

Schüller, Sophie; Dietrich, Daniel; Spielmann, Lorenz

Article

The Future Role of Physical Touchpoints in Luxury Retailing

Marketing Review St.Gallen

Provided in Cooperation with:

Universität St. Gallen, Institut für Marketing und Customer Insight

Suggested Citation: Schüller, Sophie; Dietrich, Daniel; Spielmann, Lorenz (2018) : The Future Role of Physical Touchpoints in Luxury Retailing, Marketing Review St.Gallen, ISSN 1865-7516, Thexis Verlag, St.Gallen, Vol. 35, Iss. 6, pp. 84-95

This Version is available at:

<https://hdl.handle.net/10419/276017>

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



6 | 2018 **SCHWERPUNKT** Interview mit Meik Krauthausen, Swisscom • Displays am PoS • Akzeptanz von Servicerobotern • Inspiration am PoS • Digitalisierung von Kundenerlebnissen • Technologien im Retail der Schweiz **SPEKTRUM** Social-Media-Marketing • Sportsponsoring • Zukunft des Luxus-Retail **INSIGHTS** DXC Technology: Innovativer und unabhängiger Technologiepartner • Sprinkl: Authentische Markenbotschaft dank Social Display **KOMMENTAR** Vom Branding zur Kaufauslösung: Damit sich die Werbung auszahlt

www.marketing-review.ch



Digitalisierung am PoS



The Future Role of Physical Touchpoints in Luxury Retailing

Conforming with the changing dynamics of physical retailing in general, luxury retailing has not been spared from extensive market transitions and uncertainty around the future relevance of physical touchpoints. Based on an exploratory investigation of the future role of physical touchpoints, this study highlights the relevance of physical distribution not merely being a tactical activity but an essential strategic premise for luxury retailing in various terms.

Sophie Schüller, Daniel Dietrich, Lorenz Spielmann

Challenges in the Physical Luxury Retail Environment

Contrary to the prevalent assumption that online shopping does not suit the luxury industry, recent developments reveal an increasing digital focus of luxury brands (Hein/Berghaus 2014). Initially, due to the conviction of luxury consumers favoring personal touchpoint and in-store experiences, there was no great push for digital luxury marketing and sales (Geerts 2013). Yet, the luxury retail industry has not been spared from extensive market transitions. While some characteristics of the digital world clash with aspects of traditional luxury, digital is changing the luxury industry (Hennigs/Wiedmann/Klarmann 2012). Nowadays, luxury consumption embraces new facets: consumers demand flawless e-commerce, engaging and exciting interactions on the social web, and multiple channels for a seamless interaction with brands (Pini/Pelleschi 2017). With an increasing degree of digitization, even the primarily haptically-motivated luxury consumer will direct more share-of-wallet towards e-commerce. Although a study by McKinsey revealed that e-commerce only comprises 8% of the personal goods luxury sales in 2018 (Achille/Remy/Marchessou 2018), digital search activities, social media engagement, and online communities exert great influence on luxury customers' shopping behaviors. Thus, the integration of digital structures and physical touchpoints is crucial for the future of luxury retailing. This suggests that tangibility in the luxury industry is not suppressed by the advent of the digital age, but rather constitutes of a critical driver for sales and a strong criterion for differentiation from the mass-market. Understanding these nuances poses a major challenge for high-end brands as the traditional composition of the luxury playground is disrupted.

Conceptional Frame Work

Luxury Brands

Knowing that there are several definitions of what a luxury good constitutes of, this article is based on the following elements, which have become widely accepted (Vickers/Renand 2003; Vigneron/Johnson 2004), with the nine most important ones gathered by Vigneron and Johnson (1999), Heine and Phan (2011), and Fionda and Moore (2009):

In contrast to mass-market brands (e.g. basis- and value-brands), which primarily focus on functionality, luxury goods add immaterial value due to their emotional benefits (Kapferer 1997; Kotouc/Kranz 2008). As shown in figure 1,

consumers' perceived benefit peaks for luxury products because they combine a high degree of functional utility (e.g. high product quality) with tangible (e.g. unique design) and intangible (e.g. social signaling value) emotional benefits (Kotouc/Kranz 2008) (see figure 1).

Furthermore, luxury is relative and subjective (Bastien/Kapferer 2013; Megehee/Spake 2012), especially with regard to entry prices (Fassnacht/Kluge/Mohr 2013; Kapferer/Laurent 2016).

Luxury brands also warrant superior product quality compared to non-luxury products (Atwal/Williams 2009; Bellai-che/Mei-Pochtler/Hanisch 2010; Dubois/Laurent 1994; Vigneron/Johnson 2004; Wiedmann/Hennigs/Siebels 2009) through, for example, superior materials used, product usability, functionality, performance or durability (Heine/Phan 2011).

Furthermore, luxury brands have a high aesthetic value with proximity to art, since their semiotic characteristics of product and store design functioning as signifiers for brand values (Fionda/Moore 2009), with an iconic design (Bruce/Kratz 2007; Dion/Arnould 2011).

Moreover, consumers perceive a high value of luxury brands through a sense of exclusivity and rarity, either by being a rare good or creating scarcity through limited production (Nueno/Quelch 1998), selective distribution (Okonkwo 2007), or artificially making the acquisition process more complex (Dubois/Laurent 1994) in order to

Sophie Schüller

Research Assistant and Doctoral Student, Institute of Marketing at the University of St. Gallen

Tel.: +41 (0) 71 2247165
sophie.schueller@unisg.ch
www.ifm.unisg.ch

Daniel Dietrich

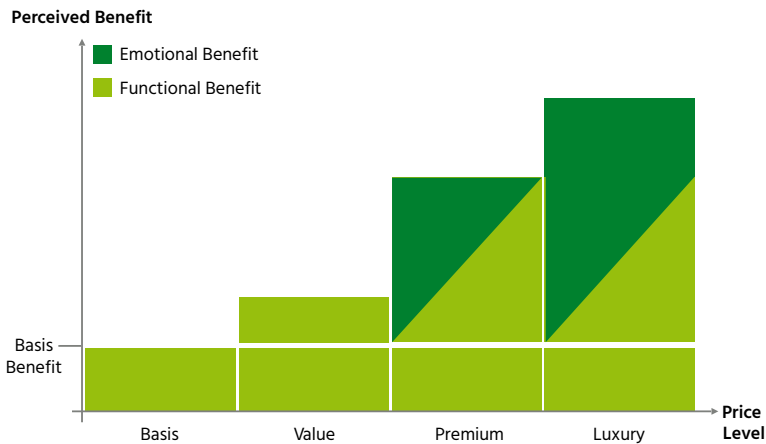
Research Assistant and Doctoral Student, Institute for Customer Insight at the University of St. Gallen

Tel.: +41 (0) 71 2242136
daniel.dietrich@unisg.ch
www.ici.unisg.ch

Lorenz Spielmann

Student, University of St. Gallen

Tel.: +49 (0) 151 27531436
lorenz.spielmann@student.unisg.ch

Figure 1: Brand Hierarchy


Source: Own illustration based on Kotouc/Kranz 2008, p.68.

Management Summary

1. In the future of luxury retailing, the physical contact with products and brands will be essential for building an emotional connection with the customers.
2. Tangibility is the underlying premise for the consumption of luxury goods, and it depends on an in-depth experience with all human senses.
3. Physical touchpoints will further amplify customer trust in the brand and decrease the intrinsic resistance against buying luxury goods online.

drive desire for luxury products (Kapferer 1997; Wiedmann/Hennigs/Siebels 2009).

Lastly, extraordinariness and uniqueness are often a consequence of the exclusive design of luxury products, but can also describe something special or innovative, with superior functionality, which is first introduced by luxury brands and then commoditized to the mass-market (Bauer/Von Wallpach/Hemetsberger 2011; Heine 2012; Heine/Phan 2011).

Traditional Luxury Retailing

With two thirds of the sales in 2017, wholesale is the largest distribution channel for luxury brands, although monobrand

store sales are steadily rising (by 8% in 2017), 3% coming from new store openings (D'Arpizio et al. 2017).

In the early 1990s, many luxury brands heavily invested in prestigious store temples (Dion/Arnould 2011; Tischer 2014). Making luxury products available through increased distribution has been the primary source of growth for a long time (Dion/Arnould 2011). From 2007 until 2011, luxury brands from large luxury corporations such as LVMH or Richemont, but also standalone brands such as Hermès and Prada have experienced a 9% increase on average in the number of monobrand stores (Schögel/Tischer 2014), at the same time vertically integrating themselves (Tischer 2014). This growth can be primarily ascribed to the openings of new retail locations in emerging markets, especially in China (Abtan et al. 2016).

Luxury brands have put and are still putting an emphasis on opening monobrand stores since they are seen as important tools for steering the shopping experience and for brand building as well as having control over prices and achieving better margins (Dauriz/Remy/Sandri 2014; Moore/Birtwistle 2004; Okonkwo 2007).

In many cities across the globe, luxury brands are assembled in one place, creating a “luxury sense of place” through the geographical proximity of the stores of different luxury brands (e.g. Champs Élysées in Paris) (Arrigo 2012).

In luxury retailing, great emphasis lies on aesthetics, reflecting the price of the goods or services. Dion and Arnould (2011) claim that a beautiful architectural design creates a magical aura, distinguishing two dimensions: (1) the creative director's charismatic legitimacy and (2) an extraordinary customer experience. Both the marvelous in-store presentation of iconic products and the well-trained communication skills of the sales assistants facilitate the establishment of an enchanting luxury atmosphere (Dion/Arnould 2011).

With regard to the composition of a retail store, table 1 illustrates the key criteria for differentiating mass-market and luxury retailing. These go along with the dimensions of (1) accessibility, (2) design, (3) product presentation, (4) service, (5) customer experience, and (6) online channel integration (see table 1).

Tangibility in Luxury Retailing

For luxury brands, the physical experience has always been at the core. The ability to touch and feel the product, the close relationship between consumers and staff, and, in particular, the expertise and service provided by sales representatives are all part of the physical luxury experience (Dauriz/Remy/

Sandri 2014; Geddes/Pope/Perkins 2015). According to Bauer, Von Wallpach, and Hemetsberger (2011), luxury brands enrich the offer of products by providing interactive, tangible, and physical experiences for consumers to evoke positive feelings of comfort and passion in retail stores. For high-end merchandise, it is especially important to provide tactile information to positively impact consumers' product evaluations at the point of sale (Grohmann/Spangenberg/Sprott 2007). Throughout the evaluation of the substance properties of a high-end product, such as texture, weight, and temperature, tactile input seems imperative as it provides crucial information that cannot be obtained through a purely visual inspection. Consequently, tactile input is of particular importance in the evaluation of sensory-rich luxury goods (e.g. leather goods, perfumes, jewelry), where substance properties are necessary characteristics to discriminate between varying levels of product quality (Grohmann/Spangenberg/Sprott 2007; Wiedmann et al. 2013). In this context, it becomes apparent that tangibility can be accentuated as the underlying element enabling physical interaction at the point of sale. According to Vecchi and Buckley (2016), relevant linkages between the topics of retail, customer experience, and luxury brands have only been researched on a piecemeal

basis while Coe and Bok (2014) highlight the lack of studies on the distribution of luxury goods.

Nevertheless, in the fields of marketing and management research, a limited amount of studies on the role of physical stores in the luxury industry (Dion/Arnould 2011 being the most significant) in times of ongoing digitization have been conducted so far.

Digital Disruption in Luxury Retailing

Up until a couple of years ago, luxury brands limited the access to their retail stores in order to maintain a differentiating experience, creating a sense of uniqueness and worship (Dion/Arnould 2011). For a long time, luxury brands have been reluctant to extend their distribution strategy to online channels (Okonkwo 2009). Until 2005 and 2007, respectively, Versace and Prada, for example, did not even have their own corporate website (Okonkwo 2009). The primary reasons for this hesitation were tensions between the offline exclusivity and the online mass accessibility as well as the contradiction of increasing sales and the intention to preserve the belief of limited supply (Hennigs/Wiedmann/Klarman 2012). Furthermore, luxury goods are traditionally

Table 1: Mass-Market Retailing vs. Luxury Retailing

	Mass-Market Retailing	Luxury Retailing
Physical Touchpoints	Accessibility	<ul style="list-style-type: none"> • Present in many central locations of mid-range to large cities
	Design	<ul style="list-style-type: none"> • High degree of standardization across different stores • Emphasis on functionality of store design • Large showroom spaces with cramped store layout
	Product Presentation	<ul style="list-style-type: none"> • Display of large range of products and high quantities of each product
	Service	<ul style="list-style-type: none"> • Self-service, with assistance only when asked for • Basic service, with few and poorly trained store personnel
	Customer Experience	<ul style="list-style-type: none"> • Standardized, ordinary customer experience • Focus on functional benefits
	Online Channel Integration	<ul style="list-style-type: none"> • Established multi-channel approach • Increasingly moving to full channel integration with a holistic omnichannel approach (including click and collect etc.)
		<ul style="list-style-type: none"> • Selective locations, with high geographical proximity to other luxury brands in high-end streets of large cities, creating a "luxury sense of place" • High emphasis on aesthetics • Use of exclusive and rare materials • Use of multi-sensory cues, appealing to emotions • High emphasis on visual merchandising and store decoration with incorporation of art • Small to medium showroom spaces with spacious store layout • Display of small range of products and low quantities of each product • Product staging • Skilled sales personnel • Personalized service • Exclusive shopping atmosphere • Creating a sense of uniqueness and worship • Generally weak channel integration • Exceptional lead brands like Burberry or Bally with a full online-offline integration

Source: Own illustration.

valued for their sensory nature appealing to all five human senses and thus were considered unsuitable for online sales (Dauriz/Remy/Sandri 2014; Okonkwo 2009). Besides these inherent peculiarities of online retailing, luxury brands also feared consumers' rejection of riskier online purchases and, therefore, had no multi-channel strategies in place (Laroche/Bergeron/Goutaland 2001).

However, this traditional retail approach by luxury brands is nowadays increasingly considered to be out-of-date, especially by Millennials (Abtan et al. 2016). Nowadays, luxury consumers are very mobile-savvy, with 98% of the consumers owning a smartphone (Achille/Remy/Marchessou 2018). Thus, luxury brands are forced to move into online retailing.

Lacking capabilities and systems, many luxury brands initially collaborated with a partner to move into online distribution, such as the Yoox Net-a-Porter Group, where they firstly displayed selected products in the multi-brand online store of Net-a-Porter (e.g. <https://www.net-a-porter.com/us/en/Shop/Designers/Bally>) and then created an online "flagship" store with their own URL (e.g. <https://www.bally.com>), run by Yoox (Geddes/Pope/Perkins 2015), selling old collections online.

In addition, it is noticeable that online sales are especially growing for low-price points and only for certain industries, such as the beauty sector (Achille/Remy/Marchessou 2018; Remy/Catena/Durand-Servoingt 2015). Moreover, market research showed that 60%-70% of all luxury purchases are already digitally influenced, besides the online purchases themselves, due to consumer trends such as research online and purchase offline (ROPO) (Abtan et al. 2016; Achille/Remy/Marchessou 2018).

Although many luxury brands nowadays operate their own online shop, they still lag far behind many mass-market brands. The premium department store Nordstrom as well as the luxury brand Burberry, however are examples that have integrated their different channels seamlessly (Abtan et al. 2016).

Research Objective

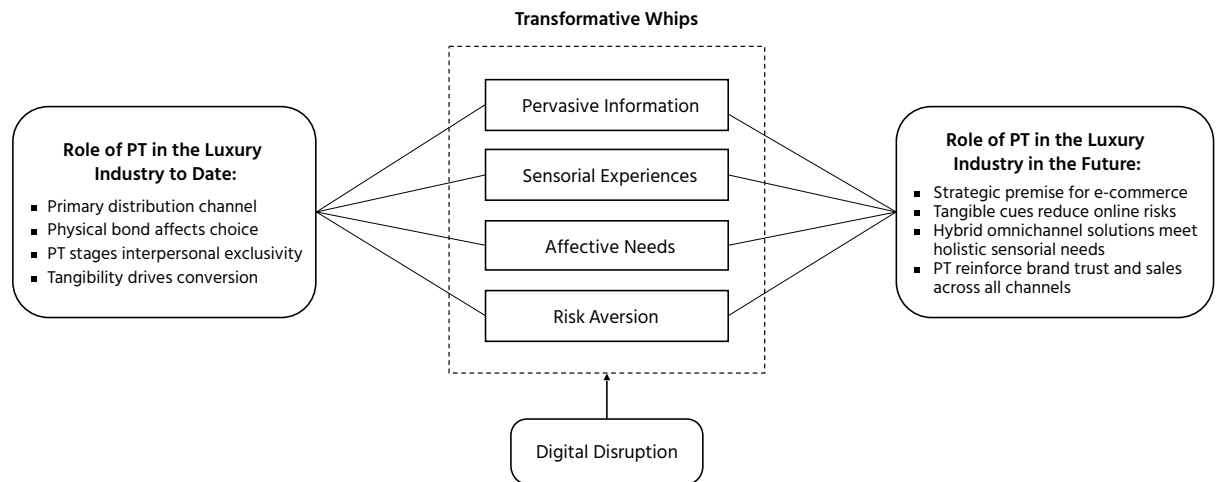
The aim of the present study is an exploratory investigation on the importance of physical encounters with a luxury brand in the future. The emphasis lies on how luxury retail brands experience current market shifts and on trying to understand how luxury retailers may position their physical touchpoints in the future.

Tabelle 2: Qualitative Study Sample

Interviewee	Position & Company	Approach	Length
Johannes	Managing Director Germany & Austria, VIU Ventures AG	Telephone	40 min
Martin	Head of Sales, Läderach (Schweiz) AG	Face-to-Face	30 min
Peter	Managing Director, Media Trade & Untitled Verlag und Agentur GmbH & Co. KG	Face-to-Face	10 min
Christophe	Global Brand Director, SCHUMACHER GmbH	Telephone	25 min
Heinz	Member of the Supervisory Board & Deputy, zai AG	Face-to-Face	34 min
Monika	Managing Director, Trends + Positionen	Face-to-Face	25 min
Nadja	Global Retail Director, Akris AG	Face-to-Face	25 min
Paul	Executive Vice President, Daniel Swarovski Corporation AG	Telephone	20 min
Thibault	Department Manager International Training, IWC Schaffhausen, Richemont Northern Europe GmbH	Face-to-Face	40 min
Yannick	Chief Executive Officer, Deutsche Patek Philippe GmbH	Face-to-Face	20 min
Anonymous 1	Global Head of Sales, Luxury & Lifestyle Segment	Telephone	26 min
Anonymous 2	Chief Executive Officer, Fashion	Face-to-Face	28 min
Anonymous 3	Chief Executive Officer, Timepieces	Face-to-Face	90 min
Claudia	Head of Marketing and Communications and family member of the fourth generation, Wellendorff Gold-Kreationen GmbH & Co. KG	Questionnaire	–
Jasmin	Brand Manager Bobbi Brown / La Mer / Jo Malone London, Estée Lauder GmbH	Questionnaire	–
Marc	Retail Director, Montblanc Deutschland GmbH	Questionnaire	–

Source: Own illustration.

Figure 2: Role of Physical Touchpoints in the Luxury Industry



Source: Own illustration.

Methodology

To pursue the research objective, a grounded theory approach was applied. A pre-study was carried out during a luxury-specific practitioner conference with renowned industry executives, to gaining further topical insights.

Data collection comprised 13 semi-structured interviews and three written interviews, as well as field observations. Interviews were conducted face-to-face and via phone and aimed for in-depth insights into participants' experiences with physical touchpoints in the luxury industry. Among the interviewees were executives from various retail categories such as timepieces (Patek Philippe, Rolex, IWC Schaffhausen, Montblanc), fashion (Akris, Schumacher), cosmetics (Estée Lauder), jewelry (Swarovski, Wellendorff), as well as eyewear, sport, food and lifestyle accessories (see table 2). In selecting the interviewees, profound experience or professional relation to the consumer goods retail industry was a prerequisite.

Interviews were transcribed verbatim, coded axially and abstracted into higher-order themes (Spiggle 1994). According to Strauss and Corbin (1990), the qualitative analysis was iteratively grounded within the triangulated data and the existing literature. The interview guideline and the transcripts can be provided by the corresponding author upon request.

Role of Physical Touchpoints in the Luxury Industry to Date

All interviewees confirmed that for luxury brands, physical retail stores are the primary distribution channel since affluent customers even today still value physical interaction with luxury products and personal sales assistants, factors which directly affect choice. More specifically, all sixteen interviewees explicitly highlighted the importance of physical interaction at some point throughout the customer journey, while ten out of sixteen interviewees acknowledged, that the opportunity to touch products affects the decision of whether to shop in offline or online retail environments as stated by Grohmann, Spangenberg, and Sprott (2007). Among all industries included in the research sample, brands operating in the luxury segments of jewelry, fashion, and cosmetics (Wellendorff, Schumacher, Akris, Swarovski, IWC, Patek Philippe, Estée Lauder) share the strongest belief in exposing their products to the client exclusively in the physical space: "Here, the tactile experience is the primary aspect of purchasing something" (Peter, Media Trade). In these cases, the tangible nature of the luxury product itself is considered as the crucial factor driving the purchase value. Furthermore, retail stores are currently still the main stage for creating personal relationships with customers, which can be seen as a brand building tool fostering brand trust.

Brick-and-mortar stores offer customers the special opportunity for both losing themselves in the magical luxury environment and experiencing their desired products with all senses. Overall, consumers' immersion into physical luxury spaces creates a feeling of interpersonal exclusivity and drives conversion due to limited availability and selective accessibility of luxury products and services.

Transformative Whips and Digital Disruption

Nevertheless, increasing digitalization is changing the role of physical touchpoints. Luxury consumers increasingly expect high-quality online services, product visualization and information as well as trustworthy e-commerce. They intend to interact and present themselves with luxury brands on social media and to share their luxury experiences via multiple online channels (Pini/Pelleschi 2017). In particular, Millennials interact and communicate in the online sphere more directly, more frequently, and more mercilessly. This development implies for marketers in the luxury industry that they have to rethink the traditional purpose of physical touchpoints, seamlessly integrating them into omnichannel retailing strategies such as buy online pick up in store (BOPIS) or research online purchase offline (ROPO). Overall, four major themes, have emerged which will transform physical luxury retailing and will be further explained in the following: (1) pervasive information, (2) sensorial experiences, (3) affective needs, and (4) risk aversion.

Pervasive Information

In the future, touchpoints will act as points of contact between the client and luxury brands, shifting the product and the buying process out of focus. Due to the omni-presence of product-related information, accessible through a large variety of offline and online channels, the consumer of tomorrow will be well informed about product specifications and variations. Pervasive information implies that "[...] consumers are much more educated about the value for money and they know what products are available at what prices" (Paul, Swarovski). Therefore, of not being able to assess a product physically becomes less of a problem when shopping online. Yet, Martin, Head of Sales of Läderach AG, states: "Customers want to know more exactly where the products come from, what they contain and how they are produced. 100% transparency is what appeals to customers" (Martin, Läderach). The desire for such a broad variety of information can only be fulfilled by a sophisticated and smart online appearance. The

physical brand experience, however, will ultimately serve as the crucial differentiator between convergent offers and drive purchase intention as stated by Johannes, Managing Director of VIU Ventures AG: "We visit the showroom to feel what a brand actually stands for. [...] the product availability is mostly universal. Here, it's all about the tangible experience." Consequently, besides the web-based information access, customers will visit the experiential retail space to fuel the affection for the brand and to compensate for the existing intangibility throughout a predominantly virtual customer journey.

Sensorial Experiences

Consumers are given the opportunity of a sensory experience both by simply visiting the store and inspecting the look-and-feel as well as the quality of certain products. Brand perception in-store is shaped across all senses: visually (colors, lighting, store design), acoustically (music, ambient sounds), haptically (materials), gustatorily (a coffee or a glass of champagne), and olfactorily (room scents). With the selling ceremony of luxury consumer goods strongly relying on a high-touch customer-product interaction, almost half of the interviewees consider offline shopping as an experience that cannot be replicated online. Accordingly, Nadja, the Global Retail Director of Akris AG, explained: "You have to be able to touch Akris as a brand and feel the comfort of wearing it on your body" (Nadja, Akris). Similarly, Martin mentioned: "Läderach, as a brand, has to be experienceable" (Martin, Läderach). Therefore, the need for retailers to provide sensorial experiences for customers in a physical dimension proves essential. Especially in the luxury industry,

Main Propositions

1. Forge positive emotions in the physical encounter to strengthen the customers' brand associations and decrease consumers' aversion to shopping luxury goods online.
2. Leverage technology and social media but do not over-digitize as in-store sales personnel and products will remain the heroes.
3. Bear in mind that physical retail will not necessarily imply product sales but rather serves to create world of experience.

Lessons Learned

1. Physical touchpoints persist as the primary distribution channel.
2. Monobrand stores most effectively promote brand building measures as compared to other distribution channels.
3. Luxury retailers should continue to increase the physical and sensorial activities associated with the brand and focus on hybrid omnichannel solutions.

retailers should continue to increase the physical and sensorial activities associated with the brand. Insights from the interviews substantiate that “the physical experience is the key to success in the luxury goods sector [...]. If you enable the customer to physically assess the quality, you have the chance to create a USP that is hard to imitate. Tangibility is crucial.” (Monika, Trends & Positionen).

Yet, only few interviewees showed the aspiration of holistically addressing the client’s senses at any touchpoint throughout the customer journey. Interestingly, a deliberate sense orchestration at the point-of-sale primarily serves the strategic purpose of seducing the customer and improving the quality of their stay. However, as the customer of tomorrow increasingly migrates online and physical interaction thus appears at a later stage of the customer journey, the necessity for a synesthetic transfer to stimulate shopping desire pertains. Here, tangible cues allow for an undistorted view of the product and brand as no translation is needed during direct contact.

Affective Needs

Moreover, due to digitalization and the mounting interaction on social media, consumers increasingly demand emotional intimacy and inter-personal comfort in their offline consumption routines. These affective needs can primarily be fulfilled by personal shopping assistance within physical retail stores. Especially for luxury customers, it is of great importance to have a sincere in-store interlocutor, someone with whom to share personal ideas and desires, as well as to receive reliable shopping recommendations. Sometimes luxury shoppers even establish close personal relationships with sales assistances of their favored brands. In this context, Nadja clarifies that after “visiting the shops and talking to the teams, [she] know[s] that many customers are tired of online shopping. These customers

desire a real, tangible experience [...]. They realize, how emotional the buying experience used to be” (Nadja, Akris).

Yet, there are both certain product categories which people prefer not to shop in public (e.g. luxury lingerie) and consumers who in general dislike to be observed during their shopping experience. In these cases, public shopping usually creates a feeling of discomfort. Although this suggests the desire for anonymous online shopping, more and more consumers make use of opportunities for private offline luxury shopping (e.g. home shopping, private viewing in hotel rooms, or boutique back rooms). Thus, physical touchpoints can be used as a marketing tool to reinforce the emotional brand-customer relationship, offering excellent customer service before, during, and after the purchase, which may create trust towards the brand over a longer period than the actual act of purchase: “I think for many products, and I would include ours, the physical store will be the point of contact where it's all about the brand experience and not the actual product [...] We visit the showroom to feel what a brand actually stands for.” (Johannes, VIU). The interviews have shown that tangible retail stores will still constitute both a central USP for the luxury industry and a key lever to drive sales value. This tendency is also reflected by Paul, Executive Vice President of Swarovski: “clearly the ability to close the sale by providing with an [affective] experience in trying on the jewelry is paramount” (Paul, Swarovski).

Risk Aversion

“There is the topic of risk, especially with fragile products such as timepieces. With a pair of shoes you normally don't take a lot of risk, but with a mechanical timepiece you do. So sometimes customers won't purchase these items online because they are a little bit afraid of that.” (Thibault, IWC). Together with the opinion of other interviewees, this statement represents a key insight on the ongoing presence of risk aversion within luxury shopping. Due to the high financial investments, consumers are reluctant to disclose personal information and to pay high amounts of money online. Even renowned luxury brands face such trust issues with regard to their well-secured online stores. Moreover, results suggest that a certain fraction of luxury customers feels averse to buying luxury products in an anonymous online environment without having assessed the product prior to purchase. As the Retail Director of Montblanc puts it: “At a certain price level, even the digital native wants to touch and try out the product [physically]” (Marc, Montblanc). Therefore, our findings support the theory of (Laroche, Bergeron,

Goutaland 2001), that despite the wide acceptance of the internet, online purchases are still perceived as riskier than offline purchases due to the absence of tangible cues. Accordingly, Peter notes that “[...] in the high-end jewelry and watchmaking segments, the problem of a missing haptic experience exists on the internet” (Peter, Media Trade & Untitled Verlag). However, once the customer has had a personal contact with a luxury brand, having visited a retail store prior to shopping online, he will trust the luxury brand when placing an order online. In this regard, integrated omnichannel solutions create overarching opportunities for the future of luxury retailing.

The Role of Physical Touchpoints in the Luxury Industry in the Future

In summary, all interviews showed a consistent acknowledgement of physical touchpoints as the primary luxury distribution channel in the future. Exemplary statements

include: “We will always operate with stationary retail. It represents the foundation of our business” (Anonymous 2); or: “Physical stores play a very important role for us. 80% of our turnover is generated at our flagship-stores and that won’t change in the near future.” (Martin, Läderach). With regard to the role of physical touchpoints as platforms for marketing a luxury retail brand, results indicate that mono-brand stores most effectively promote brand building measures as compared to other distribution channels. They are considered to foster a consistent brand image across the retail network and strengthen the brand’s authenticity. Especially low risk offline experiences stimulate both brand trust and, in turn, luxury sales across all channels. Furthermore, our findings support the role of physical stores as a distribution premise and as a strategic medium to enhance e-commerce. For example, Christophe, Global Brand Director of Schumacher, said: “Before the internetw, stores were there to sell. Now they have become mediums to enhance your online business” (Christophe, Schumacher). Yet, most

Literature

- Abtan, O. et al. (2016). Digital or Die. Retrieved from http://img-stg.bcg.com/BCG-Digital-or-Die-Sep-2016_tcm9-148835.pdf
- Achille, A./Remy, N./Marchessou, S. (2018). The age of digital Darwinism. Milan, Paris & New Jersey. Retrieved from [https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our Insights/Luxury in the age of digital Darwinism/The-age-of-digital-Darwinism.aspx](https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our%20Insights/Luxury%20in%20the%20age%20of%20digital%20Darwinism/The-age-of-digital-Darwinism.aspx)
- Arrigo, E. (2012). The role of the flagship store location in luxury branding. An international exploratory study. *International Journal of Retail & Distribution Management*, 43(12), pp. 518–537.
- Atwal, G./Williams, A. (2009). Luxury brand marketing – The experience is everything! *Journal of Brand Management*, 16(5–6), pp. 338–346.
- Bastien, V./Kapferer, J.-N. (2013). More on Luxury Anti-Laws of Marketing. In *Luxury Marketing* (pp. 19–34). Wiesbaden: Gabler Verlag.
- Bauer, M./Von Wallpach, S./Hemetsberger, A. (2011). “My Little Luxury” – A Consumer-Centred, Experiential view. *Marketing: ZFP – Journal of Research and Management*, 33(1), pp. 58–67.
- Bellaiche, J.-M./Mei-Pochtler, A./Hanisch, D. (2010). The New World of Luxury. Caught Between Growing Momentum and Lasting Change. Retrieved from <https://www.bcg.com/documents/file67444.pdf>
- Bruce, M./Kratz, C. (2007). Competitive marketing strategies of luxury fashion companies, pp. 154–174.
- D’Arpizio et al. (2017). *Luxury Goods Worldwide Market Study, Fall-Winter 2017*. Bain & Company. Milan, Paris, San Francisco, New York, Shanghai. Retrieved from http://www.bain.de/Images/BAIN_REPORT_Global_Luxury_Report_2017.pdf
- Dauriz, L./Remy, N./Sandri, N. (2014). *Luxury shopping in the digital age. Perspectives on retail and consumer goods*. Munich, Paris & Milan. Retrieved from <https://www.mckinsey.com/industries/retail/our-insights/luxury-shopping-in-the-digital-age>
- Dion, D./Arnould, E. (2011). Retail Luxury Strategy: Assembling Charisma through Art and Magic. *Journal of Retailing*, 87(4), pp. 502–520.
- Dubois, B./Laurent, G. (1994). Attitudes Towards the Concept of Luxury: an Exploratory Analysis. In *Asia Pacific Advances in Consumer Research* (Vol. AP-01, pp. 273–278).
- Fassnacht, M./Kluge, P. N./Mohr, H. (2013). Pricing Luxury Brands: Specificities, Conceptualization and Performance Impact. *Marketing: ZFP – Journal of Research and Management*, 35(2), pp. 104–117.
- Fionda, A. M./Moore, C. M. (2009). The anatomy of the luxury fashion brand. *Journal of Brand Management*, 16(5–6), pp. 347–363.
- Geddes, I./Pope, N./Perkins, B. (2015). *The luxury opportunity. The evolving UK luxury consumer and how luxury brands can respond*. London. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-the-luxury-opportunity.pdf>
- Geerts, A. (2013). Cluster analysis of luxury brands on the internet. *International Journal of Management and Marketing Research*, 6(2), 79–82.
- Grohmann, B./Spangenberg, E. R./Sprott, D. E. (2007). The influence of tactile input on the evaluation of retail product offerings. *Journal of Retailing*, 83(2), pp. 237–245.
- Heine, K. (2012). The concept of luxury brands. *Luxury Brand Management*.
- Heine, K./Berghaus, B. (2014). Luxury goes digital: How to tackle the digital luxury brand-consumer touchpoints. *Journal of Global Fashion Marketing*, 5(3), pp. 223–245.
- Heine, K./Phan, M. (2011). Trading-up mass-market goods to luxury products. *Australasian Marketing Journal (AMJ)*, 19(2), pp. 108–114.

interview participants agreed on a strategic orientation in which “the physical shops will be [...] the hubs” (Martin, Läderach) since luxury sales “benefit greatly from the haptic situation that e-commerce cannot offer by itself” (Nadja, Akris). Today’s hybrid customers desire a holistic and seamless set of online and offline channels. As the shift towards omnichannel retail continues, the role of the physical store must be rethought as an opportunity to look beyond the purely visual expression, which is digitally replicable. From a consumer perspective, in particular hybrid omnichannel solutions are capable of meeting holistic sensorial needs to experience a luxury product from all possible dimensions prior to purchase. Besides, results point out that the future of luxury retailing will not be dominated by a juxtaposition of e-commerce and physical touchpoints, but rather by an integration of both channels. Accordingly, several cases considered in this study indicate that the offline and the online networks will complement each other by contributing to the comprehensive value of a meta-shopping experience.

Limitations and Further Research

While contributing towards a better understanding of the challenging retail landscape of tomorrow, this study faces several aspects that limit its empirical generalizability.

Experts for the interviews were predominantly from Germany, Switzerland, and France and therefore limited in terms of geography. Furthermore, the interviews were only conducted with experts in the field of personal luxury goods and does not represent the perspective of, for example, luxury cars or travel (D’Arpizio et al. 2017). Thus, future research should enlarge the sample of experts to other countries and industries.

Furthermore, only the perspectives of experts and the researchers have been taken into account in this study. Further studies with consumers should investigate how the transformative whips are actually affecting consumers when shopping offline, empirically testing the proposed model on the future role of physical touchpoints in the luxury industry. 🚩

Hennigs, N./Wiedmann, K.-P./Klarmann, C. (2012). Luxury Brands in the Digital Age – Exclusivity versus Ubiquity. *Marketing Review* St. Gallen, 29(1), 30–35.

Kapferer, J.-N. (1997). Managing luxury brands. *Journal of Brand Management*, 4(4), pp. 251–259.

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*, 69(1), pp. 332–340.

Kotouc, A./Kranz, M. (2008). Premiummarken richtig managen. *Harvard Business Manager*, (December 2008), pp. 1–10.

Laroche, M./Bergeron, J./Goutaland, C. (2001). A Three-Dimensional Scale of Intangibility. *Journal of Service Research*, 4(1), pp. 26–38.

Megehee, C. M./Spake, D. F. (2012). Consumer enactments of archetypes using luxury brands. *Journal of Business Research*, 65(10), pp. 1434–1442.

Moore, C. M./Birtwistle, G. (2004). The Burberry business model: creating an international luxury fashion brand. *International Journal of Retail & Distribution Management*, 32(8), pp. 412–422.

Nueno, J. L./Quelch, J. A. (1998). The mass marketing of luxury. *Business Horizons*, 41(6), pp. 61–68.

Okonkwo, U. (2007). *Luxury Fashion Branding*. Houndsmill: Palgrave Macmillan.

Okonkwo, U. (2009). Sustaining the luxury brand on the Internet. *Journal of Brand Management*, 16(5/6), pp. 302–310.

Pini, F. M./Pelleschi, V. (2017). Creating a Seamless Experience for Luxury Consumers Integrating Online and Offline Communication. In *New Luxury Management* (pp. 217–237). Cham: Springer International Publishing. https://doi.org/10.1007/978-3-319-41727-1_12

Remy, N./Catena, M./Durand-Servoingt, B. (2015). Digital inside: Get wired for the ultimate luxury experience. Paris & Milan. Retrieved from <https://www.mckinsey.com/~media/McKinsey/Business Functions/Marketing and Sales/Our Insights/Digital inside Get wired for the ultimate luxury experience/DLE 2015 Final Global report.ashx>

Schögel, M./Tischer, T. (2014). Digital media in monobrand stores. In B. Berghaus, G. Müller-Stewens, & S. Reinecke (Eds.), *The Management of Luxury* (pp. 184–198). London, Philadelphia, New Dehli: Kogan Page Limited.

Spiggle, S. (1994). Analysis and Interpretation of Qualitative Data in Consumer Research. *Journal of Consumer Research*, 21(3), p. 491.

Strauss, A./Corbin, J. (1990). *Basics of Qualitative Research: Grounded Theory*

Procedure and Techniques. *Qualitative Sociology*, 13(1), pp. 3–21.

Tischer, T. (2014). Die Nutzung digitaler Medien zum erfolgreichen Management von Monobrand-Stores als Kernkompetenz in der Luxusmodeindustrie - Eine Analyse vor dem Hintergrund des Resource-based View. University of St. Gallen.

Vecchi, A./Buckley, C. (Eds.). (2016). *Handbook of Research on Global Fashion Management and Merchandising*. Hershey: IGI Global.

Vickers, J. S./Renand, F. (2003). The Marketing of Luxury Goods: An exploratory study – three conceptual dimensions. *The Marketing Review*, 3(4), pp. 459–478.

Vigneron, F./Johnson, L. W. (1999). A Review and a Conceptual Framework of Prestige-Seeking Consumer Behavior. *Academy of Marketing Science Review*, 1, pp. 1–15.

Vigneron, F./Johnson, L. W. (2004). Measuring perceptions of brand luxury. *Journal of Brand Management*, 11(6), pp. 484–506.

Wiedmann, K.-P. et al. (2013). Creating Multi-Sensory Experiences in Luxury Marketing. *Marketing Review* St. Gallen, 30(6), pp. 60–69.

Wiedmann, K.-P./Hennigs, N./Siebels, A. (2009). Value-based segmentation of luxury consumption behavior. *Psychology and Marketing*, 26(7), pp. 625–651.