

Huber, Sebastian; Gebien, Oliver

**Article**

## Against all Odds - E-Commerce Success in the Luxury Goods Industry

Marketing Review St.Gallen

**Provided in Cooperation with:**

Universität St. Gallen, Institut für Marketing und Customer Insight

*Suggested Citation:* Huber, Sebastian; Gebien, Oliver (2018) : Against all Odds - E-Commerce Success in the Luxury Goods Industry, Marketing Review St.Gallen, ISSN 1865-7516, Thexis Verlag, St.Gallen, Vol. 35, Iss. 5, pp. 76-81

This Version is available at:

<https://hdl.handle.net/10419/276005>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# Marketing Review St. Gallen



5 | 2018 **SCHWERPUNKT** Interview mit Andreas Küssner, Umdasch Shopfitting AG • Nutzenbasiertes Pricing • Material und Marke • Experience Design • Co-Creation • Ästhetik als interaktive Wertschöpfung **SPEKTRUM** Influencer Marketing • E-Commerce in Luxury • Markenerlebnisse **INSIGHTS** Die Post: Relevanz durch individualisierte Kundenansprache • The Circle: Am Puls der Zeit **KOMMENTAR** Handlungen auslösen vs. Aufbau der Brand: Wie bringen wir das in Einklang?

[www.marketing-review.ch](http://www.marketing-review.ch)



## Tangibler Mehrwert



# Against all Odds

## E-Commerce Success in the Luxury Goods Industry

---

For many years, it has been debated if at all – and to what extent – high-priced goods in general and luxury brands specifically are suitable for online commerce (e.g. Arrigo, 2014 or Dall’Olmo Riley and Lacroix, 2003). Many distinct characteristics of strategic luxury brand management intuitively contradict the dynamics of e-commerce, with its fully transparent pricing and an affinity for lower-priced items, the focus on immediate order fulfilment, a generally younger and highly technology-savvy consumer audience and democratic interaction between consumers and brands, to name just a few (c.f. Müller-Stewens and Berghaus, 2014).

**Sebastian Huber, Oliver Gebien**

**A**s early as 2008, Montblanc, a brand within luxury holding Richemont, was one of the first luxury brands to enter direct e-commerce with its own online store<sup>1</sup>. Responding to commercially dissatisfying results of a first project, the brand quickly revised its approach and re-launched a fundamentally new e-commerce strategy three years later, which generates today a significant share of revenue and growth for the brand on a global scale. Pertinent learnings can be drawn from this case, both for the luxury industry in general and other brands or companies considering to enter the digital sales channel: a fully consistent integration of digital as a strategic pillar within the overall brand strategy proved paramount in the brand's ultimate online success. Further digital transformation subsequently changed roles and assignments of responsibility within the organisation, most radically between digital marketing and e-commerce.

Looking ahead, further transformation looms for Montblanc and the luxury sector in general: With continuous global growth expected for the online channel, specialised multi-brand online retailers will strengthen. Few remaining distribution partners will be able to maintain their online channel by responding to high customer expectations of operational excellence, continued investment and strong competition in e-commerce. This power shift away from a brand's own, direct online sales platforms will also witness the appearance of pure and specialized online players for the distribution of luxury goods in the years ahead.

### Luxury and E-Commerce at Odds

Numerous attempts to define the luxury industry have led to a set of characteristics which seem to be fundamentally at odds with online sales and marketing (cf. Geerts, 2013): direct and personal interaction between brand and customers, limiting distribution to create exclusivity, celebrating a brand's heritage, showcasing the intricate craftsmanship required in a product's creation and providing strong status functions to its owners fundamentally contradict the characteristics of e-commerce. So for most luxury brands, "online" and "internet" were synonyms for illegal discounting, criminal counterfeit product sales and forums of uncontrollable mostly negative comments from non-customers that were envying the wealthy elite that could afford luxury products and experiences. Until about 10 years ago, many authors argued that online marketing and e-commerce were inappropriate for luxury brands (e.g. Kapferer and Bastien, 2008).

Acquired by the predecessor holding of today's Richemont Group in the 1980s, Montblanc followed a systematic

diversification strategy in both geographic markets and product categories. From its heritage in fine writing instruments, the brand expanded its product offer to other hard-goods luxury categories such as fine leather, watches, men's accessories, lady's jewellery, fragrances and eyewear (Brunner et.al., 2011 and Chesters, 2011). From its strongholds in Europe and the US, it started distributing across Asia, the Middle East and Latin America from the early 1990s.

Participating in a long period of growth in the luxury industry (Bain & Co. 2017, p. 6), Montblanc's strategic priorities from the late 1990s focused on (1) transforming its distribution model towards own, mono-brand retail along with (2) acquiring a larger share of female customers and (3) establishing the jewellery product category as its fourth strong product pillar. With a continuous effort on quality, the brand upgraded its distribution channels such as watch & jewellery boutiques, department stores, airport outlets, traditional stationery trade and its own retail stores. At this time, the online channel was considered mainly a domain of fighting against counterfeit products (Richemont, 2018) and unauthorised grey market retailers. E-commerce was judged a long-term opportunity with little short-term potential or commercial urgency. Until 2008, as per Richemont's policy, Montblanc strictly refrained from any online distribution; not even showing prices online, neither on the brand website nor by any of its distribution partners.

### Retail Frenzy Going Digital

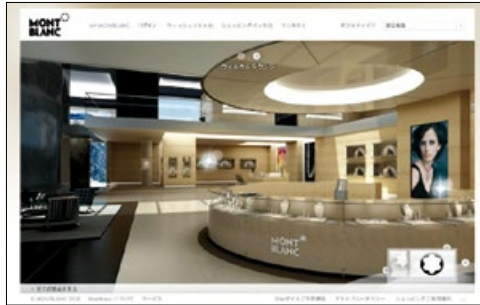
Given the relatively accessible price points and a strong familiarity of many consumers with the Montblanc core assortment of writing instruments, the pressure to open online

#### Sebastian Huber

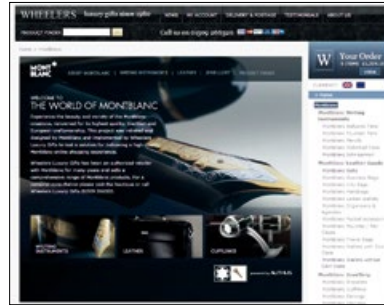
Researcher  
Lucerne University of  
Applied Sciences and Arts  
Lucerne (Switzerland)  
sebastian.huber@hslu.ch  
Tel.: +41 (0) 41 2289926

#### Oliver Gebien

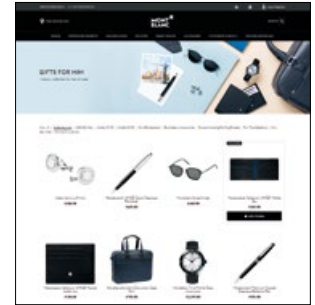
Director e-Commerce  
Montblanc International GmbH  
Hamburg (Germany)  
o.gebien@montblanc.de  
Tel.: +49 (0) 40 840010



**Figure 1** Montblanc's first online sales platform launched in Japan, July 2008.



**Figure 2** Online shop-in-shop on a retailer's website, 2009.



**Figure 3** E-commerce driven website, since 2014.

distribution was strongly increasing towards 2006, especially from the e-commerce savvy US and UK markets. Montblanc's retailers saw significant business opportunities in selling online, predominantly for writing instruments, leather accessories and refills (i.e. ink cartridges, agendas and other consumable items). Both existing luxury customers and technology-savvy wealthy shoppers were demanding the service and transparency they knew from other brands and online platforms. Logistics infrastructure and dedicated online platforms were accelerating this development along with improved mobile internet access adding convenience to online shopping. Without much storytelling, customers wanted to compare products on shape, size, price and other features while expecting transparency on the cost of customisation, gift wrapping and shipping services.

Due to increasing pressure by retailers in early e-commerce markets, Montblanc decided to invest in a pilot project to explore both commercial and branding opportunities in e-commerce. To limit global visibility and investment risk for its pilot project, Montblanc launched its first online sales platform in July 2008 in Japan as a virtual representation of the brand's retail experience (see Figure 1). Due to legal restrictions within existing distribution agreements, the assortment was restricted to ladies' products, notably leather goods and jewellery. Writing instruments and watches were shown but not sold online since this would conditionally have allowed retailers to launch their own online sales. The site attracted about 200 unique visitors per day, increasing manifold once search engine marketing was launched. Despite positive feedback from visiting customers, the site generated only marginal sales, mainly because of the narrow assortment which did not include the brand's most popular items. While many resources were invested into the virtual online store experience, it did not drive customers to purchase, but rather to browse and explore the brand.

On September 15th, 2008 Lehmann Brother's collapsed and accelerated what later became the "financial crisis", heavily affecting the luxury industry in 2008 and 2009 after decades of uninterrupted growth (cf. Poggi, 2009). Subsequently also for Montblanc, strategic priorities shifted swiftly away from its e-commerce pilot to securing its top and bottom line on a global basis. The Japan e-commerce activity did no longer justify its investment compared with the sales generated and thus was taken off line after 12 months, in June 2009.

### Using a Crisis to Leapfrog

While the financial crisis affected luxury brands across all geographies and sectors, the US and UK markets were hit the hardest with a significant drop in sales, particularly in entry luxury price segments (Bain & Co 2009, p. 19). This accelerated a structural change that forced many smaller retailers in rural areas to close. Subsequently, Montblanc decided to focus a new launch of its e-commerce on the US and UK to cover for lost distribution in areas where retailers no longer carried the brand or went out of business altogether. This shift to a commercial rationale for e-commerce fundamentally changed the brand's approach to its online business.

Driven by the speed of market transformation caused by the financial crisis, the brand decided to implement an e-retailer model already in 2009 since this allowed to (1) swiftly generate sales with ready partners and (2) maintain the brand presence and geographical reach where it was at risk of disappearing. A strong legal framework was created that remains valid to date, setting clear requirements for retailers to be authorised for selling Montblanc products online. Conditions include a legal business relationship with the brand, an up-to-date physical presence (shop-in-shop) with a representative assortment, limiting distribution to agreed territories as well as proven skills and operational structures for e-commerce,



customer service and online marketing. From a branding and customer experience standpoint, Montblanc required its retailers to present the brand in its own branded digital space, much as a shop-in-shop in the brick and mortar store (see Figure 2). These measures allowed for customers to instantly recognise authorised online distribution and differentiate it from the illegal activities of unauthorised retailers and counterfeit products sold online. The compliance with product pricing is controlled much the same way online and offline.

Driven by commercial urgency, the brand had to integrate its e-commerce strategy to the overall distribution model and commercial strategy. Initiated by commercial necessity, it quickly became apparent that opening e-commerce as a distribution channel required strategic measures and disruptive change across the entire organisation.

### Transformative Strategy Paves the Way for E-Commerce

Kick-started by this crisis, Montblanc developed a new overall strategy, bringing the digital customer to centre stage, re-launching its own e-commerce by 2011 with already an agreed global roll-out plan. While quality brand appearance was upheld at all times, Montblanc's new e-commerce strategy revolved around the needs and behaviours of online shoppers. In contrast with the Japan pilot, this initiative originated from the brand's core strategy with a "competitive discontinuity" (cf. Prahalad and Oosterveld 1999) causing a new business model to emerge, opening up additional market opportunities while transforming the entire organisation to seize them. This

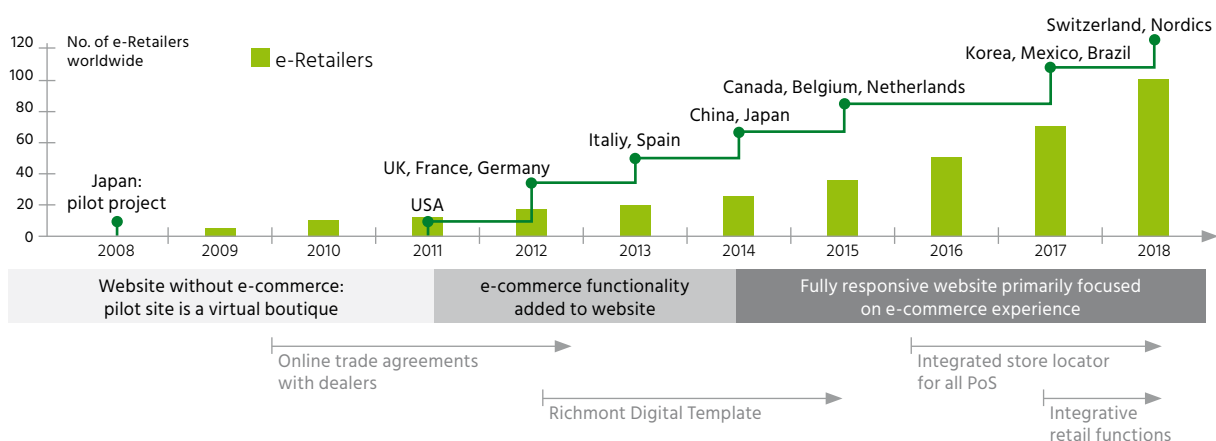
### Management Summary

The luxury goods industry expects a further shift to e-commerce with increasing online competition amongst brands. Looking at the case of Montblanc with ten years of experience in e-commerce shows the fundamental strategic shift required to succeed in this new business model. It illustrates the changes across the organisation to reap the dynamic growth opportunities online and constantly develop the brand in this highly competitive environment. Success in digital builds on a client-centric strategy, serving a most demanding clientele of luxury customers.

meant for example that the digital brand experience, traditionally guarded by brand management and marketing communications, now had to respond first and foremost to commercial targets and user experience imperatives that were determined by customer expectations for online shopping! Not only did this affect the digital brand presentation and website experience, it also meant that the its interaction transformed into a digital dialogue between the brand and its customers.

Built on the brand's existing website, a US e-commerce site was launched in 2011, subsequently adding European markets from 2012. The website then transformed to a predominantly e-commerce driven application (see Figure 3) as Asian markets were launched for e-commerce in 2014, with further markets following the years thereafter (see Figure 4). The increasing online presence was driven by impressive commercial results: for each market, e-commerce sales ex-

**Fig. 4: Montblanc Online Presence, 2008–2018**



Source: Data provided by Montblanc.

ceeded the market's largest boutique sales within a year; and today online sales contribute more than 5% of global retail revenues with high double-digit growth rates. Key markets like the US and UK meanwhile generate up to 20% of their business through digital channels. Equally important, the brand was able to reach new customer groups through e-commerce and establish itself as a digitally credible player, expanding successfully into smart technical devices as its most recent new product category (c.f. Forbes 2015).

### Summary and Best Practices

Success in e-commerce for Montblanc did not come by chance. Facing up to the disappointing results of a much anticipated pilot, disruptive measures became necessary across the entire organisation when e-commerce was embraced as a strategic priority. Meaningfully embedded into the brand's overall strategy, a combination of strategic and operational measures transformed the brand towards an organisation which seizes digital opportunities in all its activities. Retrospectively, the bold move to embrace e-commerce throughout the organisation created market leadership for Montblanc with the digitally-savvy customers, a growing and attractive clientele in the years and decades ahead. It supported a transformation in customer's brand perception from a somewhat old-fashioned accessories and writing instruments brand to a diversified luxury brand with credible leadership in new technology, which it continues to demonstrate through its online activities and digital product innovations.

Both strategic and operational choices all across the organisation proved paramount for the sustained success of Montblanc's strategy offering some best practices for other brands considering to enter e-commerce:

- Responding to expectations of online shoppers set by standards of convenience, the brand website was replaced by a fully integrated online presence driven by user experience imperatives of online shoppers, e.g. leading the user in only three clicks from product to shopping basket check-out.
- Choosing the right online assortment, especially for gifting, to meet customer expectations and generate sales: focus on iconic items, best-sellers and novelties in accessible price points up to 10000 EUR while ensuring availability of these products. Neither limited edition writing instruments, nor high-end watches or jewellery are sold online to differentiate against other channels. Later, an exclusive assortment only available online and early online availability of new collections further drove online sales.

- E-commerce roll-out with the brand's own online store synchronously authorised other trade partners to open their online channels for Montblanc products as long as they adhered to set quality standards. This ensured commercial and strategic integration of online into all other distribution channels at brand and country level.
- The renewed strategy aimed at a global roll-out from its inception, transparently outlining in which sequence the markets would be opened for e-commerce, benefiting from early technology-savvy markets to learn and maximise sales opportunities also using the group's power to accelerate roll-outs in more challenging markets.
- Each national e-commerce site is managed and reported as a brand's own retail store with its own investment plan, P&L and cost reporting while sharing its customer base with the brand's retail network thus ensuring an integrated customer journey across online and offline channels. The brand sites continue to co-exist with local retailer's online shops which are managed through existing structures and processes of wholesale distribution with each respective retailer.
- The roles and responsibilities between the brand e-commerce headquarters (providing globally standardised technology, expertise and content), and local markets (driving all sales and marketing activities) were clarified from early on and ensured both global standards and local adaptation. This global network of E-Commerce experts contributes significantly to the further website development and digital innovation processes.
- Attached at senior level to the sales organisation, the e-commerce organisation heralds its own structure for logistics (optimised for its assortment and fulfilment speed) and customer service as well as highly professional call centers covering more than 20% of online sales over the phone. Montblanc considers it as a key success factor to

### Main Propositions

Success in e-commerce for Montblanc did not come by chance. A bold move to embrace e-commerce throughout the organisation created market leadership with digitally-savvy customers. It transformed the customer's brand perception to a diversified luxury brand with credible leadership in new technology. Entering e-commerce as a fully integrated strategic pillar kick-started a digital transformation for the entire brand.

directly control the user experience across all core processes and customer touchpoints.


- Commercial integration with retail from 2015 ensured access to the same customer base and paved the way for innovative technology, integrating the brand's multichannel approach, e.g. with click-and-collect functions.

## Learnings and Outlook

Entering e-commerce as a fully integrated strategic pillar kick-started a digital transformation for the entire brand. It contributed additional revenues and changed roles and responsibilities within the organisation but also created a technologically-savvy brand profile to the outside which later allowed to credibly win new customer groups and launch digital products. The first project was strongly driven by an inside-out perspective where the brand kept full control of a retail-alike digital customer experience. Embracing the digital world in its second launch, the brand listened outside-in to the needs and preferences of online customers to win in e-commerce. Attached at senior management level, branding standards and quality in service and distribution which are key to luxury brands, were upheld also in this new channels.

A further shift from offline to online sale is expected across the luxury industry (Bain & Co 2017, p. 19) as more brands are opening e-commerce with a growing number of increasingly younger luxury customers expecting the convenience and service of online shopping from their favourite brands. E-commerce itself is expected to continue as a complementary activity for luxury brands while traditional sales and marketing remain strong pillars in responding to consumer's expectations on a personal interaction (cf. Heine and Berghaus, 2014). A systematic introduction of e-commerce however opens additional opportunities for

brands to connect and interact with luxury customers while reaching an upcoming generation of luxury consumers who preferably experience and shop with brands online.

Online competition for customer access will be further intensified by specialised virtual luxury malls of pure e-commerce players that will likely drive out smaller local retailers. While some global online players (e.g. amazon or Alibaba) will start operating their own specialised luxury divisions, local and product category specialists are also expected to emerge and grow further (e.g. Net-A-Porter or Chrono24). Montblanc is monitoring this development carefully and has piloted some selected activities. Along with leading retailers' own digital transformation efforts, luxury brands will have to face these challengers and develop their own strategic response, ideally deploying their strength through integrated cross-channel offerings, blending online and offline retail experiences as an answer to ever growing customer service expectations. 

## Literature

- Arrigo, E. (2014): Luxury Brands Enter the Online Market, in: Berghaus B., Müller-Stewens, G. and Reinecke, S. (2014): *The Management of Luxury*, London, pp. 259–273.
- Bain & Co. (2017): *Luxury Goods Worldwide Market Study, Fall–Winter 2017*, [http://www.bain.com/Images/BAIN\\_REPORT\\_Global\\_Luxury\\_Report\\_2017.pdf](http://www.bain.com/Images/BAIN_REPORT_Global_Luxury_Report_2017.pdf), published 22.12.2017, retrieved 10.01.2018.
- Bain & Co. (2009): *Luxury Goods Worldwide Market Study 2009*, <https://www.modaes.es/files/015%20centro%20de%20recursos/consumo/Bain%20%20Co%20Luxury%20Goods%20Worldwide%20Market%202009.pdf>, published 19.10.2009, retrieved 10.01.2018.
- Brunner, G. Meis, R. and Marti, L. (2011). *Writing Time: Montblanc*, Flammarion.
- Chesters, L. (2011): Montblanc boss says it's time to scale even higher peaks, *The Independent*, <https://www.independent.co.uk/news/business/analysis-and-features/montblanc-boss-says-its-time-to-scale-even-higher-peaks-2226623.html>, retrieved 06.06.2018.
- Dall'Olmo Riley, F. and Lacroix, C. (2003): *Luxury branding on the Internet: lost opportunity or impossibility?*, *Marketing Intelligence & Planning*, 21, 2, pp. 96–104.
- Forbes (2015): *Montblanc CEO Tackles Tradition And Tech Head-On*, <https://www.forbes.com/sites/valeriejack/2015/07/20/montblanc-ceo-tackles-tradition-and-tech-head-on/#616bb17317d9>, published 20.07.2015, retrieved 10.01.2018.
- Geerts, A. (2013). Cluster analysis of luxury brands on the internet. *International Journal of Management & Marketing Research*, 6(2), pp. 79–92.
- Heine, K and Berghaus, B. (2014): *Luxury goes digital: how to tackle the digital luxury brand–consumer touchpoints*, *Journal of Global Fashion Marketing*, 5:3, pp. 223–234.
- Kapferer, J.-N. and Bastien, V. (2008): *Luxe oblige*, Eyrolles Editions d'Organisation.
- Müller-Stewens, G. and Berghaus B. (2014): *The Market and Business of Luxury: an Introduction*, in: Berghaus B., Müller-Stewens, G. and Reinecke, S. (2014): *The Management of Luxury*, London, pp. 3–60.
- Poggi, J. (2009): *Luxury After Lehman Brothers*, <https://www.thestreet.com/print/story/10599589.html>, published 17.09.2009, retrieved 14.06.2018.
- Prahalad, C. K. and Oosterveld, Jan (1999). 'Transforming internal governance: the challenge for multinationals'. *Sloan Management Review*, 40, 3, pp. 31–9.
- Richemont (2018): *Product innovation, design and quality*, <https://www.richemont.com/2-uncategorised/428-product-innovation-design-and-quality.html>, retrieved 04.06.2018.

## Lessons Learned

Embracing the digital world, the brand listened to the needs and preferences of online customers to win in e-commerce. Attached at senior management level, branding standards and quality in service and distribution were upheld also in this new channel. With online competition further intensifying, luxury brands will have to develop their own strategic response, respect customers' needs, and deploy their strength through integrated cross-channel offerings, blending online and offline retail experiences.