail market violates the model's *unsegmented* assumption (Goodhardt, Ehrenberg & Chatfield 1984), which would lead to deviations from the model (Uncles & Ehrenberg 1990).

In terms of brand availability (outlet accessibility in the context of channel competition), there are big variations amongst completing channels and store formats in the luxury category. For example, official brand stores, high-end department stores and selected high-end speciality stores are mainly located in selected metropolitan locations, with a very limited number of stores, whereas mass retailing channels like hypermarkets or superstores generally have many outlets spread across multiple locations. There are also variations among completing channels and store formats in terms of price (financial affordability). For example, official brand stores and high-end department stores will have larger assortments of new season products, while outlet channels will normally only have off-season products, with limited choices available (Nicoletti 2019). On the other hand, outlet stores can offer deep discounts to attract bargain-hunting consumers, which upmarket channels do not normally do (Staff Reports 2017). As discussed in the previous section, both outlet accessibility and financial affordability are found to be key reasons for deviations from DJ. Therefore, it is anticipated that luxury channel performance measures would show up as deviations from the model (Uncles & Ehrenberg 1990).

Given the extra complexity in the luxury retailing landscape, it is uncertain whether knowledge attained about non-luxury categories applies to luxury buying channels and store formats. This led to the development of the following research questions:

RQ1: Does the DJ law extend to luxury retail competition – i.e. do small store formats have fewer shoppers who are slightly less loyal?

RQ2: Do non-solely loyal shoppers (those who buy luxury products from more than one store format) shop the category more frequently than solely loyal shoppers?

RQ3: Are store formats' levels of sole loyalty correlated with market share?

6.2.4 Method

This part utilised data from both Dataset One (the buying of luxury skincare products in China) and Dataset Two (the buying of luxury leather goods in the USA). A more detailed description of the study and data set can be found in Chapter 5.

Fitting the NBD-Dirichlet Model

The NBD-Dirichlet model is a stochastic model of buyer behaviour which was originally developed for studying branded packaged goods in established competitive markets (Goodhardt, Ehrenberg & Chatfield 1984). This model has been tested across a wide range of conditions including packaged goods, retailers, durables, services, media usage and pharmaceutical prescriptions (e.g. Riebe et al. 2014; McCabe, Stern & Dacko 2013; Uncles & Kwok 2009). In the context of brand competition, the NBD-Dirichlet model provides estimates for brand performance statistics for all brands in the category, such as the percentage of buyers (penetration) and the number of times a brand's customer base buys that brand (buying frequency) (Ehrenberg, Uncles & Goodhardt. 2004). It is important to understand these metrics both individually and together, as they are key components that make up the brand's market share. In the context of this thesis, penetration refers to the percentage of shoppers who have shopped from the store format at least once in a given period. Buying frequency refers to the number of times a store format's customer base shops from that store format. These metrics make up the store format's market share.

The thesis applies the eight goodness-of-fit benchmarks as per Driesener, Rungie and Banelis (2017) to examine the model fit between the self-reported metric and the NBD-Dirichlet model estimates for both penetration and average purchase frequency (see Table 6.2). The maximum fit score is eight. The higher the fit score, the better the data fits the model.

Table 6.2: NBD-Dirichlet model goodness-of-fit benchmarks

Method	Penetration Fit Benchmark	Purchase Frequency Fit Benchmark
Correlation	≥ 0.9	≥ 0.6
Comparison of Average (AVE)	$\leq 5\%$	$\leq 10\%$
Relative Average Absolute Error (RAAE)	$\leq 15\%$	$\leq 20\%$
Mean Absolute Percentage Error (MAPE)	$\leq 20\%$	$\leq 20\%$

Source: Driesener, Rungie & Banelis 2017

6.2.5 Results

RQ1: Does the Double Jeopardy law extend to luxury retail competition – i.e. do small store formats have fewer shoppers who are slightly less loyal?

In order to test RQ1, which concerns DJ, the researcher followed the brand (store format in this thesis) performance measures used by Ehrenberg, Uncles and Goodhardt (2004). The researcher first calculated the different performance metrics in the context of store format performance:

$$\text{Market Share (\%)} = \frac{\text{Total purchases of the store format}}{\text{Total purchases of the category}}$$

$$\text{Penetration (\%)} = \frac{\text{The number of people who have shopped from the store format at least once}}{\text{Total number of potential shoppers}}$$

$$\text{Average Purchase Frequency (APF)} = \frac{\text{Total store format purchase occasions}}{\text{The number of people who have shopped from the store format at least once}}$$

After that, the researcher applied techniques of data reduction as per Ehrenberg (2000) to organise the results, where the store formats were ordered by the size of their market share from the biggest to the smallest. The penetration and average purchase frequency metrics for each buying store formats were entered into the NBD-Dirichlet model to generate model estimates (Graham et al. 2017).

The overall fit score for the buying of luxury skincare products in China was six out of eight (Table 6.3), suggesting there is a good fit with the NBD-Dirichlet model. There was also a good fit with the NBD-Dirichlet model for the buying of luxury leather goods in the USA – seven out of eight (Table 6.4). The good fit score indicated that DJ holds in luxury retail competition.

However, it is important to note that there is a lack of variation for shopper loyalty in both datasets. For luxury skincare products in China (Table 6.3), the ratio between the highest (44%) and lowest (5%) result for average purchase frequency (1.31x) is much lower than the ratio for penetration (8.44x). For luxury leather goods in the USA (Table 6.4), while the gap

between the two ratios is smaller, the ratio for penetration (2.27x) is still bigger than the ratio for average purchase frequency (1.12x). Furthermore, the four leading store formats all have lower than expected loyalty given their size, which contradicts the ‘excess loyalty premium’ found in other studies that find leading channels/stores have higher than expected loyalty (Keng et al. 1998; Uncles and Ehrenberg 1990; Uncles and Kwok 2008; Uncles and Kwok 2009).

Overall, DJ exists in the luxury category, but the loyalty patterns are not as clear as has previously been found for non-luxury markets.

Table 6.3: Double Jeopardy – buying of luxury skincare products in China

	Market Share (%)	Penetration (%)		APF	
		O	T	O	T
Official brand store	19	44	40	2.3	2.6
Department store	18	45	38	2.1	2.5
Online official brand store	12	33	27	1.9	2.3
Duty free store	11	33	26	1.8	2.3
Online general store	7	16	17	2.3	2.2
Hypermarket	6	13	14	2.2	2.1
High-end Supermarket	5	13	14	2.2	2.1
Online speciality store	5	16	14	1.8	2.1
Pharmacy	5	12	12	2.1	2.1
Online shopping agent	5	14	12	1.8	2.1
Speciality store	5	13	12	2.0	2.1
Online social media store	2	5	5	2.0	2.0
Average	8	21	19	2.0	2.2
Ratio between Highest and Lowest (O)		8.4		1.3	
Goodness-of-fit					
Correlation		0.99	√	0.24	x
AVE (%)		10.8%	x	8.1%	√
RAAE		12.5%	√	10.7%	√
MAPE		9.6%	√	11.2%	√
Overall Fit Score		6 out of 8			

Note: O = actual data from survey; T = theoretical estimates from NBD-Dirichlet Model

Table 6.4: Double Jeopardy – buying of luxury leather goods in the USA

	Market Share (%)	Penetration (%)		APF	
		O	T	O	T
Department store	12	71	64	3.3	3.7
Official brand store	11	62	58	3.2	3.4
Official brand outlet store	8	51	49	3.1	3.2
Online official brand store	7	45	45	3.1	3.1
Outlet department store	7	41	45	3.3	3.0
Online department store	7	41	42	3.1	3.0
Online outlet multi-brand luxury store	6	38	39	3.0	2.9
Online outlet department store	6	36	38	3.0	2.9
Online multi-brand luxury store	6	36	38	3.1	2.9
Online general store	5	32	36	3.2	2.8
Super store	5	32	34	3.0	2.8
Warehouse club store	5	30	34	3.1	2.8
Duty free	5	29	31	3.0	2.8
Online social media store	5	28	31	3.1	2.8
Online super store	4	26	30	3.2	2.7
Average	7	40	41	3.1	3
Ratio between Highest and Lowest (O)		2.7		1.1	
Goodness-of-fit					
	Correlation	0.99	√	0.58	x
	AVE (%)	3.1%	√	4.4%	√
	RAAE	7.0%	√	7.1%	√
	MAPE	7.6%	√	7.1%	√
	Overall Fit Score	7 out of 8			

Note: O = actual data from survey; T = theoretical estimates from NBD-Dirichlet Model

RQ2: Do non-solely loyal shoppers (those who buy luxury products from more than one store format) shop the category more frequently than solely loyal shoppers?

Solely loyal customers are those who buy only one brand within a product category in a given time period (Cannon, Ehrenberg & Goodhardt 1970). In the context of this thesis, solely loyal shoppers are those who bought only from one store format for a given luxury product category in a given time period.

To answer RQ2, the researcher separated the sample into two groups: solely loyal shoppers and non-solely loyal shoppers (those who bought from more than one store format in a luxury product category in a given time period). The researcher then utilised an independent t-test to compare the average purchase frequency between the two groups. If the results are significant, the average purchase frequency differs between solely loyal shoppers and non-solely loyal shoppers. If they are not, there are no significant differences.

The results showed that only 21% bought luxury skincare products from only one store format in China in the last 12 months, and that there was a lower level of sole loyalty for the purchasing of luxury leather goods in the USA in the last five years, with only 13% of the

shoppers being loyal to one single store format (Table 6.5). This result revealed that the majority of shoppers are non-solely loyal shoppers who shop across multiple store formats when buying these two luxury products.

The result clearly indicates that non-solely loyal shoppers shop more frequently than solely loyal shoppers. When buying luxury skincare products in China, solely loyal shoppers shopped less frequently (mean = 2.3, Stdev = +/-1.4) than non-solely loyal shoppers who bought the category from more store formats (mean = 6.1, Stdev = +/-2.7); $p < 0.001$. Similar results were found for the buying of luxury leather goods in the USA, with solely loyal shoppers shopping less (mean = 3.2, Stdev = +/-1.8) than non-solely loyal shoppers (mean = 21, Stdev = +/-18.1); $p < 0.001$.

These results clearly indicate that non-solely loyal shoppers shop more frequently than solely loyal shoppers. This pattern is generalisable across two very distinct buying conditions.

Table 6.5: Solely loyal and average purchase frequency

	Buying of Luxury Skincare Products, China		Buying of Luxury Leather Goods, USA	
	Solely Loyal	Non-solely Loyal	Solely Loyal	Non-solely Loyal
Proportion among all shoppers	21	79	13	87
Average purchase frequency	2.3	6.1	3.2	21
Standard deviation	1.4	2.7	1.8	18.1

RQ3: Are store formats' levels of sole loyalty correlated with market share?

To address RQ3, the researcher further investigated sole loyalty at individual store format level to see what proportion of shoppers only shopped from each store format. The researcher then appointed Pearson's Correlation analysis to examine the relationship between market share and sole loyalty. If the results are significant, a store format's level of sole loyalty is correlated with its market share. Otherwise, there are no significant relationships.

Table 6.6: Sole loyalty and market share

Buying of Luxury Skincare Products, China			Buying of Luxury Leather Goods, USA		
Store Format	Market Share (%)	Sole Loyalty (%)	Store Format	Market Share (%)	Sole Loyalty (%)
Official brand store	19	12	Department store	12	9
Department store	18	11	Official brand store	11	4
Online official brand store	12	5	Official brand outlet store	8	3
Duty free	11	5	Online official brand store	7	2
Online general store	7	5	Outlet department store	7	1
Hypermarket	6	3	Online department store	7	1
High-end Supermarket	5	4	Online outlet multi-brand luxury store	6	1
Online speciality store	5	3	Online outlet department store	6	0
Pharmacy	5	32	Online multi-brand luxury store	6	1
Online shopping agent	5	2	Online general store	5	0
Speciality store	5	4	Super store	5	0
Online social media store	2	3	Warehouse club store	5	0
			Duty free	5	0
			Online social media store	5	0
			Online super store	4	1
Average		8	Average		1
Pearson Correlation		0.17	Pearson Correlation		0.89**
Adjusted Pearson Correlation[^]		0.93**			

Note: **p<0.001, ^removing Pharmacy from the analysis

As shown in Table 6.6, *Pharmacy* had the largest proportion of solely loyal shoppers (32%), with the rest of the store formats ranging from 2% to 12%. For luxury leather goods in the USA, *Department store* had the highest level of sole loyalty (9%), and the majority of store formats had less than 4% of solely loyal shoppers. These results indicated that sole loyalty is not common among competing luxury store formats. The researcher investigated the reason behind the unusually high level of sole loyalty for *Pharmacy* and found that all of the solely loyal shoppers for *Pharmacy* were from the same city – Taiyuan, which has a relatively less developed retail network for buying luxury skincare products. For example, there are 22 *Official Estée Lauder* stores in Shanghai, but only 2 in Taiyuan. Presumably, the unusually high level of sole loyalty for *Pharmacy* is due to a lack of access to the leading buying store formats.

Pearson's correlation tests revealed a positive relationship for the buying of luxury leather goods in the USA (Pearson's correlation co-efficient = 0.89, p<0.001). The test failed to identify any relationship between market share and sole loyalty for the buying of luxury skincare products in China. However, this could be affected by the unusually high level of sole loyalty for *Pharmacy*, which is four times higher than the average level. When removing this store format from the analysis, a positive relationship was found among the remaining 11 store formats (Pearson's correlation co-efficient = 0.93, p<0.001).

In summary, the overall results indicated that sole loyalty is not common among competing store formats, and store formats' levels of sole loyalty are positively correlated with market share.

6.3 Duplication of Purchase Law

6.3.1 Literature Review and Research Questions

The DoP law has its origins in audience viewing, where it was named the Duplication of Viewing law (Goodhardt 1966), and was later found to have wider applications across categories and countries (e.g. Bass 1974; Ehrenberg & Goodhardt 1970; Faulkner, Truong & Romaniuk. 2014; Romaniuk & Dawes 2005). More recently, it has been found to apply to luxury brand competition (Patrick et al. 2016; Romaniuk & Sharp 2016). While the context differs, the pattern of competition remains consistent: brands share customers in line with the size of the competitors.

Importantly for this thesis, the DoP law has also been observed in retail competition. The DoP pattern has been confirmed in retail competitions in both developed and emerging markets (Beal, Tanusondjaja & Romaniuk 2016; Nenycz-Thiel, Romaniuk & Sharp 2016; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009). However, these studies have mainly focused on the buying of non-luxury products such as consumer packaged goods and groceries. To the researcher's knowledge, there is only one empirical study that has examined the DoP patterns of retail competition in the luxury category, namely Beal, Tanusondjaja & Romaniuk (2016). Beal, Tanusondjaja & Romaniuk (2016) applied the DoP to analyse the sharing of customers between e-commerce sites in Asian markets and found that sites competed primarily based on how many customers they had, rather than on the type of site, which is a close fit to the DoP law. This finding is useful for enabling marketers involved in e-commerce to understand the nature of competition in the online marketplace. However, as the study only included three online store formats, it is uncertain whether the results can be generalised to a wider selection of online and physical store formats.

As introduced in the previous chapters, luxury brands are now engaged in a range of very dynamic channel and store format expansion strategies, and consumers are faced with a variety of channel and store format options for buying luxury products (Kapferer & Bastien 2009). With more options available, consumers are reported to be utilising various retail channels and store formats for their luxury goods purchases. For example, 80% of luxury consumers in the USA expressed a desire for an multichannel shopping experience from the brands they buy, and more luxury consumers are making online purchases from marketplaces and department stores than are buying direct from the brand's online stores (Jones 2016a). These findings support that, like non-luxury shoppers, luxury buyers buy across channels and

store formats. However, it is unknown how luxury buyers behave toward different channel and store format options. This leads to questions about whether there is an underlying structure to luxury shoppers' cross-channel/store format buying behaviours. As discussed earlier, shopping for luxury products is more complex than shopping for non-luxury products. It is uncertain whether the DoP applies to luxury retail competition.

The DoP law provides a useful framework which allows researchers and marketers to identify and quantify exceptions (referred to as partitions) to the general pattern (Kalwani & Morrison 1977). Exceptions to the DoP law occur when brands (referred to as store formats in this thesis) share more or fewer consumers (referred to as shoppers in this thesis) than expected based on their market share. Partitions are usually easily explained either through functional differences between offerings or by other aspects of the marketing mix such as price, distribution or location (Dawes & Nenycz-Thiel 2014). Partitions affects where a store format's market share growth might come from, and how proportionately it might be affected by another store format's marketing activities. Partitions have important strategic implications. For example, if there is excess sharing of customers, a store format might be more affected by promotion activities conducted in another store format, as it is their customers that are more likely to notice and react to these activities.

Past studies on DoP in retail competition have mainly focused on store formats within one single type of channel: physical (e.g. Beal, Tanusondjaja & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009), and only a few have included both physical and online channels (e.g. Dawes & Nenycz-Thiel 2014; Nenycz-Thiel, Romaniuk & Sharp 2016). While the goods that shoppers buy online and offline may be identical, shopper behaviour in terms of brand choice and loyalty may differ due to differences in the channels' characteristics (Danaher, Wilson & Davis 2003; Dawes & Nenycz-Thiel 2014). In a study comparing retailer purchase patterns and brand metrics for physical stores and online purchases, the authors of one study found that there was an 'online-buying' market partition across retailers in the grocery category (Dawes & Nenycz-Thiel 2014). Those who were buying from one online retailer were more likely to also buy from another online retailer. The earlier parts of this chapter, luxury shopper with high hedonic shopping values have been found to avoid online shopping (Sarkar 2011), which suggests that physical channels and online channels could potentially form two distinctive sub-markets. It is therefore uncertain whether physical channels and online channels compete in one large, competitive luxury market.

This led to the development of the following two research questions:

RQ4: Does the DoP pattern extend to luxury retail competition – i.e. do luxury store formats share shoppers with other luxury store formats in line with penetration?

RQ5: Do physical store formats and online store formats form two distinctive sub-markets – i.e. does a physical partition and/or an online partition exist?

6.3.2 Method

This part utilises data from both Dataset One (the buying of luxury skincare products in China) and Dataset Two (the buying of luxury leather goods in the USA). A more detailed description of each study and dataset can be found in the Research Methods chapter.

Fitting Purchase Duplication Pattern

This thesis uses the term ‘purchase duplication analysis’ to mean an examination of the purchases in pairs of competitive retail store formats: i.e. how many people bought from store formats A and B, A and C, etc (as illustrated in Figure 6.1). This analysis provides a framework for interpreting the results of purchase duplication analysis.

Figure 6.1: Duplication of Purchase Table

Retail Store Formats		% shoppers who also bought from...			
Shoppers of...	Penetration	Store Format A	Store Format B	Store Format C	Store Format D
Store Format A	Largest		% of those who bought from Store Format A, who bought from Store Format B	% of those who bought from Store Format A, who bought from Store Format C	% of those who bought from Store Format A, who bought from Store Format D
Store Format B	Large	% of those who bought from Store Format B, who bought from Store Format A		% of those who bought from Store Format B, who bought from Store Format C	% of those who bought from Store Format B, who bought from Store Format D
Store Format C	Small	% of those who bought from Store Format C, who bought from Store Format A	% of those who bought from Store Format C, who bought from Store Format B		% of those who bought from Store Format C, who bought from Store Format D
Store Format D	Smallest	% of those who bought from Store Format D, who bought from Store Format A	% of those who bought from Store Format D, who bought from Store Format B	% of those who bought from Store Format D, who bought from Store Format C	
Average		Column average	Column average	Column average	Column average

To answer RQ4, the extent of competition between the store formats was analysed to create a table of shared percentages for each channel with each other store format. Due to the high penetration of several store formats, this thesis used a simple linear regression model to obtain the expected duplications instead of the standard method for calculating expected values, via the D co-efficient, as illustrated in Lees and Wright (2013). The standard method does not

work for Dataset Two, as it provides inaccurate estimates for the store formats with high penetration. Expected duplication for *department store* would exceed 100 per cent (108pp) if the standard method were used.

The difference between the average column duplication and the expected duplication is presented as the residual value. The researcher then examined the mean absolute deviation (MAD) between the actual duplication and the model-generated estimates of duplication derived from the duplication co-efficient (as outlined in Armstrong 2001; Dawes, Romaniuk & Mansfield et al. 2009), as well as the correlation between the penetration of a store format and the average sharing with other store formats. The correlation analysis measures the relationship between the penetration of a store format and average sharing with other store formats to show the extent to which the two variables are linearly related, and the MAD documents the actual fit and gives a numerical figure that is easy to compare across different datasets.

The first measure of fit was Pearson's Correlation Analysis between the penetration of store format and the average sharing with other store formats. If a high correlation exists, the DoP represents store format competition very well.

The second measure of fit was the MAD between the actual duplication and the model-generated estimates of duplication derived from the duplication co-efficient. MAD is a widely used fit measure (e.g. Armstrong 2001; Dawes, Romaniuk & Mansfield. 2009). A low MAD score means that there is a close fit to the DoP pattern. Take the buying of skincare products as an example. The researcher took the actual duplication for the proportion of those who bought from *department store* who also bought from *official brand store* and compared this to the model-generated estimate. The researcher repeated this comparison over each combination of retail channels, and calculated the MAD between actual and estimated figures over all store formats. Note that the researcher did not apply inferential tests to the MADs but rather used the MAD simply to communicate the general extent to which the model provided estimates that matched the empirical results.

This thesis identified partitions by identifying which individual store formats deviated markedly from the expected duplication figure. The researcher examined the cross-sharing results in the DoP table to check if any store format deviated markedly (-/+ 10pp) from the expected duplication figure.

6.3.3 Results

RQ4: Does the DoP pattern extend to luxury retail competition – i.e. do luxury store formats share shoppers with other luxury store formats in line with penetration?

In Table 6.8, retail store formats are ordered by size in both columns and rows. The penetration column indicates that 51% of luxury skincare shoppers bought from a *department store* in the preceding 12 months, 49% bought from an *official brand store* and so on. In the row for *department store*, of the shoppers who bought from *department store*, 40% also bought from *official brand store*, 36% from *online official brand store* and so on. In addition, 4% also bought from *online social media store*. Of the shoppers who shopped from any channels in the list, more had also bought from the two largest destinations (*department store* and *official brand store*) than not. Far fewer people also bought from the relatively smaller store formats *pharmacy* and *online social media store*. The absolute values (MAD) of these residuals are minimal (only 1), which means that purchasing from store formats for luxury skincare products follows a DoP pattern, with cross-channel sharing of customers in line with channel size. Pearson's correlation analysis reveals a high correlation between the penetration of a store format and the average sharing with other store formats (Pearson's correlation coefficient = 0.92, $p < 0.01$), which gives further confirmation that the dataset fits the DoP model very well.

A similar pattern was found in the DoP table for the buying of luxury leather goods in the USA (Table 6.9). Of the shoppers who shopped from any store formats in the list, more of them also bought from the two largest destinations, *department store* and *official brand store*. Far fewer people also bought from the relatively smaller store formats *online social media store* and *online super store*. There is a high correlation between a store format's penetration and its average sharing with other store formats (Pearson's correlation coefficient = 0.97, $p < 0.01$), which together with a low MAD of residuals confirms a close fit to the DoP pattern.

In summary, the DoP laws hold for luxury retail competition, where luxury store formats share shoppers with other luxury store formats in line with the size of the competitors. The pattern is generalisable across two very distinctive buying conditions.

RQ5: Do physical store formats and online store formats form two distinctive sub-markets – i.e. does a physical partition and/or an online partition exist?

As introduced in the above section, this thesis has identified partitions by identifying which individual store formats deviate markedly from the average duplication figure (-/+ 10ppt). For example, the study identified a partition by subtracting the average duplication level for *online official brand store* (34%, as in Table 6.8) from the duplication figure for shoppers of *online speciality store* who also bought from *online official brand store* (51%, as in Table 6.8), to produce a deviation (17). In other words, Chinese consumers who bought luxury skincare products from *online speciality store* were 17% more likely than expected to also have bought from *online official brand store*. The results identify seven pairs of partitions (Table 6.7): two for the buying of luxury skincare products in China and five for buying of luxury leather goods in the USA.

Table 6.7: Summary of partition

	Buying of Luxury Skincare Products, China	Buying of Luxury Leather Goods, USA
Physical Channel Partition	None	None
Online Channel Partition	Online official brand store & Online speciality store	Online social media store & Online superstore
Cross-channel Partition	Duty free & Online shopping agent	Warehouse club store & Online social media store Warehouse club store & Online super store Superstore & Online superstore Duty free & Online superstore

No physical channel partitions were identified in either study. Of the five online store formats examined in the luxury skincare products category, there was only one pair of online partitions (*online official brand store & online speciality store*). Of the eight online store formats examined in the luxury leather goods category, there was also only one pair of online partitions (*online social media store & online super store*). The rest of the partitioned pairs were all cross-channel partitions. While the partition for these two pairs of online store format highlights the possibility of a subset of consumers who are more prone to shop from online stores than to visit physical stores, there is a lack of evidence for an overall online retail partition.

In summary, seven pairs of partitions were identified from both data sets; however, there is no evidence for a physical store format partition, and a lack of evidence for an overall online store format partition. Therefore, physical store formats and online store formats do not form two distinctive sub-markets.

Table 6.8: Duplication of Purchase table – buying of luxury skincare products in China

Store Format	Penetration (%)	% who also bought from											
		Department Store	Official Brand Store	Online Official Brand Store	Duty Free Store	Online General Store	Online Speciality Store	Online Shopping Agent	Hypermarket	High-end Supermarket	Speciality Store	Pharmacy	Online Social Media Store
Department store	45		40	36	37	15	16	15	9	10	12	7	4
Official brand store	44	40		37	35	11	15	12	15	16	16	8	5
Online official brand store	33	48	49		34	11	24	15	15	16	12	7	6
Duty free	33	51	47	34		17	11	23	9	14	13	7	7
Online general store	16	41	31	22	35		10	14	21	12	4	13	7
Online speciality store	16	46	42	51	23	11		6	17	6	11	10	4
Online shopping agent	14	48	37	36	55	17	7		6	12	14	5	10
Hypermarket	13	31	51	36	23	26	20	6		20	16	11	6
High-end Supermarket	13	35	54	40	36	15	8	13	21		15	13	8
Speciality store	13	43	56	32	33	5	13	16	17	16		9	4
Pharmacy	12	26	28	19	18	18	13	6	13	14	10		10
Online social media store	5	34	41	34	41	22	13	25	16	19	9	22	
Average Duplication		40	43	34	34	15	13	14	14	14	12	10	6
Expected Duplication		43	43	32	32	16	15	14	13	13	12	12	6
Residuals		3	-1	-2	-2	1	2	0	-1	-1	0	2	-1
MAD							1						

Note: Expected Duplication $y = 0.9494x + 0.6153$, $R^2 = 0.9844$

Table 6.9: Duplication of Purchase table – buying of luxury leather goods in the USA

Store Format	Penetration (%)	% who also bought from														
		Department store	Official Brand Store	Official Brand Outlet Store	Online Official Brand Store	Outlet Department Store	Online Department Store	Online Outlet Multi-Brand Luxury Store	Online Multi-Brand Luxury Store	Online Outlet Department Store	Online General Online Store	Super Store	Warehouse Club Store	Duty Free Store	Online Social Media Store	Online Super Store
Department store	71		62	52	48	42	40	43	37	38	34	34	31	31	27	28
Official brand store	62	71		57	54	51	48	47	45	43	39	38	39	33	35	32
Official brand outlet store	51	73	70		57	58	53	53	49	49	42	43	43	41	39	37
Online official brand store	45	76	75	64		56	58	59	56	56	48	45	46	46	48	41
Outlet department store	41	72	75	71	60		63	60	59	63	51	53	51	48	47	44
Online department store	41	70	73	66	64	64		64	62	61	56	52	54	50	51	46
Online outlet multi-brand lux store	38	79	76	70	69	65	68		70	66	61	57	55	54	56	50
Online multi-brand lux store	36	72	76	69	68	67	69	74		65	60	58	55	56	54	52
Online outlet department store	36	76	74	70	69	73	69	71	66		58	57	56	53	54	55
Online general online store	32	73	74	66	66	66	70	73	67	64		62	63	58	60	56
Super store	32	75	74	68	63	68	67	68	66	64	63		60	58	57	60
Warehouse club store	30	74	80	72	67	70	72	70	66	66	68	63		59	63	59
Duty free	29	77	72	72	71	69	71	72	71	66	66	65	62		59	59
Online social media store	28	68	78	70	76	69	74	77	70	69	70	65	68	61		61
Online super store	26	77	75	71	70	70	71	73	72	75	70	73	69	66	66	
Average Duplication		74	74	67	64	63	64	65	61	60	56	55	54	51	51	48
Expected Duplication		78	73	67	63	61	61	60	59	58	56	56	55	54	54	52
Residuals		-5	1	0	1	2	3	5	3	2	0	-1	-1	-3	-2	-4
MAD								2								

Note: Expected Duplication $y = 0.5797x + 37.409$, $R^2 = 0.8772$

6.4 Discussion and Conclusions

6.4.1 Law of Double Jeopardy

The overall results indicate that smaller luxury store formats are penalised for having fewer shoppers, which is in line with prior research in this area (Ehrenberg, Goodhardt & Barwise. 1990; Sharp 2010a). However, loyalty patterns are not as clear as has been previously found for non-luxury markets, as there is a lack of variation for shopper loyalty in both datasets. Furthermore, the four leading store formats all have lower than expected loyalty given their size, which contradicts the ‘excess loyalty premium’ found in other studies, in which leading channels/stores had higher than expected loyalty (Keng et al. 1998; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009). The lower than expected loyalty level for the top store formats could be due to a lack of distribution (Bound & Ehrenberg 1997; Fader & Schmittlein 1993; Uncles & Ehrenberg 1990): for example, there are far fewer physical outlets for *official brand store* and *department store* than *hypermarket* or *superstore*, making it physically harder for shoppers to buy from these leading store formats. Additionally, the leading store formats identified in both datasets are the traditional high-end store formats that carry new season products selling at high prices, which makes it financially harder for shoppers to buy from them. The results also show a much larger variation in penetration and a much smaller variation in loyalty. For bigger store formats, growth will be restricted unless distribution deficits are addressed. For all store formats, growth comes from growing the shopper base rather than loyalty. Therefore, all store formats need to focus on increasing the number of shoppers who shop from the store format, as opposed to aiming to increase the frequency with which existing shoppers patronise the store format.

This thesis is the first to extend the DJ law to the retail context in the luxury category. It extends the findings which highlight that the real difference between competing formats is in the number of shoppers they have (Nenycz-Thiel, Romaniuk & Sharp 2016; Nenycz-Thiel & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Hammond 1995; Wrigley & Dunn 1984). In practical terms, it highlights the importance of taking distribution (both outlet accessibility and financial affordability) into consideration when assessing retail performance.

Results from the sole loyalty part of the study reveal that the majority of shoppers are non-solely loyal shoppers who shop across multiple store formats when buying both luxury skincare products in China and luxury leather goods in the USA. The results also clearly indicate that non-solely loyal shoppers shop more frequently than solely loyal shoppers when

buying the two luxury products tested. At individual store format level, the results indicate that sole loyalty is uncommon among competing luxury store formats. The tests reveal a positive relationship for the buying of luxury leather goods in the USA, but failed to identify any relationship between market share and sole loyalty for the buying of luxury skincare products in China. However, when *pharmacy* was removed from the analysis, a positive relationship was found among the remaining 11 store formats. The results related to sole loyalty are in line with prior research. This extends prior findings from the non-luxury category to the luxury category and contributes to the understanding of the pattern in different contexts.

6.4.2 Duplication of Purchase Law

This thesis extends research on the DoP law to luxury retail competition by providing an empirical framework to develop understanding of how luxury buyers use different retail store formats. Furthermore, it provides insights for luxury marketers seeking to understand the competitive nature of the luxury retail market. The findings indicate that luxury store formats compete primarily based on how many customers they have, rather than on type of channel (i.e. physical or online). These findings are in line with prior DoP studies in retail competition (e.g. Beal, Tanusondjaja & Romaniuk 2016; Uncles & Ehrenberg 1990; Dawes & Nenycz-Thiel 2014; Nenycz-Thiel, Romaniuk & Sharp 2016; Uncles 2008; Uncles & Kwok 2009). This thesis is one of the first studies to test DoP in retail competition in the luxury category. It adds to the theoretical understanding of how retail store formats compete in different contexts. Past studies on retail competition mainly focus on a subset of buying channels or store formats (e.g. Beal, Tanusondjaja & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009). In addition to extending research from the non-luxury category to the luxury category, this thesis covers all the possible buying store formats for the category, which places DoP in more complex conditions to further test its applicability.

Detecting partitions allows luxury marketers to identify whether there is a second tier of competitive activity present that is less related to store format size. While seven pairs of partitions were identified, there is a lack of evidence for an overall physical versus online partition. The majority of the partitioned pairs were cross-channel partitions. The partitions for *Duty free* and *Online shopping agent* highlight the possibility of a subset of Chinese luxury skincare buyers who are more interested in products from overseas. Alternatively, this might be a function of product availability, where some products are not available in China and can only be bought from overseas. The partitioned pairs in the dataset for the buying of

luxury leather goods in the USA concentrated on the smallest store formats; this could partly be explained by the Natural Monopoly Law, where buyers from small store formats tend to, on average, be heavier category buyers (Dawes 2020).

Evidence of partitions shows the additional usefulness of this approach. For example, although *online official brand store* and *online speciality store* both exhibit excess sharing for luxury skincare products in China, it is important to note that both channels still shared a large proportion of customers with the larger store formats operating outside of the partition. Therefore, the larger store formats in the market remain the major competition and cannot be ignored when planning market strategies. This is in line with prior studies which found that while partitions can occur between brands that share similar functional features, this is only a secondary effect, as the overall DoP pattern still holds, even in a market with partitions (Dawes & Nenycz-Thiel 2014; Nenycz-Thiel, Romaniuk & Sharp 2016).

Luxury marketers should therefore focus mostly on who shops a category as opposed to thinking different channels and store formats may appeal to different shoppers. They should also pay attention to the largest store formats (both physical and online) in the market, irrespective of their brand positioning or functional differences. Furthermore, they should not sacrifice their brands' presence on larger store formats for newer (much smaller) store formats, since those who are buying from smaller store formats also continue to buy from larger store formats. These findings are useful for those seeking to enter the luxury market, as they provide predictions about the levels of customers they are likely to draw from existing store formats.

6.5 Summary

This chapter applied DJ (Goodhardt, Ehrenberg & Chatfield 1984; Keng et al. 1998; Uncles & Hammond 1995), and DoP (Dawes & Nenycz-Thiel 2014; Uncles & Kwok 2008) to luxury retail competition. Three key findings were identified:

1. The key differences between competing store formats are in the number of shoppers they have, small store formats have fewer shoppers, and those shoppers are slightly less loyal.
2. The majority of shoppers are non-solely loyal shoppers who shop across multiple store formats; non-solely loyal shoppers shop more frequently than solely loyal shoppers, and there is a positive relationship between market share and sole loyalty.
3. Luxury store formats compete primarily based on how many customers they have rather than the type of channel – physical or online, partitioned store formats still share a large proportion of customers with the larger store formats that operate outside of the partition.

Findings from this chapter reinforce the argument that growth comes from increasing shopper base rather than from increasing loyalty, and luxury store formats compete primarily based on how many customers they have. These results confirm that luxury buyers shop across retail store formats that sell luxury products, in line with other, non-luxury retail shopping.

This suggests that luxury marketers should focus on increasing the number of shoppers who shop from their retail distribution rather than aiming to increase the frequency with which the store format is patronised by existing shoppers. Luxury marketers should also pay attention to the largest store formats (both physical and online) in the market, irrespective of their brand positioning or functional differences.

Chapter 7 – Channel/Store Format Perception

This chapter investigates the second gap in the literature: how category buyers' perceptions of luxury channels/store formats differ. It starts with a review of the literature relating to major retail attributes and develops hypotheses that uncover luxury shoppers' perceptions of physical and online channels, and of differences between official brand store formats (single-brand) and other store formats (multi-brand). The method is outlined and the results are presented, followed by a discussion and conclusions outlining the implications of its findings for managers.

7.1 Introduction

The perceptions consumers hold have long been considered an important part of consumer-based brand equity (e.g. Aaker 1992; Datta, Ailawadi & van Heerde 2017; Keller 1993). These are ideas about brands that are held in memory, often operationalised in line with Associative Network Theories, in which nodes linked to the brand name node can be activated when someone uses a cue to access memory (Anderson 1983; Anderson & Bower 1979). These thoughts have two roles: to act as a cue to retrieve the brand, and to be retrieved when the brand is a cue (Holden 1993; Nedungadi 1990). This can influence both brand consideration and brand evaluation.

Similarly, research has found that consumers also form perceptions of retail stores. The concept of retail perception was first introduced by Pierre Martineau (1958), who describes store image as the way the store is defined in the consumer's mind, which is partly by its functional qualities and partly by an aura of psychological attributes. It has generally been acknowledged that consumers form thoughts and feelings associated with retailers and that these overall impressions strongly influence their shopping and patronage behaviours (Aghekyan-Simonian et al. 2012; Collins-Dodd & Lindley 2003; Imran, Ghani & Rehman 2013; Porter & Claycomb 1997).

Similar to Martineau's work, many studies on retail perception focus on the store level within particular channel formats (Anselmsson, Burt & Tunca 2017; Keaveney & Hunt 1992; Lindquist 1974). The researcher acknowledges that differences between perceptions of retail brands might exist within particular formats (e.g. between Walmart and Carrefour or Macy's and Nordstrom); however, these differences are not considered in this thesis. As illustrated in Chapter 3 (see Figure 3.2), this thesis focusses on investigating luxury shoppers' perceptions of channels at the aggregate level (e.g. physical channels and online channels) and at the individual level (e.g. hypermarkets and department stores).

While there is no consensus as to the exact dimensions of retail images, a broad range of attributes such as shopping convenience, product assortment, pricing and shopping experiences represent both the position of a retail company and its format in the minds of consumers (Martineau 1958). The luxury category presents a particularly complex retail market (Jones 2015). It consists of very different selling channels, from offline to online, from glamorous single-branded stores to discounted multi-brand outlet stores, and from high-end department stores to everyday mass retail stores. There are large structural variations among

these competing channels, such as product assortments, pricing policies and levels of customer service. There are also the additional complications of shopping for luxury products due to the hedonic nature of luxury consumptions and concerns about counterfeit products. According to Martineau (1958), consumers form thoughts and feelings associated with retailers partly based on their functional qualities and partly on an aura of psychological attributes. While there have been a number of industry reports on the perceptions ordinary shoppers have of different retail channels (Jones 2015; Nicoletti 2019; Staff Reports 2017), there is a lack of formal understanding of the perceptions luxury shoppers have of different retail channels. Knowledge of how luxury shoppers perceive different channels would be of great value to luxury brand managers seeking to understand the impact of channels on brands. If there is no difference between channels, then it does not matter where a luxury good is sold. If there are differences associated with different channel types, however, this opens the possibility of a spillover effect between a channel and the brand sold through that channel.

Perceptions are reported to be generated from three main sources. The first is direct experience, such as buying the brand or buying from retail stores (Brakus, Schmitt & Zarantonello 2009; Sahin, Zehir & Kitapçı 2011; Zarantonello & Schmitt 2013); the second is word-of-mouth communication from others (East et al. 2017; Klein et al. 2016); and the last is advertising or other marketing communications (Krishnan 1996). While retailers within the channels and store formats advertise, the channels and store formats themselves do not. The findings regarding shoppers' perceptions of channels at the aggregate and individual levels contribute to our understanding of the degrees to which people form different perceptions of channels and store formats in the absence of channel-specific advertising, which is a valuable addition to the literature.

7.2 Literature Review and Research Questions/Hypotheses

7.2.1 Perceptions of Physical Versus Online Channels

The Information Age has had a major impact on luxury distributions, and almost all of the physical channels that sell luxury products have also developed online versions of selling points. A number of studies have compared consumers' online and in-store shopping motivations and behaviours towards luxury goods (Kim, Kim & Lee 2010; Liu, Burns & Hou 2013; Othman, Ferguson & Zorn 2012), yet there is a lack of understanding of how shoppers perceive these two types of channels across major retail attributes. This section therefore reviews the literature relating to major retail attributes and develops hypotheses that uncover luxury shoppers' perceptions of physical and online channels.

Shopping Convenience

Shopping convenience refers to the efficiency, ease and speed with which products can be purchased (Verhoef, Neslin & Vroomen 2007). Higher channel convenience stimulates customers' positive perceptions of the channel (Berry, Seiders & Grewal 2002).

Physical stores are restricted by time and location, as the transaction can only take place within the store during business hours, which may cause inconvenience for shoppers in some instances. Moreover, if what a shopper looking for is not readily available in the store at the time of purchase, the shopper will have to visit multiple locations, which will require higher travel costs and greater time investment (Noble, Griffith & Weinberger 2005).

When shopping online, shoppers are no longer restricted by time and location. They can place their order online at any time, wherever they are, with little effort. Research assessing customers' perceived value of the online channel of multichannel retailers has revealed that online channels provide location and time flexibilities, unlike physical channel shopping, leading to the fulfilment of customers' needs for accessibility, reduced waiting times and increased service efficiency (Carlson, O'Cass & Ahrholdt 2015). Shopping convenience is regarded as the main motivating factor for consumers to shop from home (Burke 2002).

In the luxury category, physical channels such as official branded stores, high-end department stores and selected high-end speciality boutiques are mainly located in selected metropolitan locations with a very limited number of outlets. This means that shoppers from outside of these metropolitan areas experience a high level of difficulty when trying to physically buy from the stores. Therefore, it is intuitive that luxury shoppers rate convenience

as the most important motivation for shopping online (Liu, Burns & Hou 2013). Thus, the following hypothesis is presented:

H1a: When buying luxury skincare products, luxury shoppers will perceive online channels as more convenient than physical channels.

H1b: When buying luxury leather goods, luxury shoppers will perceive online channels as more convenient than physical channels.

Personal Interaction

Physical channels offer better personal interaction with both the products and the salesperson than online channels due to the structural difference of the transaction setting. In the physical store, shoppers can personally see, touch, smell, taste, feel and try on products before purchasing (Godey, Lagier & Pederzoli. 2009). As identified in an early study on online shopping, the biggest barrier to online apparel shopping is the difficulty in assessing clothing quality (Lu & Rucker 2006). With the assistance of innovative technologies like 3D displays and interactive websites, shoppers can see products in detail, but they still cannot touch and experience them (Beuckels & Hudders 2016). Online displays simply cannot accurately depict aesthetic properties (Godey, Lagier & Pederzoli. 2009; Montoya-Weiss, Voss & Grewal 2003). Physical channels also allow for real-time interaction between shoppers and salespersons (Kim & Kim 2014).

Luxury brands are known for using precious materials and labour-intensive forms of craftsmanship, and often feature ‘handmade’ as a key element of their production (Colquhoun 2015). Luxury brands actively promote the unique character of their products to enhance the exclusivity of their offerings. For example, here is a sample description from Louis Vuitton of one of their handbags:

The Capucines Mini handbag in turquoise crocodilian leather highlights Louis Vuitton’s expertise with exotic leathers. The crocodile skin is finished so as to conserve the leather’s natural patterns. The delicate gradation of turquoise shades is different on each bag, making this Capucines Mini truly exceptional.

The variations in the level of detail inherent in luxury products are bigger than mass-produced products, making it even more important for shoppers to consult with the salesperson and experience these products in detail before paying the normally large amount of money to purchase them. Thus, the following hypothesis is presented:

H2a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

H2b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

Pricing/Promotion

Price is perhaps the most frequently mentioned attribute in retailing and shopper behaviour literature, with a large number of researchers featuring price in their studies (Bell, Hua Ho & Tang 1998; Briesch, Chintagunta & Fox 2009; Morton, Zettelmeyer & Silva-Risso 2001; Noble, Griffith & Weinberger 2005; Pan & Zinkhan 2006; Tang, Bell & Ho 2001).

While obtaining the lowest price was rated relatively low in importance by online shoppers (Bhatnagar & Ghose 2004; Verhoef, Neslin & Vroomen 2007), research has examined the effects of price promotions on choice in online and offline environments and found that price promotions have stronger effects in online channels than in physical ones (Degeratu, Rangaswamy & Jianan 2000). Each channel can provide consumer price comparison information; however, obtaining this information is not costless, as it necessitates the expenditure of consumer resources such as time (Marmorstein, Grewal & Fische 1992). It is argued that online channels should appeal to price-sensitive consumers, as the internet offers easy price comparison functions and shoppers can compare prices with a couple of clicks (Lu & Rucker 2006; Noble, Griffith & Weinberger 2005). This is supported by Liu and Burns (2013), who found that luxury consumers tend to compare prices and look for better deals during online luxury shopping, and that online luxury shoppers are more price-conscious than their in-store counterparts.

Liu and Burns's (2013) study on luxury shopping reveals that lower price is one of the key reasons why consumers prefer purchasing luxury products online. Lower prices are attractive, as luxury products are typically expensive. Thus, the following hypothesis is presented:

H3a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing better prices than physical channels.

H3b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing better prices than physical channels.

Product Assortment

Perceived variety of product assortment encompasses an assessment of both the number of items available, and the diversity of those items (Chernev 2011; Kahn & Lehmann 1991). According to the retail store choice literature, product assortment is a key factor determining purchase intention in both physical shopping (Bell, Hua Ho & Tang. 1998; Briesch, Chintagunta & Fox 2009; Pan & Zinkhan 2006) and online shopping (Verhagen & Dolen 2009; Burke 2002, Inman, Shankar & Ferraro 2004). The positive relationship between perceived variety and patronage intention holds as long as an overabundance of assortment items does not lead to customer confusion (Iyengar & Lepper 2000).

Compared to physical channels, online channels have the ability to offer product assortments in greater breadth and depth across product categories (Noble, Griffith & Weinberger 2005). This is because there are no floorspace restrictions in the online environment, and thus online channels can offer both a higher number of product categories and a larger number of alternatives per category (Alba et al. 1997).

While product assortment is highly valued in both physical and online shopping, studies comparing the shopping motivations of online and physical channel shoppers reveal that online shoppers are more innovative and impulsive and have a stronger desire to seek variety (Bhargava & Donthu 1999). Forsythe et al. (2006) investigated the perceived benefits linked to online shopping and concluded that consumers derive utilitarian benefits such as product selection more than hedonic benefits when shopping online. This was further supported by Eastman, Bradley & Randall (2009), who pointed out that internet shoppers exhibited more variety-seeking behaviour than non-internet shoppers and tended to spend more time comparing products from different vendors.

Product assortment in luxury categories is more complex compared to that in general products, as luxury brands are reported to proactively apply the differentiation of product availability strategy across different channels of distribution (Berman & Thelen 2004; Zhao, Zhao & Deng 2016). For example, new season products are generally only available in official stores, while off-season stocks are made available via discounted channels. It is a common practice for luxury houses to launch new product collections on a seasonal basis, which further differentiates product assortment across channels (Jones 2015).

Lack of product availability and variety pose more issues for physical channels than for online channels because luxury stores have limited physical locations and display space (Liu,

Burns & Hou 2013). The diversity and availability of products might also be limited in certain online channels, particularly unofficial channels. For example, a search for ‘Fendi handbag’ identified only 30 items available on the Net-A-Porter website and 49 on the Nordstrom online store. However, at aggregate level, online channels can offer better product assortments, as shoppers can easily visit several different online stores at the same time to find the products they want. Therefore, it is an expected outcome when online luxury shoppers are found to value product availability more than their in-store counterparts (Liu, Burns & Hou 2013). Thus, the following hypothesis is presented:

H4a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

H4b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

Shopping Experience

Luxury purchases involve high-quality and high-priced products, which provide pleasure as a central benefit (Hagtvedt & Patrick 2009). Physical channels such as upscale department stores attract customers by providing aesthetic and hedonic images (Dion & Arnould 2011). Physical channels can also provide rich sensory experiences in-store to create an emotional bond with their customers (Iyiola & Dirisu 2014). In a luxury store, all of the senses are aroused by a strictly calibrated atmosphere of animation, movement and audio and other elements (Joy et al. 2014; Martineau 1958). Such harmonious situations are referred to as ‘luxemospheres’ (Okonkwo 2009).

In addition to creating unique experiences for customers, sensory cues can also unconsciously influence consumer judgments (Biswas 2019; Spence et al. 2014). Swaminathan et al. (1999) found that those respondents who viewed shopping in-store as a recreational activity shopped on the internet less frequently and spent less on internet purchases than those who did not believe store shopping was a recreational activity. Chung (2001) reveals that products purchased via online channels are negatively related to the enjoyment of store shopping. The overall quality of the purchase experience and satisfaction was stronger for offline than online purchases (Hult et al. 2019). Consequently, consumers with high hedonic shopping values were found to avoid online shopping (Sarkar 2011).

As the shopping atmosphere is seen to be the key element to a successful sale, more and more online retailers also aim to offer the optimal package of advantages, values and

experiences for the consumer (Mankodiya et al. 2013). However, the scope of 'luxemospheres' is limited in the online shopping environment. Thus, the following hypothesis is presented:

H5a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

H5b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

Trust

Shoppers, in general, found online channels to be less trustworthy due to concerns about the inherent risks of shopping on the internet (Gefen et al. 2003; Gefen & Straub 2004; Fukuyama 1995). Purchase risk concerns consumers' perceptions of uncertainty or potentially undesirable consequences as a result of purchases through a specific channel (Forsythe & Shi 2003). Shoppers are especially concerned about several critical issues in online shopping, such as credit security, information privacy, product quality and difficulty with product returns (Gupta, Su & Walter 2004; Montoya-Weiss, Voss & Grewal 2003). The risks associated with purchasing online lead to a lack of trust and continue to impact on the perceived value of using online channels (Bhatnagar & Ghose 2004). Verhoef, Neslin and Vroomen (2007) found that privacy concerns have a stronger impact on using the internet to purchase than on purchasing from a store.

For luxury brands, there is the additional complication of the abundance of counterfeit luxury products that could increase consumers' suspicions of the authenticity of products sold via certain channels, particularly in the online environment (Baghi, Gabrielli & Grappi 2016). The increasing boom in online selling has been accompanied by criticism of the widespread presence of counterfeit goods (Lorenzetti 2016). For example, more than 40% of goods sold online in China were either counterfeit or of poor quality (Jourdan & Perry 2015). In response to the counterfeit problem, brands such as Kering, Gucci and Alexander Wang filed lawsuits against a major Chinese online marketplace, claiming that the platform 'encourages and profits from' the sale of fakes on its website (Chu 2016; Olen 2016). Although online marketplaces claim that they have 'zero tolerance' toward counterfeit goods appearing on their platforms, fake items are still as easy to find as authentic ones (Shuval et al. 2017).

The concern is greater for luxury shoppers because luxury purchase transactions usually involve large amounts of money. Liu and Burns (2013) found that in-store luxury shoppers demonstrate a higher level of risk aversion than online luxury shoppers. One respondent from

Liu and Burns's study (2013, p. 891) reported that: "Internet advertising can make any product look like a fine luxury product. It's best to buy these products in person". Thus, the following hypothesis is presented:

H6a: When buying luxury skincare products, luxury shoppers will perceive physical channels as more trustworthy than online channels.

H6b: When buying luxury leather goods, luxury shoppers will perceive physical channels as more trustworthy than online channels.

6.2.2 Official Brand Stores Versus Other Store Formats

Unlike most packaged goods and groceries, which are mostly distributed via wholesale channels in a multi-brand environment, luxury brands also sell in exclusive branded formats (both physically and online) which are commonly known as 'official stores'. One of the biggest changes in the luxury industry has been the increasing shift of brands from a wholesale (multi-brand) model to a retail (single-brand) model (Chevalier & Gutsatz 2012), with each of them generating approximately half of luxury personal goods revenue (Bain & Co. 2017). In the luxury retailing domain, there are industry reports and studies on what differentiates single-brand store formats from multi-brand store formats (Desmichel & Kocher 2019; Dion & Arnould 2011; Joy et al. 2014), but a lack of understanding of how shoppers perceive these two types of store formats across major retail attributes.

Besides the obvious differences of featuring only one brand versus selling multiple brands in the same premise, the most discussed difference between the two store formats is shopping experience and trust (Desmichel & Kocher 2019; Dion & Arnould 2011; Joy et al. 2014). This section reviews the literature relating to these two retail attributes and develops hypotheses that uncover luxury shoppers' differing perceptions of single-brand and multi-brand store formats.

Shopping Experience

As discussed previously, luxury purchases involve high-quality and high-priced products, which provide pleasure as a central benefit (Hagtvedt & Patrick 2009). While upscale multi-brand channels such as department stores and luxury speciality stores are also known for offering sensational shopping experiences, luxury brands have traditionally relied on their official stores to create ideal 'luxemospheres' and shape ideal customer experiences (Kapferer & Bastien 2012). While still functioning as a place of commerce, official stores now primarily

serve as a physical touchpoint to engage visitors with the brand's history, point of view and craftsmanship (Jones 2019). To further enhance their 'luxemospheres', luxury brands are increasingly turning to techniques inspired by museums and art galleries to display luxury products (Joy et al. 2014; Logkizidou et al. 2019). For example, consumers visiting the Louis Vuitton flagship store in Hong Kong described it as appearing to have been conceived by the curator of a top museum or art gallery (Joy et al. 2014).

Research on what differentiates single-brand from multi-brand settings in the luxury category clearly indicates that multi-brand stores offer less hedonic shopping experiences than single-brand stores (Desmichel & Kocher 2019). Thus, the following hypotheses are presented:

H7a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

H7b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

H8a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

H8b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

Trust

As discussed in the previous section, for luxury brands there is the additional complication of the abundance of counterfeit luxury products that could lead to consumer suspicion about the authenticity of products sold via certain channels (Baghi, Gabrielli & Grappi 2016).

Counterfeits are frequent in luxury categories and buying directly from the official store is the best way to avoid buying counterfeits (Murphy 2018). It is anticipated that buyers with concerns about authenticity will be more inclined to trust single-brand store formats in both the physical and the online worlds. Therefore, the following hypotheses are presented:

H9a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

H9b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

H10a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores more as trustworthy than other store formats within online channels.

H10b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as more trustworthy than other store formats within online channels.

7.3 Method

This part utilises data from both Dataset One (the buying of luxury skincare products in China) and Dataset Two (the buying of luxury leather goods in the USA). A more detailed description of the datasets can be found in Chapter 5.

Physical Versus Online Channels

In Dataset One there are 12 store formats in total: 7 physical channels and 5 online channels. Details are as follows (Table 7.1):

Table 7.1: Dataset One – list of retail channels

Channel Type	Store Format Type	Store Format	Example
Physical	Official brand store	Official brand store	Estée Lauder Store
Physical	Department store	Department store	Réel Department Store
Physical	Speciality store	Speciality store	Sephora
Physical	Speciality store	Pharmacy	Mannings
Physical	Duty free	Duty free	Lotte Duty Free
Physical	Mass retail store	High-end supermarket	Ole Supermarket
Physical	Mass retail store	Hypermarket	Walmart
Online	Official brand store	Online official brand site	https://www.esteelauder.com.cn/
Online	Speciality store	Online speciality store	https://cn2.strawberrynet.com/
Online	General store	Online general store	Taobao Stores
Online	Social media store	Online social media store	WeChat Stores
Online	Shopping agent	Online shopping agent	http://www.zhigouyp.com

In Dataset Two, there are 15 store formats in total: 7 physical channels and 8 online channels. Details are as follows (Table 7.2):

Table 7.2: Dataset Two – list of retail channels

Channel Type	Store Format Type	Store Format	Example
Physical	Official brand store	Official brand store	Gucci Store
Physical	Department store	Department store	Nordstrom
Physical	Outlet Store	Official brand outlet store	Prada Outlet Store
Physical	Outlet Store	Outlet department store	Nordstrom Rack
Physical	Duty free	Duty free	DFS
Physical	Mass retail store	Super store	Walmart
Physical	Mass retail store	Warehouse club store	Costco
Online	Official brand store	Online official brand site	https://us.burberry.com/
Online	Department store	Online department store	https://www.nordstrom.com
Online	Speciality store	Online multi-brand luxury store	Net-A-Porter
Online	Outlet Store	Online outlet department store	https://www.nordstromrack.com
Online	Outlet Store	Online outlet multi-brand luxury store	The Outnet
Online	Mass retail store	Online super store	https://www.walmart.com
Online	General store	Online general store	Amazon Stores
Online	Social media store	Online social media store	Facebook Stores

Channel Perception

To measure channel perception, a free choice, pick-any approach (Barnard & Ehrenberg 1990) was used. The respondents were presented with a retail attribute (e.g. “Offers an enjoyable shopping experience”) along with the full list of channels plus a ‘none of these’ option, and were asked *Which, if any, of the listed channels do you associate with this attribute? You can select as many or as few channels as you like. It does not matter if you have bought via this channel or not. It is your opinion we are interested in.*

A total of 14 retail attributes was presented. These retail attributes were identified from the literature and pre-tested as relevant to the chosen category by a group of experts, including academics, industry marketers and researchers. The 14 attributes were divided into 6 groups according to the following characteristics:

Convenience

- Easy to access
- The buying process is quick and easy
- Has good delivery systems

Personal interaction

- Can experience the product
- Helpful customer services

Pricing/promotion

- Good value for money
- Often has sales

Product assortment

- Has the latest styles
- Sells products I can't buy anywhere else
- Offers a wide range of products/brands

Shopping experience

- Well-suited to shopping for luxury products
- Enjoyable shopping experience

Trust

- Authentic products
- Offers payment options I am happy to use

7.4 Results

H1a: When buying luxury skincare products, luxury shoppers will perceive online channels as more convenient than physical channels.

H1b: When buying luxury leather goods, luxury shoppers will perceive online channels as more convenient than physical channels.

To answer Hypothesis 1 (H1a and H1b), which concerns how luxury shoppers perceive differences between physical channels and online channels, all physical channels were coded as 1, and all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Three attributes related to convenience were included to test H1a and H1b. As shown in Table 7.3, there were mixed results for these attributes both within and across the two datasets.

For the buying of luxury skincare products in China (within Dataset One), 18% of luxury shoppers associated at least one physical channel with the ‘easy to access’ attribute and 26% linked at least one online channel to this attribute, and the difference was significant at $p < .001$. While physical channels scored significantly higher for ‘has good delivery systems’, there was no significant difference between physical channels and online channels for ‘the buying process is quick and easy’.

For the buying of luxury leather goods in the USA (within Dataset Two), there was no significant difference between physical channels and online channels for ‘easy to access’, but online channels scored significantly higher for the other two attributes compared to physical channels.

Table 7.3: Results for convenience attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Easy to access	18	26	-9***	28	30	-2
The buying process is quick and easy	21	22	0	24	29	-4**
Has good delivery systems	31	9	22***	23	27	-4*

Significance: ***at $p < 0.001$, **at $p < 0.01$, *at $p < 0.05$

H2a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

H2b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing better personal interaction than online channels.

To answer Hypothesis 2 (H2a and H2b), all physical channels were coded as 1 and all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Two attributes were included to test for H2a and H2b – one related to interaction with products, and the other related to interaction between the shoppers and the salespersons. The results (Table 7.4) clearly show that physical channels scored significantly higher for both attributes across the two datasets. Therefore, both H2a and H2b are supported.

Table 7.4: Results for personal interaction attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Can experience the product	27	7	20***	31	14	18***
Helpful customer services	23	11	12***	28	17	18***

Significance: ***at p<0.001

H3a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing better prices than physical channels.

H3b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing better prices than physical channels.

To answer Hypothesis 3 (H3a and H3b), all physical channels were coded as 1 and all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Two attributes were included to test for H3a and H3b – one related to pricing and the other related to promotion. The results (Table 7.5) show that the two datasets produced opposite findings. In Dataset One, online channels scored significantly higher for these two attributes than physical channels, which supports H3a. However, online channels scored significantly higher than physical channels in Dataset One, which rejects H3b.

It is interesting to note that online channels scored the same in both datasets, but physical channels were better regarded in terms of pricing for Dataset Two.

Table 7.5: Results for pricing/promotion attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Good value for money	13	20	-6***	28	21	7***
Often has sales	16	19	-3**	25	21	4***

Significance: ***at p<0.001, **at p<0.01

H4a: When buying luxury skincare products, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

H4b: When buying luxury leather goods, luxury shoppers will perceive online channels as providing greater product assortment than physical channels.

To answer Hypothesis 4 (H4a and H4b), all physical channels were coded as 1 and all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Three attributes were included to test for H4a and H4b. As shown in Table 7.6, Dataset One found no significant difference between physical channels and online channels across all three attributes; thus, H4a is rejected. Dataset Two found no difference between the two types of channels for the attribute ‘offers a wide range of products/brands’; however, physical channels scored significantly higher than online channels for the other attributes; thus, H4b is rejected.

Table 7.6: Results for product assortment attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Has the latest styles	18	17	1	26	21	5***
Sells products I can’t buy anywhere else	14	15	0	20	15	5***
Offers a wide range of products/brands	22	21	1	27	26	1

Significance: ***at p<0.001

H5a: When buying luxury skincare products, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

H5b: When buying luxury leather goods, luxury shoppers will perceive physical channels as providing a more enjoyable shopping experience than online channels.

To answer Hypothesis 5 (H5a and H5b), all physical channels were coded as 1 and all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Two attributes were included to test for H5a and H5b – one related to shopping environment and the other to enjoyment. The results (Table 7.7) clearly indicated that physical channels scored significantly higher for both attributes across the two studies. Therefore, H5a and H5b are supported.

Table 7.7: Results for shopping experience attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Well-suited to shopping for luxury products	23	10	12***	24	19	6***
Enjoyable shopping experience	24	14	10***	29	20	8***

Significance: ***at p<0.001

H6a: When buying luxury skincare products, luxury shoppers will perceive physical channels as more trustworthy than online channels.

H6b: When buying luxury leather goods, luxury shoppers will perceive physical channels as more trustworthy than online channels.

To answer Hypothesis 6 (H6a and H6b), all physical channels were coded as 1, all online channels were coded as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of channels.

Two attributes were included to test for H6a and H6b – one related to authenticity of products and the other to payment options. The results (Table 7.8) clearly show that physical channels scored significantly higher for both attributes across the two studies. Therefore, H6a and H6b are supported.

Table 7.8: Results for trust attributes

	Dataset One			Dataset Two		
	Physical (%)	Online (%)	P – O (%)	Physical (%)	Online (%)	P – O (%)
Authentic products	26	14	12***	26	18	8***
Offers payment options I am happy to use	30	28	2***	29	25	4**

Significance: ***at p<0.001, **at p<0.01

H7a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

H7b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as providing a more enjoyable shopping experience than other store formats within physical channels.

To answer Hypothesis 7 (H7a and H7b), only physical store formats were selected for the analysis. Within the physical channels, physical official brand stores were coded as 1 and other physical store formats as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of store format. The two types of store format were cross-tabulated for each of the shopping experience attributes in each dataset.

Within physical channels, ‘Official brand store’ scored significantly higher for both shopping experience attributes across the two datasets (Table 7.9). Therefore, H7a and H7b are supported.

Table 7.9: Results for shopping experience attributes within physical channels

	Dataset One			Dataset Two		
	Official (%)	Other (%)	Of – Ot (%)	Official (%)	Other (%)	Of – Ot (%)
Well-suited to shopping for luxury products	36	20	15***	48	19	29***
Enjoyable shopping experience	39	22	17***	41	25	15***

Significance: ***at p<0.001

H8a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

H8b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as providing a more enjoyable shopping experience than other store formats within online channels.

To answer Hypothesis 8 (H8a and H8b), only online store formats were selected for the analysis. Within the online channels, online official brand stores were coded as 1 and other online store formats as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of store format. The two types of store format were cross-tabulated for each of the shopping experience attributes included in each dataset.

For the buying of luxury skincare products in China, ‘Online official brand store’ scored significantly higher for both shopping experience attributes than other online store formats.

As shown in Table 7.10, there were mixed results for the buying of luxury leather goods in the USA. While ‘Online official brand store’ scored significantly higher for the attribute ‘Well-suited to shopping for luxury products’, there were no significant differences between ‘Online official brand store’ and other online store formats for the attribute ‘Enjoyable shopping experience. Therefore, H8a is fully supported and H8b is partially supported.

Table 7.10: Results for shopping experience attributes within online channels

	Dataset One			Dataset Two		
	Official (%)	Other (%)	Of – Ot (%)	Official (%)	Other (%)	Of – Ot (%)
Well-suited to shopping for luxury products	21	8	13***	26	17	9***
Enjoyable shopping experience	23	12	11***	23	20	3

Significance: ***at p<0.001

H9a: When buying luxury skincare products, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

H9b: When buying luxury leather goods, luxury shoppers will perceive physical official brand stores as more trustworthy than other store formats within physical channels.

To test Hypothesis 9 (H9a and H9b), only physical channels were selected for the analysis. Within the physical channels, physical official brand formats were coded as 1 and other physical store formats as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of store format. The two types of store format were cross-tabulated for each of the trust attributes in each dataset.

Within physical channels, ‘Official brand store’ scored significantly higher for both trust experience attributes across the two datasets (Table 7.11). Therefore, H9a and H9b are supported.

Table 7.11: Results for trust attributes within physical channels

	Dataset One			Dataset Two		
	Official (%)	Other (%)	Of – Ot (%)	Official (%)	Other (%)	Of – Ot (%)
Authentic products	48	22	26***	51	18	33***
Offers payment options I am happy to use	39	29	11***	35	28	7**

Significance: ***at p<0.001, **at p<0.01

H10a: When buying luxury skincare products, luxury shoppers will perceive online official brand stores more as trustworthy than other store formats within online channels.

H10b: When buying luxury leather goods, luxury shoppers will perceive online official brand stores as more trustworthy than other store formats within online channels.

To answer Hypothesis 10 (H10a and H10b), only online channels were selected for the analysis. Within the online channels, online official brand store formats were coded as 1 and other online store formats as 2. Cross-tabulation and a Chi-square test were employed to test for significant differences between the different types of store format. The two types of store format were cross-tabulated for each of the trust attributes in each dataset.

Within online channels, ‘Online official brand store’ scored significantly higher for both shopping experience attributes across the two datasets (Table 7.12). Therefore, H10a and H10b are supported.

Table 7.12: Results for trust attributes within online channels

	Dataset One			Dataset Two		
	Official (%)	Other (%)	Of – Ot (%)	Official (%)	Other (%)	Of – Ot (%)
Authentic products	38	8	31***	33	16	17***
Offers payment options I am happy to use	34	26	8***	31	25	7**

Significance: ***at p<0.001, **at p<0.01

7.5 Discussion and Conclusions

7.5.1 Perception of Physical Versus Online Channels

Six pairs of hypotheses were examined in order to identify how luxury shoppers perceive differences between physical channels and online channels. Both Dataset One and Dataset Two were included for data analysis. The majority of the 14 retail attributes tested show significant differences between physical channels and online channels – 10 out of 14 in Dataset One and 12 out of 14 in Dataset Two. The results for H1a to H6a and H1b to H6b are summarised in Table 7.13. While there were mixed results, 4 out of 6 hypotheses were supported for Dataset One and 5 out of 6 were supported for Dataset Two.

Overall, the results indicated that luxury shoppers do perceive physical channels and online channels differently. More specifically, luxury shoppers perceive physical channels as providing better personal interaction, providing a more enjoyable shopping experience, and being more trustworthy than online channels. This was consistent across both studies.

Physical channels were found to score significantly higher for two out of the three product assortments attributes for the buying of luxury leather goods in the USA. This reflects the influence of one of the principles promoted by the ‘anti-laws’ of marketing (‘Principle 24: just sell marginally on the internet’, as discussed in Section 4.1.1). Product availability is an important factor influencing online luxury buyers (Liu, Burns & Hou 2013), and it is therefore recommended that luxury brand managers take this into account when planning what to offer online.

As discussed previously, the overall perception of retailers has a strong influence on consumers’ shopping and patronage behaviours (Aghekyan-Simonian et al. 2012; Collins-Dodd & Lindley 2003; Imran, Ghani & Rehman 2013; Porter & Claycomb 1997). Luxury brand managers should therefore take the differences between physical channels and online channels into account when planning channel strategies.

The finding that there are differences associated with channel types raises the possibility of a spillover effect between a channel and the brands that are sold through that channel. This potential spillover effect between channel type and the luxury brands sold via that channel will be discussed in Chapter 8.

Table 7.13: Results summary – Hypothesis 1 to Hypothesis 6

Hypothesis	Dataset One	Dataset Two
Hypothesis 1 – Convenience	H1a, Mixed	H1b, Supported
Hypothesis 2 – Personal interaction	H2a, Supported	H2b, Supported
Hypothesis 3 – Pricing/promotion	H3a, Supported	H3b, Rejected
Hypothesis 4 – Product assortment	H4a, Rejected*	H4b, Supported
Hypothesis 5 – Shopping experience	H5a, Supported	H5b, Supported
Hypothesis 6 – Trust	H6a, Supported	H6b, Supported

Note: *no difference in product assortment perceived

7.5.2 Official Brand Stores Versus Other Store Formats

Four pairs of hypotheses were examined to answer how luxury shoppers perceive differences between official brand store formats and other store formats. The results for H7a to H10a and H7b to H10b are summarised in Table 7.14.

Within physical channels, official brand store formats were perceived as providing a more enjoyable shopping experience and being more trustworthy than other channels that sell multiple brands. Within online channels, official brand channels were perceived as being more trustworthy compared to other channels. The results were consistent across both datasets.

The finding that there are differences associated with the official store format opens the possibility of different buying behaviours, which would potentially lead to deviations from the patterns of shopper behaviour for luxury retail competition.

Table 7.14: Results summary – Hypothesis 7 to Hypothesis 10

Hypothesis	Dataset One	Dataset Two
Hypothesis 7 – Shopping experience, within physical channels	H7a, Supported	H7b, Supported
Hypothesis 8 – Shopping experience, within online channels	H8a, Supported	H8b, Mixed
Hypothesis 9 – Trust, within physical channels	H9a, Supported	H9b, Supported
Hypothesis 10 – Trust, within online channels	H10a, Supported	H10b, Supported

7.6 Summary

This chapter examined two research questions: (1) How do luxury shoppers perceive differences between physical channels and online channels? and (2) How do luxury shoppers perceive differences between official brand formats (single-brand) and other store formats (multi-brand)? Cross-tabulation and a Chi-square test were employed to test for significant differences between perceptions of the different types of channel and store format.

Overall, the results indicate that luxury shoppers perceive physical channels and online channels differently. Physical channels are perceived as providing better personal interactions and shopping experiences, and as being more trustworthy than online channels, whereas online channels are perceived as being more convenient and providing better prices than physical channels. Furthermore, luxury shoppers consider official brand store formats (both online and physical) to be superior to other store formats of the same type in terms of trust.

The finding that there are differences associated with channel type opens the possibility of a spillover effect between a channel and the brand that is sold through that channel. The potential spillover effect between channel type and luxury brand will be discussed in Chapter 8.

Chapter 8 – The Impact of Distribution on Brand Perception

This chapter investigates the impact of distribution on brand perception. The first section presents a literature review and identifies research questions on the topic of restricted distribution and its impact on brand perception. Next, the research question focusing on the spillover effect between distribution channels and luxury brands is discussed. The method is outlined and the results are presented. This is followed by a discussion and conclusions outlining implications for managers.

8.1 Impact of Level of Distribution on Brand Perception

The purpose of distribution is to make a brand ‘easy to find and buy’. Decades of research into patterns of buying behaviour and marketing metrics have led to the conclusion that brands that are easier to buy for more people on more occasions get bought more often (Nenycz-Thiel, Romaniuk & Sharp 2016). For example, Coca-Cola’s strategic aim throughout the 1990s was to make it easier to buy a Coca-Cola (Dent 2014). However, according to Kapferer and Bastien (2009), building luxury brands means forgetting most of the classic rules of marketing and adopting what are now recognised as the ‘anti-laws’ of marketing. One of the principles promoted by these ‘anti-laws’ is to make it difficult for clients to buy (Kapferer & Bastien 2009), which can literally be translated as restricting distribution.

According to Kapferer (2009), in order to maintain its status, a luxury product must deserve it, whether through creating financial (price) or cultural (initiation) effects, or by requiring customers to dedicate time (e.g. by going to a given city and into a specific shop) and patience (e.g. by joining a waiting list) to obtaining it. Therefore, luxury brands are warned against satisfying the dramatic increase in demand for luxury goods from the middle class, because doing so might lead to a lack of exclusivity (Kapferer & Bastien 2012). In the world of luxury, it is believed that experience is far more important than utility (Kapferer & Bastien 2009). The old rules of luxury buying dictate that the act of purchasing a luxury product determines how much a consumer is willing to spend, and their takeaway perception of a brand and its wares (Adams 2013). There are also other studies in the luxury literature that support the idea of restricting distribution of luxury brands for different reasons. For instance, some researchers have suggested that the greater the inaccessibility – actual or imagined – of the product, the greater the desire for it (Som & Blanckaert 2015). Thus, luxury brands with high distribution are said to be less desirable, as purchasing makes the luxury dream come true and therefore contributes to destroying it (Dubois & Paternault 1995). A study in luxury branding identified selective distribution as one of the most important factors impacting luxury desirability, and the authors suggest that luxury brands should apply very selective distribution strategies in relation to the quantity and quality of stores (Kapferer & Valette-Florence 2016) in order to maintain desirability.

In contrast, however, Chevalier and Gutsatz (2012) have suggested that mass marketing rules also apply to luxury in terms of distribution. The authors reported that when one has a brand and a store concept that are very profitable, nothing can stop the growth of the brand and the opening of additional stores. They argue that if a store has existed for a long time in a

city and no replicas are planned, it probably indicates that the first store is not as profitable as it could be (Chevalier & Gutsatz 2012).

Empirically, a study of luxury whiskey brands in the United States found that brands that were perceived as luxurious and exclusive scored lowest on ‘not available everywhere’, which means that perceptions of exclusive distribution do not correlate with perceptions of exclusivity or luxury (Romaniuk & Sharp 2016). A recent study by Wang Sung & Phau (2021) examines how perceived virtual rarity influences consumers of luxury goods for three luxury categories including bags, wine and cruises, further validating the findings of Romaniuk and Sharp (2016). Perceived virtual rarity in the study by Wang Sung & Phau (2021) was measured by adapting the three-item selective distribution scale from Kapferer and Valette-Florence (2016): 1) cannot be found everywhere, selective distribution; 2) is produced in small series, not en masse; and 3) stores are very select, with a real atmosphere. Overall, Wang Sung & Phau (2021) found that perceived virtual rarity did not show any significant effects across any of the three categories. The findings from these two studies cast doubt on the idea that luxury brands benefit from restricting distribution.

The modern luxury industry has experienced rapid growth, and little research exists describing or quantifying the distribution of luxury brands, or the effect that expanded availability via more channels and store formats has had on the perception of them. More empirical research is needed in order to develop a better understanding of this topic, which leads to the overarching research question: how does a luxury brand’s level of distribution impact category buyers’ perceptions of it? This thesis will investigate both perceived and purchased distribution via the following research questions:

RQ6: Do luxury shoppers who perceive a brand as having greater distribution perceive that brand as less luxurious?

RQ7: Do luxury shoppers who purchase the brand from more store formats perceive the brand as less luxurious?

8.2 Perceived Brand Luxuriousness and Physical Versus Online Channels

Research on brand equity has found that shoppers have expectations about how certain brands should be distributed, and preconceptions about how their products should be displayed when for sale (Buchanan, Simmons & Bickart 1999; Koschate-Fischer, Hoyer & Wolframm 2019; Sebri & Zaccour 2017). Consequently, distribution can generate consumer awareness of the brand and alter consumers' perceptions of the retailer and the brand (Wilbur & Farris 2014), which is known as the spillover effect (Simonin & Ruth 1998). A conceptual paper on brand equity management in a multichannel retail environment suggests that luxury marketers have to pay attention to any indirect brand equity effects from being associated with a particular channel (Keller 2010).

Luxury brands face the challenge of creating and retaining the 'desire' and 'exclusivity' attributes of luxury brands in the mass and classless internet world, and at the same time maintaining and enhancing the equity of the brand (Okonkwo 2009). For example, as previously noted, Jean-Jacques Guiony, CFO of LVMH, has stated publicly that there is "no way" it would do business with Amazon, as he believes that the existing business of Amazon does not fit with their brand (Luxury Insider 2016).

There have been a number of talks and discussions on how channel expansion might result in possible damage to brand image due to spillover effects between luxury brands and distribution channels (Deloitte 2018; Keller 2010; Luxury Insider 2016). However, to the researcher's knowledge, there have only been two empirical studies investigating such spillover effects in the luxury category. One is a survey of UK luxury consumers and the other is a study on brand-retailer fit.

The UK luxury consumers survey suggested that e-commerce can work against exclusivity (Magnetic 2016). According to the report, 7% of Baby Boomers, 19% of Gen Xers and 25% of Millennials strongly agree that if a luxury product can be bought online, it is not exclusive anymore. While this report provides some empirical evidence to support the claim, the reporter's interpretation of the survey result is unconvincing, as 93% of Baby Boomers, 81% of Gen Xers and 75% of Millennials do *not* think that selling online matters for exclusivity.

A study by Nabec, Pras & Laurent (2016) provided some evidence that a selected upscale brand being distributed via a mass online retail store could negatively affect it in terms of store image transfer, changes in value perceptions and changes in purchase

intentions, potentially resulting in brand dilution. However, their study only included two selective brands and two retailers. It does not necessarily follow that the results can be generalised to a wider selection of brands and channels.

Luxury brands are not naturally luxurious in and of themselves; rather, they need to be perceived as luxurious by consumers (Hudders, Pandelaere & Vyncke. 2013). Knowing how luxury buyers' perceptions of a brand differ based on which channels the brand is bought from could therefore be of great value for luxury brand managers. For example, if an online channel is found to consistently have a negative spillover effect on brands sold through it, then brands should be aware of the consequences and take action to protect their brand image. Therefore, this thesis seeks to provide an answer to the following question:

RQ8: Does buying a luxury brand from an online channel lead to a lower level of perceived brand luxuriousness compared to buying from a physical channel?

8.3 Method

This part of the thesis utilises data from Dataset Two only (the buying of luxury leather goods in the USA). A more detailed description of the study and dataset can be found in Chapter 5.

Perceived Distribution

To measure the brand's perceived distribution, respondents were presented with each brand along with a full list of store formats (15 store formats plus a 'don't know' option), and asked *From which retail channels are the following brands available to purchase? Please select as many retail channels for each brand as appropriate. It does not matter if you have bought the brand or not.*

The respondents provided a score for perceived distribution ranging from 0 to 15, reflecting the total number of store formats from which the brand could be bought (Table 8.1). The mean number of perceived distributions for each brand ranged from 1.9 to 3.8. On average, brands were thought to be available for purchase from 2.8 store formats.

Purchased Distribution

To measure the brand's purchased distribution, respondents were presented with each brand and a full list of store formats (15 store formats plus a 'none of these' option), and asked *From which of the following retail channels have you ever purchased the following brands of leather goods (i.e. handbags, wallets, laptop cases, etc.)? The purchase can be for yourself or as a gift for others. Please select as many retail channels for each brand as appropriate.*

The respondents provided a score for purchased distribution ranging from 0 to 15 for each brand, reflecting the total number of store formats from which the brand had been bought (Table 8.1). The mean number of purchased distributions for each brand ranged from 1.3 to 2.1. On average, brands were purchased from 1.6 store formats.

While the number of perceived distribution was bigger than the number of purchased distribution for all brands, there was a high level of correlation between perceived and purchased distribution (Pearson's correlation co-efficient = 0.96, $p < 0.01$). The high correlation suggests that luxury shoppers are aware of distribution in the market and process where brands are sold.

The results also reveal that there is a high level of positive correlation between brand penetration and level of both perceived (Pearson's correlation co-efficient = 0.98, $p < 0.001$)

and purchased distribution (Pearson’s correlation co-efficient = 0.99, $p < 0.001$). In the non-luxury category, Wilbur and Farris (2014) found that brand size is usually increasing and convex in retail distribution across a wide range of products. The relationship between brand penetration and distribution found in this thesis is in line with these findings. Such congruence suggests that the positive relationship between brand size and distribution also holds in the luxury category.

Table 8.1: Distribution

Brand	Brand Penetration (Ever Purchased, %)	Number of Perceived Distribution (Store formats) Mean	Number of Ever Purchased Distribution (Store formats) Mean
Coach	85	3.8	2.1
Ralph Lauren	78	3.8	2.0
Michael Kors	76	3.7	1.9
Gucci	72	3.4	1.8
Chanel	69	3.2	1.7
Louis Vuitton	67	3.2	1.6
Marc Jacobs	62	2.9	1.6
Kate Spade	61	2.9	1.6
Burberry	60	3.0	1.5
Prada	60	2.8	1.6
YSL	59	2.9	1.5
Fendi	53	2.5	1.5
Tory Burch	53	2.5	1.4
Céline	50	2.0	1.4
Salvatore Ferragamo	49	2.2	1.3
Hermès	48	2.4	1.3
Tumi	48	2.1	1.3
Bottega Veneta	47	2.0	1.3
Loewe	45	1.9	1.3
Average	60	2.8	1.6
Correlation between Perceived and Purchased Distribution			0.96**
Pearson’s correlation co-efficient			
Correlation with Brand Penetration			
Pearson’s correlation co-efficient			0.98***
			0.99***

Significance: ***at $p < 0.001$, **at $p < 0.01$

Brand Luxury Perception

To measure the brand’s luxury perception, a free choice, pick-any approach (Barnard & Ehrenberg 1990) was used. The respondents were presented with a luxury attribute (e.g. “It is only for the elite”) and the full list of brands (19 brands plus a ‘none of these’ option), and asked *Which, if any, of the listed brands do you associate with this attribute? You can select as many or as few brands as you like. It does not matter if you have purchased the brand or not. It is your opinion we are interested in.*

There were 10 luxury attributes included in total. These attributes were identified from the literature and pre-tested as relevant to the chosen category by a group of experts, including academics, industry marketers and researchers. All were positive attributes. A more detailed description of them can be found in Chapter 5. According to prototypicality literature, the

frequency of instantiation positively links to prototypicality (Rosch & Mervis 1975), and thus the more often a brand is linked to any luxury attribute, the more ‘luxurious’ it is.

The researcher is aware of the brand size effect – i.e. that respondents tend to associate more attributes with larger brands than they do with smaller brands (Barnard & Ehrenberg 1990; Romaniuk & Huang 2019). However, this is not a concern in this thesis, as it only compares levels of brand luxuriousness for the same brands.

The mean level of brand luxuriousness for each brand ranged from 1.0 to 4.6 (Table 8.2). Overall, the level of brand luxuriousness for all brands was 2.4.

Table 8.2: Brand penetration and level of brand luxuriousness

Brand	Brand Penetration (Ever Purchased, %)	Level of Brand Luxuriousness
		Mean
Gucci	72	4.6
Louis Vuitton	67	4.4
Chanel	69	3.8
Prada	60	3.8
Coach	85	3.1
Ralph Lauren	78	2.7
Hermès	48	2.7
Michael Kors	76	2.4
Burberry	60	2.3
Fendi	53	2.3
YSL	59	2.2
Salvatore Ferragamo	49	1.9
Marc Jacobs	62	1.8
Bottega Veneta	47	1.5
Kate Spade	61	1.4
Céline	50	1.4
Tory Burch	53	1.3
Tumi	48	1.2
Loewe	45	1.0
Average	60	2.4

Analytical Methods

Two methods of analysis were considered for testing RQ6, RQ7 and RQ8. The first method was an independent t-test and the second was binary logistic regression. An independent t-test compares the means of two independent groups in order to determine whether there is statistical evidence that the associated population means are significantly different. Binary logistic regression is used to predict the odds ratio of a case based on the values of the independent variables (predictors).

For RQ6 and RQ7, the independent variable (level of distribution) ranged from 0 to 15 store formats for each brand. An independent t-test can show the numerical difference in the number of store formats when an attribute is and is not associated with a brand. However, as the breakdowns of the number of store formats (from 0 to 15) varied from brand to brand, the results could not be equally compared across brands. Furthermore, the sample size decreased

as the number of store formats increased for both perceived and purchased distribution. There was an insufficient number of samples to run the t-test reliably for the independent variable with a larger number of store formats (i.e. 5+ store formats), particularly for the smaller brands. In contrast, instead of showing individual results for each breakdown of a brand's level of distribution, binary logistic regression can provide one overall result (the odds ratio) that predicts the probability of a brand being associated with specific luxury attributes at different levels of distribution. This makes it easy to compare results across different brands. Furthermore, binary logistic regression can overcome the problem of an insufficient sample for the independent variable with a larger number of store formats that arose for the independent t-test.

The key focus of RQ6 and RQ7 was to test the relationship tendency between the variables. The actual levels of difference are not critical information, and the odds ratio provides a more straightforward answer for these two RQs compared to the actual level of difference. Therefore, binary logistic regression was selected to test RQ6 and RQ7.

The key focus of RQ8 was to compare the levels of perceived brand luxuriousness for a brand being bought from a physical store format and one being bought from an online store format. The actual levels of difference are critical information for RQ8; therefore, an independent t-test was conducted to compare the effect of the type of channel purchased from on perceived 'Level of brand luxuriousness'.

8.4 Results

RQ6: Do luxury shoppers who perceive a brand as having greater distribution perceive that brand as less luxurious?

The key focus of RQ6 was to test the relationship tendency between the variables. Showing the odds ratios of variables is more effective than showing the numerical figure of the actual difference. Therefore, binary logistic regression models were employed to test the effect of a brand's level of distribution on its probability of being associated with the 10 luxury attributes. The Exp(B) (odds ratio) was used to predict the probability of a brand being associated with the 10 luxury attributes at different levels of distribution.

To answer RQ6, the dependent variable was coded as 1 when the brand was associated with a given attribute; otherwise, it was coded as 0. The independent variable was the brand's level of perceived physical availability, which ranged from 0 to 15 store formats, where zero represented the lowest level of perceived distribution and 15 the highest level. The same analysis was repeated for all 19 brands, which yielded 190 individual results (19 brands * 10 luxury attributes).

Table 8.3 shows an example for the attribute 'It is only for the elite'. Take the brand 'Loewe' as an illustration: the model is statistically significant at $p < 0.001$ and the Exp(B) is 1.3, which suggests that when other variations remain unchanged, with the level of perceived distribution increased by one unit, the odds of Loewe being associated with this attribute are increased by 30% ($1.3 - 1 = 0.3$).

Overall, there were only two brands (Ralph Lauren and Louis Vuitton) that were not statistically significant, indicating that the majority of brands' odds of being associated with this attribute were significantly influenced by their perceived level of distribution. On average, the Exp(B) for 'It is only for the elite' was 1.2. There were 17 brands that passed the significance test. The Exp(B) for each of these 17 brands was higher than 1.0, suggesting that being perceived as available in more store formats positively increases the odds of a brand being linked to the attribute 'It is only for the elite'.

Table 8.3: Perceived distribution luxury perception by attribute ‘It is only for the elite’

Brand	Exp(B)	95% C.I. for EXP(B) - Lower	95% C.I. for EXP(B) - Upper
Loewe	1.3***	1.2	1.1
Kate Spade	1.3***	1.2	1.1
Céline	1.2***	1.2	1.1
Marc Jacobs	1.2***	1.2	1.1
Salvatore Ferragamo	1.2***	1.2	1.1
Tumi	1.2***	1.2	1.1
Burberry	1.2***	1.2	1.1
Fendi	1.2***	1.2	1.1
Bottega Veneta	1.2**	1.2	1.1
Hermès	1.2**	1.2	1.1
Tory Burch	1.2**	1.2	1.1
YSL	1.1**	1.2	1.1
Chanel	1.1**	1.2	1.1
Coach	1.1*	1.2	1.1
Gucci	1.1*	1.2	1.1
Michael Kors	1.1*	1.2	1.1
Prada	1.1*	1.2	1.1
Ralph Lauren	ns		
Louis Vuitton	ns		
Average	1.2	1.1	1.3
Incidences of significance	17		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significant

The results of each attribute are summarised in Table 8.4 (for a detailed breakdown of each attribute’s results, see Appendix 3). The vast majority of the estimates are statistically significant (180 out of 190). The Exp(B) ranges from 1.2 to 1.3, with an overall average of 1.2. All of the significant Exp(B) are higher than 1.0, which clearly indicates that being perceived as available in more store formats positively increases the chance of the brand being linked to luxury attributes. This suggests that luxury brands with greater perceived distribution are not perceived as less luxurious.

Table 8.4: Perceived distribution luxury perception summary

Attribute	Incidences of significance	Exp(B)	95% C.I. for EXP(B) - Lower	95% C.I. for EXP(B) - Upper
Sets the trends that everyone else follows	19	1.3	1.2	1.4
Has a range of unique products	19	1.3	1.2	1.4
Has kept its originality over time	19	1.3	1.1	1.4
Offers superior quality products	19	1.2	1.1	1.3
Good for someone who wants to project a high-class image	19	1.2	1.1	1.3
Makes me think of the ‘rich and famous’	19	1.2	1.1	1.3
Only produced in limited numbers	16	1.2	1.1	1.3
Only available to buy in exclusive locations	18	1.2	1.1	1.3
Only for the elite	17	1.2	1.1	1.3
Has high-end options with prices that are unaffordable to most	15	1.2	1.1	1.3
Average		1.2	1.1	1.3
Total Incidences of significance	180			

RQ7: Do luxury shoppers who purchase a brand from more store formats perceive that brand as less luxurious?

Binary logistic regression models were employed to test the effect of a brand's level of distribution on its probability of being associated with the 10 luxury attributes. The Exp(B) (odds ratio) was used to predict the probability of a brand being associated with the luxury attributes at different levels of distribution.

To answer RQ7, the dependent variable was coded as 1 when the brand was associated with a given attribute; otherwise, it was coded as 0. The independent variable was the brand's level of purchased distribution, which also ranged from 0 to 15 store formats, where 0 represented the lowest level and 15 the highest. The same analysis was repeated for all 19 brands, which yielded 190 individual results (19 brands * 10 luxury attributes).

Table 8.5 shows an example of the attribute 'It is only for the elite'. Take the brand 'Loewe' as an illustration: the model is statistically significant at $p < 0.001$ and the Exp(B) is 1.3. When other variations remain unchanged, with the level of purchased distribution increased by one unit, the odds of Loewe being associated with this attribute are increased by 30%.

Overall, there were three brands (Louis Vuitton, Hermès and Prada) with results that were not statistically significant, indicating that the majority of brands' odds of being associated with this attribute are significantly influenced by their level of distribution. On average, the Exp(B) for 'It is only for the elite' was 1.2. The Exp(B) was higher than 1.0 for all 16 brands that passed the significance test, suggesting that being purchased from more store formats positively increases the odds of a brand being linked to the attribute 'It is only for the elite'.

Table 8.5: Purchased distribution luxury perception by attribute ‘It is only for the elite’

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.3***	1.2	1.5
Kate Spade	1.3***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
Michael Kors	1.3***	1.1	1.4
Tory Burch	1.3***	1.1	1.4
Ralph Lauren	1.2***	1.1	1.4
Coach	1.2***	1.1	1.4
Tumi	1.2***	1.1	1.4
YSL	1.2***	1.1	1.3
Fendi	1.2***	1.1	1.3
Burberry	1.2**	1.1	1.3
Bottega Veneta	1.2**	1.1	1.3
Salvatore Ferragamo	1.2**	1.1	1.3
Chanel	1.1**	1.0	1.3
Céline	1.1**	1.0	1.3
Gucci	1.1**	1.0	1.2
Louis Vuitton	ns		
Hermès	ns		
Prada	ns		
Average	1.2	1.1	1.3
Incidences of significance	16		

Significance: ***at p<0.001, **at p<0.01, ns = not significant

The results of each attribute are summarised in Table 8.6 (for a detailed breakdown of each attribute’s results, see Appendix 4). At aggregate level, over 80% of the estimates are statistically significant (153 out of 190). The Exp(B) are all around 1.1 across all 10 attributes, and the 95% confidence interval is between 1.0 and 1.3. All of the significant Exp(B) are higher than 1.0, which clearly indicates that being purchased from more store formats positively increases the chance of a brand being linked to luxury attributes.

Table 8.6: Purchased distribution luxury perception summary

Attribute	Incidences of significance	Exp(B)	95% C.I. for EXP(B) - Lower	95% C.I. for EXP(B) - Upper
Sets the trends that everyone else follows	19	1.3	1.2	1.5
Has kept its originality over time	19	1.3	1.1	1.4
It is only produced in limited numbers	19	1.2	1.1	1.4
Has a range of unique products	19	1.2	1.1	1.4
Makes me think of the ‘rich and famous’	19	1.2	1.1	1.3
It is only for the elite	19	1.2	1.1	1.3
Only available to buy in exclusive locations	16	1.2	1.1	1.3
Good for someone who wants to project a high-class image	18	1.2	1.0	1.3
Has high-end options with prices that are unaffordable to most	17	1.1	1.0	1.3
Offers superior quality products	15	1.1	1.0	1.2
Average		1.2	1.1	1.3
Total Incidences of significance	153			

RQ8: Does buying a luxury brand from an online channel leads to a lower level of perceived brand luxuriousness compared to buying from a physical channel?

To answer RQ8, an independent t-test was conducted to compare the effect of the type of channel purchased from on ‘Level of brand luxuriousness’. For any given brand, only those

who had bought the brand from one single store format were included in this part of the analysis. If the results are significant, it suggests that luxury buyers' perceptions of a brand's level of luxuriousness differ based on the type of channel the brand is bought from; otherwise, there are no difference.

Out of the 19 brands tested (Table 8.7), YSL was the only brand that showed a significant difference in the level of brand luxuriousness, $t(100) = 2.2, p = 0.03$: being purchased from physical channel ($M = 2.7, SD = 2.6$) attained a significantly higher score than being purchased from online channel ($M = 1.5, SD = 2.1$). Three brands – Hermès, Prada and Coach – showed marginal differences in the level of brand luxuriousness, all in favour of purchase from a physical channel.

Overall, while there were numerical variations in brands' levels of luxuriousness between physical channels and online channels, the level of variations were not significant for the majority of brands tested, indicating that being bought from online channel does not lead to lower perceived levels of luxuriousness for most brands compared to buying from a physical channel.

Table 8.7: Summary of independent t-test results – physical channel versus online channel

		Physical Channel	Online Channel	Difference	df	t-value	p-value
YSL	M	2.7	1.5	1.2	100	2.2	0.03
	SD	2.6	2.1				
	n	73	29				
Hermès	M	3.0	1.5	1.5	71	2.0	0.05
	SD	3.5	1.9				
	n	49	24				
Prada	M	3.7	2.5	1.2	96	1.8	0.07
	SD	3.4	2.7				
	n	66	32				
Coach	M	3.1	2.1	1.0	152	1.8	0.08
	SD	3.0	2.2				
	n	124	30				
Burberry	M	2.3	1.5	0.8	99	1.4	0.17
	SD	2.9	2.1				
	n	69	32				
Gucci	M	4.4	3.5	0.9	125	1.4	0.17
	SD	3.1	2.9				
	n	96	31				
Kate Spade	M	1.5	0.9	0.6	96	1.4	0.18
	SD	2.2	1.2				
	n	77	21				
Bottega Veneta	M	1.5	0.9	0.6	65	1.2	0.22
	SD	2.2	2.0				
	n	35	32				
Céline	M	1.4	0.9	0.5	74	1.2	0.22
	SD	1.8	1.4				
	n	47	29				
Loewe	M	1.1	0.7	0.4	58	1.1	0.26
	SD	1.6	0.9				
	n	37	23				
Ralph Lauren	M	2.3	1.8	0.5	132	1.1	0.29
	SD	2.4	2.4				
	n	97	37				
Louis Vuitton	M	4.7	4.0	0.7	123	1.0	0.30
	SD	3.1	3.6				
	n	86	39				
Fendi	M	2.3	1.6	0.7	81	1.0	0.34
	SD	3.0	1.9				
	n	58	25				
Salvatore Ferragamo	M	2.4	1.8	0.6	65	1.0	0.34
	SD	2.7	2.5				
	n	37	30				
Marc Jacobs	M	1.8	1.4	0.4	104	0.9	0.38
	SD	2.4	2.2				
	n	71	35				
Michael Kors	M	2.3	1.9	0.4	139	0.9	0.39
	SD	2.3	2.2				
	n	106	35				
Tumi	M	1.3	1.0	0.3	72	0.6	0.52
	SD	2.0	1.7				
	n	45	29				
Tory Burch	M	1.2	1.4	-0.2	84	-0.6	0.55
	SD	1.7	2.2				
	n	52	34				
Chanel	M	3.4	3.5	-0.1	121	-0.2	0.88
	SD	3.1	3.0				
	n	84	39				

8.5 Discussion and Conclusions

8.5.1 Level of Distribution and Brand Perception

This chapter investigated the impact of a brand's perceived and purchased distribution on category buyers' perceptions of the brand. Binary logistic regression models were employed to test the effects of a brand's level of distribution on its probability of being associated with 10 luxury attributes. For perceived distribution, the Exp(B) ranged from 1.2 to 1.3, with an overall average of 1.2. All of the significant Exp(B) results were higher than 1.0, which clearly indicates that being perceived as available in more store formats positively increases the chance of a brand being linked to luxury attributes. For purchased distribution, the Exp(B) were higher than one for all 19 brands, with an overall average of 1.1. Out of the 190 individual estimates, there were only seven incidences of Exp(B) scoring less than 1.0. Overall, these results reveal that luxury brands with greater purchased distribution are not perceived as less luxurious.

Contrary to the popular belief that luxury brands can benefit from restricting distribution (Dubois & Paternault 1995; Kapferer & Bastien 2009), the results from this study show that brands with higher distribution are not seen as less luxurious. They reveal that there is a high level of positive correlation between brand penetration and levels of both perceived and purchased distribution, which is in line with prior studies (Nenycz-Thiel, Romaniuk & Sharp 2016; Wilbur and Farris 2014). Overall, the results also indicate that having higher distribution, both perceived and purchased, is positively linked to luxury attributes. Being more physically available actually increases the chance of a brand being associated with luxury attributes. These results are in line with the study by Romaniuk and Sharp (2016), which reinforces the finding that a brand being available in a large number of channels is not negatively linked to a perception of exclusivity or luxury.

A recent study has found that *perceived natural rarity* (e.g. unique know-how, uses rare ingredients) is effective in evoking a sense of luxuriousness amongst consumers, while *perceived virtual rarity* (e.g. employing limited distribution, selective stores) does not seem to have a significant effect (Wang Sung & Phau 2021). The results from this thesis are in line with the study by Wang Sung & Phau (2021) showing that *perceived virtual rarity* is not a significant contributor to consumers' perceptions of luxury. Therefore, it is recommended that luxury managers who want to enhance their brand's level of luxuriousness focus on emphasising the unique aspects and rare properties of their products, rather than creating artificial rarity through techniques such as restricting retail distribution.

While there have been many discussions on this topic, there has been little empirical research. The current study extends the empirical research from the buying of alcoholic spirits (Romaniuk & Sharp 2016) to the buying of luxury leather goods. It adds empirical support to this topic and contributes to understanding in this area. Practically, it provides much-needed empirical evidence to assist practitioners in developing more effective distribution strategies.

The high level of correlation between brand penetration and levels of both perceived and purchased distribution has important implications for luxury brand marketers. This reinforces the fact that building distribution is key to brand growth, and the luxury category is not an exception to this marketing rule. The results from this thesis should be heartening to luxury marketers, as they clear up concerns that luxury status can be lost due to channel expansion. It is recommended that luxury marketers aim to build distribution rather than restricting retail channel development.

8.5.2 Spillover Effect Between Channel and Brand

The mean level of brand luxuriousness for each brand ranged from 1.0 to 4.6. The results reveal that there is a positive correlation between brand penetration and level of brand luxuriousness, which suggest that brands with larger shopper bases are considered as more luxurious compared to those with smaller shopper bases.

To test whether being bought from online channels leads to lower levels of brand luxuriousness compared to being bought from physical channels, an independent t-test was conducted to compare the effect of the type of channel on 'Level of brand luxuriousness'. The results revealed that while there are numerical variations in a brand's level of luxuriousness when purchased from physical and online channels, the level of variations are not significant for the majority of brands tested. This result contradicts the findings of Nabec, Pras & Laurent (2016), which suggest that a selected upscale brand being distributed via a mass online retailer store could potentially result in brand dilution. This could be due to the fact that Nabec, Pras & Laurent (2016) examined the effect at specific retailers within the channel, whereas this thesis focuses on the aggregate channel level, without specifying retailers within the channel. In other words, the current study extends the empirical research by Nabec, Pras & Laurent (2016) from store level to channel level. The difference in results have important implications for luxury brand marketers. It suggests that they do not need to overly worry about expanding into online channels, but do need to be selective when choosing which retailers to work with in order to minimise the risk of potential negative spillover effects.

The overall result suggests that online channels do not have different impacts on brand perception when compared to physical channels. This finding reconfirms the researcher's previous interpretation of the UK luxury consumer survey results (Magnetic 2016): that consumers who do not think selling online matters for exclusivity outnumber those who do.

The result also clears up concerns that luxury status can be lost when selling online, which should awaken luxury marketers who have neglected the internet as part of their distribution strategy. According to a report from RetailX, brands have previously put more emphasis on and investment into their physical stores than their online presence (Jones 2019), but it is no longer viable for luxury brands to do this (Jones 2016a). While consumers' purchases may vary by category and price point, almost all luxury shoppers have embraced the digital revolution and nearly 80% of luxury sales are now digitally influenced (Reily 2019). It is therefore more crucial than ever for luxury brands to combine physical and online channels to provide shoppers with a seamless multichannel experience in the retail 'new normal'.

It is recommended that they aim to reach more buyers and build their shopper bases rather than holding up development in certain channels.

8.6 Summary

This chapter presented a literature review and identified research questions about distribution and its impact on brand perception. The three research questions identified for investigation were:

RQ6: Do luxury shoppers who perceive a brand as having greater distribution perceive that brand as less luxurious?

RQ7: Do luxury shoppers who purchase the brand from more store formats perceive the brand as less luxurious?

RQ8: Does buying a luxury brand from an online channel lead to lower level of perceived brand luxuriousness compared to buying from a physical channel?

Binary logistic regression models were employed to test the effects of a brand's level of distribution on its probability of being associated with 10 luxury attributes. An independent t-test was performed to test whether buying brands from online channels led to lower levels of brand luxuriousness compared to buying from physical channels. Three key findings were identified:

1. There is a high level of positive correlation between brand penetration and levels of both perceived and purchased distribution.
2. Luxury brands with greater perceived distribution as well as purchased distribution are not perceived as being less luxurious.
3. Buying a luxury brand from an online channel does not lead to a lower level of brand luxuriousness compared to buying from a physical channel.

This reinforces the fact that building distribution is key to brand growth, and the luxury category is not an exception to this marketing rule. Results from this thesis contribute to understanding in this area and provide much-needed empirical evidence to assist practitioners in developing more effective distribution strategies. Based on these findings, it is recommended that luxury marketers should aim to build distribution to reach more shoppers with the aim of building their customer base.

Chapter 9 – Conclusions

This chapter concludes this thesis by summarising its results, discussing its contributions, implications and limitations, and identifying avenues for future research.

9.1 Summary of Key Findings

This thesis aimed to contribute to the understanding of retail channel management decisions in the luxury category. A literature review in the retail domain identified three gaps that needed to be addressed in order to inform luxury brands' channel management decisions: one relating to the area of channel/store format competition, one relating to channel/store format perception, and one relating to the impact of distribution on consumers' perceptions of luxury brands. Each of these three gaps is tested independently in this thesis and the key findings are as follows:

Channel/Store Format Competition

Retail store formats that sell luxury products share shoppers in a predictable manner, in line with the Double Jeopardy and Duplication of Purchase laws.

- The primary difference between competing store formats is the number of shoppers they have; small store formats have fewer shoppers and those shoppers are slightly less loyal.
- The majority of shoppers are non-solely loyal shoppers who shop across multiple store formats; non-solely loyal shoppers shop more frequently than solely loyal shoppers, and there is a positive relationship between market share and sole loyalty which means those who shop infrequently are likely to visit the largest store formats.
- Luxury store formats compete primarily based on how many customers they have rather than on the types of channel they sell in whether physical or online; partitioned store formats still share a large proportion of customers with larger store formats that operate outside of the partition.

Channel/Store Format Perception

- Overall, luxury shoppers perceive physical channels and online channels differently. Physical channels are perceived as providing better personal interactions and shopping experiences, and as being more trustworthy than online channels, whereas online channels are perceived as being more convenient and providing better prices than physical channels.
- Official brand store formats (both online and physical) are considered superior to other store formats in terms of trust.

Impact of Distribution on Consumers' Perceptions of Luxury Brands

- There is a high positive correlation between brand penetration and level of distribution (perceived and purchased).
- Luxury brands with greater distribution are not perceived as less luxurious.
- Buying a luxury brand from online channel does not lead to a lower level of perceived brand luxuriousness compared to buying from a physical channel.

9.2 Contributions and Implications

Finding 1: Retail store formats that sell luxury products share shoppers in a predictable manner, in line with the Double Jeopardy and Duplication of Purchase laws.

Finding 1a: The key differences between competing store formats are in the number of shoppers they have, small store formats have fewer shoppers, and those shoppers are slightly less loyal.

Finding 1b: The majority of shoppers are non-solely loyal shoppers who shop across multiple store formats; non-solely loyal shoppers shop more frequently than solely loyal shoppers, and there is a positive relationship between market share and sole loyalty.

Finding 1c: Luxury store formats compete primarily based on how many customers they have rather than the type of channel – physical or online, partitioned store formats still share a large proportion of customers with the larger store formats that operate outside of the partition.

Contribution to Academic Knowledge

Chapter 6 of this thesis investigated whether well-established patterns in retail competition apply to the luxury category. Its findings form benchmarks for academia regarding what to expect when investigating channel and store format competition data. Such benchmarks are important for researchers as they give meaning and context to results.

This thesis is the first to extend DJ to retail competition in the luxury category. It contributes to the extension of findings that highlight that the real difference between competing store formats is in the number of shoppers they have (Nenycz-Thiel, Romaniuk & Sharp 2016; Nenycz-Thiel & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Hammond 1995; Wrigley & Dunn 1984). These results also extend prior findings on the positive relationship between the incidence of sole loyalty and brand size from the non-luxury category to the luxury category, and contribute to the understanding of this pattern in different contexts.

This thesis also extends research on DoP to luxury retail competition by providing an empirical framework from which to develop an understanding of how luxury shoppers use

different retail store formats. Past studies in retail competition primarily focus on a subset of buying channels and/or store formats (e.g. Beal, Tanusondjaja & Romaniuk 2016; Uncles & Ehrenberg 1990; Uncles & Kwok 2008; Uncles & Kwok 2009). This thesis conducts some of the first research on DoP in the context of retail competition in the luxury category. It adds to the theoretical understanding of how retail compete in different contexts. In addition to extending research from the non-luxury category into the luxury category, it covers an extensive list of buying store formats for the category, which places DoP in more complex conditions to further test its applicability.

Implications for Marketing Practice

The results from Chapter 6 provide much-needed empirical evidence to assist both luxury brand marketers and retail marketers in developing more effective growth strategies.

For luxury brand marketers, the applicability of the DJ pattern to luxury store format competition provides benchmark for luxury retail competition. Luxury brand marketers can apply their own data to fit the DJ pattern in order to examine the performance of their distribution and identify when their channels and store formats are competing more or less closely to get better coverage of shoppers from them.

The finding that sole loyalty is not common among competing store format selling luxury products has important implications for luxury brand marketers. The low level of sole loyalty to any individual channel reconfirms that multichannel and multiple-store-format shopping is normal and that the luxury category is no exception to this. Even for official brand channels, both physical and online, the level of sole loyalty is low, with only one in ten of the category shoppers shopping exclusively via this store format. It is therefore risky for luxury brand marketers to rely only on official stores. To grow a brand, luxury brand marketers need to collaborate with other store formats in order to reach more shoppers.

Knowledge generated by this thesis on how luxury consumers shop across channels and store formats has the potential to help marketers better prioritise resources and investments for their brands. Results from the DoP section provide useful insights for luxury brand marketers on the competitive nature of the luxury retail market. The findings from this thesis indicate that luxury store formats compete primarily based on how many customers they have, rather than on channel types (i.e. physical or online). Luxury brand marketers need to pay attention to the largest store formats (both physical and online) in the market, irrespective of any brand positioning or functional differences. Finally, luxury marketers must not

sacrifice their brands' presence on larger store formats for newer (much smaller) store formats, as those who buy from smaller store formats also buy from larger store formats. These findings are also useful for those seeking to enter the luxury market, as they will enable them to predict how many customers they are likely to draw from existing store formats.

For luxury retail marketers, the finding that there is greater variation in the number of shoppers than there is in shopper loyalty has important implications. This result indicates that for any channel and store format, growth comes from growing the shopper base rather than shopper loyalty. Therefore, it is recommended that retail marketers should aim to reach more buyers and build their shopper base, rather than aiming to increase shopper loyalty.

Further implications for luxury retail marketers relate to the finding that few shoppers are solely loyal, and that those who are shop less frequently than non-solely loyal shoppers. This knowledge provides reference points, norms and expectations against which luxury retail marketers can assess the feasibility of their development plans. For example, not even the leading retail store format commanded sole loyalty levels in excess of 15% across both datasets. This signals that achieving very high levels of sole loyalty would appear to be an unrealistic goal, but that nudging consumers to buy somewhat more might be feasible. This result also reconfirms the finding that solely loyal customers are low-value customers (Sharp 2010c; Sharp & Romaniuk 2016). Luxury retail marketers should be aware that the luxury category is not an exception to this rule, and avoid over-investing in their CRM and loyalty reward programs in an attempt to grow their number of solely loyal customers.

The applicability of DoP to luxury store format competition provides a useful framework for retail marketers to apply in order to understand the competitive nature of the luxury retail market. Luxury retail marketers can apply their own data to fit the DoP pattern in order to examine the performance of the channel and store format they are managing and identify key competitive issues.

Detecting partitions allows luxury retail marketers to identify whether there is a second tier of competitive activity that is less related to channel or store format size. While there is a lack of evidence for an overall physical versus online partition, seven pairs of partitions were identified in this thesis: two pairs for the buying of luxury skincare products in China (*Online official brand store & Online speciality store; Duty free & Online shopping agent*) and five pairs for the buying of luxury leather goods in the USA (*Warehouse club store & Online*

social media store; Warehouse club store & Online super store; Super store & Online super store; Duty free & Online super store; Online social media store & Online super store).

The partitions for *Duty free* and *Online shopping agent* highlight the possibility of a subset of Chinese luxury skincare buyers who are more interested in products from overseas. Alternatively, this might be a function of product availability, where some products are not available in China and can only be bought from overseas. The partitioned pairs in the dataset for the buying of luxury leather goods in the USA concentrated on the smallest store formats; this could partly be explained by the Natural Monopoly Law, where buyers from small store formats tend to, on average, be heavier category buyers (Dawes 2020).

Luxury retail marketers managing partitioned store formats need to pay special attention to the other store formats in the partition, because the marketing activity of those competitors can have more impact than that of other store formats of the same size. Nevertheless, luxury retail marketers should also be aware that the overall pattern of the DoP law still holds, even in a market with partitions. The fact that partitioned store formats still share a large proportion of customers with the larger store formats that operate outside of the partition emphasises the point that the larger store formats in the market remain the major competition. Therefore, retail channel marketers must not ignore the larger store formats when planning marketing activities.

Finding 2: Overall, luxury shoppers perceive physical channels and online channels differently. Physical channels are perceived as providing better personal interactions and shopping experiences, and as being more trustworthy than online channels, whereas online channels are perceived as being more convenient and providing better prices than physical channels. Furthermore, luxury shoppers consider official brand channels (both online and physical) to be superior to other channels of the same type in terms of trust.

Contribution to Academic Knowledge

Chapter 7 of this thesis investigated if luxury shoppers perceive differences between physical channels and online channels, as well as between official brand store formats (single-brand) and other formats (multi-brand). While there have been a number of industry reports on what perceptions shoppers have of different retail channels (Jones 2015; Nicoletti 2019; Staff Reports 2017), understanding of the perceptions of luxury shoppers for the many different retail channels that sell luxury products is lacking. This thesis contributes to academic knowledge in the area of channel perceptions in two ways. First, it identifies an extensive list of attributes (14 in total) that are relevant to luxury retail channels. Second, it finds that luxury shoppers perceive physical channels and online channels differently and that official brand store formats are considered superior to other channels in terms of trust, and thus contributes to formal understanding in the area of channel/store format perceptions.

Furthermore, while many studies on retail perceptions focus on the store level within particular channels (Anselmsson, Burt & Tunca 2017; Keaveney & Hunt 1992; Lindquist 1974), this thesis extends the investigation to include shoppers' perceptions of channels at both the aggregate level (e.g. between physical channels and online channels) and the individual level (e.g. official brand store formats and other store formats). While retailers within the channels advertise, the channels themselves do not. The findings regarding shoppers' perceptions of channels at the aggregate and individual levels contribute to our understanding of the degrees to which people form different perceptions of channels in the absence of channel-specific advertising, which is a valuable addition to the literature.

Implications for Marketing Practice

The differences associated with channel types identified in this thesis open the possibility of a spillover effect between a channel and the brands that are sold through that channel, which is of great value for luxury brand managers seeking to understand the impact of channels on brands.

In addition, these findings will assist both luxury brand marketers and retail channel marketers in selecting appropriate channels for distribution, and understanding limitations or benefits that shoppers perceive for each channel option.

The finding that online channels score significantly lower than physical channels for two out of the three product assortment attributes for the buying of luxury leather goods in the USA reflects the influence of the ‘just sell marginally on the internet’ principle promoted by the ‘anti-laws’ of marketing. Product availability is an important factor influencing online luxury buyers (Liu, Burns & Hou 2013), and it is therefore recommended that luxury brand managers take this into account when planning what to offer online.

With more options available, consumers reported utilising various retail channels for their luxury goods purchases and desiring an multichannel shopping experience from the brands they buy (Jones 2016b). Awareness of the perceived differences between channels will help marketers to understand what needs to be addressed within each channel to improve shoppers’ overall shopping experience. This knowledge can also provide strategic guidance for managers in arranging physical and online channels so that they complement each other to provide a seamless shopping experience.

Finding 3: There is a high positive correlation between brand penetration and level of distribution (perceived and purchased). Luxury brands with greater distribution are not perceived as less luxurious. Buying a luxury brand from an online channel does not lead to a lower level of perceived brand luxuriousness compared to buying from a physical channel.

Contribution to Academic Knowledge

Chapter 8 of this thesis shows that there is a high level of positive correlation between brand penetration and the level of both perceived and purchased distribution. This result aligns with the findings from prior research on the relationship between distribution levels and market share (Nenycz-Thiel, Romaniuk & Sharp 2016; Wilbur & Farris 2014).

Past studies in this area examined actual levels of distribution (how many stores a product is in), which is knowledge from the brand's perspective. This thesis extends the investigation to both perceived and purchased distribution, and contributes an understanding of the relationship between distribution and brand size from a consumer's perspective, which is a valuable addition to the literature. In addition, as past studies on this area have mainly focused on consumer packaged goods, this thesis extends the research to the luxury category, which is another contribution to the literature. It reinforces the argument that the luxury category is not an exception to this marketing rule.

Past literature assumes that luxury brands risk losing status if they are widely available (Dubois & Paternault 1995; Kapferer & Bastien 2012). However, the results from this thesis clearly show that higher distribution, both perceived and purchased, is positively linked to luxury attributes. A brand being more physically available actually increases the chance of it being associated with luxury attributes. These results are in line with the exploratory study reported in Romaniuk and Sharp (2016) which reinforces the finding that being in a large number of channels is not negatively linked to a perception of exclusivity or luxury. This thesis extends the empirical research from the buying of alcoholic spirits (Romaniuk & Sharp 2016) to the buying of luxury leather goods. It adds empirical support to this topic and contributes to the understanding in this area.

The results of this thesis are in line with the study by Wang Sung & Phau (2021) showing that *perceived virtual rarity* is not a significant contributor to consumers' perceptions of luxury. Therefore, it is recommended that luxury managers who want to enhance their brand's level of luxuriousness focus on emphasising *perceived natural rarity*,

such as promoting the unique aspects and rare properties of their products, rather than on creating artificial rarity through techniques such as restricting retail distribution.

This thesis shows that buying a luxury brand from an online channel does not lead to lower levels of perceived brand luxuriousness compared to buying from a physical channel. This result is contrary to the findings of Nabec, Pras & Laurent (2016), which suggest that a selected upscale brand being distributed via a mass online retailer store could potentially result in brand dilution. This discrepancy could be due to the fact that Nabec, Pras & Laurent (2016) examined the effect for specific retailers within the channel, whereas this thesis focuses on the aggregate channel level, without specifying retailers within the channel. In other words, the current study extends the empirical research by Nabec, Pras & Laurent (2016) from store level to channel level, which is a valuable addition to the literature and contributes to understanding of the impact of the spillover effect.

Implications for Marketing Practice

The results from Chapter 8 show that brands with higher distribution are not seen as less luxurious. This result should be heartening to luxury marketers, as it clears up concerns that luxury status can be lost due to channel expansion. It is recommended that luxury marketers aim to build distribution rather than restricting retail channel developments.

Likewise, luxury brand marketers do not need to worry about loss of luxury status when expanding into online channels, as this thesis found that luxury buyers' perceptions of a brand's level of luxuriousness do not differ based on the channel the brand was bought from, whether it is physical or online. This result clears up concerns that luxury status can be lost when selling online. This should awaken luxury marketers who neglect the internet as part of their distribution strategy, as it is no longer viable for luxury brands to do this (Jones 2016a). According to a report from RetailX, brands have put more emphasis on and invested more in their physical stores than in their online presences (Jones 2019). However, while consumers' purchases vary by category and price point, almost all luxury shoppers have embraced the digital revolution and nearly 80% of luxury sales are now digitally influenced (Reily 2019). It is therefore more crucial than ever for luxury brands to combine physical and online channels to provide shoppers with a seamless shopping experience in the retail 'new normal'.

9.3 Limitations and Future Research

No study is exempt from limitations, and this thesis is no exception. This section outlines the main limitations of this research and suggests directions for future research.

A major weakness of this study is that it relies on claimed purchase data rather than actual purchase records. Past research shows that claimed purchase data is prone to recall biases such as memory fading and telescoping (Tourangeau 2000). A more common approach to obtaining category metrics is through recorded longitudinal panels (either from households or individuals) such as those provided by the Nielsen, Kantar and IRI companies. Records of purchases obtained through such panels adhere to strict compliance protocols designed to maximise accuracy and do not rely on respondents' memories. However, this data mainly provides purchasing records for grocery products. If actual sales data becomes available in the future via purchasing records for luxury products, it would be worthwhile to conduct a similar analysis using that data and compare the findings to those of the current study.

A study using both psychophysiological measures and self-reported measures to examine the perception of luxuriousness as an underlying mechanism of shelf-based scarcity found that self-reported measures are not sensitive to the spillover effect of perceived luxuriousness on attitude, in comparison to psychophysiological measures (Sung et al. 2020). This thesis relies solely on self-reported data to test the spillover effect between luxury brands and distribution channels; it would be beneficial to conduct a similar study using psychophysiological measures and compare the findings to those of the current study.

Another limitation is that this thesis only used purchase incidence as the unit for channel competition analysis. Past work on multi-store buying has examined dollar spending across retailers and found that shoppers allocate a large proportion of their total spending to a most favoured store (Dunn & Wrigley 1984). Future work investigating luxury retail channel competitions could examine a more comprehensive suite of metrics, such as average volume and sales dollars per purchase. The outcomes from a more comprehensive analysis would be valuable to both luxury brand marketers and retail channel marketers.

In addition, this research used two different datasets: luxury skincare products in China and luxury leather goods in the USA. While this approach allows for patterns to be tested across different conditions, it would be beneficial to conduct additional identical studies across these two countries – i.e. a study on the buying of luxury skincare products in the USA and one on the buying of luxury leather goods in China – as results from these additional

studies could act as a validity check for the current findings. The purchase time period used in Dataset Two was five years; it would be beneficial to conduct additional data collection with a shorter purchase time period as a further validity check. Due to the lack of a sufficient sample size in this thesis, Study 2 (channel perception) and part of Study 3 (spillover effect) were analysed at channel level (physical channel versus online channel) instead of at individual store format level (as per Study 1). It would be beneficial to conduct a similar study at a larger scale to allow for investigation at store format level.

Furthermore, as skincare products and leather goods are more affordable and more widely distributed than other more expensive and exclusive products within the luxury category such as luxury watches and jewellery, future studies should investigate a broader mix of luxury categories to offer more extensive insights.

References

- Aaker, DA 1992, 'Managing the most important asset: brand equity', *Planning Review* Special Issue 20, pp. 56–58.
- Adams, A 2013 Luxury consumers value products, not buying experiences. *Forbes.com*, viewed 25 July 2017, <<https://www.forbes.com/sites/arieladams/2013/05/23/luxury-consumers-value-products-not-buying-experiences/>>.
- Aghekyan-Simonian, M, Forsythe, S, Kwon, WS & Chattaraman, V 2012, 'The role of product brand image and online store image on perceived risks and online purchase intentions for apparel', *Journal of Retailing and Consumer Services*, vol. 19, no. 3, pp. 325–331.
- Alba, J, Lynch, J, Weitz, B, Janiszewski, C, Lutz, R, Sawyer, S & Wood, S 1997, 'Interactive home shopping: consumer, retailer, and manufacturer incentives to participate in electronic marketplaces', *The Journal of Marketing*, vol. 61, no. 3, pp. 38–53.
- Amazon 2020, *How to start selling on Amazon*, Amazon.com viewed 20 September 2020, <<https://sell.amazon.com/sell.html>>.
- Anderson, JR 1983, 'A spreading activation theory of memory', *Journal of Verbal Learning and Verbal Behavior*, vol. 22, pp. 261–295.
- Anderson, JR & Bower, GH 1979, *Human associative memory*, Lawrence Erlbaum, Hillsdale.
- Anselmsson, J, Burt, S & Tunca, B 2017, 'An integrated retailer image and brand equity framework: Re-examining, extending, and restructuring retailer brand equity', *Journal of Retailing and Consumer Services*, vol. 38, pp. 194–203.
- Armstrong, JS 2001, 'Evaluating forecasting methods', in JS Armstrong (ed), *Principles of forecasting a handbook for researchers and practitioners*, Kluwer Academic Publishers, Boston, pp.443–472.
- Arnett, G 2019, *Where duty-free retail is growing fastest*, Vogue Business, viewed 28 October 2020 <<https://www.voguebusiness.com/companies/duty-free-retail-growing-india-china-poland>>.
- Arora, R 2011, *The 8Ps of luxury brand marketing*, warc.com, viewed 25 July 2017, <https://www.warc.com/content/paywall/article/The_8Ps_of_Luxury_Brand_Marketing/95960>.
- Baghi, I, Gabrielli, V & Grappi, S 2016, 'Consumers' awareness of luxury brand counterfeits and their subsequent responses: when a threat becomes an opportunity for the genuine brand', *Journal of Product & Brand Management*, vol. 25, no. 5, pp. 452–464.
- Bain & Co 2018, *The future of luxury: A look into tomorrow to understand today*, Bain & Company, viewed 25 June 2019, <<https://www.bain.com/insights/luxury-goods-worldwide-market-study-fall-winter-2018>>.
- Bain & Co. 2017 *Global personal luxury goods market returns to healthy growth, reaching a fresh high of €262 billion in 2017*, Bain & Company, viewed 25 June 2019, <<http://www.bain.com/about/press/press-releases/press-release-2017-global-fall-luxury-market-study.aspx>>.
- Baker, R 2007, 'Competing with luxury brand retail', *Lustre*, vol. 11, no. 6, pp. 32–33.
- Barnard, NR & Ehrenberg, A 1990, 'Robust measures of consumer brand beliefs', *Journal of Marketing Research*, vol. 27, no. 4, pp. 477–484.
- Bass, FM 1974, 'The theory of stochastic preference and brand switching', *Journal of Marketing Research*, vol. 11, no. 1, pp. 1–20.
- Bastien, V & Kapferer, J-N 2013, 'More on luxury anti-laws of marketing', in *Luxury marketing: a challenge for theory and practice*, Springer, Weisbaden, pp. 19–34.

- Beal, V, Tanusondjaja, A & Romaniuk J 2016, 'E-commerce in luxury goods: competition between online sites in the Asian market', *Inaugural Conference on Asian Luxury Branding*, June 2016, Singapore.
- Bell, D, Hua Ho, T & Tang, C 1998, 'Determining where to shop: fixed and variable costs of shopping', *Journal of Marketing Research*, vol. 35, pp. 352–369.
- Berman, B & Thelen, S 2004, 'A guide to developing and managing a well-integrated multi-channel retail strategy', *International Journal of Retail & Distribution Management*, vol. 32, no. 3, pp. 147–156.
- Berry, CJ 1994, *The idea of luxury: a conceptual and historical investigation*, Cambridge University Press, Cambridge.
- Berry, LL, Seiders, K & Grewal, D 2002, 'Understanding service convenience', *Journal of Marketing*, vol. 66, no. 3, pp. 1–17.
- Beuckels, E & Hudders, L 2016, 'An experimental study to investigate the impact of image interactivity on the perception of luxury in an online shopping context', *Journal of Retailing and Consumer Services*, vol. 33, pp. 135–142.
- Beverland, MB 2005, 'Crafting brand authenticity: the case of luxury wines', *Journal of Management Studies*, vol. 42, no. 5, pp. 1003–1029.
- Bhargava, M & Donthu, N 1999, 'Sales response to outdoor advertising', *Journal of Advertising Research*, vol. 39, no. 4, pp. 7–18.
- Bhatnagar, A & Ghose, S 2004, 'Online information search termination patterns across product categories and consumer demographics', *Journal of Retailing*, vol. 80, no. 3, pp. 221–228.
- Bhattacharya, CB 1997, 'Is your brand's loyalty too much, too little, or just right? explaining deviations in loyalty from the Dirichlet norm', *International Journal of Research in Marketing*, vol. 14, no. 5, pp. 421–435.
- Biswas, D 2019, 'Sensory aspects of retailing: theoretical and practical implications', vol., 95, no. 4, pp. 111–115.
- Bloomberg News 2019, *What's 'Daigou' and What's It to Gucci and Beijing?* Bloomberg, viewed 18 September 2020, <<https://www.bloomberg.com/news/articles/2019-01-28/what-s-daigou-and-what-s-it-to-gucci-and-beijing-quicktake>>.
- Bogomolova, S 2011, 'Service quality perceptions of solely loyal customers', *International Journal of Market Research*, vol. 53, no. 6, pp. 793–810.
- Boston Consulting Group 2020, *The future of wealth management – a CEO agenda*, bgc.com, viewed 14 May 2021, <https://image-src.bcg.com/Images/BCG-Global-Wealth-2020-Jun-2020_tcm38-251066.pdf>.
- Bound, J & Ehrenberg, A 1997, 'Private label purchasing', *Admap*, vol. 32, no. 7, pp. 17–19.
- Bound, JA & Ehrenberg, A 1998, 'Previous knowledge helps in understanding data', working paper, South Bank University, London.
- Bound, JA & Ehrenberg, A 1989, 'Significant sameness', *Journal of the Royal Statistical Society*, vol. 152, pp. 241–247.
- Brakus, JJ, Schmitt, BH & Zarantonello, L 2009, 'Brand experience: what is it? how is it measured? does it affect loyalty?', *Journal of Marketing*, vol. 73, no. 3, pp. 52–68.
- Briesch, RA, Chintagunta, PK & Fox, EJ 2009, 'How does assortment affect grocery store choice?', *Journal of Marketing Research*, vol. 46, no. 2, pp. 176–189.
- Brynjolfsson, E, Hu, YJ & Rahman, MS 2013, 'Competing in the age of omnichannel retailing', *MIT Sloan Management Review*, vol. 54, no. 4, pp. 23.
- Buchanan, L, Simmons, CJ & Bickart, BA 1999, 'Brand equity dilution: retailer display and context brand effects', *Journal of Marketing Research*, vol. 36, no. 3, pp. 345–355.

- Burke, RR 2002, 'Technology and the customer interface: what consumers want in the physical and virtual store', *Journal of the Academy of Marketing Science*, vol. 30, no. 4, pp. 411–432.
- Cannon, T, Ehrenberg, A & Goodhardt, G 1970, 'Regularities in sole buying', *British Journal of Marketing*, vol. 4, no. 2, pp. 80–86.
- Carlson, J, O'Cass, A & Ahrholdt, D 2015, 'Assessing customers' perceived value of the online channel of multichannel retailers: a two country examination', *Journal of Retailing and Consumer Services*, vol. 27, pp. 90–102.
- Catry, B 2003, 'The great pretenders: the magic of luxury goods', *Business Strategy Review*, vol. 14, no. 3, pp. 10–17.
- Cervellon, M-C & Coudriet, R 2013, 'Brand social power in luxury retail: manifestations of brand dominance over clients in the store', *International Journal of Retail & Distribution Management*, vol. 41, nos. 11–12, pp. 869–884.
- Chandon, J-L, Laurent, G & Valette-Florence, P 2016, 'Pursuing the concept of luxury: introduction to the JBR Special Issue on "Luxury Marketing from Tradition to Innovation"', *Journal of Business Research*, vol. 69, no. 1, pp. 299–303.
- Chernev, A 2011, 'Product assortment and consumer choice: an interdisciplinary review', *Foundations and Trends in Marketing*, vol. 6, no. 1, pp. 1–61.
- Chevalier, M & Gutsatz, M 2012, *Luxury retail management: how the world's top brands provide quality product and service support*, John Wiley & Sons, Singapore.
- Cho, S & Workman, J 2011, 'Gender, fashion innovativeness and opinion leadership, and need for touch: effects on multi-channel choice and touch/non-touch preference in clothing shopping', *Journal of Fashion Marketing and Management: An International Journal*, vol. 15, no. 3, pp. 363–382.
- Cognizant 2012, *Luxury retail's evolving landscape*, Cognizant.com, viewed 25 July 2017, <<https://www.cognizant.com/InsightsWhitepapers/Luxury-Retails-Evolving-Landscape.pdf>>.
- Collins, M 2002, 'Analyzing brand image data', *Marketing Research*, vol. 14, no. 2, pp. 33–36.
- Collins-Dodd, C & Lindley, T 2003, 'Store brands and retail differentiation: the influence of store image and store brand attitude on store own brand perceptions', *Journal of Retailing and Consumer Services*, vol. 10, no. 6, pp. 345–352.
- Colquhoun, S 2015, 'Craftsmanship: the ultimate expression of luxury', *Executive Style*, 18 November, n.p.
- Contactlab 2017, *Digital frontier 2017: multi-brand vs. mono-brand*, Contactlab, 25 May 2018, <<https://contactlab.com/en/more/reports/digital-frontier-2017/>>.
- Cramphorn, M 1998, 'When is enough, enough? A question of sample size', *ADMAP*, vol. 33, no. 11, pp. 36–38.
- Credit Suisse 2019, *Research institute: Global wealth report 2019*, Credit Suisse, viewed 25 May 2021, <<https://www.financialcapability.gov.au/files/global-wealth-report-2019.pdf>>.
- Credit Suisse 2021, *Research institute: Global wealth report 2021*, Credit Suisse, viewed 25 May 2021, <<https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>>.
- Cristini, H, Kauppinen-Räsänen, H, Barthod-Prothade, M & Woodside, A 2017, 'Toward a general theory of luxury: advancing from workbench definitions and theoretical transformations'. *Journal of Business Research*, vol. 70, pp. 101–107.
- Da Costa, FCX, Gallina, G & Halpern, M 2017, 'Retail formats', in A Petermans & A Kent (eds), *Retail design: theoretical perspectives*, Routledge, New York, pp.49–61.

- Danaher, PJ, Wilson, IW & Davis, RA 2003, 'A comparison of online and offline consumer brand loyalty', *Marketing Science*, vol. 22, no. 4, pp. 461–476.
- Datta, H, Ailawadi, KL & van Heerde, HJ 2017, 'How well does consumer-based brand equity align with sales-based brand equity and marketing-mix response?', *Journal of Marketing*, vol. 81, no. 3, pp. 1–20.
- Dawes, J 2020, 'The natural monopoly effect in brand purchasing: do big brands really appeal to lighter category buyers?', *Australasian Marketing Journal*, vol. 28, no. 2, pp. 90–99.
- Dawes, J & Nenycz-Thiel, M 2013, 'Analyzing the intensity of private label competition across retailers', *Journal of Business Research*, vol. 66, no. 1, pp. 60–66.
- Dawes, J & Nenycz-Thiel, M 2014, 'Comparing retailer purchase patterns and brand metrics for in-store and online grocery purchasing', *Journal of Marketing Management*, vol. 30, nos. 3–4, pp. 364–382.
- Dawes, J, Romaniuk, J & Mansfield, A 2009, 'Generalized pattern in competition among tourism destinations', *International Journal of Culture, Tourism and Hospitality Research*, vol. 3, no. 1, pp. 33–53.
- De Barnier, V, Falcy, S & Valette-Florence, P 2012, 'Do consumers perceive three levels of luxury? A comparison of accessible, intermediate and inaccessible luxury brands', *Journal of Brand Management*, vol. 19, no. 7, pp. 623–636.
- de Ruyter, K, Wetzels, M & Bloemer, J 1998, 'On the relationship between perceived service quality, service loyalty and switching costs', *International Journal of Service Industry Management*, vol. 9, no. 5, pp. 436–453.
- Degeratu, AM, Rangaswamy, A & Jianan, W 2000, 'Consumer choice behavior in online and traditional supermarkets: the effects of brand name, price, and other search attributes', *International Journal of Research in Marketing*, vol. 17, no. 1, pp. 55–78.
- Deloitte 2018, *Global powers of luxury goods*, deloitte.com, viewed 25 May 2021, <<https://www2.deloitte.com/content/dam/Deloitte/at/Documents/consumer-business/deloitte-global-powers-of-luxury-goods-2018.pdf>>.
- Deloitte 2020a, *Global fashion & luxury private equity and investors survey 2020*, deloitte.com, viewed 25 May 2021, <<https://www2.deloitte.com/ch/en/pages/consumer-industrial-products/articles/global-pe-fashion-luxury-survey.html>>.
- Deloitte 2020b, *Global powers of luxury goods 2020*, deloitte.com, viewed 25 May 2021, <<https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/global-powers-of-luxury-goods.html>>.
- Dent, J 2014, *Distribution channels: understanding and managing channels to market*, Kogan Page Publishers, London, UK.
- Desmichel, P & Kocher, B 2019, 'Luxury single-versus multi-brand stores: the effect of consumers' hedonic goals on brand comparisons', *Journal of Retailing*, vol. 96, no. 2, pp. 1–17.
- Dion, D & Arnould, E 2011, 'Retail luxury strategy: assembling charisma through art and magic', *Journal of Retailing*, vol. 90, no. 4, pp. 502–520.
- Dobrian, J 2006, 'Chasing luxury', *National Jeweler*, vol. 40, n.p.
- Driesener, C & Romaniuk, J 2006, 'Comparing methods of brand image measurement', *International Journal of Market Research* vol. 48, no. 6, pp. 681–698.
- Driesener, C, Rungie, CE & Banelis, M 2017, 'If the model fits, use it: methods and benchmarks for evaluating NBD-Dirichlet goodness-of-fit', *Australasian Marketing Journal*, vol. 25, no. 4, pp. 288–293.
- Dubois, B & Duquesne, P 1993, 'The market for luxury goods: income versus culture', *European Journal of Marketing*, vol. 27, no. 1, pp. 35–44.
- Dubois, B & Paternault, C 1995, 'Understanding the world of international luxury brands: the "dream formula"', *Journal of Advertising Research*, vol. 35, no. 4, 69–76.

- Dubois, B, Czellar, S & Laurent, G 2005, 'Consumer segments based on attitudes toward luxury: empirical evidence from twenty countries', *Marketing Letters*, vol. 16, no. 2, pp. 115–128.
- Dubois, B, Laurent, G & Czellar, S 2001, 'Consumer rapport to luxury: analysing and ambivalent attitudes', HEC Research Papers Series 736, HEC Paris.
- East, R, Romaniuk, J, Chawdhary, R & Uncles, M 2017, 'The impact of word of mouth on intention to purchase currently used and other brands', *International Journal of Market Research*, vol. 59, no. 3, pp. 321–334.
- Eastman, JK, Bradley, R & Randall, C 2009, 'Understanding internet shoppers: an exploratory study', *Marketing Management Journal*, vol. 19, no. 2, pp. 104–117.
- Ehrenberg, A 1990, 'A hope for the future of statistics: MSOD', *The American Statistician*, vol. 44, no. 3, pp. 195–196.
- Ehrenberg, A 1975, *Data reduction*, Wiley, London and New York.
- Ehrenberg, A 2000, 'Data reduction – analysing and interpreting statistical data', *Journal of Empirical Generalisations in Marketing Science*, vol. 5, pp. 1–391.
- Ehrenberg, A 1988, *Repeat-buying: facts, theory and applications*, Griffin, London.
- Ehrenberg, A & Goodhardt, G 1970, 'A model of multi-brand buying', *Journal of Marketing Research*, vol. 7, pp. 77–84.
- Ehrenberg, A, Goodhardt, G & Barwise, TP 1990, 'Double Jeopardy revisited', *Journal of Marketing*, vol. 54, no. 3, pp. 82–91.
- Ehrenberg, A & Uncles, MD 1999, 'Understanding Dirichlet-type markets', in *Research Report 1, The R&D Initiative*, South Bank University, London and University of New South Wales, Sydney.
- Ehrenberg, A, Uncles, MD & Goodhardt, GG 2004, 'Understanding brand performance measures: using Dirichlet benchmarks', *Journal of Business Research*, vol. 57, no. 12, pp. 1307–1325.
- Euromonitor International 2017, *Global luxury goods overview*, Euromonitor.com, viewed 20 November 2017, <<https://www.euromonitor.com/global-luxury-goods-overview/report>>.
- Euromonitor International 2013, *Luxury goods: global trends and prospects*, Euromonitor.com, viewed 25 May 2017, <<https://www.euromonitor.com/luxury-goods-global-trends-and-prospects/report>>.
- Fader, PS & Schmittlein, DC 1993, 'Excess behavioral loyalty for high-share brands: deviations from the Dirichlet model for repeat purchasing', *Journal of Marketing Research*, vol. 30, no. 4, pp. 478–493.
- Farris, P, Olver, J & de Kluyver, C 1989, 'The relationship between distribution and market share', *Marketing Science*, vol. 8, no. 2, pp. 107–128.
- Faulkner, M, Truong, O & Romaniuk, J 2014, 'Uncovering generalized patterns of brand competition in China', *Journal of Product & Brand Management*, vol. 23, no. 7, pp. 554–571.
- Fernie, J, Fernie, S & Moore, C 2015, *Principles of retailing*. Taylor and Francis, Hoboken, NJ.
- Forsythe, S & Shi, B 2003, 'Consumer patronage and risk perceptions in Internet shopping', *Journal of Business Research*, vol. 56, pp. 867–875.
- Godey, B, Lagier, J & Pederzoli, D 2009, 'A measurement scale of "aesthetic style" applied to luxury goods stores', *International Journal of Retail & Distribution Management*, vol. 37, no. 6, pp. 527–537.
- Gonzalez-Benito, O, Munoz-Gallego, PA & Kopalle, PK 2005, 'Asymmetric competition in retail store formats: Evaluating inter-and intra-format spatial effects', *Journal of Retailing*, vol. 81, no. 1, pp. 59–73.

- Goodhardt, GJ 1966, 'Constant in duplicated television viewing', *Nature*, vol. 212, no. 5070, p. 1616.
- Goodhardt, GJ, Ehrenberg, A & Chatfield, C 1984, 'The Dirichlet: a comprehensive model of buying behaviour', *Journal of the Royal Statistical Society*, vol. 147, no. 5, pp. 621–655.
- Graham, C, Bennett, D, Franke, K, Henfrey, CL & Nagy-Hamada, M 2017, 'Double Jeopardy–50 years on. Reviving a forgotten tool that still predicts brand loyalty', *Australasian Marketing Journal*, vol. 25, no. 4, pp. 278–287.
- Gupta, A, Su, B-C & Walter, Z 2004, 'An empirical study of consumer switching from traditional to electronic channels: a purchase-decision process perspective', *International Journal of Electronic Commerce*, vol. 8, no. 3, pp. 131–161.
- Guurki, H & Woisetschlager, DM 2016, 'Mapping the luxury research landscape: a bibliometric citation analysis', *Journal of Business Research*, vol. 77, pp. 147–166.
- Hagtvedt, H & Patrick, VM 2009, 'The broad embrace of luxury: hedonic potential as a driver of brand extendibility', *Journal of Consumer Psychology*, vol. 19, no. 4, pp. 608–618.
- Hand, C 2011, 'Do arts audiences act like consumers?', *Managing Leisure*, vol. 16, no. 2, pp. 88–97.
- Hannam, K 2004, 'Tourism and development 2: marketing destinations, experiences and crises', *Progress in Development Studies*, vol. 4, no. 3, pp. 256–263.
- Hauck, WE & Stanforth, N 2007, 'Cohort perception of luxury goods and services', *Journal of Fashion Marketing and Management*, vol. 11, no. 2, 175–188.
- Heine, K 2010, 'The luxury brand personality traits', *6th International Conference Thought Leaders in Brand Management*, April 2010, Lugano.
- Heller, J, Chylinski, M, de Ruyter K, Mahr, D & Keeling, DI 2019, 'Touching the untouchable: exploring multi-sensory augmented reality in the context of online retailing', *Journal of Retailing*, vol. 95, no. 4, pp. 219–234.
- Hirche, M 2018, 'An empirical analysis of stock-keeping units deviating from the reibstein-farris distribution and market share model: the role of product- and distribution-related characteristics', PhD thesis, University of South Australia, Adelaide.
- Holbrook, MB, Moore, WL & Winer, RS 1982, 'Constructing joint spaces from pick-any data: a new tool for consumer analysis', *Journal of Consumer Research*, vol. 9, pp. 99–105.
- Holden, SJS 1993, 'Understanding brand awareness: let me give you a c(l)ue!' *Advances in Consumer Research*, vol. 20, no. 1, pp. 383–388.
- Huang, L, Lu, X & Ba, S 2016, 'An empirical study of the cross-channel effects between web and mobile shopping channels', *Information & Management*, vol. 53, no. 2, 265–278.
- Hudders, L, Pandelaere, M & Vyncke, P 2013, 'Consumer meaning making: the meaning of luxury brands in a democratized luxury world', *International Journal of Market Research*, vol. 55, no. 3, pp. 69–90.
- Hult, GTM, Sharma, PN, Morgeson, FV & Zhang, Y 2019, 'Antecedents and consequences of customer satisfaction: do they differ across online and offline purchases?', *Journal of Retailing*, vol. 95, no. 1, pp. 10–23.
- Hunt, S 1991, 'Positivism and paradigm dominance in consumer research: toward critical pluralism and rapprochement', *Journal of Consumer Research*, vol. 18, no. 1, pp. 32–44.
- Ilieva, J, Baron, S & Healey, NM 2002, 'Online surveys in marketing research: pros and cons', *International Journal of Market Research*, vol. 44, no. 3, pp. 361–376.
- Imran, M, Ghani, U & Rehman, KU 2013, 'Consumer perception of store image and store loyalty', *Journal of Managerial Sciences*, vol. 7, no. 1, p. 76.

- Inman, JJ, Shankar, V & Ferraro, R 2004, 'The roles of channel-category associations and geodemographics in channel patronage', *Journal of Marketing*, vol. 68, no. 2, pp. 51–71.
- Instagram Business Team 2019, *How to sell your products on Instagram*, Facebook for Business, viewed 25 May 2021, <<https://business.instagram.com/blog/how-to-sell-your-products-on-instagram>>.
- Iyengar, SS & Lepper, MR 2000, 'When choice is demotivating: can one desire too much of a good thing?', *Journal of Personality and Social Psychology*, vol. 79, no. 6, 995–1006.
- Iyiola, O & Dirisu, J 2014, 'Children advertisements and their effects on family purchasing behaviour: a study of Cannanland, OTA Nigeria', *Global Journal of Commerce and Management Perspective*, vol. 3, no. 2, pp. 9–17.
- Jaekel, B 2016, *Luxury retailers get in on Black Friday as consumers plan to spend more*, *Luxury Daily*, viewed 20 May 2019, <<https://www.luxurydaily.com/luxury-retailers-get-in-on-black-friday-as-consumers-plan-to-spend-more/>>.
- Jing Daily 2016, *5 Ways China's Daigou Market Does More Harm than Good for Luxury Brands*, *Jing Daily*, viewed 23 September 2019 <<https://jingdaily.com/5-ways-chinas-daigou-market-harm-good-luxury-brands/>>.
- Jones, S 2016a, *Luxury facing a digital-or-die dilemma: BCG*, *Luxury Daily*, viewed 12 October 2016, <<https://luxurydaily.com/luxury-facing-a-digital-or-die-dilemma-bcg/>>.
- Jones, S 2016b, *Luxury online purchase experience only reaching half of potential*, *Luxury Daily*, viewed 23 October 2020, <luxurydaily.com/luxury-online-purchase-experience-only-reaching-half-of-potential/>.
- Jones, S 2019, *Monobrand stores – Luxury Memo special report*, *Luxury Daily*, viewed 28 October 2020, <<https://www.luxurydaily.com/monobrand-stores-luxury-memo-special-report-6/>>.
- Jones, S 2015, *Outlet expansion lets luxury retailers control off-price business*, *Luxury Daily*, viewed 28 October 2017, <<https://www.luxurydaily.com/135730/>>.
- Joo, M, Wilbur, KC, Cowgill B & Zhu, Y 2013, 'Television advertising and online search', *Management Science*, vol. 60, no. 1, pp. 56–73.
- Joy, A, Wang, JJ, Chan T-S, sherry, JF & Cui, G 2014, 'M (Art) worlds: consumer perceptions of how luxury brand stores become art institutions', *Journal of Retailing*, vol. 90, no. 3, pp. 347–364.
- Kahn, BE, Kalwani, MU & Morrison, DG 1988, 'Nicheing versus change-of-pace brands: using purchase frequencies and penetration rates to infer brand positionings', *Journal of Marketing Research*, vol. 25, no. 4, pp. 384–390.
- Kahn, BE & Lehmann, DR 1991, 'Modeling choice among assortments'. *Journal of Retailing*, vol. 67, no. 3, pp. 274–299.
- Kalwani, MU & Morrison, DG 1977, 'Estimating the proportion of "always buy" and "never buy" consumers: a likelihood ratio test with sample size implications', *Journal of Marketing Research*, vol. 14, pp. 601–606.
- Kapferer, J-N 2012, 'Abundant rarity: the key to luxury growth', *Business Horizons*, vol. 55, no. 5, pp. 453–462.
- Kapferer, J-N 1997, 'Managing luxury brands', *The Journal of Brand Management*, vol. 4, no. 4, pp. 251–260.
- Kapferer, J-N 2001, *Strategic brand management: creating and sustaining brand equity long term*, Kogan Page, Milford.
- Kapferer, J-N 1998, 'Why are we seduced by luxury brands?', *The Journal of Brand Management*, vol. 6, no. 1, pp. 44–49.
- Kapferer, J-N & Bastien, V 2009, *The luxury strategy: break the rules of marketing to build luxury brands*, Kogan Page, London.

- Kapferer, J-N & Laurent, G 2016, 'Where do consumers think luxury begins? A study of perceived minimum price for 21 luxury goods in 7 countries', *Journal of Business Research*, vol. 69, no. 1, pp. 332–340.
- Kapferer, J-N & Michaut, A 2015, 'Luxury and sustainability: a common future? The match depends on how consumers define luxury', *Luxury Research*, vol. 1, no. 1, pp. 3–17.
- Kapferer, J-N & Valette-Florence, P 2016, 'Beyond rarity: the paths of luxury desire. How luxury brands grow yet remain desirable', *Journal of Product & Brand Management*, vol. 25, no. 2, pp. 120–133.
- Kapferer J-N, & Valette-Florence, P 2018, 'The impact of brand penetration and awareness on luxury brand desirability: a cross country analysis of the relevance of the rarity principle', *Journal of Business Research*, vol. 83, pp. 38–50.
- Keaveney, SM & Hunt, KA 1992, 'Conceptualization and operationalization of retail store image: a case of rival middle-level theories', *Journal of the Academy of Marketing Science*, vol. 20, no. 2, pp. 165–175.
- Keller, KL 2010, 'Brand equity management in a multichannel, multimedia retail environment', *Journal of Interactive Marketing*, vol. 24, no. 2, pp. 58–70.
- Keller, KL 1993 'Conceptualizing, measuring, and managing customer-based brand equity', *Journal of Marketing*, vol. 57, no. 1, pp. 1–22.
- Keller, KL 2009, 'Managing the growth tradeoff: challenges and opportunities in luxury branding', *Journal of Brand Management*, vol. 16, no. 5, pp. 290–301.
- Keng, KA & Ehrenberg, A 1984, 'Patterns of store choice', *Journal of Marketing Research*, vol. 21, pp. 399–409.
- Keng, KA, Uncles, M, Ehrenberg A & Barnard, N 1998, 'Competitive brand-choice and store-choice among Japanese consumers', *Journal of Product & Brand Management*, vol. 7, no. 6, pp. 481–494.
- Kenton, W 2019, *Mass-Market Retailer*, Investopedia, viewed 28 October 2020, <<https://www.investopedia.com/terms/m/mass-market-retailer.asp>>.
- Kim, J & Kim, J-E 2014, 'Making customer engagement fun: customer-salesperson interaction in luxury fashion retailing', *Journal of Fashion Marketing and Management*, vol. 18, no. 2, pp. 133–144.
- Kim J, & Lee, H-H 2011, 'The impact of shopping orientations on US consumer's retail channel choice behavior toward luxury goods purchases', *Journal of Global Fashion Marketing*, vol. 2, no. 4, pp. 188–199.
- Kim, M, Kim, S & Lee, Y 2010, 'The effect of distribution channel diversification of foreign luxury fashion brands on consumers' brand value and loyalty in the Korean market', *Journal of Retailing and Consumer Services*, vol. 17, no. 4, pp. 286–293.
- Ko, E, Costello, JP & Taylor, CR 2019, 'What is a luxury brand? A new definition and review of the literature', *Journal of Business Research*, vol. 99, pp. 405–413.
- Koschate-Fischer, N, Hoyer, WD & Wolframm, C 2019, 'What if something unexpected happens to my brand? Spillover effects from positive and negative events in a co-branding partnership', *Psychology & Marketing*, vol. 36, no. 8, pp. 758–772.
- KPMG 2017, *The truth about online consumers: 2017 global online consumer report*, kpmg.com, viewed 25 May 2021, <<https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf>>.
- Krafft, M & Mantrala, MK 2006, *Retailing in the 21st century: current and future trends*, Springer, Berlin.
- Krishnan, HS 1996, 'Characteristics of memory associations: a consumer-based brand equity perspective', *International Journal of Research in Marketing*, vol. 13, no. 4, pp. 389–405.

- Kuksov, D & Xie, Y 2012, 'Competition in a status goods market', *Journal of Marketing Research*, vol. 49, no. 5, pp. 609–623.
- Kumar, A, Trivedi, M, Bezawada, R & Sridhar, K 2012, 'A comparative analysis of differential consumer response across supermarket and specialty store in the candy category', *Journal of Retailing and Consumer Services*, vol. 19, no. 6, pp. 561–569.
- Likert, R 1932, 'A technique for the measurement of attitudes', *Archives of Psychology*, vol. 140, pp. 44–53.
- Lindquist, JD 1974 'Meaning of image: a survey of empirical and hypothetical evidence', *Journal of Retailing*, vol. 50, no. 4, pp. 29–38.
- Lindsay, RM & Ehrenberg, A 1993 'The design of replicated studies', *The American Statistician*, vol. 47, no. 3, pp. 217–228.
- Liu, X, Burns, AC & Hou, Y 2013, 'Comparing online and in-store shopping behavior towards luxury goods', *International Journal of Retail & Distribution Management*, vol. 41, nos. 11–12, pp. 885–900.
- Logkizidou, M, Bottomley, P, Angell, R & Evanschitzky, H 2019, 'Why museological merchandise displays enhance luxury product evaluations: an extended art infusion effect', *Journal of Retailing*, vol. 95, no. 1, pp. 67–82.
- Lu, Y & Rucker, M 2006, 'Apparel acquisition via single vs. multiple channels: college students' perspectives in the US and China', *Journal of Retailing and Consumer Services*, vol. 13, no. 1, pp. 35–50.
- Luxury Daily 2017, *Tiffany unveils first retail dining concept at New York flagship*, Luxury Daily, viewed 9 July 2021, <<https://www.luxurydaily.com/tiffany-unveils-first-retail-dining-concept-at-new-york-flagship/>>.
- Luxury Daily 2020, *US department store chain Neiman Marcus Group emerges from Chapter 11 bankruptcy, eliminating \$4B+ in debt*, Luxury Daily, viewed 9 July 2021, <https://www.luxurydaily.com/wp-content/uploads/pdf_cache/3/1/3/5/3/7/313537.pdf>.
- Luxury Insider 2016, *There is 'No Way' LVMH Will Do Business with Amazon*, Luxury Insider, viewed 10 September 2018, <<https://www.luxury-insider.com/fashion-beauty/lvmh-no-business-with-amazon>>.
- Magnetic 2016, *The new language of luxury: Exploring the definition of luxury and how this has transformed consumers of luxury brands*, Hearst Magazines UK, viewed 15 May 2018, <<http://magazines.org.au/wp-content/uploads/The-new-language-of-luxury.pdf>>.
- Marmorstein, H, Grewal, D & Fiske, RPH 1992, 'The value of time spent in price-comparison shopping: survey and experimental evidence', *Journal of Consumer Research*, vol. 19, no. 1, pp. 52–61.
- Marques, SH, Trindade, G & Santos, M 2016, 'The importance of atmospherics in the choice of hypermarkets and supermarkets', *The International Review of Retail, Distribution and Consumer Research*, vol. 26, no. 1, pp. 17–34.
- Martineau, P 1958, 'The personality of the retail store', *Harvard Business Review*, vol. 36, pp. 47–55.
- McCabe, J, Stern, P & Dacko, SG 2013, 'Purposeful empiricism: how stochastic modeling informs industrial marketing research', *Industrial Marketing Management*, vol. 42, no. 3, pp. 421–432.
- McKinsey & Company 2019, *China luxury report 2019: how young Chinese consumers are shaping global luxury*, McKinsey & Company, viewed 25 May 2021, <<https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/China/How%20young%20Chinese%20consumers%20are%20reshaping%20global%20luxury/McKinsey-China-luxury-report-2019-How-young-Chinese-consumers-are-reshaping-global-luxury.ashx>>.

- McPhee, WN 1963, *Formal theories of mass behavior*, Free Press, New York.
- Montoya-Weiss, MM, Voss, GB & Grewal, D 2003, 'Determinants of online channel use and overall satisfaction with a relational, multichannel service provider', *Journal of the Academy of Marketing Science*, vol. 31, no. 4, 448–458.
- Moore, CM & Birtwistle, G 2004, 'The Burberry business model: creating an international luxury fashion brand', *International Journal of Retail & Distribution Management*, vol. 32, no. 8, pp. 412–422.
- Moore, CM, Doherty, AM & Doyle, SA 2010, 'Flagship stores as a market entry method: the perspective of luxury fashion retailing', *European Journal of Marketing*, vol. 44, nos. 1–2, pp. 139–161.
- Morton, FS, Zettelmeyer, F & Silva-Risso, J 2001, *Consumer information and price discrimination: does the internet affect the pricing of new cars to women and minorities?* SSRN, viewed 13 April 2018, <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=288527>.
- Nabec, L, Pras, B & Laurent, G 2016, 'Temporary brand–retailer alliance model: the routes to purchase intentions for selective brands and mass retailers', *Journal of Marketing Management*, vol. 32, nos. 7–8, pp. 595–627.
- Nedungadi, P 1990, 'Recall and consumer consideration sets: influencing choice without altering brand evaluations', *Journal of Consumer Research*, vol. 17, no. 3, pp. 263–276.
- Nenycz-Thiel, M & Romaniuk, J 2016, 'Online shopping...is it different?', in J Romaniuk & B Sharp (eds), *How brands grow: part 2: emerging markets, services, luxury brands, and durables*, Oxford University Press, Melbourne, pp. 146–171.
- Nenycz-Thiel, M, Romaniuk, J & Sharp, B 2016, 'Building physical availability', in J Romaniuk & B Sharp (eds), *How brands grow: part 2: emerging markets, services, luxury brands, and durables*, Oxford University Press, Melbourne, pp.145–172.
- Nenycz-Thiel, M, Romaniuk, J & Sharp, B 2017 *Physical availability – what makes a brand easy to find & buy?* Ehrenberg-Bass Institute for Marketing Science, Adelaide.
- Neslin, SA, Grewal, D, Leghorn, R, Shankar, V, Teerling, ML, Thomas, JS & Verhoef, PC 2006, 'Challenges and opportunities in multichannel customer management', *Journal of Service Research*, vol. 9, no. 2, pp. 95–112.
- Ngai, EWT & Gunasekaran, A 2007, 'A review for mobile commerce research and applications', *Decision Support Systems*, vol. 43, no. 1, pp. 3–15.
- Nicoletti, S 2019, *Outlets: Fashion dreamlands or nightmares?*, LuxuryDaily, viewed 28 October 2020, <<https://www.luxurydaily.com/outlets-fashion-dreamlands-or-nightmares/>>.
- Noble, SM, Griffith, DA & Weinberger, MG 2005, 'Consumer derived utilitarian value and channel utilization in a multichannel retail context', *Journal of Business Research*, vol. 58, no. 12, 1643–1651.
- Nueno, JL & Quelch, JA 1998, 'The mass marketing of luxury', *Business Horizons*, vol. 41, no. 6, pp. 61–68.
- O'Cass, AD & Frost, H 2002, 'Status consciousness and fashion consumption' in RN Shaw, S Adam & H McDonald (eds), *ANZMAC*, Australia and New Zealand Marketing Academy, Melbourne.
- O'Cass, A & McEwen, H 2004, 'Exploring consumer status and conspicuous consumption', *Journal of Consumer Behaviour*, vol. 4, no. 1, pp. 25–39.
- Okonkwo, U 2009, 'Sustaining the luxury brand on the Internet', *Journal of Brand Management*, vol. 16, no. 5, pp. 302–310.
- Othman, NA, Ferguson, G & Zorn, S 2012, 'Online retailers versus branded retail stores: perceived value and purchase intention of luxury fashion brands', *Asia-Pacific Advances in Consumer Research*, vol. 10, pp. 387–390.

- Pan, Y & Zinkhan, GM 2006, 'Determinants of retail patronage: a meta-analytical perspective', *Journal of Retailing*, vol. 82, no. 3, pp. 229–243.
- Pantano, E & Priporas, C-V 2016, 'The effect of mobile retailing on consumers' purchasing experiences: a dynamic perspective', *Computers in Human Behavior*, vol. 61, no. 1, pp. 548–555.
- Pare, V & Dawes, J 2011 'The persistence of excess brand loyalty over multiple years', *Marketing Letters*, vol. 21, no. 2, pp. 163–175.
- Patrick, S, Romaniuk, J, Beal, V & Sharp, B 2016, *Do rival luxury fashion brands appeal to different types of owners? Inaugural Conference on Asian Luxury Branding*, June 2016, Singapore.
- Peterson, RA, Balasubramanian, S & Bronnenberg, BJ 1997, Exploring the implications of the internet for consumer marketing', *Journal of the Academy of Science*, vol. 25, no. 4, pp. 329–346.
- Phau, I, Matthiesen, I-M & Shimul, AS 2020, 'Is HUGO still the BOSS? Investigating the reciprocal effects of brand extensions on brand personality of luxury brands', *Australasian Marketing Journal*, doi:10.1016%2Fj.ausmj.2020.02.003.
- Phau, I & Prendergast, G 2000, 'Consuming luxury brands: the relevance of the "Rarity Principle"', *The Journal of Brand Management*, vol. 8, no. 2, pp. 122–138.
- Porter, SS & Claycomb, C 1997, 'The influence of brand recognition on retail store image', *Journal of Product & Brand Management*, vol. 6, no. 6, pp. 373–387.
- Prince, M 2005, 'Diamond geezers', *Business Strategy Review*, vol. 16, no. 1, pp. 22–27.
- Quelch, J 1987, 'Marketing the premium product', *Business Horizons*, vol. 30, no. 3, pp. 38–45.
- Rambourg, E 2020, *Why the US luxury recovery is not comparable to China's*, *Luxury Daily*, viewed 25 May 2021, <<https://www.luxurydaily.com/why-the-us-luxury-recovery-is-not-comparable-to-chinas/>>.
- Ramirez, S 2019a, *Barneys bankruptcy portends continued struggles for luxury retail*, *LuxuryDaily*, viewed viewed 25 May 2021, <<https://www.luxurydaily.com/barneys-bankruptcy-portends-continued-struggles-for-luxury-retail/>>.
- Ramirez, S 2019b, *Louis Vuitton, Tiffany empower associates to streamline omnichannel experiences*, *LuxuryDaily*, viewed 28 October 2020, <<https://www.luxurydaily.com/louis-vuitton-tiffany-empower-associates-to-streamline-omnichannel-experiences/>>.
- Reddy, M, Terblanche, N, Pitt, L & Parent, M 2009, 'How far can luxury brands travel? Avoiding the pitfalls of luxury brand extension', *Business Horizons*, vol. 52, no. 2, pp. 187–197.
- Reibstein, DJ & Farris, PW 1995, 'Market share and distribution: a generalization, a speculation, and some implications', *Marketing Science*, vol. 14, no. 3, pp. G190–G202.
- Reichheld, FF & Sasser, WEJ 1990, 'Zero defections: quality comes to services', *Harvard Business Review*, vol. 68, no. 5, pp. 105–111.
- Reily, J 2019, *Luxury retail at crossroads with digital inevitability*, *LuxuryDaily*, viewed 28 October 2020, <<https://www.luxurydaily.com/luxury-retail-at-crossroads-with-digital-inevitability/>>.
- Remy, N, Catena, M & Durand-Servoingt, B 2015, *Digital inside: Get wired for the ultimate luxury experience* McKinsey & ?Company, viewed 15 May 2028, <<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/digital-inside-get-wired-for-the-ultimate-luxury-experience#>>.
- Reynolds, J, Howard, E, Cuthbertson, C & Hristof, L 2007, 'Perspectives on retail format innovation: relating theory and practice', *International Journal of Retail & Distribution Management*, vol. 35, no. 8, pp. 647–660.

- Riebe, E, Wright, M, Stern, P & Sharp, B 2014, 'How to grow a brand: retain or acquire customers?', *Journal of Business Research*, vol. 67, no. 5, pp. 990–997.
- Riley, FDO, Lomax, W & Blunden, A 2004, 'Dove vs. Dior: extending the brand extension decision-making process from mass to luxury', *Australasian Marketing Journal*, vol. 12, no. 3, pp. 40–55.
- Robertshaw, G 2007, 'Epistemological limitations in quantitative marketing research: implications for empirical generalisations', *Journal of Empirical Generalisations in Marketing Science*, vol. 11, no. 2, 1–13.
- Romaniuk, J & Caruso, W 2018, 'Building physical availability with distinctive assets', in J Romaniuk (ed), *Building distinctive brand assets*, Oxford University Press, South Melbourne, pp.43–55.
- Romaniuk, J & Dawes, J 2005, 'Loyalty to price tiers in purchases of bottled wine', *Journal of Product & Brand Management*, vol. 14, no. 1, 57–64.
- Romaniuk, J & Huang, A 2019, 'Understanding consumer perceptions of luxury brands', *International Journal of Market Research*, vol. 62, no. 5, pp. 546–560.
- Romaniuk, J & Sharp, B 2016, 'And finally, a bit of luxury', in J Romaniuk & B Sharp (eds), *How brands grow: part 2: emerging markets, services, luxury brands, and durable*, Oxford University Press, Melbourne, pp.203–221.
- Rosch, E & Mervis, CB 1975, 'Family resemblances: studies in the internal structure of categories', *Cognitive Psychology*, vol. 7, pp. 573–605.
- Rucker, DD & Galinsky, AD 2009, 'Conspicuous consumption versus utilitarian ideals: how different levels of power shape consumer behavior', *Journal of Experimental Social Psychology*, vol. 45, no. 3, pp. 549–555.
- Ruddick, G 2013, *The rise of designer outlets in the age of austerity*, The Telegraph, viewed 28 October 2017, <<https://www.telegraph.co.uk/finance/comment/10047083/The-rise-of-designer-outlets-in-the-age-of-austerity.html>>.
- Rungie, C 2006, *Excess loyalty for big brands explained (10 February 2007 – working paper)*. Ehrenberg-Bass Institute for Marketing Science.
- Rungie, C, Laurent, G, Dall'Olmo Riley, F, Morrison, DG & Roy, T 2005, 'Measuring and modeling the (limited) reliability of free choice attitude questions', *International Journal of Research in Marketing*, vol. 22, no. 3, pp. 309–318.
- Ryan, G 2018, 'Introduction to positivism, interpretivism and critical theory', *Nurse Researcher*, vol. 25, no. 4, pp. 41–49.
- Sahin, A, Zehir, C & Kitapçı, H 2011, 'The effects of brand experiences, trust and satisfaction on building brand loyalty: an empirical research on global brands', *Procedia – Social and Behavioral Sciences*, vol. 24, pp. 1288–1301.
- Sarkar, A 2011, 'Impact of utilitarian and hedonic shopping values on individual's perceived benefits and risks in online shopping', *International Management Review*, vol. 7, no. 1, pp. 58–95.
- Schröder, H & Zaharia, S 2008, 'Linking multi-channel customer behavior with shopping motives: an empirical investigation of a German retailer', *Journal of Retailing and Consumer Services*, vol. 15, no. 6, pp. 452–468.
- Sebri, M & Zaccour, G 2017, 'Estimating umbrella-branding spillovers: a retailer perspective', *European Journal of Marketing*, vol. 51, nos. 9–10, pp. 1695–1712.
- Sharp, B 2010a, 'How brands grow', in B Sharp (ed), *How brands grow*, Oxford University Press, Melbourne, pp.16–27.
- Sharp, B (ed) 2010b, *How brands grow: what marketers don't know*, Oxford University Press, South Melbourne.
- Sharp, B 2010c, 'Passionate consumer commitment', in B Sharp (ed), *How brands grow: what marketers don't know*, Oxford University Press, Melbourne, pp. 89–111.

- Sharp B, & Romaniuk, J 2016, 'How brands grow', in J Romaniuk & B Sharp (eds), *How brands grow: part 2: emerging markets, services, luxury brands, and durable*, Oxford University Press, Melbourne, pp. 1–22.
- Shuval, K, Leonard, T, Drope, J, Katz, DL, Patel, AV, Maitin-Shepard, M, Amir, O & Grinstein, A 2017, 'Physical activity counseling in primary care: insights from public health and behavioral economics', *CA: a cancer journal for clinicians*, vol. 67, no. 3, pp. 233–244.
- Sicard, M-C 2013, *Luxury lies and marketing: shattering the illusion of the luxury brand*, Palgrave Macmillan, Basingstoke.
- Silverstein, MJ 2005, *Trading up: why consumers want luxury goods – and how companies create them*, Portfolio, New York.
- Simonin, BL & Ruth, JA 1998, 'Is a company known by the company it keeps? Assessing the spillover effects of brand alliances on consumer brand attitudes', *Journal of Marketing Research*, vol. 35, no. 1, pp. 30–42.
- Som, A & Blanckaert, C 2015, *The road to luxury: the evolution, markets and strategies of luxury brand management*, John Wiley & Sons, New York.
- Sorescu, A, Frambach, RT, Singh, J, Rangaswamy, A & Bridges, C 2011, 'Innovations in retail business models', *Journal of Retailing*, vol. 87, no. 1, pp. S3–S16.
- Spence, C, Puccinelli, NM, Grewal, D & Roggeveen, AL 2014, 'Store atmospherics: a multisensory perspective', *Psychology & Marketing*, vol. 31, no. 7, pp. 472–488.
- Spiller, P & Lohse, GL 1997, 'A classification of Internet retail stores', *International Journal of Electronic Commerce*, vol. 2, no. 2, pp. 29–56.
- Staff Reports 2017, *Future of the department store: Luxury Memo special report*, LuxuryDaily, viewed 28 October 2019, <<https://www.luxurydaily.com/future-of-the-department-store-luxury-memo-special-report-4/>>.
- Statista 2020a, *Brand value of the leading 10 most valuable luxury brands worldwide in 2020*, Statista, viewed 25 May 2021, <<https://www-statista-com.access.library.unisa.edu.au/statistics/267948/brand-value-of-the-leading-10-most-valuable-luxury-brands-worldwide/>>.
- Statista 2020b, *E-commerce in China*, Statista.com, viewed 25 May 2021, <<https://www.statista.com/study/11567/e-commerce-in-china-statista-dossier/>>.
- Statista 2020c, *E-commerce in the United States*, Statista.com, viewed 25 May 2021, <<https://www.statista.com/study/28028/e-commerce-in-the-united-states-statista-dossier/>>.
- Statista 2021a, *Luxury personal goods industry worldwide*, Statista.com, viewed 25 May 2021, <<https://www.statista.com/study/12091/luxury-goods-industry-worldwide-statista-dossier/>>.
- Statista 2021b, *Personal luxury goods market value worldwide in 2020, by product type*, Statistia.com, viewed 25 May 2021, <<https://www.statista.com/statistics/960563/personal-luxury-goods-market-value-by-product-worldwide/>>.
- Statista 2021c, *Value of the online personal luxury goods market worldwide from 2004 to 2020*, Statista.com, viewed 25 May 2021, <<https://www.statista.com/statistics/246133/value-of-the-online-personal-luxury-goods-market-worldwide/>>.
- Statista 2020d, *Value of the personal luxury goods market worldwide from 1996 to 2019*, Statistia.com, viewed 25 May 2021, <<https://www.statista.com/statistics/266503/value-of-the-personal-luxury-goods-market-worldwide/>>.

- Sung, S, Hatton, S, Teah, M, Cheah, I & Phau, I 2020, 'Shelf-based scarcity as a cue of luxuriousness: an application of psychophysiology', *European Journal of Marketing*, vol. 55, no. 2, pp. 497–516.
- Tang, C, Bell, DR & Ho, TH 2001, 'Store choice and shopping behaviour: how price format works', *California Management Review*, vol. 43, no. 2, pp. 56–74.
- The Fashion Law 2019, *The (big) business of off-price and luxury outlet stores*, The Fashion Law, viewed 28 October 2020, <<http://www.thefashionlaw.com/home/the-big-business-of-luxury-outlet-stores>>.
- Tourangeau, R 2000, 'Remembering what happened: memory errors and survey reports', in AA Stone, JS Turkkan, CA Bachrach, JB Jobe, HS Kurtzman & VS Cain (eds), *The science of self-report: implications for research and practice*, Lawrence Erlbaum Associates, Mahwah, pp. 29–47.
- Tynan, C, McKechnie, S & Chhuon, C 2010, 'Co-creating value for luxury brands', *Journal of Business Research*, vol. 63, no. 11, pp. 1156–1163.
- Uncles, M & Ehrenberg, A 1990, 'The buying of packaged goods at US retail chains', *Journal of Retailing*, vol. 66, no. 3, pp. 278–296.
- Uncles, M & Kwok, S 2008, 'Generalizing patterns of store-type patronage: an analysis across major Chinese cities', *The International Review of Retail, Distribution and Consumer Research*, vol. 18, no. 5, pp. 473–493.
- Uncles, M & Kwok, S 2009, 'Patterns of store patronage in urban China', *Journal of Business Research*, vol. 62, no. 1, pp. 68–81.
- Uncles, M & Hammond, K 1995, 'Grocery store patronage', *The International Review of Retail, Distribution & Consumer Research*, vol. 5, no. 3, pp. 287–302.
- Uncles, MD, Ehrenberg, A & Hammond, K 1995, 'Patterns of buyer behavior: regularities, models, and extensions', *Marketing Science*, vol. 14, no. 3, pp. G71–G78.
- Veblen, T 1899, *The theory of the leisure*, The New American Library, New York.
- Verhagen, T & Dolen, W 2009, 'Online purchase intentions: a multi-channel store image perspective', *Information & Management*, vol. 46, pp. 77–82.
- Verhoef, PC, Kannan, PK & Inman, JJ 2015 'From multi-channel retailing to multichannel retailing: introduction to the special issue on multi-channel retailing', *Journal of Retailing*, vol. 91, no. 2, pp. 174–181.
- Verhoef, PC, Neslin, SA & Vroomen, B 2007, 'Multichannel customer management: understanding the research-shopper phenomenon', *International Journal of Research in Marketing*, vol. 24, no. 2, pp. 129–148.
- Vickers, JS & Renand, F 2003, 'The marketing of luxury goods: an exploratory study-three conceptual dimensions', *The Marketing Review*, vol. 3, no. 4, pp. 459–478.
- Vigneron, F & Johnson, LW 1999, 'A review and a conceptual framework of prestige-seeking consumer behavior', *Academy of Marketing Science Review*, vol. 99, no. 1, pp. 1–15.
- Vigneron, F & Johnson, LW 2004, 'Measuring perceptions of brand luxury', *Journal of Brand Management*, vol. 11, no. 6, pp. 484–506.
- Wang, X, Sung, B & Phau, I 2021, 'Examining the influences of perceived exclusivity and perceived rarity on consumers' perception of luxury', *Journal of Fashion Marketing and Management*, in press.
- Wang, Y-M, Lin, H-H, Tai, W-C & Fan, Y-L 2016, 'Understanding multi-channel research shoppers: an analysis of Internet and physical channels', *Information Systems and e-Business Management*, vol. 14, no. 2, pp. 389–413.
- Wilbur, K & Farris, P 2014, 'Distribution and market share', *Journal of Retailing*, vol. 90, no. 2, pp. 154–167.
- Wilson, AM 2006, *Marketing research: an integrated approach*, Financial Times/Prentice Hall, Harlow.

- Wind, J & Sharp, B 2009, 'Advertising empirical generalizations: implications for research and action', *Journal of Advertising Research*, vol. 49, no. 2, pp. 246–252.
- Wong, ACY & Zaichkowsky, JL 1999, 'Understanding luxury brands in Hong Kong', *European Advances in Consumer Research*, vol. 4, pp. 310–316.
- Wrigley, N & Dunn, R 1984, 'Stochastic panel-data models of urban shopping behaviour: 2. multistore purchasing patterns and the Dirichlet model', *Environment and Planning A*, vol. 16, pp. 759–778.
- Yang, Z, Bi, Z & Zhou, N 2005, 'The double jeopardy phenomenon and the mediating effect of brand penetration between advertising and brand loyalty', *Journal of Advertising Research*, vol. 45, no. 2, pp. 211–221.
- Yu, X & Ren, D 2019, *Birkin bags, Moutai and a savvy social media push: how Costco scored with its Shanghai debut while other retailers failed*, South China Morning Post, viewed 28 October 2020, <<https://www.scmp.com/business/companies/article/3024579/birkin-bags-kweichow-moutai-how-costco-drew-huge-crowds-its>>.
- Zarantonello, L & Schmitt, BH 2013, 'The impact of event marketing on brand equity: the mediating roles of brand experience and brand attitude', *International Journal of Advertising*, vol. 32, no. 2, pp. 255–280.
- Zhang, J, Farris, PW, Irvin, JW, Kushwaha, T, Steenburgh TJ & Weitz, BA 2010, 'Crafting integrated multichannel retailing strategies', *Journal of Interactive Marketing*, vol. 24, no. 2, pp. 168–180.
- Zhao, K, Zhao, X & Deng, J 2016, 'An empirical investigation of online gray markets', *Journal of Retailing*, vol. 92, no. 4, pp. 397–410.

Appendix 1

Buying of Luxury Skincare Products in China – Stage One Questionnaire

INTRODUCTION:

Thank you for agreeing to participate in this survey. All of your responses are kept confidential. The survey is about your awareness, knowledge and experience with buying skincare products. There are no right or wrong answers. We are just interested in your honest opinions and answers. The survey should take no longer than 20 minutes.

The first questions are about you and are for classification purposes.

ASK ALL TERMINATE IF SQ1=1

Q1: Gender Are you...	CODE
Male	1
Female	2

ASK ALL SR, TERMINATE IF QS2=1,4,5,6,7,8

Q2: Age	CODE
Under 18 years	1
18-25 years	2 (50%)
26-35 years	3 (50%)
36-45 years	4
46-55 years	5
56+ years	6
Do not want to say	7

ASK ALL QUOTA

Q3: Location: Where do you live?	CODE
Shanghai	1 (33.3%)
Chengdu	2 (33.3%)
Taiyuan	3 (33.3%)
Beijing	4
Hangzhou	5
Others	6

ASK ALL

Q4: How would you describe the process of buying skincare? How do you feel about this process? <i>Please type in your responses</i>	CODE
LAYOUT IS A SINGLE TEXT BOX, 8 LINES DEEP	<open>

ASK ALL

Q5: Thinking about where you can buy skincare for your face, which are your preferred options? Why do you like these options? <i>Please type in your responses</i>	CODE
LAYOUT IS 3 X 2 TEXT BOXES, AROUND 2 LINES EACH, WITH HEADERS, 'OPTION' AND 'REASON'	<open>

ASK ALL

Q6: Are there any retailers that sell skincare, but you would not buy from them? Why don't you like to use these options? <i>Please type in your responses</i>	CODE
LAYOUT IS 3 X 2 TEXT BOXES, AROUND 2 LINES EACH, WITH HEADERS, 'OPTION' AND 'REASON'	<open>

ASK ALL

Q7: Have you researched or bought skincare online or via your mobile phone? <i>Please select one response</i>	CODE
Yes researched only	1
Yes bought only	2
Yes researched and bought	3
No have not researched or bought skincare online	4

ASK ALL

Q8: How do you feel about buying skincare online? What are the benefits? What are the drawbacks? <i>Please type in your responses</i>	CODE
LAYOUT IS TWO TEXT BOXES, EACH 4 LINES ONE HEADED 'BENEFITS', THE OTHER HEADED 'DRAWBACKS'	<open>

Buying of Luxury Skincare Products in China – Stage Two Questionnaire

INTRODUCTION:

Thank you for agreeing to participate in this survey. All of your responses are kept confidential. The survey is about your awareness, knowledge and experience with buying skincare products. There are no right or wrong answers. We are just interested in your honest opinions and answers. The survey should take no longer than 20 minutes.

The first questions are about you and are for classification purposes.

ASK ALL SR, TERMINATE IF Q1=1

Q1: Gender Are you...	CODE
Male	1
Female	2

ASK ALL SR, TERMINATE IF Q2=1,4,5,6,7,8

Q2: Age	CODE
Under 18 years	1
18-25 years	2 (50%)
26-35 years	3 (50%)
36-45 years	4
46-55 years	5
56+ years	6
Do not want to say	7

ASK ALL QUOTA

Q3: Location: Where do you live?	CODE
Shanghai	1 (33.3%)
Chengdu	2 (33.3%)
Taiyuan	3 (33.3%)
Beijing	4
Hangzhou	5
Others	6

CHANNEL PERCEPTIONS

INTRO PAGE TO SHOW ALL

<p>You will next see some qualities that people have linked to channels to buy luxury skincare brands (see list below). Can you look at each quality and indicate which, if any of the listed channels, you associate with that quality. You can name as many or as few channels as you like, it does not matter if you have bought via the channel or not, it is your opinion we are after.</p>
<p>Continue button/arrow</p>

SHOW LIST WITH EXAMPLES

Channel	Type	Example
Department Store	Physical Channel	Réel Department Store
Duty Free	Physical Channel	Lotte Duty Free
High-end Supermarket	Physical Channel	Ole Supermarket
Hypermarket	Physical Channel	Walmart
Official Brand Store	Physical Channel	Estée Lauder Store
Pharmacy	Physical Channel	Mannings
Speciality Store	Physical Channel	Sephora
Online Official Brand Site	Online Channel	https://www.esteelauder.com.cn/
Online General Store	Online Channel	Taobao Stores
Online Social Media Store	Online Channel	WeChat Stores
Online Speciality Store	Online Channel	https://cn2.strawberrynet.com/
Online Shopping Agent	Online Channel	http://www.zhigouyp.com

[MR PER STATEMENT, ONE TABLE PER SCREEN]

CHANNEL LIST SHOULD BE RANDOMISED FOR EACH RESPONDENT, EXCEPT NONE OF THESE ALWAYS AT THE END.

ON EACH PAGE

<p>QCHAN1 Which of these channels do you link with the following qualities? Remember you can tick as many or as few as you like, or none if none are relevant to that quality. <i>Please select all that apply</i></p>
--

[ASK ALL, MR, RANDOMISE, ANCHOR NONE OF THESE]

QCHANNELUSE1. From which of the following channels have you ever bought luxury skincare products from? <i>Please select all that apply</i> INSERT LIST FROM QCHAN1 Include a 'None of these' option	Code
Department Store	1
Duty Free	2
High-end Supermarket	3
Hypermarket	4
Official Brand Store	5
Pharmacy	6
Speciality Store	7
Online Official Brand Site	8
Online General Store	9
Online Social Media Store	10
Online Speciality Store	11
Online Shopping Agent	12
None of these	99

[ASK ALL, SR, OPTIONS SELECTED AT QCHANNELUSE1, DROPDOWN BOX NUM RANGE 0 TO 12+]

QCHANNELUSE1. How many times have you bought luxury skincare from each channel <u>in the past 12 months</u> ? <i>Please select an answer for each channel.</i>	
Department Store	<PULL DOWN>
Duty Free	<PULL DOWN>
High-end Supermarket	<PULL DOWN>
Hypermarket	<PULL DOWN>
Official Brand Store	<PULL DOWN>
Pharmacy	<PULL DOWN>
Speciality Store	<PULL DOWN>
Online Official Brand Site	<PULL DOWN>
Online General Store	<PULL DOWN>
Online Social Media Store	<PULL DOWN>
Online Speciality Store	<PULL DOWN>
Online Shopping Agent	<PULL DOWN>

ASK ALL

FINAL DEMOGRAPHICS

INTRO Text: We are almost at the end of the survey. All of your answers will remain anonymous and confidential. You can be confident that no one associated with this research project can personally identify you from your answers to the questions. The following questions are about yourself and are for classification purposes only.

[ASK ALL, SR]

DEMO1. Which of the following best describes your work status? <i>Please select one answer</i>	
	CODE
As relevant	1
	2
	3
	4
	5
	6

ASK ALL, SR

DEMO3. Please select the income band that most closely matches your GROSS total household yearly income? <i>Please select one answer</i>	
	CODE
50,001-60,000 RMB	1
60,001-70,000 RMB	2
70,001-80,000 RMB	3
80,001-90,000 RMB	4
90,001-100,000 RMB	5
100,001-150,000 RMB	6
150,001-200,000 RMB	7
200,001-250,000 RMB	8
250,001-300,000 RMB	9
Above 300,000 RMB	10
Don't know	11
Prefer not to say	12

THANK YOU FOR TAKING THIS SURVEY!

Appendix 2

Buying of Luxury Leather Goods in the USA – Stage Two Questionnaire

INTRODUCTION:

Thank you for agreeing to participate in this survey. All of your responses will be kept confidential.

This survey is about your experience with luxury leather goods (handbags, wallets, etc.).

There are no right or wrong answers. We are interested in your honest opinions and answers.

The first few questions are about you and are for classification purposes.

SECTION ONE: SCREENING QUESTIONS

ASK ALL, SR

DEMO1: Gender: Are you...? <i>Please select one answer</i>	CODE
Male	1
Female	2

ASK ALL, SR TERMINATE IF SQ2 < LESS THAN 18 YEARS OLD

SQ1. What is your year of birth? <i>Please select one answer</i>	<dropdown list>
---	-----------------

ASK ALL, SR, TERMINATE IF SQ2 = 99

SQ2. Where do you currently live? <i>Please select one answer</i>	CODE
Chicago	1
Dallas	2
Houston	3
Los Angeles	4
New York	5
Philadelphia city	6
Phoenix	7
San Antonio	8
San Diego	9
San Jose	10
Other	99

[ASK ALL, MR, TERMINATE IF SQ3 = 99]

SQ3. Have you ever purchased any leather goods (i.e. handbags, wallets, laptop cases) from the following brands? The purchases can be for yourself or as a gift for others.

Please select one answer

	CODE
Bottega Veneta	1
Burberry	2
Céline	3
Chanel	4
Coach	5
Fendi	6
Gucci	7
Hermès	8
Kate Spade	9
Loewe	10
Louis Vuitton	11
Marc Jacobs	12
Michael Kors	13
Prada	14
Ralph Lauren	15
YSL	16
Salvatore Ferragamo	17
Tory Burch	18
Tumi	19
None of these	99

Brand attitude and perceptions

[ASK ALL, SR, RANDOMISE]

BAP-1a: Which of the following statements best describes how you feel about each of the following leather goods brands?

Please select one answer for each brand, it does not matter if you have bought the brand or not, it is your opinion we are after.

1. I love this brand
2. It's one of the brands I prefer
3. I have no opinion about this brand
4. I would not usually consider, unless others were unavailable
5. I would refuse to buy this brand
6. I have not heard of this brand

[ASK IF BAP-1a=5 FOR ANY BRAND. REPEAT IN LOOP FOR EACH BRAND]

BAP-1b: Thinking about [INSERT BRAND from BAP-1a], why would you refuse to buy leather goods from this brand?

Please briefly write in your response

'Don't know'

[ASK ALL, MR, RANDOMISE BOTH BRAND AND QUALITY, ANCHOR NONE OF THESE]

BAP-2: Next you will see some qualities that people have linked to leather goods brands. Please look at each quality and indicate which, if any of the listed brands, you associate with that quality.

You can select as many or as few brands as you like, it does not matter if you have purchased the brand or not, it is your opinion we are interested in.

List of brand

1	Bottega Veneta	11	Louis Vuitton
2	Burberry	12	Marc Jacobs
3	Céline	13	Michael Kors
4	Chanel	14	Prada
5	Coach	15	Ralph Lauren
6	Fendi	16	YSL
7	Gucci	17	Salvatore Ferragamo
8	Hermès	18	Tory Burch
9	Kate Spade	19	Tumi
10	Loewe	99	None of These

List of brand quality

1	Has a range of unique products
2	Offers superior quality products
3	It is only produced in limited numbers
4	Only available to buy in exclusive locations
5	Sets the trends that everyone else follows
6	Good for someone who wants to project a high-class image to others
7	Has kept its originality over time
8	Has high-end options with prices that are unaffordable to most
9	Makes me think of the 'rich and famous'
10	It is only for the elite

Channel attitude and perceptions

[ASK ALL, SR, RANDOMISE]

CAP-1a: Which of the following statements best describes how you feel about buying new luxury leather goods (handbags, wallets, laptop cases, etc.) from each of the following retail channels? The purchase can be for yourself or as a gift for others.

Please select one answer for each retail channel, it does not matter if you have bought via the retail channel or not, it is your opinion we are after.

1. It's one I love to buy from
2. It's somewhere I prefer to buy from
3. I have no opinion
4. I would not usually consider, unless other options were unavailable
5. I would refuse to buy from here
6. I have not heard of this retail channel

[ASK IF CAP-1a=5 FOR ANY CHANNEL. REPEAT IN LOOP FOR EACH CHANNEL]

CAP-1b: Thinking about [INSERT CHANNEL from CAP-1a], why would you refuse to buy luxury leather goods from this retail channel?

Please briefly write in your response

['Don't know']

[ASK ALL, MR, RANDOMISE QUALITY, RANDOMISE CHANNEL, ANCHOR NONE OF THESE]

CAP-2: Next you will see some qualities that people have linked to retail channels where new leather goods can be purchased (handbags, wallets, laptop cases, etc.). Which of these retail channels do you link with the following qualities?

Remember you can tick as many or as few as you like, or none if none are relevant to that quality. It does not matter if you have purchased via the retail channel or not, it is your opinion we are interested in.

List of channel

Channel	Type	Example
Official brand store	Physical channel	Gucci Store
Official brand outlet store	Physical channel	Prada Outlet Store
Department store	Physical channel	Nordstrom
Outlet department store	Physical channel	Nordstrom Rack
Super store	Physical channel	Walmart
Warehouse club store	Physical channel	Costco
Duty free	Physical channel	DFS
Online official brand site	Online channel	https://us.burberry.com/
Online department store	Online channel	https://www.nordstrom.com
Online outlet department store	Online channel	https://www.nordstromrack.com
Online super store	Online channel	https://www.walmart.com
Online multi-brand luxury store	Online channel	Net-A-Porter
Online outlet multi-brand luxury store	Online channel	The Outnet
Online general store	Online channel	Amazon Stores
Online social media store	Online channel	Facebook Stores

List of channel quality

1	Can be trusted to only sell authentic products
2	Can experience the product in detail before you buy
3	Easy to access
4	Has good delivery systems so you can get your product quickly
5	Has helpful customer service when needed
6	Has the latest styles
7	Is a retail environment well-suited to shopping for luxury products
8	Offers products that are good value for money
9	Offers a wide range of products/brands
10	Offers an enjoyable shopping experience
11	Offers payment options I am happy to use
12	Often has sales where you can buy something at a bargain price
13	Sells products that you can't buy anywhere else
14	The buying process is quick and easy

Brand/Channel buying

[ASK ALL, MR, RANDOMISE BRAND, RANDOMISE CHANNEL, ANCHOR NONE OF THESE]

BCB-1: From which retail channels are the following brands available to purchase?

Please select as many retail channels for each brand as appropriate, it does not matter if you have bought the brand or not, it is your opinion we are after.

INERT INTRO PAGE

[The next section is about your purchase history of leather goods from different brands in different retail channels. Please select as many retail channels for each brand as appropriate, or select “none of these” if you have never bought this brand of leather goods from any of the listed retail channels]

ASK ALL, MR, RANDOMISE BRAND, RANDOMISE CHANNEL, ANCHOR NONE OF THESE]

BCB-2: From which of the following retail channels have you ever purchased the following brands of leather goods (i.e. handbags, wallets, laptop cases, etc.)? The purchase can be for yourself or as a gift for others.

Please select as many retail channels for each brand as appropriate

[SKIP BCB-3 IF BCB-2 = 99 FOR ALL BRANDS; ASK ALL OTHER, SR]

BCB-3: How many times within the last five years did you buy luxury leather goods (handbag, wallet, laptop case, etc.) from each of the following retail channels? The purchase can be for yourself or as a gift for others.

Please select one answer for each retail channel.

Show channels which have used in BCB-2, see example below	DROPDOWN LIST
Official brand store	0,1, 2, 3, 4, 5, 5+
Department store	0,1, 2, 3, 4, 5, 5+
Duty free	0,1, 2, 3, 4, 5, 5+
Online official brand site	0,1, 2, 3, 4, 5, 5+
Online department store	0,1, 2, 3, 4, 5, 5+

Demo Questions

DEMO1. Which of the following best describes you? Please select one answer	
	CODE
I have children aged under 15 years	1
I have children aged 15 years or older	2
I have children both under and over 15 years of age	3
I have no children	4

DEMO2: Please indicate the highest level of education you have completed. <i>Please select one answer</i>	
	CODE
Less than high school degree	1
High school degree or equivalent	2
Some college but no degree	3
Associate degree	4
Bachelor's degree	5
Master's degree	6
Professional degree	7
Doctorate	8
Don't know/Prefer not to say	99

DEMO3: Which of the following best represents your household total annual income, including income from investments? <i>Please select one answer</i>	
	CODE
Less than USD 50,000	1
USD 50,000 – USD 74,999	2
USD 75,000 – USD 99,999	3
USD 100,000 – USD 124,999	4
USD 125,000 – USD 149,999	5
USD150,000 – USD174,999	6
USD175,000 – USD199,999	7
USD200,000 – USD249,999	8
USD250,000 or above	9
Don't know/Prefer not to say	99

THANK YOU FOR TAKING THIS SURVEY!

Appendix 3

Perceived Distribution Luxury Perception by Attribute

It is only for the elite

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.3***	1.2	1.1
Kate Spade	1.3***	1.2	1.1
Céline	1.2***	1.2	1.1
Marc Jacobs	1.2***	1.2	1.1
Salvatore Ferragamo	1.2***	1.2	1.1
Tumi	1.2***	1.2	1.1
Burberry	1.2***	1.2	1.1
Fendi	1.2***	1.2	1.1
Bottega Veneta	1.2**	1.2	1.1
Hermès	1.2**	1.2	1.1
Tory Burch	1.2**	1.2	1.1
YSL	1.1**	1.2	1.1
Chanel	1.1**	1.2	1.1
Coach	1.1*	1.2	1.1
Gucci	1.1*	1.2	1.1
Michael Kors	1.1*	1.2	1.1
Prada	1.1*	1.2	1.1
Ralph Lauren	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

It is only produced in limited numbers

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.3	1.6
Salvatore Ferragamo	1.3***	1.2	1.4
Prada	1.3***	1.2	1.4
Kate Spade	1.3***	1.1	1.4
Céline	1.2***	1.1	1.4
Tumi	1.2***	1.1	1.4
Fendi	1.2***	1.1	1.3
Burberry	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Hermès	1.2***	1.1	1.3
Bottega Veneta	1.2***	1.1	1.3
Marc Jacobs	1.2**	1.1	1.3
Tory Burch	1.1*	1.0	1.2
YSL	1.1*	1.0	1.2
Gucci	1.1*	1.0	1.2
Louis Vuitton	1.1*	1.0	1.2
Michael Kors	ns		
Coach	ns		
Ralph Lauren	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Sets the trends that everyone else follows

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.6***	1.4	1.8
Bottega Veneta	1.4***	1.2	1.5
YSL	1.4***	1.2	1.5
Burberry	1.4***	1.2	1.5
Salvatore Ferragamo	1.3***	1.2	1.5
Tory Burch	1.3***	1.2	1.4
Kate Spade	1.3***	1.2	1.4
Fendi	1.3***	1.2	1.4
Marc Jacobs	1.3***	1.2	1.4
Tumi	1.3***	1.2	1.4
Hermès	1.3***	1.2	1.4
Céline	1.3***	1.2	1.4
Prada	1.3***	1.2	1.4
Michael Kors	1.3***	1.2	1.4
Louis Vuitton	1.3***	1.2	1.4
Gucci	1.2***	1.1	1.3
Ralph Lauren	1.2***	1.1	1.2
Chanel	1.2***	1.1	1.3
Coach	1.1***	1.1	1.2

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Good for someone who wants to project a high-class image to others

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.2	1.5
Prada	1.3***	1.2	1.5
Burberry	1.3***	1.2	1.4
Céline	1.3***	1.1	1.4
Marc Jacobs	1.3***	1.2	1.4
Kate Spade	1.2***	1.1	1.4
Salvatore Ferragamo	1.2***	1.1	1.4
YSL	1.2***	1.1	1.3
Tory Burch	1.2***	1.1	1.3
Michael Kors	1.2***	1.1	1.3
Tumi	1.2***	1.1	1.3
Fendi	1.2***	1.1	1.3
Bottega Veneta	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Ralph Lauren	1.2***	1.1	1.3
Gucci	1.2***	1.1	1.3
Hermès	1.2**	1.1	1.3
Louis Vuitton	1.1***	1.1	1.2
Coach	1.1*	1.0	1.2

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has a range of unique products

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.3	1.6
Hermès	1.4***	1.3	1.5
Bottega Veneta	1.4***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
YSL	1.3***	1.2	1.5
Fendi	1.3***	1.2	1.5
Tumi	1.3***	1.2	1.4
Salvatore Ferragamo	1.3***	1.2	1.4
Coach	1.3***	1.2	1.4
Kate Spade	1.3***	1.2	1.4
Céline	1.3***	1.2	1.4
Gucci	1.3***	1.2	1.4
Burberry	1.2***	1.2	1.3
Michael Kors	1.2***	1.2	1.3
Prada	1.2***	1.1	1.3
Tory Burch	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Louis Vuitton	1.2***	1.1	1.3
Ralph Lauren	1.2***	1.1	1.3

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Is only available to buy in exclusive locations

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.3***	1.2	1.5
Fendi	1.3***	1.2	1.4
Tumi	1.2***	1.1	1.3
Hermès	1.2***	1.1	1.3
Burberry	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Céline	1.2***	1.1	1.3
YSL	1.2***	1.1	1.3
Prada	1.2***	1.1	1.3
Marc Jacobs	1.2***	1.1	1.3
Kate Spade	1.2**	1.1	1.3
Bottega Veneta	1.2**	1.1	1.3
Tory Burch	1.1**	1.0	1.2
Salvatore Ferragamo	1.1**	1.0	1.2
Gucci	1.1**	1.0	1.2
Michael Kors	1.1*	1.0	1.2
Coach	1.1*	1.0	1.2
Louis Vuitton	1.1*	1.0	1.2
Ralph Lauren	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has high-end options with prices that are unaffordable to most

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.3	1.6
Bottega Veneta	1.3***	1.1	1.4
Céline	1.2***	1.1	1.4
Fendi	1.2***	1.1	1.3
Burberry	1.2***	1.1	1.3
Marc Jacobs	1.2***	1.1	1.3
Kate Spade	1.2***	1.1	1.3
Tumi	1.2***	1.1	1.3
Salvatore Ferragamo	1.2***	1.1	1.3
Prada	1.2***	1.1	1.3
Hermès	1.2**	1.1	1.3
Tory Burch	1.18*	1.0	1.2
YSL	1.1**	1.0	1.2
Chanel	1.1*	1.0	1.2
Gucci	1.1*	1.0	1.2
Coach	ns		
Michael Kors	ns		
Ralph Lauren	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has kept its originality over time

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Bottega Veneta	1.4***	1.2	1.5
Salvatore Ferragamo	1.4***	1.2	1.5
Loewe	1.3***	1.2	1.5
Burberry	1.3***	1.2	1.5
Céline	1.3***	1.2	1.4
Fendi	1.3***	1.2	1.4
Marc Jacobs	1.3***	1.2	1.4
YSL	1.3***	1.2	1.4
Prada	1.3***	1.2	1.4
Tumi	1.3***	1.1	1.4
Kate Spade	1.2***	1.1	1.4
Tory Burch	1.2***	1.1	1.4
Gucci	1.2***	1.1	1.3
Hermès	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Michael Kors	1.2***	1.1	1.3
Ralph Lauren	1.2***	1.1	1.3
Louis Vuitton	1.2***	1.1	1.3
Coach	1.2***	1.1	1.2

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Makes me think of the 'rich and famous'

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.2	1.6
Tory Burch	1.3***	1.2	1.4
Céline	1.3***	1.2	1.4
Tumi	1.3***	1.2	1.4
Marc Jacobs	1.3***	1.2	1.4
Gucci	1.2***	1.1	1.4
Kate Spade	1.2***	1.1	1.4
Fendi	1.2***	1.1	1.4
Burberry	1.2***	1.1	1.3
Prada	1.2***	1.1	1.3
YSL	1.2***	1.1	1.3
Salvatore Ferragamo	1.2***	1.1	1.3
Chanel	1.2***	1.1	1.3
Bottega Veneta	1.2**	1.1	1.3
Ralph Lauren	1.1***	1.1	1.2
Michael Kors	1.1***	1.1	1.2
Louis Vuitton	1.1**	1.0	1.2
Hermès	1.1*	1.0	1.2
Coach	1.1**	1.0	1.2

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Offers superior quality products

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.2	1.5
Burberry	1.3***	1.2	1.4
Tumi	1.3***	1.2	1.4
Céline	1.3***	1.2	1.4
YSL	1.3***	1.2	1.4
Ralph Lauren	1.2***	1.2	1.3
Fendi	1.2***	1.1	1.4
Chanel	1.2***	1.1	1.4
Kate Spade	1.2***	1.1	1.3
Marc Jacobs	1.2***	1.1	1.3
Louis Vuitton	1.2***	1.1	1.3
Michael Kors	1.2***	1.1	1.3
Coach	1.2***	1.1	1.3
Bottega Veneta	1.2***	1.1	1.3
Tory Burch	1.2***	1.1	1.3
Prada	1.2***	1.1	1.3
Gucci	1.2***	1.1	1.3
Salvatore Ferragamo	1.1**	1.1	1.3
Hermès	1.1**	1.0	1.2

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Appendix 4

Purchased Distribution Luxury Perception by Attribute

It is only for the elite

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.3***	1.2	1.5
Kate Spade	1.3***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
Michael Kors	1.3***	1.1	1.4
Tory Burch	1.3***	1.1	1.4
Ralph Lauren	1.2***	1.1	1.4
Coach	1.2***	1.1	1.4
Tumi	1.2***	1.1	1.4
YSL	1.2***	1.1	1.3
Fendi	1.2***	1.1	1.3
Burberry	1.2**	1.1	1.3
Bottega Veneta	1.2**	1.1	1.3
Salvatore Ferragamo	1.2**	1.1	1.3
Chanel	1.1**	1.0	1.3
Céline	1.1*	1.0	1.3
Gucci	1.1**	1.0	1.2
Louis Vuitton	ns		
Hermès	ns		
Prada	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

It is only produced in limited numbers

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.3	1.6
Kate Spade	1.4***	1.2	1.6
Ralph Lauren	1.3***	1.2	1.5
Salvatore Ferragamo	1.3***	1.2	1.5
Burberry	1.3***	1.1	1.4
Chanel	1.3***	1.1	1.4
YSL	1.2***	1.1	1.4
Marc Jacobs	1.2***	1.1	1.4
Tumi	1.2***	1.1	1.4
Gucci	1.2***	1.1	1.4
Coach	1.2***	1.1	1.4
Tory Burch	1.2***	1.1	1.4
Fendi	1.2***	1.1	1.4
Céline	1.2**	1.1	1.4
Michael Kors	1.2***	1.1	1.3
Bottega Veneta	1.2***	1.1	1.3
Prada	1.2**	1.1	1.3
Louis Vuitton	ns		
Hermès	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Sets the trends that everyone else follows

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.7***	1.5	2.0
Bottega Veneta	1.5***	1.3	1.7
Tumi	1.4***	1.3	1.6
Céline	1.4***	1.3	1.6
YSL	1.4***	1.2	1.5
Gucci	1.3***	1.2	1.5
Fendi	1.3***	1.2	1.5
Kate Spade	1.3***	1.2	1.5
Tory Burch	1.3***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
Burberry	1.3***	1.2	1.5
Salvatore Ferragamo	1.2***	1.1	1.4
Ralph Lauren	1.2***	1.1	1.4
Coach	1.2***	1.1	1.4
Michael Kors	1.2***	1.1	1.4
Hermès	1.2***	1.1	1.4
Prada	1.2***	1.1	1.3
Louis Vuitton	1.2**	1.1	1.3
Chanel	1.2**	1.1	1.3

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Good for someone who wants to project a high-class image to others

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.5***	1.3	1.7
Marc Jacobs	1.3***	1.2	1.5
Michael Kors	1.3***	1.1	1.4
Tumi	1.3***	1.1	1.4
Céline	1.2***	1.1	1.4
Tory Burch	1.2***	1.1	1.4
Ralph Lauren	1.2***	1.1	1.3
Fendi	1.2**	1.0	1.3
Chanel	1.1**	1.0	1.3
Coach	1.1**	1.0	1.3
Bottega Veneta	1.1*	1.0	1.3
Gucci	1.1*	1.0	1.2
YSL	1.1*	1.0	1.2
Kate Spade	ns		
Burberry	ns		
Salvatore Ferragamo	ns		
Prada	ns		
Hermès	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has a range of unique products

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Tumi	1.5***	1.3	1.6
Loewe	1.4***	1.3	1.6
Ralph Lauren	1.3***	1.2	1.5
YSL	1.3***	1.2	1.5
Gucci	1.3***	1.1	1.4
Marc Jacobs	1.3***	1.1	1.4
Michael Kors	1.3***	1.1	1.4
Bottega Veneta	1.3***	1.1	1.4
Céline	1.3***	1.1	1.4
Hermès	1.2***	1.1	1.3
Fendi	1.2***	1.1	1.3
Salvatore Ferragamo	1.2**	1.1	1.3
Chanel	1.2**	1.1	1.3
Coach	1.2**	1.1	1.3
Kate Spade	1.2**	1.1	1.3
Prada	1.2**	1.1	1.3
Tory Burch	1.2**	1.0	1.3
Burberry	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Is only available to buy in exclusive locations

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.3***	1.2	1.5
Kate Spade	1.3***	1.2	1.5
Michael Kors	1.3***	1.2	1.5
Tumi	1.3***	1.2	1.4
Tory Burch	1.3***	1.1	1.4
Ralph Lauren	1.2***	1.1	1.4
Marc Jacobs	1.2***	1.1	1.4
Fendi	1.2***	1.1	1.4
Céline	1.2***	1.1	1.3
Coach	1.2***	1.1	1.3
Gucci	1.2***	1.1	1.3
YSL	1.2**	1.0	1.3
Chanel	1.1**	1.0	1.3
Burberry	1.1**	1.0	1.3
Bottega Veneta	1.1*	1.0	1.2
Prada	1.1*	1.0	1.2
Salvatore Ferragamo	ns		
Hermès	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has high-end options with prices that are unaffordable to most

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.5***	1.3	1.7
Marc Jacobs	1.3***	1.1	1.4
Ralph Lauren	1.3***	1.1	1.4
Céline	1.2***	1.1	1.4
Burberry	1.2***	1.1	1.4
Tumi	1.2***	1.1	1.4
Kate Spade	1.2***	1.1	1.4
Coach	1.2**	1.1	1.3
Michael Kors	1.2**	1.0	1.3
Gucci	1.1*	1.0	1.2
Tory Burch	1.1*	1.0	1.3
Fendi	1.1*	1.0	1.2
Bottega Veneta	1.1*	1.0	1.2
YSL	ns		
Chanel	ns		
Salvatore Ferragamo	ns		
Hermès	ns		
Prada	ns		
Louis Vuitton	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Has kept its originality over time

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Bottega Veneta	1.5***	1.3	1.7
Loewe	1.4***	1.2	1.6
Salvatore Ferragamo	1.4***	1.2	1.6
Coach	1.3***	1.2	1.5
Céline	1.3***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
Tory Burch	1.3***	1.2	1.4
Tumi	1.3***	1.1	1.4
Fendi	1.3***	1.1	1.4
Michael Kors	1.3***	1.1	1.4
Ralph Lauren	1.3***	1.1	1.4
YSL	1.2***	1.1	1.4
Gucci	1.2***	1.1	1.4
Kate Spade	1.2***	1.1	1.4
Burberry	1.2***	1.1	1.3
Prada	1.1**	1.0	1.2
Chanel	1.1*	1.0	1.3
Louis Vuitton	ns		
Hermès	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Makes me think of the 'rich and famous'

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.3	1.6
Michael Kors	1.4***	1.2	1.5
Marc Jacobs	1.3***	1.2	1.5
Tumi	1.3***	1.2	1.5
Kate Spade	1.3***	1.2	1.5
Gucci	1.3***	1.1	1.4
Céline	1.3***	1.1	1.4
Ralph Lauren	1.3***	1.1	1.4
Tory Burch	1.2***	1.1	1.4
Coach	1.2***	1.1	1.3
Burberry	1.2**	1.1	1.3
Fendi	1.2**	1.1	1.3
Bottega Veneta	1.2**	1.0	1.3
Chanel	1.1*	1.0	1.2
Salvatore Ferragamo	ns		
YSL	ns		
Louis Vuitton	ns		
Prada	ns		
Loewe	ns		

Significance: ***at p<0.001, **at p<0.01, *at p<0.05, ns = not significance

Offers superior quality products

Brand	Exp(B)	95% C.I.for EXP(B) - Lower	95% C.I.for EXP(B) - Upper
Loewe	1.4***	1.2	1.6
Ralph Lauren	1.3***	1.1	1.4
Tumi	1.2***	1.1	1.4
Coach	1.2***	1.1	1.3
Michael Kors	1.2***	1.1	1.3
Céline	1.2**	1.1	1.3
Bottega Veneta	1.2**	1.1	1.3
Marc Jacobs	1.2**	1.1	1.3
Fendi	1.1**	1.0	1.3
Tory Burch	1.1*	1.0	1.2
Chanel	1.1*	1.0	1.2
YSL	ns		
Burberry	ns		
Kate Spade	ns		
Prada	ns		
Gucci	ns		
Salvatore Ferragamo	ns		
Louis Vuitton	ns		
Hermès	ns		