

## **Luxury and marketplaces online: a difficult relationship or a prosperous future?**

Analysis of the mindset of stakeholders starting from the controversies of the Coty case



**Master Thesis**

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## **ABSTRACT**

Luxury brands have always been reluctant towards the idea of using the Internet in their everyday life. The characteristics that constitute the foundations of this sector, and the values that the idea of luxury itself shares, have more than once been perceived as incompatible with those of the online environment by both scholars and managers. Concepts such as exclusivity and privilege, that luxury brands create and preserve, can be lost in a virtual space where consumers can purchase anything fast, with almost no interactions or buying experience. The situation is even worse, for producers, on marketplaces since the popularity and success of these platforms have raised interest among retailers of luxury companies, creating conflicts with the producers, such as the Coty case brought in front of the CJEU.

This thesis starts from this case to understand the reasons and background of this dispute in the European environment and investigates what are the views on the sale of luxury products on marketplaces of the three most important players involved: the luxury brands, the consumers and the Courts. The aim of the researcher is to summarize these mindsets and to discuss them together, ultimately to predict if future disputes should be expected or a common solution might satisfy the needs and interests of all three.

In order to reach these objectives, the thesis answers three different research questions, one for every group, where the data gathered are discussed. Data are collected, following the philosophy of the researcher, utilizing a semi-structured interview for managers of luxury brands, an online questionnaire for the consumers and finally secondary data on CJEU cases and legislations for the last group.

According to the values that consumers have towards luxury and marketplaces, together with those that luxury brands want to protect in their products, and thanks to the more economic view of interpreting disputes from the CJEU, the thesis will conclude how specific marketplaces can fit the expectation of every groups. These findings can help managers in the next future to better understand which channels to approach, how, and they can enrich the academic literature regarding a relationship still new and not widely studied.

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# **1. INTRODUCTION**

## **1.1 The e-commerce reality**

The importance and profitability of shopping online is not a surprise anymore nor it is considered a passing fad by companies, consumers but also institutions and lawmakers. The following data gives an idea of the size of this business. Worldwide in 2018, 1.8 billion people have made a purchase online (Statista, E-commerce Worldwide, 2019). This means that almost 25% of the total population of Earth has used the Internet to shop. Global revenues from e-retail sales are 2.8 trillion U.S. dollars with a forecasted growth up to 4.8 trillion U.S. dollars in 2021 (Statista, E-commerce Worldwide, 2019).

Online retail is so common that the presence of a brand online is considered more a standard practice, rather than an extra offer. Okonkwo (2009) explains this concept writing that customers these days expect a brand to be online and a lack in this fundamental channel of business can cause perplexity towards a company or an entire sector.

As a result, a brand lacking its presence online will potentially lose clients and be detrimental to its chances to do business and to sell (Schmidt-Kessen, 2018).

Moreover, consumers search for products online not only for buying but also, and primarily, to understand more about the object, read feedbacks, discover substitutes and compare them and also share comments and influence others (Okonkwo, Sustaining the luxury brand on the Internet , 2009). This fact is shown on a survey made by cpcstrategy (2018) regarding behavior of consumers on Amazon where 1500 US Amazon shoppers were interviewed. It turned out that almost 80% of interviewees use Amazon to discover or to try products they are not familiar with and around 70% of shoppers browse Amazon without a specific product in mind.

The presence of a brand online not only has a potential impact on the profits of the company but also on the awareness in the mind of consumers. Presence on Internet has an essential role in the branding and communication of an organization towards its customers (Dall'Olmo Riley & Lacroix, 2003).

## **1.2 The position of luxury companies**

Despite the huge success of this 21<sup>st</sup> Century's channel, luxury companies have never fully embraced the idea of selling online, even though being considered part of an industry promoter of innovation and avant-gardism (Nyeck & Roux, 1997). Those brands and their managements have frequently been reluctant in welcoming the idea of technology and digital communication (Okonkwo, Sustaining the luxury brand on the Internet , 2009) and companies have maintained a certain distance from the Internet, up to a point where brands such Versace and Prada were without a website before 2005 and 2007. The academic world has also been divided, as pointed out again by Okonkwo (2009), a veteran of the luxury industry. Researchers were considering this possible relation as a dilemma. Kapferer back in 2000, for example, described e-commerce as an opportunity and a threat for luxury brands.

The characteristic of e-commerce of being of global reach to anybody, together with a general approached strategy of pull marketing are clearly in contrast with the concepts of exclusivity, desire and niche that luxury companies need to evoke (Okonkwo, 2009).

Kapferer & Bastien in 2009 state that the general consensus among luxury executives was that the new digital world does not necessarily bring new added value to luxury companies, apart from those brought by their own websites.

This is why this suspicious behavior has been even more true towards retailers in the framework of selective distribution systems, and manufacturers have even come to frequently put restrictions and online selling bans on those third parties (Schmidt-Kessen, 2018).

One of the ideas at the root of this fear towards their partners has been the uncertainty regarding how a retailer can sell online. Of the different problems and doubts regarding the adoption of Internet as a business channel for luxury brands, the role played by the in-store experience raised, in fact, major doubts on how such a sensorial experience could be replaced and recreated via screen (Okonkwo, 2009). Luxury brands are basically afraid of the consequences of an inadequate online environment. A bad experience for a potential client, one that is not already loyal, can not only push the customer away from the next sales but,

worst, damage the reputation and image of a brand, a concept that is true online as much it is offline, briefly clarifies Schmidt-Kessen (2018). These concepts of brand image and perception are important for every business but they are of crucial importance for luxury brands due to the nature of this industry where players do not compete on prices but on the ability to invoke exclusivity and to create awareness and perceived quality (Phau & Prendergast, 2000).

It is clear how the dimensions of online retail and revenue associated, with the doubts of luxury companies' executives, have more than once gave birth to controversies and frictions to the detriment of retailers interested in exploiting the opportunities presented by this new business environment. Some of these issues have been so important and requiring of further study and higher judgment, that they have worth the intervention of authorities beyond regional and national ones, as it happened during the Case of Coty vs Akzente in 2017.

### **1.3 The Case**

It is December 6<sup>th</sup>, 2017 when the Court of Justice of the European Union (CJEU) sets a precedent in the matter regarding the possibility for a manufacturer to restrain the ability of retailers to sell on online marketplaces. In the Coty Case, the CJEU rules that banning online platform sales of luxury goods, in selective distribution systems, is not violating Article 101 (1) TFEU when the aim is to protect brand image and therefore the idea of luxury and prestige associated (Schmidt-Kessen, 2018). In other words, manufacturers can restrict their distributors in selling on third-party platforms, e.g. Amazon or E-Bay (providing that certain conditions apply) (Winter, 2018).

The parties involved in the case are *Coty* and *Akzente* and to better understand this case is useful to analyze the reasons behind their requests to the CJEU.

The former, Coty (Coty Germany regarding the case), is a company selling luxury cosmetics from specific brands via a selective distribution network granted by contracts and special contracts utilized to organize and to manage the entire network (Cases, Judgement of the Courts, Case C-230/16, 2017).

Parfümerie Akzente is an authorized Coty distributor, selling both through traditional (brick-and-mortar) locations and online. This latter business channel is carried on partly via the online store owned by Akzente and partly on Amazon.de (Cases, Judgement of the Courts, Case C-230/16, 2017).

The main issue discussed in the case is the legal validity of the prohibition enforced by Coty on its retailer Akzente under a selective distribution contract, to sell contract goods on a third-party platform (Cases, Judgement of the Courts, Case C-230/16, 2017). However, the importance of this ban and the decision upon it, go beyond the simple possibility of restriction from online platforms brought in front of the CJEU. The case sets a precedent on the area of vertical restraints and on the idea of having brand image and luxury perception associated (Schmidt-Kessen, 2018). This matter is the reason why this case is so important, and its validity can be extended to other players not only in the luxury sector, which as Forbes in 2017 metaphorically reported “are cheering after the judgment”, but in every sector where brand image is important and a distinguishing characteristic (Winter, 2018).

On one hand, for Coty, representing in a broader way luxury companies in general, the ban stands for the priority of the executives of maintaining and ensuring a certain level of prestige when selling luxury products online.

On the other hand, Akzente, representing in a broader way authorized retailers in general, claimed its right of selling on Internet, stating that the mere concept of a potentially deteriorating “brand image” is not enough to restrict the possibilities of any distributors’ business in general.

Both Coty and Akzente have valid reasons, retrievable from this introduction, to bring upon such claims.

Coty management had on its hand the common behavior and consensus among luxury companies explained earlier. Moreover, even though CJEU has already made a negative statement regarding selective distribution systems before with the Pierre Fabre case few years before, that case was firstly not dealing with luxury goods, and secondly it was dealing with a total online selling ban (Schmidt-Kessen, 2018). There was therefore room for Coty



to have its ban be considered lawful under Article 101(1) TFEU since the ban enforced on Akzente was only related to third-party platform, therefore partial, and since the products involved were, this time, considered in the sphere of luxury. Another idea possibly in favor of Coty was a point of the so called Metro criteria, set by CJEU in 1977, stating that a selective distribution system won't be considered violating Article 101 (1) TFEU if the nature of the product requires preservation of its quality (Cicala, Haegeman, & Cuff, 2017). This quality was, for Coty, the perceived one of selling luxury products.

Contrary to this position, Akzente had on its side the willingness to freely make business on such a growing environment, such as the one of online retail platforms, together with the previous decision of the CJEU regarding the same controvert case of Pierre Fabre. During this case, the CJEU rejected the request of protection towards brand image, stating that it was not worthy of it, and therefore could not be used as a valid excuse to judge a ban like the one brought upon as lawful under Article 101 TFEU (Winter, 2018).

After this decision there has been a lot of confusion among judgements involving platform bans and selective distribution systems. Inconsistency was found among jurisdictions of different EU Member States up to within countries as well (Cicala, Haegeman, & Cuff, 2017). On the contrary, Schmidt-Kessen (2018) reports how some Higher Regional Courts in Germany created even more contradictory laws on the matter of branded goods sold on online platforms.

When the Coty Case issue was therefore brought to the CJEU, the latter had the chance to pose an important milestone on decisions regarding similar topics and hopefully to set legal guidelines for the Member States of the EU and European businesses. Cicala and his colleagues (2017), to make even more clear the importance of the Coty Case, underline that the CJEU received observations regarding the case, not only from the interested parties, but also from seven different Member States of the EU divided into two points of view. Luxemburg and Germany on one hand were pushing for a decision in accordance to the Pierre Fabre judgment, therefore saying that any limitations in online retail are actually detrimental, and the decision should go in favor of an anti-ban environment. On the other hand, Austria, France, Italy, the Netherland and Sweden were backing the idea that the use

of selective distribution system with the aim of protecting the brand image of a company, is legitimate and that a third-party platform ban should not be considered as a total internet sales ban and, therefore, legitimate.

The final judgment taken by the CJEU was that the platform ban imposed by Coty on Akzente was different enough from the Pierre Fabre that, therefore, this selective distribution system was found to be lawful in front of the Article 101 (1) TFEU and it was appropriate to preserve the image of uniqueness and luxury of such goods through the use of a platform selling ban in selective distribution contracts (Cicala, Haegeman, & Cuff, 2017).

#### **1.4 The reason of the thesis**

The Coty Case, and the controversies associated to the luxury sector and the party represented by retailers and third-party platform are at the source of the research. The idea of the thesis is to analyze three different players in this environment: the luxury companies, the consumers and the legal authorities and analyze through interviews and surveys their positions and thoughts regarding selling luxury products on retail platforms (i.e. Amazon.com).

Similar exploratory studies have already been made more than once for example in 1997 by Nyeck and Roux and again in 2003 by Dall'Olmo Riley and Lacroix to understand what changes had meanwhile arose between one study and the other. These studies, however, were executed in a time where luxury companies were doubtful regarding the mere idea of selling online even on their own websites or creating a website at all. Due to this, they were aiming at understanding if the Internet would have been a suitable tool for communication and branding (Dall'Olmo Riley & Lacroix, 2003) and the idea of selling out of their website remained not studied and explored.

This research starts from the frictions between luxury brands and reseller (like Coty, Akzente and the chance of selling on third-party platforms) and aim to understand the mindset of three groups of stakeholders on the matter: luxury companies, consumers and legal courts.

## **RESEARCH OBJECTIVES**

### **2.1 Premises and goal of the thesis**

As outlined at the end of the introduction, this thesis will follow the methodology and ideas of the exploratory studies by Nyeck and Roux in 1997 and Dall’Olmo Riley and Lacroix later in 2003. The goal of these researches is to take into consideration multiple parties involved in a specific issue, sector or business and to understand their thoughts and ideas in said regard, therefore answering a particular question or questions. Dall’Olmo and Riley (2003) for example aim to fill the academic gap of articles regarding the effective implementation of websites by luxury manufacturers. To do this, they analyze the motivation of companies, from words from their managers, regarding building a website in the first place, then they collect ideas and thoughts of consumers on their use of such websites.

This research starts from the controversy at the source of the Coty Case to understand better the relationship between luxury manufacturers and e-commerce, but in this case, that particular part of e-commerce represented by platforms, like Amazon and eBay or specific ones. Luxury brands are in fact already successfully implementing online solutions as explained by Okonkwo in 2009. The online channel is nowadays not a mysterious environment for luxury goods anymore, like it was in 1997 and 2003, as the number of manufacturers using this fast-growing channel can easily proves (Okonkwo, Sustaining the luxury brand on the Internet , 2009). For example, online share when buying luxury goods will have an expected growth of 64%, from 11% in 2018 to 18% in 2023, as the Luxury Report 2019 from Statista shows. In the same study, 76% and 83% of interviews from respectively USA and Germany, answered that they use Internet at least as a channel for information when dealing with luxury goods.

On one hand the situation just presented of economic wealth and prosperity for luxury companies in the online environment is true. On the other hand, cases like Coty are proofs that now a new source of issues exists, and it is possibly still unresolved: the relationship between manufacturers, retailers and the chance of selling on third-party platforms.

The title of an article by Forbes in 2017 regarding the case: “Amazon Vs. Coty: Coty may have won the battle, but Amazon will still win the war” is clearly opening to future

development on the matter. The use of a future sentence and the metaphor of a battle, a single episode, compared to a war, boost the idea of a controversy not yet resolved, an idea also shared by the principal of an intellectual property law firm from the UK interviewed who stated “a fightback may well be in the pipeline” (Danziger, 2017).

The thesis will therefore analyze the current situation in the online environment just presented by analyzing the position of different parties involved in this issue, to capture their ideas and expectations on the regard. After having collected those ideas and having analyzed them the aim of the thesis is to compare them and understand the paths of these parties. The factions that the author will consider are three: luxury companies, consumers and legal authorities.

## **2.2 Research questions**

The final aim of the research is therefore to answer the following three research questions:

- What is the position of luxury manufacturers regarding the relationship between luxury goods and third-party online platforms?
- What is the position of consumers regarding the relationship between luxury goods and third-party online platforms?
- What is the position of legal authorities regarding the relationship between luxury goods and third-party online platforms?

After having answered the three research questions presented, the research will compare those answers and try to understand if a common path is taken, if the three parties involved have expectations or plans colliding with those of others or if there is space for compromises and for actions that can allow exploitations of the growth of this online environment.

### **2.2.1 First Research Question**

For the first research question, companies, luxury manufacturers, will be represented by their managers that will participate in interviews in order to gather data regarding their attitude and thoughts on the matter of selling luxury online through third-party platforms. Managers will be selected from different segment of the luxury goods sector in order to try to

understand if the characteristics of a product or a segment of products, beyond the one characteristic of being considered luxury, can impact on the answers that managers will give.

The reason for the importance of manufacturer in this analysis is clear. Brand companies are the ones not only producing the item here discussed but they are of course the authority in charge of deciding for a particular distribution channel or another. As the Coty case shows, it is the brand that decides which type of collaboration to enter (subject to the limits posed by EU competition law), or not, with its resellers, and therefore it is fundamental to understand the position of the player representing entirely the source of this business sector.

### **2.2.2 Second Research Question**

Consumers, for the second research question, will be asked to answer a survey aimed at understanding their idea and inclination on buying luxury products online, not from the website of the manufacturer itself, but from other platforms. Such platforms could be either specific for luxurious products or already existing but, nowadays, usually used for consumer goods (e.g. Amazon).

In the already mentioned article of Forbes (2017), a manager from a firm producing personal care product states that consumers understand that nobody would ever buy a Lamborghini online and the same is probably true for a Cartier watch. He continues stating that, at least according to him, consumers are able to make a distinction between products that can be shopped on Amazon and products that are luxury items and therefore are preferred to be purchased offline. However, at the same time, it is also stated that for what it is referred to as “little luxuries” like cosmetics, consumers are apparently more confident and therefore they are willing to buy them online (Danziger, 2017). The goal of the second question will therefore be to gather data from consumers and to analyze if in the first place, it is true that consumers make a distinction regarding luxury products compared to those “eligible” to be purchased online. If this distinction is indeed perceived by consumers, then the survey proposed will investigate where the line stands, namely what the characteristics that differentiate a product to be bought online or offline are and if the platform used can make the difference.

### **2.2.3 Third Research Question**

The third party involved is the one represented by legal authorities. The importance of the position of this player is fundamental as shown again from the example of the Coty case at the base of this thesis. It has been pointed out earlier that the importance of brand manufacturers also comes from the fact that they are the ones deciding on distribution channels and contracts with authorized reseller. This is true as long as those contracts are considered lawful and as long as parties involved do not feel that there is disparity and any legal action is required. The last decision is in fact always in the hand of the legal authorities. This is the reason for the importance of including legal authorities as a valuable party for this research. If for example all authorities will decide that sales ban on third-party platforms enforced on authorized resellers is to be considered against the law, the opinion and ideas of executives from producing companies will lose power because they will not be able to stop their reseller to sell on those type of marketplaces.

The goal of the third research question is therefore to investigate on the path that legal offices are taking, CJEU in particular, and to investigate the mindset regarding the issue analyzed.

## **THEORETICAL FRAMEWORK**

The following theoretical framework will help the reader to understand better those concepts that create the academic foundations of the arguments of this research and the building pillars of the research questions that the thesis will answer.

First, it will be defined the concept of luxury: its roots and history, its drivers in the modern society, how these define the characteristics of this business sector as unique and different to any other category of products and how they relate to the online problem analyzed. For this task, it will be mainly followed the works of Kapferer and Bastien, two professors at the HEC Paris and authorities, respectively, on the branch of brand management and on the luxury business. They analyze cultural and anthropological aspects when defining and explaining this sector and they give a detailed explanation of the history of luxury and how it affected the way we approach it nowadays. This broader description of luxury is important because it defines the nature of the type of goods the thesis is dealing with.

### **3.1 Luxury**

- Luxury is the necessity that begins where necessity ends - Coco Chanel

Luxury is more than a simple economic sector and it is more than just an adjective to define a Ferrari as a car or a Cartier as a jewel. This means that in order to understand the way luxury behaves, how it is structured and, how management of luxury has to be handled, it is necessary to understand the principles that shape its foundation. Principles that, as Okonkwo (2009) states, cannot be ignored.

First of all, it has to be established that luxury can be defined as a culture, an identity and a philosophy as Okonkwo states (2009). It is more than a simple concept and more than a lifestyle that people want to be part of (Okonkwo, 2009). Luxury is an intricate concept, its products are different from other types of goods and its consumption is driven by factors beyond the mere physical needs of humans like eating and covering themselves, as it is for products such as food, clothes or other daily consumer goods (Berry, 1994; Okonkwo, 2007; 2009). Drivers of consumption, strategies and characteristics of products that are conventional for other sectors, like functionality and even the quest of companies to become the best, are not contemplated or not working in luxury (Kapferer & Bastien, 2009a). If a Seiko watch is, for example, taken into consideration, this watch is more accurate than a Patek Philippe's that can lose even 2 min per year. Again, a Toyota Aygo consumes about 5 times less compared to a Lamborghini Aventador and the full power of the latter is never utilizable on public streets. Despite those "imperfections" or "non-functional" features, a Patek Philippe watch and a Lamborghini Aventador are some of the finest, and most expensive, products in their fields. They are, in fact, luxury products.

#### **3.1.1 A history of luxury: from Prehistory to the 19<sup>th</sup> Century**

In order to understand why this luxury is so unique, it is necessary to analyze its history.

Luxury's *raison d'être* and origins are deeply correlated to humanity and to the social classes of ancient civilizations (Okonkwo, 2009). As Kapferer and Bastien (2009b) state, the history of luxury dates back to the dawn of humanity. In their book "The luxury strategy", the two professors start by explaining this relationship between humans and the idea of luxury, marking its origin in the prehistoric times when men became aware of mortality. This

consciousness and the crave of immortality, a characteristic at the core of luxury, forged the idea and dream of living in “great pomp and splendor” during life as much as in the afterlife (Kapferer & Bastien, 2009b). A perfect example: the pyramids, luxurious graves for the Pharaohs of Egypt, buried together with their most precious, luxurious, objects. Centuries later the construction of this magnificent tombs, on the European shores of the Mediterranean, luxury was in a totally different vision, seen as the point of contrast between two opposed ways of interpreting the State. The luxurious Athens against the rural Sparta in Greece and, in Italy, the contrast in Rome between the idea of an elegant Republic lead by the idea of Virtus (i.e. virtue), opposed to the luxury and pomp of the Empire (Kapferer & Bastien, 2009b).

This idea of luxury is far from nowadays’ issues that luxury companies face, as the one analyzed by this thesis. However, this regression in the past explains that luxury has never been, and never will be, a socially neutral argument (Kapferer & Bastien, 2009b). Not only luxury exists differently in every society throughout time, but it always carries with it the concept of division, being it sociological, economical or philosophical (Kapferer & Bastien, 2009b).

The need and desire of men to differentiate themselves and to feel more important and respected than others have been part of every society, and this is still the core and role of luxury, because possession is the indirect mean to satisfy this need (Okonkwo, 2009). Luxury was an ostentatious display of the status of an individual, symbol of differences between social classes. Centuries ago, these differences were fundamental pillars of societies that even the Law was protecting and determining. For example, laws were dictating the color of shoes of different classes in Ancient Rome and when centuries later, middle-class arose, Bourgeois, no matter how rich they were, were not allowed to dress as aristocrats (Berry, 1994; Okonkwo, 2009). Luxury was a privilege not achievable with the mere possession of large amount of money, but reserved for the few elites and in fact, before the 19<sup>th</sup> Century, the world of luxury had nothing do with the one of economy. This privilege was simply not purchasable.



### **3.1.2 From the 19<sup>th</sup> Century to modern days: ‘democratization of luxury’**

Nowadays nobody would stop anybody from buying a luxury item of any kind; no barriers exist, apart of course from the financial one. Something has therefore happened that has changed the very nature of luxury. In the 19<sup>th</sup> Century, the entity of luxury that has for millennia been separated from the life of common people was in fact finally available to virtually anybody.

Luxury was the offspring of a hierarchical world divided in its very roots and the brightest manifesto of social inequality. When with democratization, the layers of social classes began to disappear in present-day western society, luxury did not just fade away but assumed a new role, answering the unchanged need of people to know where they stand in this “classless society” (Okonkwo, 2009; Kapferer & Bastien, 2009a). Luxury begun to play the role of modern-times creator and father, in a new democratic way, of the past social classes that for centuries it has “served”. Luxury with democratization experienced a remodeling, from being the “ordinary of extraordinary people” to becoming the “extraordinary of ordinary people” (Kapferer, 2012). Hierarchy is replaced by meritocracy as the new key to open the gates of this world and the terms “democratization of luxury” or “luxurification of society” have been coined (Atwal & Williams, 2009; Tsai, 2005; Yeoman & McMahon Beattie, 2005).

### **3.1.3 Modern drivers of luxury**

Globalization, democratization and increase in spending power have driven wealth of people and luxury to historical precedent (Kapferer & Bastien, 2009b) being therefore defined as drivers of luxury in the modern age.

Democratization has defeated a society made of social classes, creating a new society where importance of an individual is not given by birth but by merits achieved and, virtually, achievable by anyone. Democratization has elevated people from spectators to customers of the new business of luxury (Kapferer & Bastien, 2009b).

Globalization has opened the world to new cultures and new resources both as inputs for manufacturers, like for the use of new materials like silk and exotic spices, and as new exploitable markets and the birth of new trends, like Japonisme in France in the 19<sup>th</sup> Century

(Kapferer & Bastien, 2009b). Globalization has had a double role of expanding the pool of possible clients and at the same time of enriching the creativity of luxury with new ingredients.

Finally, the increase in spending power coming from better work environment, conditions of workers and living standards, has given the money and the time to people to become from possible to actual consumers of luxury products (Kapferer & Bastien, 2009b).

### **3.1.4 Values of luxury**

Luxury products have both intangible and tangible benefits to be considered that Vigneron and Johnson (1999) define as psychological and physical values. Here, the most important aspects that define a luxury product as such are presented. Two of them are intangible, therefore psychological and the other three are tangible, physical. Kapferer and Bastien (2009a, 2009b) but also Atwal & Williams (2009) and Henning et al (2015) all mention the fact that these values define luxury products, but they also have the role of building the major drivers for their consumption.

#### **3.1.4.1 Luxury for others**

The social value is probably the most important and defining characteristics of a luxury product together with being one of the most important reason of consumption. As Atwal & Williams (2009) state, in Western countries during the decades 1980s and 1990s, the search for appearance and social status was valued as the primary driver of luxury consumption.

After having reviewed the history of luxury, it should be clear the origin of this value from social classes division. This desire of superiority is so important that Kapferer and Bastien (2009a) define it as the very DNA of luxury. For them, anything that possesses a social value has the chance to become luxury and on the contrary, any object that loses its social signifier characteristic, immediately stops being considered luxury. Luxury brands must therefore stand for social distinction because as the two professors explain, luxury is like a machine that is able to convert a raw material (being it money used to pay or the real material utilized to produce the good) into what is a “culturally sophisticated product” such as stratification of classes in society.

Veblen himself more than a century ago, in 1899, in his treatise “The Theory of the Leisure Class”, one of the first academical study on luxury, coined the term ‘conspicuous consumption’. It stands to describe how people of that time, that were not forced by their economic situation to do manual jobs, were buying object that conferred them a higher social status, in the eyes of others, because those items were expensive (therefore showing economic wealth) and unpractical for work (therefore signifying one’s extraneity to that duty). The same happens nowadays as Jenni Evins, a former freelancer for The Wall Street Journal, writes on her article on Quartz (2017). When a person buys, for example, a Rolex Daytona, that object does not stand for a mere nice watch. That item stands, and the owner knows it, for the possibility of the individual to spend more than \$12,000 on a watch.

#### **3.1.4.2 Luxury for oneself**

This psychological characteristic is explained in particular by Kapferer and Bastien (2009a) and makes a clear differentiation between what is considered luxury and what is considered provocation and snobbery. Pleasure is the final aim of luxury, or as the two professor states, luxury cannot free itself from a deep and personal hedonistic feeling. What this means is that luxury should ultimately bring personal satisfaction. Without this idea, luxury products would just become a way for an individual to “impose” himself over other by having the more expensive item available but without having pleasure in possessing it.

#### **3.1.4.3 Quality of luxury product**

Putting together the concepts of personal feelings towards luxury and pleasure, Kapferer and Bastien (2009a) explain how the result is that quality in luxury is more important than quantity. This for example is seen in those brands that think that they can simply rely on their name to maintain importance in the luxury sector. At one point, the two professors state, consumer will just get tired of the symbol (i.e. the logo and the brand) and will just move to the next trend. Another example is in jewels: the number of diamonds in a necklace is not a signifier of better quality, and definitely not an indicator of taste. Hennings et al (2015) in their conceptual model on the core elements of luxury value, cite as well that quality is often reported on studies and surveys as a driving factor for consumption of luxury. Consumers expect reliability and durability in a luxury product (Wiedmann et al, 2007) and therefore associate luxury brand with superior quality (Aaker, 1991).

Luxury is not perfection (Kapferer and Bastien, 2009a), the example made earlier of the Patek Philippe watch proves that the little flaw turns the object into something more than perfect: unique. However, if a luxury product cannot be flawless, adding errors is not an ingredient in the recipe for luxury.

#### **3.1.4.4 Functionality of luxury products: from product to art**

Functionality is similar to the idea of flaws. A luxury product is not perfectly functional, it is not its goal because its first objective is not only to be used but to be shown (i.e. luxury for others). However, again, adding unfunctional characteristics does not make a normal product a luxury one. Kapferer and Bastien (2009a) make one clear comparison: “Luxury is closer to Art than to function” and also Nueno and Quelch (1998) define luxury products as those whose ratio of functionality over price is low. Examples of this low functionality has already been made earlier. The Lamborghini Aventador as being more consuming, or Veblen’s ‘conspicuous consumption’ where people were buying objects impractical for work to show that they were stranger to that world. As Art, luxury aims at immortality and this is the reason why luxury products are always actual, contrary to products similar to them but not considered luxury. Chanel N.5, Porsche 911 or the trench of Burberry are only three examples of this intemporal dimension that turns objects and designers into icons and move them from shops to museums. Like in Paris where the Musée des Arts Décoratifs hosted the Ralph Lauren collection of vintage cars or The Met in New York City hosts an exhibition on Camp (Kapferer, 2012).

The Art comparison explains an important point of luxury used as reason for the initial doubts of managers toward the Internet. Luxury is experiential. As Chevalier and Mazzalovo (2008) explain, a luxury car value is not just in its design, but in the sound of the engine as well, a parfum is not just its fragrance but it is the bottle in which it is contained. Luxury is sensory in its nature (Dennis et al, 2004) and a two-dimensions environment such as a computer screen simply cannot involves all human senses, part of the luxury experience (Okonkwo, 2009).

#### **3.1.4.5 Exclusivity of luxury products: cost and rarity**

The world of luxury is strongly associated with uniqueness and in a democratic world where birth is not a clear division anymore, money has assumed this role. High prices indicated both uniqueness and quality (Hennings et al, 2015). A report from McKinsey in 1990 defined luxury brands as those whose price of their products is significantly higher than the one of other brands selling the same type of items (Vigneron & Johnson, 2004).

A luxury product is something that must be earned and the higher are the number of obstacles, the greater is the desire to have it (Kapferer and Bastien, 2009a). Luxury brands have thus mastered a sort of anti-conformist management of logistics and marketing, placing as many obstacles as possible in every step of the consumer journey to consumption. Shops are rare, luxury product might be difficult to be appreciated, waiting lists can be of months or years (e.g. 12 to 18 months for a Lamborghini Aventador in 2012 (Frank, 2012)) and they are expensive. All these “unfunctionalities” in the process increase desire. “Veblen” or “prestige goods” or the idea of conspicuous consumption define in fact those items that, contrary to conventional law of market, have an increase in their demand when their price increases or it is higher compared to functionally equivalents (Bagwell & Douglas Bernheim, 1996).

The exclusivity characteristic has been more than once brought upon as the reason why luxury brands were firstly extremely doubtful of using the Internet as a sales channel. Okonkwo (2009) states how the nature itself of sales on Internet is basically the opposite of luxury. Internet has a global reach, customers are just click away from every brand shop and Internet thrives on discount prices, quite the opposite of luxury which balances the fragile equilibrium between sales and appearance through limited supply.

#### **3.2 Selective Distribution System and EU competition law**

One of the three groups that the thesis takes into consideration for its research is courts and competition authorities in the European Union. In order to better understand the Coty case and the decision associated and to efficiently answer to the third research question it is important to explain the characteristics of a selective distribution system and to identify the most important legal provisions that the courts had to interpret in the case. The next chapter

will deal with these arguments aiming at giving to the reader information about the legal environment involved in the thesis and therefore understand the basis and means of the courts and competition authorities in this regard.

An important point has to be made before getting further in the next chapters. Since the thesis analyzes a case of the Court of Justice of the European Union, both the concept of selective distribution system and the regulations that will be presented are all described and presented from the point of view of the European competition which is one of the regulatory frameworks that can limit the freedom of manufacturers in how they design their distribution systems in the EU.

It is necessary to clarify this because other jurisdictions around the world have different laws and legal systems and therefore assessment methods. Cases like *Pierre Fabre* or the building case for this thesis, *Coty* would have never been brought in front of a court in the US due to the different American methodology adopted when evaluating on vertical restraints (Winter, 2018).

### **3.2.1 Selective Distribution Systems**

As defined in the Article 1(e) of the Vertical Block Exemption Regulation 330/2010 (VBER), a selective distribution system ('SDS') is a practice where the supplier, in the thesis represented by the luxury brand, undertakes to sell goods or services only to specific distributors previously selected. Moreover, these distributors agreed not to sell such goods, or services, to any other unauthorized distributors, within the territory in which the supplier is legally authorized to operate such system. This decision regarding which retailer can be part or not of this system is made on the basis of specified criteria which have no legal obligation to be displayed publicly (Official Journal of the European Union, 2010; EU Sector Inquiry, 2017).

The final report on the E-commerce Sector Inquiry from the European Commission (2017), which was conducted to uncover any anti-competitive behavior in the EU e-commerce sector, has outlined that the majority (56%) of manufacturers that participated in the study have confirmed the use of selective distribution system. Also, in the last decade, changes to criteria for selective distribution system has been a quite common counter action by suppliers

and manufacturers against the growth of e-commerce. The study in fact shows that to respond to the online growth, 67% of manufacturers have only changed their criteria, even though the study do not specified exactly how, but 1 out of 5 has decided to implement a selective distribution system when it was not existing before.

The reasons to create a selective distribution system are multiple. From the EU Sector Inquiry (2017), manufacturers have outlined that such agreements are usually utilized to ensure a high quality environment both during the shopping experience and in the after sales services, to minimize free riding from the online sales channel and, in general, to protect the brand image of the company. This brand image idea can be then divided into the idea of exclusivity of a luxury product, the idea of a trustful name, therefore avoiding the risk of counterfeit, and to ensure homogeneity among channels. Control can be seen as the common denominator, control with the aim of protecting the aura of luxury around the name of the company (EU Sector Inquiry, 2017).

It is also interesting, but not surprising, to see how most of these points aim at protecting those tangible, physical characteristics that were outlined earlier and that define a luxury product as such. Exclusivity of price and location of store are protected by avoiding free riding that aim at lowering the cost of the seller, therefore being able to lower the final cost to the consumer, and by appointing few retailers that can sell only on pre-selected channels. The quality of the product and of the service of sales is preserved by ensuring the same quality environment in order to comfort and spoil the customer indifferently from where he or she decided to buy. Creating a common, or at least similar, environment of high quality throughout different sellers of the same product serves also the idea of enforcing the reputation of the producing brand, therefore its value as luxury company and the psychological power of its products to give the wearer higher perceived social status.

### **3.2.2 Metro case**

The use of selective distribution system is certainly increased with the growth of the online channel, but this type of agreements has been created, used and contested before courts years before the birth of e-commerce, as for example in the CJEU case Consten and Grundig in 1966 (Schmidt-Kessen, 2018). The Metro I case, a decade later (1977), was also an important

case regarding the use of selection distribution system. In this case the Court of Justice of the European Union ruled that SDSs are not per se incompatible with Article 101(1) of the Treaty on the Functioning of the European Union (TFEU), one of the most important provisions of EU antitrust law which prohibits agreements that may restrict or distort competition in the EU internal market. To judge whether a selective distribution system is in conformity with Article 101 TFEU, the CJEU developed in the Metro I and L'Oreal cases (1980), the so-called Metro test. A selective distribution system is not restrictive of competition if the following three criteria are met: the product in question needs a SDS to ensure and to maintain its characteristics, quality and proper use; the criteria used to select a retailer are objective and of a qualitative nature with regard to the technical qualification of the reseller and its staff; said selection criteria are applied in a non-discriminatory way and do not go beyond what is deemed necessary (Witt, 2017; Schmidt-Kessen, 2018).

The Metro test has raised more than one doubt from scholars regarding its very 'legal' and less 'economic' nature, especially after the so-called more economic approach to EU competition law has been preferred since the start of the new millennium by the European Commission (Witt, 2017). Vertical agreements, a group in which selective distribution systems fall into, are in fact able to generate significant positive effects on competition, like trying to eliminate free-riding and trying to enhance the quality of service to the costumers (Witt, 2017; Schmidt-Kessen, 2018). For this reason, economists have argued that an objective rule, like the Metro test, where legality of vertical agreements is merely checked as comparison to preset points, it is wrong and it is not reliable to assess the positive outcome that might be created by such system. On the contrary each case should be singularly analyzed in order to understand and to assess the real effects on competition and on welfare of a vertical agreement (effect-based analysis), an approach already used in the US jurisdiction since the time that the Metro case was discussed in Europe (Witt, 2017; Winter, 2018).

### **3.2.3 Vertical Block Exemption Regulation (VBER)**

One of the most important pieces of EU competition legislation to assess whether vertical agreements are pro- or anti-competitive is the VBER. With the approach of the new



millennium, various needs called for the birth of the VBER. Three main reasons can be outlined from works of authors Schmidt-Kessen (2018) and Witt (2017) on why the VBER, that came into force for the first time in 1999, was adopted. First of all, VBER provided guidelines for the application of EU competition law to assess the legality of a selling restraint on the online environment, where before, only special court decisions on selective distribution system were covering the issue. Secondly, as stated before, EU Commission was aware of the fact that some agreements are not detrimental at all to competition or even when they are, they might add positive effects that outweigh the negative ones. For this call for deeper analysis of single cases and for the multiple criticisms brought upon by economists regarding the formalistic nature of the Metro test, EU Commission introduced VBER. The third reason that the two scholars present is the ‘confusion’ around possible outcomes coming from the application of Article 101(3) TFEU. Article 101(3) TFEU exempts those agreements from the enforcement of Article 101(1) TFEU in which positive effects (efficiencies) outweigh the anticompetitive ones stemming from restrictive clauses in the agreement. Witt (2017) states how these conditions for exemption are broad in cases, usually in need of an interpretation and “not immediately obvious” to a reader that is outside of the legal environment. When a judgment is made with the use of the exemption points of Article 101(3), its outcome becomes difficult to be predicted. On the contrary, the straightforward formulation of VBER was therefore designed to enable an easier prediction and clear understanding of Article 101(3) when it comes to assessing vertical agreements.

In 2010 the Commission Regulation (EU) No 330/2010 on the application of Article 101(3) was adopted as new VBER, to replace and redefine, thanks to the experience acquired over the years, the expired Commission Regulation (EC) No 2790/1999 on the application of Article 81(3) (Official Journal of the European Union, 2010). It is useful to specify, before going deeper into the disclosure of the VBER, that according to the Commission, a full, absolute ban regarding online sales is without any doubt considered as a hardcore restriction and indeed considered incompatible with Article 101(1) TFEU (Schmidt-Kessen, 2018).

As stated in the Official Journal of the European Union (2010) presenting the regulation, every vertical agreement is exempted from the application of Article 101(1) thanks to Article

2, but it states in Article 3 that the previous right of exemptions provided has to comply with a market share threshold, of both the buyer and the seller, of 30%. It means that the market share of both parties should not exceed 30% for the relevant market of the good or service purchased in order to benefit from the exemption of the agreement from the application of EU competition rules. This reasoning follows the economic approach used by the European Commission. As in fact Witt (2017) explains, the idea is that a market share beyond that boundary is sufficiently high that the parties involved may cause anti-competitive effects serious enough to harm consumers and the market. Article 4 and then Article 5 of Regulation 330/2010 present a list of respectively hardcore and contractual restriction, where the first ones are cases so potentially dangerous that the agreement is likely to be illegal and caught by Article 101(1), whereas the second ones are negative conditions less questionable than the one from Article 4 but still in need of a single review (Witt, 2017).

For the sake and interest of this thesis, all the restrictions of Article 4 and 5 will not be singularly explained but it is important to understand how the VBER is designed and works. Some points of the VBER will be useful to understand the Coty and Pierre Fabre cases. The reason that can be summarized from the VBER is that if on one hand any distributor should be allowed to use the online channel, on the other hand a manufacturer, more broadly a supplier, has the right to demand that certain criteria are met by distributors when selling online. Manufacturers can for example demand for quality on a seller owned website in the same way as it can ask for such standard on brick-and-mortar shops, or the supplier can ask for the logo and name of a third-party platform utilized by the seller to be invisible to the client (Schmidt-Kessen, 2018). This is also specified by the EU Commission in its Guidelines on Vertical Restraints.

If, as stated before, the VBER has the aim of making decisions from the European Commission and CJEU clearer (Witt, 2017), it is also true that these guidelines fail to picture a fixed scenario for legal versus illegal restrictions when it comes to agreements relating to online distribution. The result is that they leave all those cases not falling inside hardcore restrictions or market share threshold, open-handed to the decisions of regional and national legal authorities of the different Member States (Schmidt-Kessen, 2018).

### **3.2.4 Pierre Fabre case**

The first time that the CJEU had to express itself regarding the legality under Article 101(1) TFEU of an internet ban coming from a selective distribution system, was with the Pierre Fabre case in 2011 (Schmidt-Kessen, 2018). In that situation Pierre Fabre, a French cosmetic manufacturer, was impeding its retailers from selling online. This impediment was happening not because it was directly stated in the SDS agreement between the parties, but because Pierre Fabre was requiring the sales of its products to be made in physical outlets where a professional pharmacist would have been able to help and guide the customers. After the decision by the French competition authority, that found that the internet sales ban was contrary to EU competition law, the CJEU was consulted in a preliminary reference procedure initiated by the French appeal court for a clarification (Witt, 2017; Schmidt-Kessen, 2018).

The CJEU started its analysis of the case by applying the Metro test. The three points of the test were therefore investigated: (i) the nature of the product involved should require for protection from a selective distribution system, (ii) resellers are chosen according to objective criteria applied in a non-discriminatory way and that (iii) the restriction has to be proportionate and useful for the final attainment of a goal (Schmidt-Kessen, 2018). For the sake of this test, Pierre Fabre's lawyers presented two criteria for the legality of the existence of their selection distribution system, conditions that were both rejected as legitimate objective by the CJEU. For the first point, CJEU stated that the required presence of a pharmacist to ensure a better service for the customer was not fundamental, and therefore not accepted as valid justification, because the products involved were non-prescription medicines and the following ban was therefore disproportionate. More important, for the further Coty case and for the sector analyzed in this thesis, was the answer to the second justification presented, where Pierre Fabre's lawyers claimed that the reason of the internet sales ban was the protection of brand image and perceived quality of Pierre Fabre products. In one sentence and, as Witt (2017) highlights, the Court found "without further rationalization": 'the aim of maintaining a prestigious image is not a legitimate aim for restricting competition' (Judgement on Pierre Fabre, par. 46, 2011). The rationale following this statement is that any further clauses in a selective distribution system following this aim

failed to fulfil the Metro test and rendered the selective distribution agreement contrary to by Article 101(1) TFEU.

Some important points were drawn subsequent to this case. The first is that the CJEU recognizes all selective distribution system as anti-competitive when Metro the test criteria are not fulfilled. Therefore, illegal under Article 101(1) TFEU. A point that, as Witt (2017) states, was not entirely clear from the judgment of previous cases. The second point is that the Court of Justice seeks for a legitimate goal before an SDS can be considered in line with EU competition law. This constitutes a sort of additional point to the Metro test or merely a better elaboration of the point stating that the nature of the product should require a selective distribution system.

The more straightforward, but possibly one of the most controversial outcomes is the idea that aiming at protecting the brand image, and therefore maintaining the prestigious aura of a company, was not a purpose ruled as legitimate (Witt, 2017; Schmidt-Kessen, 2018).

### **3.2.5 Coty case**

The Coty case is the last piece to complete the puzzle useful for this research. The Coty case, as most recent case, is in fact the starting point of this work but also the case to understand the current vision of the Court on the legality of selective distribution systems dealing with the online channel.

As explained in the introduction, in the Coty case the CJEU ruled that the online third-party platform ban imposed by Coty on Akzente is compatible with Article 101(1) TFEU, it is not a hardcore restriction under Article 4 and under VBER, leading to full legality of the ban in such SDS. In particular, an SDS aiming at protecting the luxury image of a good is exempted from Article 101(1) TFEU (Judgement on Coty, par. 29, 2017) as long as those parameters that have been defined as Metro test are met (ibid, par. 24). It is surprising to read this decision, when comparing it to the ruling on Pierre Fabre where brand image protection was specifically addressed and rejected as legitimate objective for an SDS by the Court. The reason for the discrepancy is point one of the Metro test, the nature of the goods discussed. Pierre Fabre was in fact not dealing with luxury goods as Coty on the contrary is and therefore paragraph 34 of the Coty judgment (2017) states “the need to preserve the

prestigious image of cosmetic and body hygiene goods was not a legitimate requirement” in the Pierre Fabre case.

Schmidt-Kessen (2018) summarizes the reasons behind the Court decision with three points explaining why the SDS implemented by Coty on its retailer was not ruled to be caught by Article 101(1) TFEU.

In the first place, the SDS and therefore the online selling ban helps to secure the luxury perspective associated with Coty products and create an exclusive image on the e-commerce environment (Schmidt-Kessen, 2018), protecting therefore the exclusivity characteristic explained in section 3.1.4.5 earlier. As it says in paragraph 25 of the Judgment on Coty (2017), the image of prestige and aura of luxury is part of the very nature of a luxury product, differentiating it from other products. A selective distribution system in this case can therefore be needed and accepted.

The second point legitimizing the SDS is that it helps the manufacturer to control and monitor online sales and the condition that the customers face when buying Coty products online (Schmidt-Kessen, 2018). Paragraph 48 of the Judgment (2017) explains in fact that since Coty would have no direct relationship with the third-party platform, the company could not intervene against the third-party platform when determined quality conditions are not met, harming therefore the client and the luxury image again, referring again to the nature of the product.

The third point deals with exclusivity again and therefore enhanced luxurious perception correlated to Coty products. In paragraph 50, the CJEU states that the lack of luxury products sold on third-party platforms gives again prestigious image to the luxury product sold by Coty. To deny therefore Akzente the right to sell on such platform, serves as a defensive method aiming at the protection of such image, a characteristic intrinsically fixed in the nature of luxury product, and a feature valued by customers.

The online ban is also not banning the totality of the online channel, and since platforms are not the most used outlet for such product, the Court has established that a third-party platform

ban is not excessive, as requested by the Metro test stating that the restriction has to be proportionate and useful for the final obtainment of a goal (Schmidt-Kessen, 2018).

From the regulations and cases presented and analyzed, this research and the reader now have the proper fundamentals respectively to answer and understand the third research question. Indeed, to comprehend and predict how courts and competition authorities will decide in the next future on selective distribution system regarding online selling bans for third-party platforms, it is necessary to assimilate the rules regulating such decisions and how these legal provisions have been applied so far by the EU Commission and the CJEU, which guide the national courts and competition authorities with their practice.. The confusion, changes and enforcement of certain points and specificities that the cases presented show, demonstrate how the third question is not merely an issue of application of a certain rule over a dispute. Regulations might stay the same, or be merely updated as it happens for the VBER from 1999 and from 2010, but the philosophy behind their application changes, from more legal to more economic as stated, and this is why it was important to present cases showing this flow of thoughts and mindset before entering the next chapters.

### **3.3 E-commerce and online marketplaces**

The existing literature regarding e-commerce is various and discusses multiple arguments, purchasing behavior (Ahuja et al, 2003), strategies for value creation (Zott & Amit, 2000), methods on how to correctly and successfully implement the business channel in the Internet environment (Epstein, 2005) and so on. For the interest of this research, however, this last section of the theoretical review will help the reader to get a better overview of the online environment that the thesis takes into consideration. Data regarding the e-commerce channel worldwide and information defining marketplaces will in fact be presented. Such kind of information has multiple goals. It will showcase the relevance of the research thanks to those numbers presenting the size of e-commerce around the world. It will also acknowledge the reader on the correct definition and characteristics that constitute an online marketplace as such and that differentiate it from other platforms and websites existing on the Internet, together with more numbers and data regarding this segments and businesses correlated.

### **3.3.1 The importance of e-commerce**

The channel of e-commerce and numbers describing it are of course directly correlated with one infrastructure: Internet connection, and as of October 2019, 4.5 billion individuals are worldwide active Internet users and therefore possible customers (Statista, 2019). The penetration rate of Internet as of January 2019 is worldwide on an average of 57% with peaks in North America (95%) and over Europe, ranging from 95% of Northern Europe to 80% of Eastern Europe (Statista, 2019). Statista in 2017 forecasted for the year 2019, 1.92 billion digital buyers among individuals older than 14, counting for a penetration rate of online consumers among Internet users, on a worldwide level, equal to 63% (forecasted in 2017). This percentage is a bit lower in EU with a percentage of users aging between 16 and 74, on average of 48%. The differences that can be found among Member States are however important to take into consideration, since for example, only 23% of Italian citizens shop online compared to 69% of Danish (according to the Eurostat survey published by Statista where individual who have purchased online privately in the previous 3 months were considered).

With a calculated conversion rate of 3.23% in the last quarter of 2018 and 2.72% in the first quarter of 2019, this group of almost 2 billion consumers generate sales online on a worldwide scale for a value of 3535 billion US dollar with a forecasted 6542 billion US dollars for 2023. Of these revenues, European countries counted for 346.2 billion US dollars in 2019 and a forecasted 479.1 billion US dollars in 2023.

As the increasing data on revenues shows, e-commerce is a growing business and, as Ecommerce Europe claims to introduce its Report of 2018, it continues to be a double-digit growth. Worldwide speaking, annual online sales growth in 2019 scored in fact over 20% with a 14% share of online retail over total retail sales, forecasted to become 22% in 2023 with an associated forecasted annual sales growth of 15% (Statista, 2019).

The reasons explaining why more and more people are utilizing online shopping and switching from the traditional experience of purchasing from brick-and-mortar stores, are multiple. Easiness of use and consumer attitude (Close & Kukar-Kinney, 2010), shopping convenience both as less time spent buying and as better prices, but also interactivity of the

website, validity of information and amount of data available are all characteristics of e-commerce valued by customers (Jiang et al, 2013). Some authors (e.g. Papacharissi & Rubin; 2000; Arnold & Reynolds, 2003; Jiang et al, 2013) divide these motivations into two macro-categories that are valid both for the idea of e-commerce and for the adoption of Internet in general: they are referred to as utilitarian and hedonic. Utilitarian aspects are mainly functional, they include benefits such as the amount of time saved for buying something online instead of buying from a physical shop or saving money thanks to price promotion made on the e-commerce channel (Jiang et al, 2013). On the contrary, hedonic motivations include all those thoughts regarding the personal shopping experience of the consumer and his/her perception. The fun and the idea of gratification coming from purchasing a product that a person likes are both hedonic aspects of shopping. Anti-stress shopping is part of the hedonic motivation of shopping too, the same is true for self-gift, the search for the latest fad or trend and the excitement coming from finding a discount on a product (Jiang et al, 2013).

### **3.3.2 Online marketplaces**

Together with the popularity of online sales channels, the idea of online platforms became interesting and nowadays these entities proliferate in the digital environment (Duch-Brown, 2017). Platforms are defined as intermediaries that bring together different parties in order to ease a transaction in terms of costs and enhance the quality of the matching. Such websites are in fact able to lower the search cost paid for the exchange and to promote the success of the transaction thanks to a stimulating environment where more agents participate. Ultimately, they create more opportunities to make business.

Online marketplaces, that are a central point for this study, are thus a specific category of platforms. Duch-Brown (2017) on his Technical Report for the European Commission also lists other types of identities falling under the broader definition of platforms such as: app stores, social media platforms and online advertising platforms. However, they will not be discussed any deeper since they fall outside of the target of this thesis.

E-commerce marketplaces, also called electronic marketplaces or sometimes in this thesis referred to as third-party platforms as opposed to brand-owned websites, provide the users



with an online space to do traditional businesses and to carry on transactions (Duch-Brown, 2017). As the EU Sector Inquiry (2017) defines them, online marketplaces are multi-sided platforms that connect different parties with the aim of facilitate their transactions and that allow sellers to display multiple products giving therefore the chance to buyers to find and to purchase such items. Apart from this common feature of connecting people to make online purchases, marketplaces have different business models (Duch-Brown, 2017; EU Sector Inquiry, 2017). The major difference is represented by the role that the marketplace operator plays. On one hand, some marketplaces in fact merely provide an online space for parties to carry on their business, like an individual renting out a building for a fair. These operators are called “pure players”: an example of a pure player is Booking.com, which offers solutions for overnight stay around the world, but where all these offers are not rented or physically owned by Booking.com but just shown for the buyer by external renter (Duch-Brown, 2017). On the other hand, there are marketplaces following a so-called “dual format”. Here, the operator offers the sales platform, the online space, for sellers to display their products but at the same time it also plays the part of a seller, presenting its own products for which it acts as retailers. Most of the time, the marketplace is a direct competitor to the other sellers on the platform, trying to sell the same products (Duch-Brown, 2017; EU Sector Inquiry, 2017). A perfect example is Amazon offering the platform to sellers but at the same time playing the role of the retailer itself.

Another characteristic differentiating the type of marketplaces is regarding the acceptance of sellers. Many of these platforms accept every interested seller as long as they comply with basic requirements and as long as their reliability or professionalism is acknowledged in order to offer the most trusted environment possible to clients. Other marketplaces, a restricted segment, opt for selling only a specific range of products and therefore accept as sellers only those retailers whose offer can correctly implement this chosen portfolio (EU Sector Inquiry, 2017). Moreover, not all marketplaces accept private individuals as sellers. Some prefer to accept only professional retailers, which are anyway the biggest group even when privates are accepted. In the EU Sector Inquiry (2017), for example, in the marketplaces considered, on average 78% of sellers are professionals.

Not all products are sold by every marketplace. Many of them accept to sell all types of product as long as they are legal, and the seller can provide enough information to ensure the operator of authenticity and to comply with the standard accepted. However, some marketplaces, for example, do not accept second-hand products but only new items. Especially important for the matter discussed in this research is the fact that some platforms do not accept products under a selective distribution agreement imposed by the producer, unless the seller can provide information regarding its authorization to sell such merchandise on a marketplace (EU Sector Inquiry, 2017).

The importance of such entities in the online environment is as great as the numbers show. In the EU JRC Technical Report on Digital Economy (2017), the author reports that of the five best online retailers, making up for 31.3% of total European online sales, marketplaces occupy positions 1 and 3 with Amazon and eBay. These two giants represent 90.2% of sales of the marketplace segment alone in 2015, but it is significant to notice that while in 2006 only 2 marketplaces were ranked among the best online retailers in Europe, in 2015 this number rose up to 17. Even in the USA, Amazon represents the most important marketplace scoring 344 billion US dollars of value of gross merchandise sold and 56.1% of share of visits, followed by eBay with 96 billion US dollars of value sold and 19.7% of share of visits (Statista, 2019).

Even though the number of online marketplaces is increasing every year and the value of business done is considerable, choosing the most appropriate platform where to sell is a very important decision for a seller due to multi-homing: the easiness of individuals to utilize and switch across platforms (Duch-Brown, 2017). It might seem in fact easy for a seller to simply display its product on every platform and just wait for the sales to happen or for a private buyer to merely jump from one marketplace to another in order to find the best deal. The reality is different and more complicated. Due to options and characteristics that the operators of marketplaces have created in order to indirectly establish switching “costs” for the buyer and for the seller, parties can exploit advantages in being loyal to only one platform (Duch-Brown, 2017).

Reputation for example is very correlated to the use of one platform and it's a characteristic difficult to transfer (Duch-Brown, 2017). This is also caused by algorithms of some platforms that for example values the number and frequency of transactions done and as reported by Melnik and Alm (2002) on eBay for example, good reputation is directly correlated with higher prices per transaction.

On the buyer side, feedbacks from other consumers, layout of the platform, saved payment methods and all data collected and used by the marketplace to ensure a better consumer experience, they can all create endogenous switching costs making one individual more and more loyal to one platform over a competitor (Duch-Brown, 2017). 75% of individuals interviewed in a survey regarding their behavior on Amazon for example have answered that they never or only occasionally investigate other websites to check for better prices when buying on Amazon (cpcstrategy, 2018). In the same survey, 41% (the majority) answered that price is still the most important reason for buying on Amazon but analyzing these two results together it can be deducted that even though price is still the biggest driver, 75% of people are either sure of Amazon convenience, or are so much "loyal" or "used" to it that they do not always check somewhere else. A characteristic that a seller has with no doubts to take into consideration when deciding on which platform to invest financial resources and time.

As claimed at the beginning of this chapter regarding e-commerce and online marketplaces, the information provided should have helped the reader to understand better the volume of business involved in the research. It should be clearer now why retailers are interested in entering online marketplaces and the volume of transactions that these resellers are trying to exploit and enforce in front of Courts and Commissions in legal cases. Moreover, the explanation on marketplaces should have helped to understand better what a marketplace really is, the problems that sellers have to face when considering implementing a similar channel, and the economic reality that the same sellers want to exploit. All this information will in fact be useful as fundamentals for a better analysis of the positions of the groups that the thesis is taking into consideration, namely luxury producers, consumers and legal courts.

## **METHODOLOGY**

For the methodology of this thesis, the author refers to the so-called “research onion” model presented by Saunders, Lewis and Thornhill (2018). The model depicts a series of consecutive layers in order to arrive at the collection of data and its analysis, that constitute the core of the imaginary onion. The idea is that every outer layer has to be understood before moving on to the inner one, because each one brings information regarding the final choice made in deciding one data collection technique over another.

The next chapter will analyze this “research onion” in relation to the questions that this thesis aims to answer and will therefore explain the methodology used to collect data starting from the philosophy of science and continuing with all the subsequent layers. Moreover, the questions proposed to the parties involved, constituting the surveys and interviews respectively submitted and performed will be dissected. The goal of this further analysis is to show the logic behind the said questions and therefore give relevance to the data that will be obtained. The set of questions are also presented in the appendixes.

### **4.1 Research philosophy**

The outer layer of the “research onion” is made by the philosophy of the research. This term stands for the way that the author sees, understands and interprets how he or she is producing knowledge. Research, in this case the thesis, is in fact always developing new knowledge, surely at different levels of importance but still creating new knowledge, even though it might be just for a specific organization, a niche sector or a single problem (Saunders et al, 2018). Every idea, hypothesis and belief that the researcher produces, follows a philosophy that defines step by step the questions studied and the position of the author towards these questions. Therefore, how the analysis is conducted, and which methods are utilized to gather relevant data (Saunders et al, 2018).

Before differentiating between philosophies that might be used, it is useful first to delineate the concepts of objectivism and subjectivism. Since philosophies of business studies are influenced by other external disciplines, objectivism and subjectivism incorporated assumptions from such various academical fields, in this case, natural science for the former and art and humanities studies for the latter (Saunders et al, 2018).

Objectivism, as for natural sciences, embraces the idea of realism and the fact that players studied cannot influence the reality around them with their experiences and ideologies.

On the opposite, subjectivism, as for arts and humanities studies, embraces the idea that social actors with their ideas and actions play an important role in shaping the world. Reality is therefore not single but can take different shapes according to the individual describing it (Burrell & Morgan, 2016). Since social interactions are a continuous flow of events each with its own importance and ability to affect the individual, subjectivism highly values historical and geographical backgrounds as well as to sociological ones. The place, time and cultural environment in which a person lives are in fact important shapers of the interactions that he or she will have and the ideologies that he or she will cultivate during life. A researcher that follows the idea of subjectivism has to understand these characteristics of the sector or issue that is under analysis. According to subjectivism, it is almost impossible to leave aside personal values of the researcher since, for example, the field of the study itself is already a decision taken according to personal preferences. Therefore, the scholar must self-reflect on these points of view and beliefs, examine and challenge them to finally be able to incorporate them in the study (Saunders et al, 2018).

Analyzing the literature review touched earlier regarding luxury, competition law and e-commerce, it can be understood how the view of the author regarding the issue analyzed is subjective more than objective. In the explanation of luxury for example, different characteristics have been delineated but one of the central points is the idea that a product has to be considered luxurious to be so. It is not only about quality or price, these might be considered as features more “static” and that stay the same among people, but perception of the individual towards the brand, the name and the product, are subjective characteristics. Moreover, in the previous paragraph, Saunders et al (2018) explain how sociological and historical factors and backgrounds of the individuals can define the way he or she see the world and therefore plays a role in shaping the ideas and thus influence the research. Again, in the literature review chapter regarding luxury, the author has explained how the perception of luxury and the product defining it, changed over the course of history and over different societies (for example Ancient Greece and Ancient Egypt) living during the same time span.

The same subjective interpretation and importance of the individual involved are applied to competition law and e-commerce.

The concept of law may give the idea that a structure is present and that it is not possible to move from that structure, provoking the thought that competition law is objective, objective is the way in which any individual has to deal with it and therefore the way the author and the thesis has to approach the problem. This is only partially correct. On the one hand, when for example Art.101(3) TFEU defines hardcore restriction for which an agreement is defined illegal and caught by Art.101(1) TFEU, those points are rarely discussed or interpreted if found in a case. This means that if a hardcore restriction is assessed, or for example the 30% market share benchmark is breached, the case is considered illegal without any need for interpretation because that situation does not follow the structure imposed by the law. On the other hand, in the theoretical framework regarding competition law and cases antecedent to the Coty one, it has been pointed out as the Court found itself in the position where the existing law was not specific enough to the case presented. More than once, the Court had in fact to make some interpretation tailored to the case involved, interpretation that sometimes varied from one case to the other. A useful example is the idea that brand image was not deemed worthy of protection when this meant to block a retailer from selling online in the Pierre Fabre case, but this changed when the idea of luxury was then added in the Coty case. The same idea of subjectivism is true when a case is discussed among different jurisdictions. The theoretical framework briefly points out how a case such as the Coty case would not be discussed in the US jurisdiction because of their more “economic” way of interpreting the legality of a selective distribution system. This idea of law being subjective because depending on the society and the judges, is defined by the term “law and society movement” (Friedman, 1986). This movement states how legal systems can be studied as social phenomena and how they are so intrinsically bonded to society that it is difficult to define one without specifying the other. For these points, and since this thesis deals with only the European vision towards selective distribution systems, online retailers and marketplaces, the subjective assumption applies to the field of competition law in this thesis.

The concept of e-commerce can be interpreted as well using subjectivism because, even if the functionality of marketplaces and their structure does not differ from one user to another, the idea of individual towards buying online is very personal as shown in the theoretical framework analyzing this sector. Here in particular, geographical background plays a very important role and therefore consumers cannot be analyzed as they are merely numbers following a preexisting and common code. Age of the possible online consumer might change how likely he or she will be towards the idea of buying something online and especially in this study regarding luxury products, subjectivity is particularly important again for the intangible characteristics that luxury possesses. Numeric data regarding online purchases are useful to give a general idea of major trends, as shown earlier to explain for example the size of the online business. However, numeric data cannot explain the perception of people towards a problem and since this thesis is dealing with how individuals feel about this channel, the author finds more useful, and consistent with the aim of the thesis, to utilize a subjective approach that for the reasons briefly explained apply to the e-commerce and marketplaces study.

From this subjective perspective, the thesis utilizes the philosophy of interpretivism, a current of thought born in Europe at the beginning of the last century. This ideology which started as a critique to the idea of positivism, states that researches on social studies like business and management must be different compared to natural sciences' studies. Since human beings are different from physical phenomena, so are their actions and the social world and therefore the way to study them must differ. Divergencies among people generating from cultural, historical or geographical backgrounds and disparate experiences create a variety of realities that are worthy of analysis. This complexity might, otherwise, get lost when trying to assimilate and explain everything under mere generic and rigid conclusions (Saunders et al, 2018). Research embracing the interpretivism philosophy should aim at shaping new judgments and meanings of the world starting from perceptions of different groups of individuals on the matter discussed. Saunders et al (2018) state for example that the same company experience described by people positioned on various hierarchy level inside a company (like a CEO, a manager and a sales assistant) or outside

(like a customer) might seem entirely different realities if analyzed without knowing that everybody is picturing the same situation. For this reason, in the following thesis the author seeks to investigate the problem of luxury and e-commerce and to do so, he decides to separate some of the different parties involved in order to get three points of view of the issue. Following an interpretivist thought, the researcher believes that the idea of selling luxury products online has very heterogeneous opinions depending on the source of these judgments. A mere analysis of one group and extrapolation of conclusions from this single category would be too simplistic either not considering the existence of the others or, even worse, assume that everybody has the same mindset, taking therefore a more positivistic approach that reality is independent and single.

One reasoning of the author for the application of this philosophy over others is that, the existence of a case, meaning a discussion, is the first proof that different parties have contrasting views on the matter. In the Coty case, Akzente is explicitly in favor of the use of online marketplaces where, on the opposite, Coty Germany strongly disagrees not only on the utility of such channel but makes argument for the detrimental effects that practice might inflict on the company. Stating that the use of marketplace is either right or wrong would therefore exclude the point of view of, at least, one of the interested parties.

Another indicator pointing towards the philosophy of interpretivism is the importance that this concept demonstrates towards backgrounds, as stated earlier. This idea applies largely to the notion of luxury that, as explained regarding the decision of subjectivism over objectivism, changes according to the time period analyzed, the culture of the respondent and therefore the geography of where the research has been performed. Crotty (1998) states how an interpretivistic research should give relevance to concepts like language, history and culture and in fact the author throughout this work has tried to always give an idea of what kind of backgrounds are considered, like the European from the point of view of the Courts, or the questions delineating for example age, nationality and work status of the participants in the consumers' survey.



## **4.2 Approaches to theory development**

Of the three different approaches to theory development, the author has decided to embrace the concept of induction, that, as for the philosophy of science of interpretivism, gives large importance to the idea of subjectivism and subjective thoughts. The approach of induction emerges together with social sciences in the twentieth century and it is the opposite view compared to the idea of deduction (Saunders et al, 2018). The latter in fact consists of the researcher formulating a theory that is then tested on the field in order to find a cause-effect pattern: data follows the theory development. In the inductive approach, theory follows the data that has been gathered. The researcher first collects information, then analyzes this information to understand how they correlate and what conclusions, and therefore predictions, can be delineated (Saunders et al, 2018).

Induction, as an approach coming from social studies, considers the figure of social actors as conscious players and therefore it tries and points at understanding not only how these individuals behave but most importantly why, which experiences and thoughts lead them to the choice they make (Saunders et al, 2018).

The reasons for the choice of induction over other approaches in this study, follow closely the same arguments for subjectivism and interpretivism. The research questions that the author claims to answer with this thesis are in fact exploratory in the way that they ask which are the thoughts and mindset of various groups towards the sales of luxury products on online marketplaces. No theory is created *ex ante* that data collected from the different groups seeks to prove right. The author finds an event, the Coty case, analyzes the reasons causing this event, the issue of marketplaces for a certain category of product, and then tries to get a feel of what is happening in order to better understand the nature of the problem involved. The idea behind the thesis is in fact to enter this field unknowingly of what individuals involved might manifest, therefore the creation of a theory to be tested is unpractical. Data before theory, and therefore the research embraces the inductive approach to the development of theory as the best choice for this study.

### **4.3 Methodological choice and strategy**

Once the first two layers of the research onion have been decided, the researcher has then to analyze the possible methodological choice, strategy and time horizon of his or her study.

The methodological choice refers to whether the data will be collected via qualitative or quantitative methods and therefore which type of data will be gathered, the analysis procedure utilized and therefore the nature of the conclusion of the study. Researchers have two major paths from which to choose when approaching this point of their work: a mono method or a multiple one (Saunders et al, 2018). The concepts are quite straightforward. A mono method utilizes one and only one type of data gathering procedure and therefore the researcher analyses the information with a corresponding single technique. The data in this case will be either entirely qualitative, unstructured intended to gather insights and ideas, or entirely quantitative, structured and intended to give to the researcher some type of numerical data to be then statistically analyzed (Malhotra et al, 2017). The other option, the multiple method, consists of the researcher utilizing different data gathering methods and/or data analysis procedures. Curran and Blackburn (2001) state how the second choice presented of mixing various techniques is more and more common in business and management studies.

For this research the author decides to utilize a mixed-model research, a subcategory of the multiple method concept. Multiple method is in fact divided into multi-methods, where different techniques for data gathering are utilized but still without mixing data of different nature, and mixed-methods, where both qualitative and quantitative data are utilized. Mixed-model research is a concept that not only utilizes both qualitative and quantitative data but mixes the two groups together and combines analysis procedures as well (Saunders et al, 2018). The idea is to create a logic, a story, that follows the guidelines given for example by the more numerical data, meaning to qualitis it, but utilize the qualitative data to enrich the pool of information gathered and maybe to analyze it statistically, meaning to quantitis it (Saunders et al, 2018).

The idea of this thesis is indeed to create a story from the qualitative data gathered from in-depth interviews and open questions of a survey, but also to analyze this data categorizing it, in order to be able to also make use of simple statistics and therefore to quantitis it. At

the same time, numerical data, quantitative, will not be merely treated as a number, but it will give more insight and background to the story that qualitative data narrates. This quantitative data will be quantitatively analyzed, however, in order to be incorporated with the qualitative one and therefore reaches the goal of the thesis of explaining what the mindsets of different groups of stakeholders are in the interested sector.

Together with this combined use of qualitative and quantitative data, the author utilizes both primary data and secondary data, a behavior largely utilized among business and management researches (Curran & Blackburn, 2001). Here, data about two groups will be specifically gathered for the sake of this investigation, therefore primary data (Malhotra et al, 2017). These groups are one of the brand producers and the consumers studied using semi-structured interviews and a questionnaire. Instead, in order to answer the third research question regarding Courts, the author utilizes secondary data.

The next layer of the onion is the one regarding the strategy with which data will be collected. The strategies implemented are multiple and every group is characterized by the use of one particular research approach.

First, since legal entities will only be analyzed with the use of secondary data, no actual research strategy is applied by the author. For this group, all the data is gathered from articles and cases in order to outline a common point of view that Courts have on the matter of luxury products and online marketplaces.

For the study of the mindset of the brand producers, the author has decided to perform semi-structured interviews with managers and executives working for luxury companies. Saunders et al (2009) divides interviews into either structured, semi-structured or in-depth. Structured interviews are also referred to as quantitative research interviews because the questions asked are fixed, they do not change according to the answers of the interviewee and therefore there is not a real discussion, the data collected is quantifiable. On the other hand, semi-structured and unstructured (in-depth) interviews are a discussion between individuals where the researcher is trying to understand the point of view of the interviewee and usually his or her idea on the matter involved. In the case of this thesis, the interview, carried out via

telephone and then transcribed manually, follow a pre preorganized structure of questions prepared by the researcher but which can be modified in order to ask for more clarification or insight according to the behavior and/or answers of the manager. The strategy is therefore considered of semi-structured interviews.

The data regarding the group of consumers is gathered making use of a survey. Saunders et al (2018) state how a survey can represent the whole population as long as the sample is representative, and the response rate is good. Moreover, surveys are the most economical way to collect a large amount of data and being highly structured, they give the researcher the ability to easily compare the answers obtained (Saunders et al, 2018). Surveys are therefore usually considered as sources of quantitative data. This is true, but the author for this thesis has created some open questions or questions describing possible scenarios that allow the exploration of the mindset of the individual, trying therefore to collect some qualitative information as well.

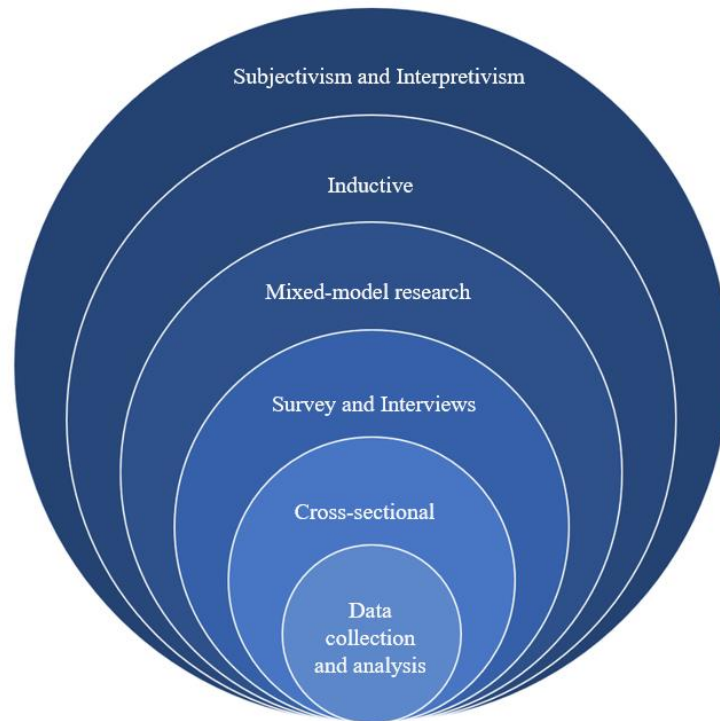
#### **4.4 Time horizon**

The time horizon of a research defines the period of time that the study touches it is interested in. It can be either cross-sectional or longitudinal. The former describes those types of research that portrait a single snapshot of the phenomenon studied in a particular time period. A longitudinal research is, on the other hand, a study that takes the reader along a journey in time to enable comparisons between different time periods about the same issue (Saunders et al, 2018).

Saunders et al (2018) point out how the majority of researches are usually cross-sectional, and this thesis is part of this group. Here the author seeks in fact to study the matter of online marketplaces and luxury products in a specific time, without taking into consideration a flow of periods to be analyzed and to be utilized for comparison. The outcome of this research will in fact be surely different if taken a decade before or after. The various decisions taken by the courts, the use and spread of the internet channel and the idea of luxury, all have been proven to be very time specific as has also been explained before in the theoretical framework. This thesis is therefore a snapshot of the issue analyzed in a time period that can

be considered the one of the late second decade and start of the third decade of the 21<sup>st</sup> century.

Graph 4.1 shows a final summary of the research onion of this study.



Graph 4.1

#### **4.5 Managers' interviews**

As outlined earlier, the source of primary data for the first research question regarding luxury manufacturers is a semi-structured interview aimed at understanding the perceptions and ideas of people working in a brand producing the interested items. Here is presented the design of this strategy, with explanations on the different groups of questions asked.

Every question has a backup or refinement part, used by the interviewer to investigate deeper the object of discussion in order to reach a satisfying level of information. Before every interview, the author has presented the academical nature of the thesis and its purpose to the managers. In addition to that, the managers were informed of the possibility of keeping all of their personal information anonymous including the name of the company, should they so ask. This to ensure that the participants openly share their opinions and perspectives.

### *Introduction*

Q1 is used by the researcher to present the manager participating in the interview, his or her role in the company, the involvement in the online channel and the decision capacity possessed. This part serves the interviewer to give validity to the entire set of primary data by showing the relevance of the individuals selected.

### *The online strategy of the company*

Q2 and Q3 start digging in the idea of the online channel of the company for which the manager works. The first question (Q2) investigates the composition of the online channel of the brands ultimately to understand their level of involvement and engagement online. Q3 asks directly the nature of the company's website, the primary window and source of information that a company should have online to let users discover its brand. The refinement question clarifies if the company uses this channel also for selling directly, or merely as a brand awareness tool.

### *Marketplaces*

Q4, Q5 and Q6 touch the concept of marketplaces and investigate the views of the manager in this regard. Q4 asks the interviewee his or her point of view regarding the usefulness of generic marketplaces when associated with products similar to the ones produced by the brand he or she works for. With this question the author aims to discover a possible correlation or differences that might be traced to the nature of the product involved. Q5 investigates how the manager values the differences between a marketplace and a website when using them as a sales channel. This question together with Q8 and Q9, wants the managers to think on the advantages and disadvantages of the two scenarios he or she is asked to confront. The idea is to take a further step from Q4 that only asks one's perception on generic marketplaces, whereas here managers compare two different channels adding useful information to Q4. Q6 analyzes the view of the consumers, in the mind of the manager, to understand what the company thinks that the average person value that can be in favor or not on the use of generic marketplaces.

### *Relationship with retailers*

Q7 to Q9 introduce the figure of the retailer. Q7 is useful to understand if retailers are used, and how. The refinement question here is in fact very important because asking if the retailers can sell externally to their owned website, introduces the idea of the existence and enforcement of selective distribution systems utilized by the company. The author is indirectly investigating on the trust that the brand has towards its retailers, and on the perception that the manager interviewed has on the topic. As for Q5, Q8 and Q9 ask the manager to compare two different scenarios regarding retailers online. With Q8 the interviewee is asked to compare the differences between selling on the brand owned website and the retailer's website. Q9 takes a final effort to aggregate the different players and online channels discussed until that point and therefore tries to compare sales made on a marketplace when the seller is the brand producer or the retailer. With these last questions the author aims to review everything that has been asked and to put the manager in a situation similar to the one of the Coty case. As in the Coty case where Akzente, a retailer, was trying to sell on a marketplace, the manager here is called to point out his or her thoughts on why and how a sale on a marketplace can differ when it is done by the company or by one of its business partners.

### *Knowledge of the Coty case*

The last question of the interview (Q10) investigates how much the Coty case, the spark for this research, is known by managers working in the luxury sector. This question tests the awareness of this problem and in particular the knowledge that people directly involved in this matter have regarding the decisions that guide these issues. It is interesting to understand if the decision taken by the CJEU has in any way changed the daily business of the company and started a discussion regarding possible actions that the brands should utilize in case they found themselves in a similar situation.

## **4.6 Consumers' survey**

To gather primary data for the second research question regarding online consumers, the author has prepared a survey that then has been sent out via various social medias to friends and relatives to reach as many participants as possible.

The survey, which can be found again in the appendix, is composed of 22 questions but there are some questions that, according to the answer given, lead the participant to a different logical path inside the questionnaire. Nobody has therefore answered 22 questions. The majority of the questions asked are multiple choices. However, there are some open questions that aim to understand the thought of the answerer and, therefore, it would be difficult for the author to state every possible ideology that the participant might have.

The questionnaire starts with a small presentation explaining that the survey has an academical validity and that the information provided will only be used by the author to complete his Master thesis. This should reassure the participants and ensure honesty during the process. Individuals are also informed that every answer is entirely anonymous, again to foster a positive attitude towards the survey, making the participants sure that the data will not be used by anybody but the author and that the researcher has no chance to discover the identity and the correlated answers of anyone.

#### *Defining the participant*

Q1, Q2 and Q3 are anagraphic and geographic questions. They are used by the researcher to assess firstly a set of differences that might create groups and trends later in the analysis. Participants might in fact have common answers according to their age, even across nations or independently of their occupation, or the opposite, the nation where they live might be the greatest factor of aggregation in the answers, therefore showing how culture and geographical background has to be taken into consideration more than age by companies when targeting possible consumers. After having studied and lived in different countries, the author has in fact experienced how for example, the possibility of people to have luxury shops close to their position is not always ensured. In Bologna, Italy, hometown of the researcher, almost every important luxury brand has a shop, the same is true in Copenhagen, Denmark. On the other hand, in Madison, Wisconsin, USA (where the author lived as an exchange student), this factor is for example not true and people might have to travel hours to Chicago or Minneapolis to find a brick-and-mortar boutique of brands such as Gucci or Versace. The willingness to trust a marketplace or the online channel in general might therefore changes extremely according to the location in which a person lives, even more



than according to age and the author finds the idea useful to investigate this possible behavior.

#### *Behavior online*

Q4, Q5, Q6 and Q6bis are useful to understand the willingness of a person to normally utilize the online channel on the everyday life and in particular the use of marketplaces. In this case the type of product is not specified therefore the answers refer to any type of product, of any price. This question is useful to give a better understanding of the subsequent ones where the willingness of a person to buy a luxury product online will be investigated. It is in fact expected that a person who is already not used to shopping online or not interested in the use of online marketplaces for generic products, will therefore not be willing to buy luxury online, not because of the luxurious nature of the item involved but for a personal idea and perception regarding marketplaces in general. In addition to these self-assessments regarding the use of online channels, Q6 and Q6bis set another benchmark on the average behavior online of the participant. Understanding the average price that a person spends online and the highest price this individual has ever paid give some insights on the trust that the participant has towards this channel. Price is in fact an important factor for luxury products. Assuming for example that someone answers that the average price of the products he or she buys online is 30€ and the highest price ever paid is 50€. His or her negative answer regarding buying luxury products online might be better explained and less “shocking” than the same negative one coming from a person that usually buys products of 300€ and has paid up to thousands of euros. The aim of these questions is to discover these possible cases.

#### *Crossroad question*

Q7 takes the participant to the heart of the discussion regarding marketplace and luxury products asking directly his or her willingness to buy such products on a generic third-party platform. From the answer given to this question the participant will ask different subsequent questions. The possibility to choose “it depends” is given to avoid having people answering: “definitely yes” when in their mind the answer is actually “yes, but...”. Respondents that says “no” or “it depends” are grouped together and they follow the set of questions regarding

possible scenarios on the sales of luxury products on marketplace. Those who answer: “definitely yes”, on the other hand, skip these questions to go to Q12.

It is important to clarify on the importance of the words “luxury product” in the question. In the theoretical framework it has been pointed out how luxury products are expensive. Following this idea, the author at first has written this question to analyze the willingness to buy products costing more than 250€, considering this price adequate to sum up the price feature of a luxury product. Expensive is however a highly relative concept. It depends on the financial possibility of the person tested, what is expensive by the author might not be considered expensive by Cristiano Ronaldo, and it also changes according to the category of product investigated. A luxury keychain that costs 100€ is surely expensive because the average keychain has a much lower price. At the same time a 100€ tuxedo might on the other hand be considered cheap compared to similar products on the market. For this reason, the author has decided to avoid setting a price and he has opted to give more emphasis to the word “luxury” that every person can then interpret personally in terms of type of product and price.

#### *Marketplace scenarios*

If the answer to Q7 is “it depends” or “definitely not”, the participant has to go through Q8 to Q15. Here some scenarios are presented useful for the author to understand if there are features of the marketplace that might help individuals to change their mind on buying luxury products online. These questions try to modify only one aspect at a time, asking always the same question: if in this situation the participant would then decide to buy such item on a marketplace. The hypothetical ideas presented explore characteristics of websites and marketplaces that have been analyzed earlier in the theoretical framework regarding e-commerce and marketplaces, such as return policy, better prices, specialized marketplaces, type of seller or experience of others. The goal is to investigate which characteristics a marketplace needs to have in order to convince an undecided individual to use that channel.

### *Price limit*

Q12 is asked only to people who have answered “definitely yes” to Q7 or that they would buy a luxury product given the circumstances presented in Q11. The author investigates which price the user would not be comfortable to pay anymore. This number can be useful to be used in comparison with the manager’s interviews data and try to delineate a sort of virtual barrier of price that consumers do not want to breach. This conclusion can be very useful for managers when deciding which range of products are to be sold online and which are better to be kept offline because they are too expensive.

### *Preferred channel*

Q16 asks where the respondent prefers to buy luxury products in general. It is a multiple choice where multiple answers are allowed. The alternatives presented by the author covers the channel presented throughout the thesis therefore offline and online, brand producer and retailer. The researcher gives the participant the chance to answer openly stating any other new channel, it is a way for the author to possibly gain insight on channels he has not considered, or that he is not aware of.

### *Why do you like...*

Q17 and Q18 are similar but opposite. They both investigate which characteristics of a channel the respondent appreciates the most, but on the one hand Q17 asks regarding marketplaces online and it is only answered by people who have chosen “definitely yes” in Q7. On the other hand, Q18 asks the preferred characteristic of the shopping experience when done in a physical branded shop.

The idea behind Q17 is to be able to compare these choices with the scenarios asked in Q8 to Q15 presented before and therefore to be able again to have insight on which characteristics of a marketplace are valued by consumers.

Q18 is useful for the researcher to understand what people value the most in the luxury shopping experience in a real store. Marketplaces online, retailer’s websites and branded website always try to recreate at best the luxurious experience of a real store but some

features are very difficult to be reproduced online and they might be the reason why people do not choose the online channel. The choices that the respondents will pick are useful because they can give insights on what people value the most of a luxury shopping experience and answers might be compared to those of the managers when asked to compare sales made in various channels.

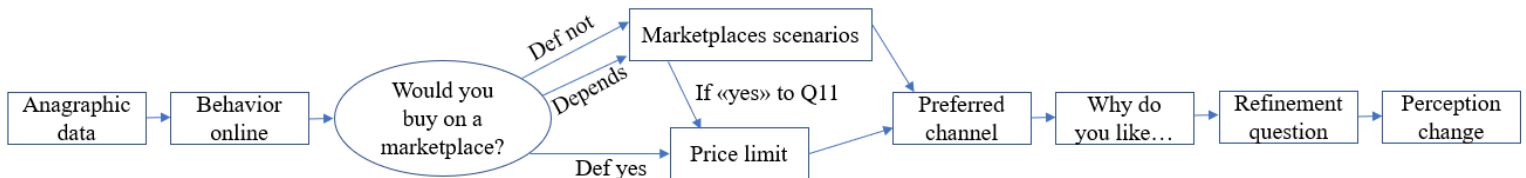
#### *Refinement question*

After having answered the entire questionnaire and having their thoughts concentrated on the issue, respondents are then asked to specify not if they would buy luxury on a marketplace, but what is their perception on the use of such marketplaces for luxury products. Q19 is an open question useful because it asks the consumers to spend a minute to explain their personal idea and not just select a choice already prepared.

#### *Perception towards the brand*

In the managers' interview, one question asks the interviewee to state if he or she thinks that their average clients will change their perceptions towards the brand once they know that the producer is selling on marketplace. This question is a sort of counter check asking now the consumers if and how they would change their mindset towards the brand after the company's decision (Q20). The latter group of answers compare the answers of the managers can indirectly provide a good understanding of the knowledge that managers have of their clients. Moreover, this question, by asking the consumer if a decision like this can influence their view of a luxury brand, concludes this survey closing the virtual circle starting with the Coty case. Perception, as noted in the theoretical framework, is in fact fundamental for a company selling luxury. Perception in the form of brand image is the reason why Coty strongly argued against its retailer and it is therefore useful in this survey to interrogate on this idea.

Graph 4.2 shows the flow of the questions in their blocks just presented.



Graph 4.2

#### 4.7 Validity and reliability

Validity and reliability are fundamental characteristics of research because they ensure that chances of collecting the wrong answers and therefore producing a useless study are reduced to a minimum level (Saunders et al, 2018).

Validity refers to whether what has been collected is really representing characteristics of the issue that is being analyzed (Malhotra et al, 2017) or again, if the results obtained are really answering the problem for which they were gathered (Saunders et al, 2018). In this category falls the idea of target population, a point similar to the one of external validity (Saunders et al, 2018). The choice of which person to interview in the managers data collection for example, may enhance or reduce the validity of the research depending on the characteristics of the managers. To ensure a valid target population, the author has decided to take into consideration only managers working directly with the online department of a company producing products that are considered luxurious in their category. Participants were contacted via LinkedIn, e-mails of the company or through meticulous research and phone calls. Luxury brands have been selected according to the category of product they produce, in order to interview individuals working with items that are already successful in the luxury online environment such as cosmetics (beauty) and clothing (apparel and accessories). Particular attention has been given to the beauty sector to ensure a close comparison to the Coty case. Age, gender and nationality were not considered as important factors for differentiate among managers on a validity point of view. It is necessary to state that the sample size of the managers is surely a limitation towards a higher validity of the research, an aspect that will be further discussed later in the chapter regarding the limitation of the thesis and possible future expansions of this study. The researcher has tried to ensure

a consumers' target population as much heterogeneous as possible in order to gather data coming from various groups of individuals according to their ages, nationality, employment situations. Social media such as Instagram, WhatsApp and Facebook were the main channels of distribution and in order to ensure numerous responses and participation from people not known by the author, participants were asked to share the questionnaire with relatives and friends. However, a limitation to the population of this survey is surely that the majority of the respondents are below the age of 25. Again, further implementations can try to expand the number of responses from other age groups. The great number of various nationalities involved is on the other hand a positive feature that the survey has been able to capture and that ensures higher external validity to the study.

Reliability, the extent to which data collection procedures and related analysis can present findings considered consistent (Saunders et al, 2018), can be divided into three sub questions as proposed by (Easterby-Smith et al, 2008). The first one is whether the same research is able to obtain the same results in different circumstances. This is a particular point for this study. Since this thesis studies the mindset of people towards a constantly changing environment such as online channels, the research will be able to obtain the same results, provided that the environmental factors treated are similar. Following an interpretivistic philosophy, the social actors involved change together with the world around them and since the study works on perceptions, this might conclude that for example the same study will not bring the same results if done equally but 20 years from now. The second question is whether others can reach the same observations (Saunders et al, 2018). For this purpose, managers of various companies, working in different countries have been interviewed in order to provide as much generalization as possible. On the consumers point of view, total anonymity is ensured to every respondent and users were not singularly selected, aiming again at providing a sample that can be as much as possible random, unbiased and not connected to the author, therefore reproducible by anyone. The last question regards the transparency of data analysis (Easterby-Smith et al, 2008). Data analysis and subsequent conclusions are presented in the later chapters and all of them have primary or secondary

data gathered by the researcher as main and only source, transparency of how raw data is interpreted is therefore ensured.

## **DATA ANALYSIS**

The following chapter will provide the user with an analysis of the data gathered both in the surveys and in the semi-structured interviews. The goal of this examination is to find major groups of common streams of thoughts and mindsets on the sales of luxury via online marketplaces that can answer the research questions proposed for this study. After presenting the most significant points deriving from this analysis, the next chapter will in fact answer the research questions and conclude the thesis.

To reach the objective of this chapter and then to answer the research questions, the author will try to categorize the data gathered both for the managers and for the customers. The process of categorizing data means to derive and to identify categories according to the final goal of the involved research (Saunders et al, 2009). With this method, the researcher should be able to create groups of individuals that share a common relationship. This will enable the author to identify trends among his sample and therefore properly answer the questions of the thesis.

### **5.1 Analysis of managers' answers to semi-structured interviews**

Four managers were interviewed by the researcher and all of them asked to be kept anonymous because the issue investigated is currently under discussion in some of these companies. One manager for example never commented specifically on Amazon because he had been asked by the company itself to do so, no further explanation has been given to the author.

Two of these managers work for cosmetics and parfums companies, the other two for clothing, shoes and accessories companies. They work in and with different countries: Portugal, Italy and multiple countries between Europe, North America and Asia and they all work closely with the online environment as Chief E-commerce Officer, Head of Digital for luxury division, Marketing Director and one person covering several roles. Two of them work exclusively for their countries, while the other two have roles that require them to have a bigger vision and deal with the company globally.

Due to the quantitative nature of the data, the author has first transcribed the interviews (presented in the appendix) and then has studied them in order to find common paths or investigate behaviors and thoughts for example among people working with the same type of products.

#### **5.1.1 Importance and role of the website and presence online**

All the managers interviewed had proven the *importance of the company website* therefore of the online channel. Only one of them in the cosmetics has a website that is not used as a commercial channel but only in Portugal, the manager said that in bigger countries like Canada or the UK, the website is also a sales point (Interview I).

The role of this channel does not change across companies selling different categories of products. Apart from being a sales channel, the main task of the website is for all of the interviewed to *communicate to the customers*. “The company website is the first destination for people who want to deal with our brands” (Interview II). This communication can be on new products and existing ones and help to boost offline conversions, or it can be on the brand therefore promoting awareness, creating engagement, consolidation and finally loyalty towards the company. Another thing that has been pointed out is the importance of gathering data of the consumers through the visits that an owned website has. “A gathering tool for CRM programs. We gathered data regarding the interest of our clients” (Interview I). This data can help delineate a profile of customers, to understand their behavior and preferences to create better campaigns and make more profitable investments.

All the managers involved have stated that their products are already online also in retailers’ websites and even some marketplaces. All the answers lead to the assumption that, *brands are aware of the potential of the online environment and they want to exploit it but in the most proper way*. “These platforms are surely a way to grow business” (Interview I).

#### **5.1.2 Consistency and exclusivity**

The key word is *consistency*. Every manager talked about this feature in a direct or indirect way. Some of them clearly stated that their companies want to have consistency in the different channels. “Consistency among marketplaces and our website. There should be alignment also among our website and retailers’ websites” (Interview II) or “To be consistent



on the customer experience online and offline” (Interview III). Others have said for example that the image of the brand needs to remain the same or that positioning, pricing and luxury image must remain unchanged, therefore indirectly talking about an idea of consistency of the image of their brand and the way their products are presented in various channels. “(retailers) use the right logo, the right font, packaging etc., ensure that the image of the brand is consistent with our website and communication” (Interview I). This idea is especially true for a sector where as a manager said “customers don’t just buy without engaging first” therefore “whether they buy is their preference, we want to be sure that they can always find the same offer in every channel they use” (Interview IV).

Consistency is also the reason why *selective distribution agreements are so important. Selective distribution systems are used by all the companies investigated to keep their products under control* since “it is difficult to trust someone that is not us and that might hurt the brand image because it is not their first priority” (Interview III). Some are more restrictive only allowing a retailer to use their channels, but every company relies on them to ensure control over the message that is spread across the online environment and to establish a structure as homogeneous and trusted as possible. One manager for example stated that one time “we used the agreements to stop them (a retailer from selling where the company didn’t want to) since this would have harmed the brand image” (Interview I).

Dissonance might in fact be a great threat that a luxury company has to face online because it creates confusion among customers, and it can change their behavior. Managers have for example talked about the importance of finding similar prices in different channels or websites. It might be thought that this is a matter of profits, but it is actually an image protection strategy. If prices over the internet would be very different across websites, it might induce customers “to go online only to look for discounts” (Interview IV). This on one hand might be good one time, consumers “can be very happy that they can get something exclusive at a lower price” (Interview IV). On the other hand, letting this happen multiple times or giving the idea that anybody can have this deal can make him question the very exclusivity of the product. A good example is the type of discount that some luxury brands make for their employees or only for private events. A person might be able to get a Chanel

bag at a very discounted price at one of these events, but this would not lower the expectation or idea towards the brand if only a few individuals were invited or are entitled to benefit from it. Dissimilarities of prices can also make the clients question a retailer's validity, insinuating that counterfeits are sold. This happens when European resellers of company of manager IV were selling products at European prices on Farfetch in Asia (where items are more expensive). "Customers found the same products on Farfetch at different prices [...] they were questioning if the products were real and if the marketplace had to be trusted" (Interview IV).

### **5.1.3 Retailers and marketplaces**

Although this idea regarding consistency is highly valued by managers, they do acknowledge the strengths of retailers and marketplace. Those using them know the financial importance that they have. "*They are an important source of revenue for us*" states manager I, especially because he is part of a team responding to the European brand separately in his country, therefore aiming, and required, to score a certain amount of revenues. Another manager (II) dealing with the brand globally is not, on the contrary, interested in merely making sales and "opportunistic ways of making transactions". He wants to choose the most appropriate place where people really "desire our brands and where we can have the right form of interaction with them". Although he states this, he is however aware that *marketplaces and retailers serve a higher traffic compared to brand websites*. This is what the majority of managers have answered. Manager III says, "there is much more traffic on a multi-player multi-product website compared to a website owned by a company" and again, "higher traffic is also another advantage of selling on your retailer" (Interview IV). More people visiting the website means more visibility states manager II and therefore "rising companies even in this sector (i.e. luxury) might utilize these platforms to increase their brand awareness" (Interview IV).

Another feature that managers acknowledge as a strength of retailer and marketplaces is their convenience, "it's just easier to have all the brands together" (Interview IV). Another type of convenience that more than one manager has pointed out is related to the logistic and services that retailers and marketplaces are able to offer and that producers are still not. For

example, manager IV states that “some retailers are better than us in providing refunds, giving your money back directly in your bank account or have a faster delivery”. Manager III talks about a power in price that they have, “a retailer can be more price competitive because it might have more elasticity to adapt to a marketplace and less interest in keeping the prices up to maintain a certain image”, a problem that goes back to the idea of dissonance presented. Having the sellers ranked on a marketplace might in fact push producers either to exit that channel or to force their retailers out via selective agreements because “producers cannot compete with the speed and efficiency of fulfillment of a retailer” (Interview IV) simply because their business is different. Therefore, showing the customer that the producer is not the best seller, compared to its own resellers, is not something that brands desire. This might help the customer be less afraid of counterfeits and convince them as manager II says, but manager IV adds “we don’t want to be in a place where there is a chance of buying counterfeits” in the first place. These types of services are something that producers are striving to improve but at the same time, manager IV again says something that really defines the idea that luxury brands have of their sector and that proves what has been described in the theoretical framework. She says that “luxury companies don’t even want to compete with that (i.e. convenience and logistics services) because *luxury is not accessibility and speed but exclusivity*” (Interview IV).

Counterfeits are not the only negative factor of third parties in a distribution system for luxury companies. The earlier explained *dissonance is an important threat*. Moreover, the higher amount of traffic that third parties’ websites receives can be seen as a double-edged weapon by luxury producers. It is true that on one hand more users mean higher brand awareness, “more visitors will see our brand so there will be more visibility” states manager II, but on the other hand he adds that “*not all this visibility is a quality one*”. Manager III shares this idea as well “we are *looking for qualified traffic and specific customers’ profiles*”. Moreover, even though a brand might receive a very high number of visits, all the data gathered is not owned by the producer and valuable insights might be lost.

#### **5.1.4 Answer to the first research question: the idea of the managers**

The main points delineated here are summarized together to create a single scenario. The position of the managers is at the core quite homogeneous even amongst companies producing various types of products. *Marketplaces are in general not avoided, even though they are not directly owned* and therefore controlled by the brands. Control is however, without any doubt, a power that *companies desire, to feel more secure and to have the means to ensure consistency*. Even those who apparently are strongly against the use of marketplaces, do acknowledge the important role that platforms like these can play, in the same way as they *value the power of the online channel* even if “there is something very important about the luxury experience [...] not valued when buying mass-market products” (Interview III). Managers III states in fact “we want to avoid marketplaces anyway because we are talking about luxury brands” but adds that they “might be very useful” especially because “this (i.e. success of the relationship between marketplaces and luxury) has already happened in other places around the world”. In Asia for example, some marketplaces have tackled this industry as also manager IV has experienced: “they (i.e. marketplaces in Asia) have more curated offers and they are positioned higher in the mind of people (compared to western marketplaces)”. The general idea can be synthesized in the words of manager II: “*every case has to be analyzed specifically but generic marketplaces are for sure less attractive*”.

As it should be clear by now, luxury products are not just objects. Either because of their features, their prices or because of the story of the brand producing it, “luxury brands want their products to look special, therefore *being in a place where a lot of offers are made and where prices are everywhere in the site is not wanted*”. Producers have their ways to set boundaries (e.g. selective distribution agreements) but selling in an environment that is considered inadequate would just be like creating a luxury store in the most degraded part of a town. The store would be luxurious but the environment around and the people visiting it would likely not be of any interest for the brand.

A recent example between Amazon and Nike (a company not luxurious but of prime quality) perfectly shows and summarizes the ideas also found by the researcher. In November 2019,

Nike announced that it will stop selling sneakers and apparel on Amazon directly. In 2017 the famous Seattle-based company had in fact started a program with Amazon but due to fakes and price-cuts from unauthorized resellers, the executives of Nike decided to pull out their products (Novy-Williams & Soper, 2019). It is interesting to see how the market has apparently agreed on this decision, since Nike's shares rose by 1.4% following the statements and Amazon's lost 0.6% (Novy-Williams & Soper, 2019).

*Generic marketplaces* are therefore *avoided* so far by the majority of the companies, at least directly (company of manager I has some retailers selling on Amazon but outside of the country) for the same reasons that have been presented by Nike, but *specific platforms* are on the other hand *interesting* and already *used* in some case. Farfetch is an example found in one of the interviews (IV). Another factor to be considered is the relationship between producers and retailers especially regarding the use of marketplaces. Manager IV introduced the idea that *trust and a sort of common sense* exists between those entities. If for example an important producer does not specifically point out a generic marketplace such as Amazon in the selective distribution agreements with a retailer, the former trusts that the latter would not just start selling there merely because it is not technically written that they cannot. "If a retailer does something like that [...] nobody would ever work with them again" (Interview IV). *At the same time, the decision from the producer to enter directly a marketplace must be considered having in mind how retailers might react*, "how this partnership might hurt the current business we have with our clients" (Interview I). It is true that, as managers have stated, retailers might be better than the producers to serve the orders of the clients, but people might prefer to buy from the producers instead of from a reseller. This in turn might hurt the relationship between the businesses or give incentives to retailers to start lowering prices (if the agreements do not forbid it) in order to drive sales, creating a threat for the image of the luxury brand.

## **5.2 Analysis of consumers' answers to the survey**

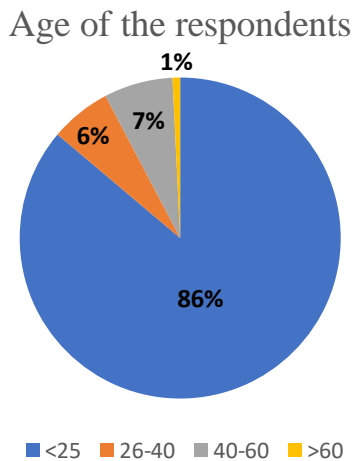
A total of 158 respondents answered the survey that was shared and posted via social media such as Instagram, Facebook and WhatsApp. Of these 158, 28 did not go through every question for various reasons external to the power of the researcher, therefore completing

only partially the questionnaire. The author has decided to consequently remove them from the final analysis and hence the final sample studied is of 130 respondents.

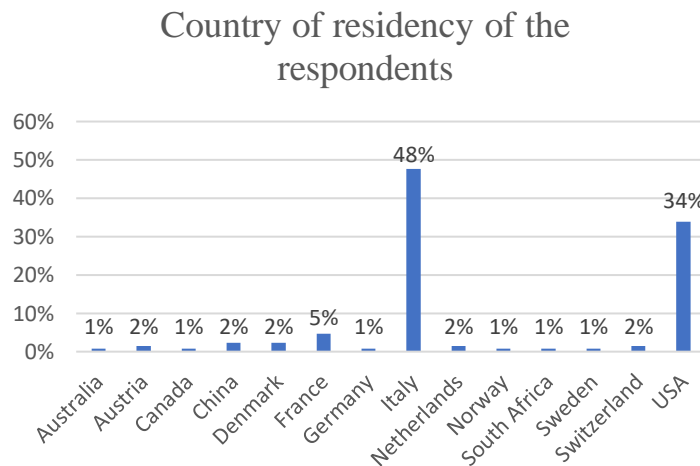
As proposed by Saunders et al (2009) presenting the work of Tukey (1977) and Sparrow (1989), an initial Exploratory Data Analysis is done by the researcher in order to start discovering possible relationships between data. This type of preliminary study is achieved using graphs, diagrams, looking into numerical trends, maximum and minimum values and comparing them to disclose unexpected findings while having the main research question in mind.

### 5.2.1 Anagraphic data

Graphs 5.1, 5.2 and 5.3 show respectively the age of the respondents, the country where they live and their employment status as answered in Q1, Q2 and Q3. As the data illustrates, the “average” customer analyzed is an Italian student under the age of 25.



Graph 5.1

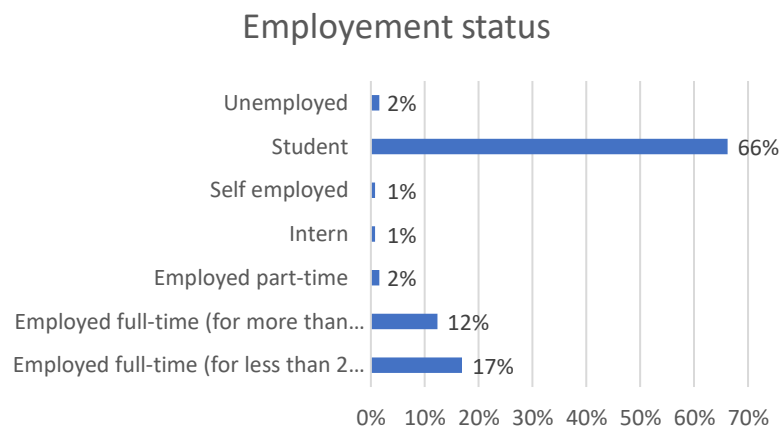


Graph 5.2

People under the age of 25 represents much of the sample counting for 86% of the respondents. This is of course a peculiarity of this research that will be addressed both in the conclusion and in the limitation section of this thesis. People in the age group between 26 and 40 and 40-60 both constitute around 6%/7% of the sample.

Italy is the country most represented with 48% of the answerers. USA is second with a portion of 34%, followed by France (5%). People living in 14 different countries have participated, 9 of these 14 are part of Europe counting for a total of 64% of the answers gathered. It was stated earlier that this thesis will explore primarily the European situation since two research question will consider only data coming from the European environment, respectively the legal courts and the managers. For the customer's survey, however, the researcher has not limited the geographical boundaries of the data gathered in order to understand if, for example, Europeans and Americans behave differently online because of cultural dissimilarities or if such behavior is similar and differences, if any, might be driven by age or other variables instead.

Graph 5.3



Graph 5.3 shows the employment status, utilized again to understand if a variable such as this can be a driver of common mindset towards luxury sold online via marketplaces, thus able to create categories. Most of the people interviewed are students (66%), followed by employed full-time for less than 2 years (17%) and for more than 2 years (12%). Employment status might indirectly stand for purchase power and higher or lower budget, or willingness to pay. A student, who on average does not have any, or a significant amount, of financial stability, might be less willing to pay compared to a person employed full-time. The same difference can exist between a person who has just started working compared to somebody with a more stable position. This type of relationship can be easily analyzed comparing those answers with Q6 asking for the price of the average product that the

respondent usually buys online. 81% of students answered that their average purchase has a price lower than 50 €. The remaining 19% answered between 50 and 200 €. 63-64% of those employed full-time (either for more or less than 2 years) answered “below 50 €”. The remaining 31-36%, having worked respectively for more and less than 2 years, have answered that their average purchase has a value among 50 and 200 €. *The employment status might seem to have a first effect on the amount that a person is willing to pay online.*

### **5.2.2 Shopping online, marketplaces and luxury**

Despite the differences that the anagraphic data presents, the popularity of e-commerce in today’s culture and the use of marketplaces is a common behavior that has been shown by the data in Q4 and Q5, also confirming the data presented in the theoretical framework. When asked about the frequency of online shopping, 81% of the respondents answered at least once every 2/3 months and almost everybody (97%) buys at least one product online every year. In this environment, 84% of the answerers choose half of the time, or more, a generic marketplace.

If the use of the internet as a shopping channel is very similar between for example Italians and Americans, even closer in terms of percentage if the 9 European countries are considered together, Italians seems to make a much larger use of marketplace comparing to those people living on the other side of the Atlantic. 31% of the Italians have in fact answered that they use marketplaces almost 100% of the time they shop online, whereas this percentage goes down to 7% when asked to Americans. It is then interesting to analyze how this difference is no longer found in the perception that people have toward luxury sold online on marketplaces. In Q7, the answers given by these two geographical groups are almost compatible in terms of percentage. “Definitely yes” for example was selected by 19% of Italians and 16% of Americans and “definitely not” scored 18% among Italians and 14% among Americans. According to the sample, Italians do make a wider use of marketplaces compared to Americans, but this behave does not make them more loyal to marketplace regardless of the situation. On the contrary, analyzing even deeper the Italian sector, they seem to be more suspicious towards marketplaces when luxury is involved. 5 individuals of



the 19 who stated that they buy on marketplaces 100% of the time, answered that they would purchase luxury on these platforms without any doubt.

However, 4 of the 19 answered that on the contrary they would certainly not buy luxury. This trend is not just Italian but can be generalized to the entire sample. It is true that comparing answers regarding the use of marketplaces and buying luxury on marketplaces, the highest percentage of “definitely yes” (28%) comes from those who utilize almost 100% of the time a marketplace and that the highest percentage of “definitely not” (29%) comes from those who utilize less those channels. However, these groups do not show the lowest percentage for the opposite answers and differences between various “categories” of answers are too low in percentage to be considered a real trend and not just a mere spread of values. A change from 10% to 14% cannot be considered as a tendency, in fact, 45% of the “definitely yes” answer Q7 comes from somebody who uses marketplaces half of the time or less. Hence, it can be concluded that *frequently using marketplaces is not per se synonym of likeliness to buy luxury on that channel and vice versa*.

The same uncorrelated behavior is true when comparing the use of e-commerce in general and luxury on marketplace. Those, no matter their anagraphic data, who have answered that they buy online at least once a month, have indeed the lowest percentage score of “definitely not” (11%) when asked if they would buy luxury on a generic marketplace. However, it is also true that people buying at least once every 2/3 months scores the highest on “definitely not” (24%) and again, the highest percentage of “definitely yes” is shown amongst people who buy online at least once a year (19%). Again, *willingness of people to buy luxury products on marketplace online is not correlated to the frequency with which people usually buy online*.

### 5.2.3 Marketplace's scenarios

As stated earlier, the scenarios questions have been answered only by those who have selected either “definitely no” or “it depends” to Q7. The goal is to understand which characteristics of a marketplace might be able to change the decision of a person regarding buying a luxury product on such channels. 85% of the people tested have gone through these questions and the results are summarized in graph 5.4.

Graph 5.4 % of positive answers for every scenario



In general, every scenario registered a positive attitude from the respondents meaning that all of them would convince more than half of the people to buy a luxury product on an online marketplace. The average of positive answers to every scenario is 69% so overall it can be concluded that all these characteristics or events should be implemented or should be pushed to happen by luxury brands when selling their product on a marketplace.

The scenario preferred by customers, according to the data gathered is the one where a person that they know has already made the same purchase. Word-of-mouth and past experiences from friends and relatives are worth by 79% of the respondent, convincing to change the mind of 81% of the previously undecided and 71% of those who would definitely avoid buying luxury on marketplaces. Then three cases are very similar in results with a positive outcome between 70% and 73%. Customers value the idea that they can send back the product or get a refund, they would be more willing to buy on a specific platform for luxury products instead of a generic one and they would be more willing to buy luxury if the product purchased is known to them. This last point is very useful for those products that do not need to be tried on like parfums and cosmetics if a person already uses them and those products

are purchased repeatedly, like someone's favorite bottle of parfum. Already knowing the product should push 70% of the respondents to buy it online on a generic marketplace.

The other two cases stated, refunds and specific platform, are particularly significant because together with the most successful scenario, they are the only ones where both undecided and those who previously selected "definitely not", have a majority of positive answers. In other words, in these cases more than 50% of both these groups have answered that they would buy a luxury product on a marketplace.

The common point of the three most selected scenarios seems to be *avoiding of uncertainty*: specific platform (73%), refund/send back policies (73%) and word of mouth of a successful transaction (79%). These are ways for the consumer to feel safe in an environment that looks professional and curated, to have a tool that allows them to return to the original situation should something go wrong and word of mouth frees them of the fear of being the first in an unknown environment.

Showing the name of the seller when the client buys a product and therefore giving a chance to the producer to demonstrate that the customer is buying directly from them is overall a good option scoring 61% of positive answers. However, people who are initially not willing to buy, are not of the majority interested and convinced by this possibility. Only 42% of them would change their mind and 66% of those who were initially undecided. It is interesting for this analysis, due the information that has been given earlier during the explanation of the Coty case, the outcome of the last scenario, the one involving price. Q11 asks the respondents to make their decision of buying on a third-party platform if the marketplace would ask for a better price compared to the one in the boutiques or the real website of the brand. More than once it has been stated in this thesis how managers are afraid of the online environment also because people online look for convenience, also financial, and how having a higher price is almost a fundamental characteristic of a luxury product, therefore making the relationship difficult of these two realities. The sample has proven that this fear exists (because still 55% of the respondents has answered yes), but that this is not the most important characteristic that would move them to choose a marketplace over other channels. Only 55% have in fact selected "yes", of the people who were first undecided only

62% have given a positive answer and only a very low 33% of the people who would avoid marketplaces would be driven by price. This is important because it can show to brands and platform's owners that *customers would not be driven by the mere financial aspect of a luxury product purchase on a different channel such the one studied*. Almost half of them, a high percentage considering that the issue analyzed is one of the major features of online shopping, would not care or they would just concentrate on other aspects like the type of platform selling the product or the services offered by this channel.

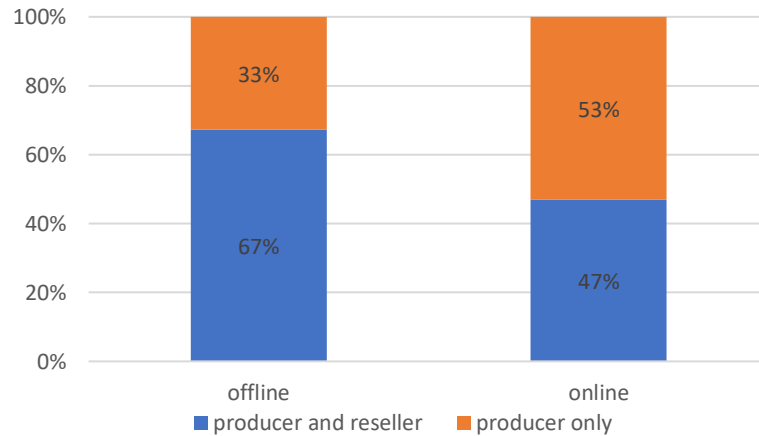
Another data showing this “indifference” to the price factor comes from the answers to Q11bis trying to identify a prevailing price limit for which people would not be willing to buy on a marketplace anymore, no matter the services offered or the type of platform. The option with the majority of answers (32%) is “I would always consider a marketplace, no matter the price”, followed by 500 € (31%), a price however high enough to cover a luxury product. Again, this shows that *a large amount of people is not driven by price when considering online marketplaces for luxury*. This is true *both in the negative way of searching for discount and in the positive way of putting a virtual cap to their budget just because of the channel used*.

#### **5.2.4 Online or offline**

The preferred way to buy luxury according to the sample is offline even though the margin between offline and online is not big enough to indicate a clear preference. 55% of the options selected count for a choice offline either just for a branded store or for a mix option of branded and reseller. 44% on the contrary are the options counting for an online method either from the real website of the producer only or from any website available.

It is interesting to analyze (Graph 5.5) how people trust resellers more on the offline environment than on the online. Of the 55% representing offline choices, 67% is given by a choice involving both branded shop of the producer and resellers, while offline, the mix among buyers (producer and reseller) has been chosen by 47% of the 44% who selected online.

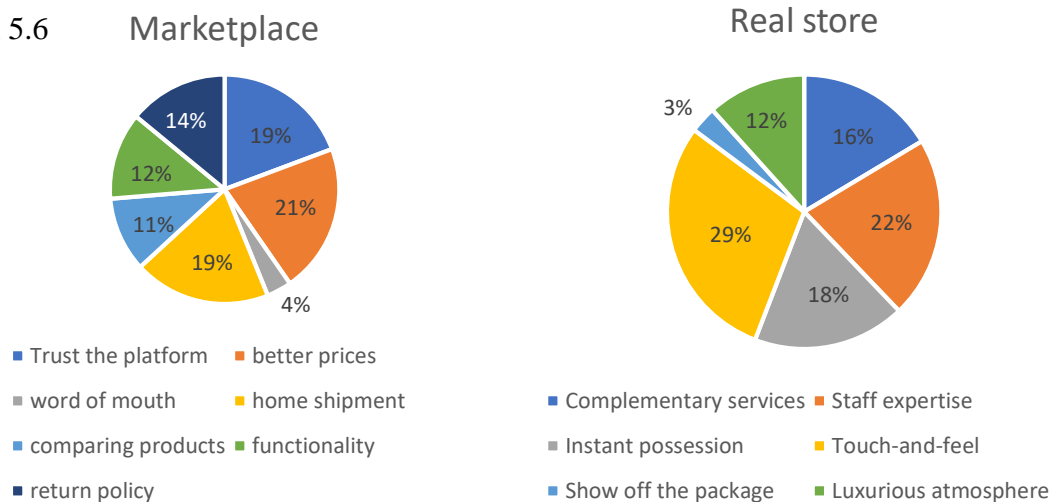
Graph 5.5



It can be therefore concluded that even though *offline channels are slightly preferred to online ones*, the gap between them and their percentage (55%/44%) are so close to the middle that it is difficult without further analysis to define a real trend towards offline. On the other hand, data shows how *trust of consumers toward reseller is higher offline* when they can see the product, whereas when moving to the *online environment, respondents are more inclined to choose to buy only from the website of the producer*. Again, this behavior can be explained by the idea of avoidance of insecurity that therefore push people to trust non-producers more only where they have the item in front of them.

### 5.2.5 Marketplace vs brick-and-mortar

Graph 5.6



As can be seen from graph 5.6, when asked to people who have previously answered that they would “definitely buy” luxury on marketplaces, what they value about this channel, no feature in particular stand out over the others. Three answers are surely more important than others: the fact that people trust the platform (19%), the fact that they can receive the product directly at home (19%) and the opportunity to find better prices (21%). It is interesting here to see how price, which therefore was not predominantly appealing by people undecided, is, on the other hand, important for those who are already interested in the marketplace channel. Again, word of mouth, the most important characteristic for those not sure about platforms and luxury, is here the least chosen answer, considerably lower than the rest of the possibilities given (4%). As said, trustfulness, in this case toward the platform, remains a valued factor as is the return policy (14%) which allows customers to feel safe that even if the worst happens and the product is false or damaged, they can just send it back or receive a compensation.

On the right side of Graph 5.6 is represented what people value most of the luxury shopping experience in a physical branded store. The answers here are interesting and useful to understand which features of a brick-and-mortar situation should be tried to be transported online, when possible. As expected, touch-and-feel is the main reason why people choose a physical store over the internet (29%). Especially for luxury products where the price is high, customers want to be sure of the item in front of them, they need to feel it and for fashion for example, they might want to see how it fits them. This is surely a difficult if not impossible with the current technology feature to transport online. However, it is a characteristic that can be overcome or at least not considered when dealing with a known product, an idea that has been shown before to be able to change the willingness of 70% of respondents towards buying luxury products on a marketplace. Staff expertise is also valued (22%). People want to have information and maybe be guided in their shopping experience by someone who is an expert in the field, since they might not be familiar with the category or might just be curious to know more. Providing information to the customer online is fundamental and achievable with various means such as texts, photos, videos, interactive options and comparing tools to see different products of the same typology (of the same

brand). To replicate the figure of the store personnel online is not possible, but it is possible to bring online the knowledge. To create an environment where the consumer is able to clarify his or her doubts regarding one particular product, know its story, the peculiar characteristics that make it rare and unique or to compare various similar object to understand which one is the best for him or her.

The third most voted feature is the instant possession (18%). Having the item right in the moment when the customer pays for it is just impossible online (at least until teleportation will become a large-scale reality). Delivery time of most marketplace is however incredibly fast now, like the 1-day delivery of Amazon, and it might even become faster in the future thanks to advancement in the infrastructures, especially for some products or specific locations like cities close to warehouses. Putting this together with the fact that “showing off the package” is apparently not valued by customers (4%), it should therefore not be an obstacle the fact that the Gucci bag just bought will arrive the next day in a Farfetch or Amazon package instead of in a branded bag of the Italian luxury company.

The luxurious experience (12%) can be replicated online with a proper layout of the website or of the marketplace page. This obstacle is moreover in the mind of luxury brand since the dawn of their entrance in the online world. As stated in the theoretical framework, every luxury brand carries a story and an identity. As the design of the stores is studied to reflect this personality, so the webpage should aim to do the same. The apparent lack of potentiality to do this was at first one of the biggest obstacles that luxury executives faced. Nowadays various companies have however created websites that perfectly incarnate the soul of the company online and therefore, even if it is surely not the same, this impediment might be leveled. On the other hand, it is impossible to level the obstacle of implementing complementary services (16%) online. Nobody will serve the online customer a glass of champagne while the product page is charging, nobody will take his or her jacket when entering the website and offer you a seat on a designer sofa. This is truly not replicable but, on the other hand, the convenience of making a purchase from home might overcome these services in the mind of a potential customer.

### 5.2.6 Answer to the second research question: the idea of the consumers

The analysis of the answers of Q19 together with the conclusions drawn until this point will define where the customers stand regarding the situation studied, answering the second research question of the thesis. The answer is not a mere list of points, but an explanation of behaviors and attitudes shown by the data with percentage of answers associated derived from the data.

Q7 \ Q19	Definitely not	Depends	Definitely yes
Definitely not	12	7	2
Depends	8	51	10
Definitely yes	/	9	9

Table 5.1

Table 5.1 presents the answers to Q7 compared to those given by Q19 where at the end of the entire survey respondents are asked if they see generic marketplaces as an appropriate channel for luxury and to give a little explanation of the choice. The two questions are very similar, one analyzes the mindset of consumers toward the use of this channel, the other asks if they would buy luxury from a marketplace. This difference, and the repetition of a similar question, is made to investigate if the mind of individuals might have changed after going through the questions and realizing aspects that they might not have considered before. For example, an Italian student that has answered “definitely not” in the first question, has then moved to “it depends” stating “The conditions indicated above made me realize I could actually buy a luxury item online, under certain circumstances”. At the same time, the opposite might have occurred. In total, 36 individuals over 108 (22 did not answer this question) changed their answers, 17 of them negatively, while 19 positively. The biggest change comes from those 2 people who went from “definitely not” to “definitely yes”, nobody on the contrary selected “definitely not” after having answered “definitely yes” before. People that were before in the middle (“it depends”) remained for the majority undecided, and the changes are spread equally towards a favorable idea (10) and a negative one (8). No preference appears to have the majority over the other, most of the people are undecided or driven depending on the situation. In general, *consumers are therefore open to*



*the idea of using marketplaces for luxury products should certain situations occur. As concluded before, their frequency of use of e-commerce and of marketplaces is not a factor creating loyalty to this channel. Consumers are not per se biased to use or avoid this channel, but they are more inclined to trust only the producer in the online environment (Graph 5.5).*

Major points emerged from the answers given to explain the choice made and it is interesting how this happened even though it was an open answer. The reasons mentioned against or in favor of the use of online marketplaces for luxury products confirm much of the conclusions drawn previously.

*Most customers value the luxury atmosphere that is created in a real store and the help and expertise that the staff can bring to them when they are buying in a brick-and-mortar shop (41% of those against the use of marketplaces). Luxury, as explained before, is a category of products different from every other. Personal satisfaction plays an important role as well as the feeling that buying luxury confers a particular social status to the owner. The buying process is therefore as much important as owning the item itself and the shopping experience cannot be merely summarized as the act of buying. It is a particular event involving the buyer and the brand that has to be lived to be enjoyed it entirely and a screen cannot always recreate it properly, especially a marketplace. This is however not always felt. Some people answered that in their opinion, a luxury product is most importantly “simply” a product and, as such, the channel where it is sold is not important as long as the product remains the same. For others, a marketplace might be a suitable sales channel because marketplace is not per se synonym for non-luxury and that, as it might happen for a website, proper layout, services and functionality can indeed transform a marketplace into a luxurious sales channel. 26% of those in favor of using marketplaces for luxury are found in this group.*

*Respondents are afraid of the possibility to buy counterfeits and they need to be sure that the marketplace used is trustworthy, two reasons covering 32% of those against the use of generic marketplaces for luxury products. This fear is also indirectly correlated to the point shown earlier that consumers value the chance to use refunds and send-back policies that can therefore guarantee them in case anything should go wrong (73% in the marketplaces scenario). More than half (60%) of the respondents in the “it depends” group in fact stated*

how their choice on whether to buy luxury from a marketplace or not, may vary according to the marketplace itself. The trust that they have towards it and the services offered to clients are important because the sample shows that *consumers are not always against the idea of using a similar channel*, 61% are either in favor or they might choose marketplaces against 39% against them. Even in the scenarios proposed to people tested, a platform being specific might convince 73% of the undecided consumers to buy there, and trust toward a marketplace is the second reason why people decide to use it when buying luxury online (Graph 5.6). Consumers value reviews and the fact that feedbacks can make internet transactions safer (12% of those in favor). In the scenarios presented to undecided, the most successful one was when a close person has already purchased luxury online and word of mouth is an indirect review. *Feedbacks, successful reviews and positive experiences from others can be factors convincing individuals to use generic marketplaces when buying luxury online.*

The last important point that emerges against the use of marketplaces is, again, the *importance of touching the product and to be able to see it with one own eyes* (27% of those against), a preference that has been already pointed out when stating the main reason to buy offline instead of online. This is not however always true. First, one scenario has earlier proven that *if the product is already known, consumers might decide to overcome this preference*. Moreover, various respondents in the “it depends” group have stated that their decision to use a marketplace can be driven by the type of product involved. People might not buy a dress or a tuxedo online although they might decide to buy products that they are already familiar with or accessories such as a wallet for example that does not have to be tried on. *The nature of the product is a driving factor when it comes to making a decision in favor of a generic marketplace.*

*Convenience is the most important characteristic that convinces people to buy luxury online on a generic marketplace.* Convenience might be of various nature. Geographical, since not everybody lives close to a branded store, and of time, since a person can just sit at home or use his/her mobile to look for the interested product and to buy it with a simple a click instead of going to the store. Financial convenience (the chance to exploit better prices online) exists

but the data shows that *price cannot strongly change the mind of consumers if they decide to avoid marketplaces. People are in fact happy to be able to find lower prices on marketplace also thanks to the fact that they can easily compare them.* However, if they are doubtful of the platform, for example being afraid of buying a counterfeit item, a lower price will not always change their mind. The opposite might actually happen, making them less secure that the product in front of them is real. One manager in the semi-structured interviews stated for example how people sometimes contact the brand regarding products found on a reseller website with a lower price, asking for clarification on the authenticity.

### **5.3 Answer to third research question: the idea of the legal Courts**

Before entering the next chapter of discussion, therefore analyzing the mindsets of the three stakeholders not separately but together, it is important now to expose the idea of Courts on the regard of luxury sold on marketplaces as it can be deducted from the theoretical framework on commercial law presented earlier in the thesis.

As explained in the methodology, Court's decisions are not merely a matter of what the law states, but they are intrinsically bonded to the society and the time period when they are taken, it is called law and society movement. Especially in these cases where there is plenty of room for interpretations, the researcher finds therefore as the best logical idea to utilize the latest case, therefore Coty, as the most important source to answer the third research question.

CJEU decision can be summarized in three points dealing with luxury image, exclusivity and control. The first idea of CJEU, the most important Court for the sake of this thesis, is that *luxury is a feature that is worthy of protection if it defines and if it is part of the very nature of the product involved.* Luxury, a characteristic created by both other intangible and tangible features like prestige in front of others or expensive price, is therefore recognized as a possible factor defining a product and as such, entitled to be protected. This protection is the second point correlated with exclusivity. From acknowledging the idea of luxury and the willingness to protect it, it derives the idea that protection via selective agreements is useful to enhance the exclusivity of a product. *Protection in the form of selective distribution agreements is legally granted to luxury goods because this is the primary way to protect this*

*feature when producers deal with third parties. This is acceptable as long as these agreements are fair for the reseller as well and therefore do not block the totality of the online channel.* Manager IV in the interviews, for example, stated how the most common agreements that they make with retailers is the one where they can only sell in their owned channels. These agreements ban the retailer from utilizing other marketplaces without the producer consents but since they are not excluding the business from the entire online environment, following Coty case, it might be expected that CJEU will tend to accept them without any problem, if the products involved need a certain protection. The last point is control, *granting selective distribution systems, gives the producer the chance to secure and control consistency of its products* and therefore help to ensure a sales environment more controlled, more secure for the consumers and possibly more profitable for the businesses involved. The last point in particular shows, as stated also earlier, how *the mindset of the CJEU seems to move to a more economic philosophy towards disputes*, trying to make the decision that will ensure the higher return in terms of economic wealth of the entities involved.

## **DISCUSSION**

The aim of this research is not only to answer separately three research questions regarding the mindset of three groups of stakeholders about the sales of luxury on marketplaces online, but to discuss these opinions together to understand if, in the next future, more controversies might be expected due divergent schools of thought.

This chapter serves this purpose, to summarize the points earlier made in the three answers of brands, customers and Courts, and to understand how these various mindsets, and therefore the related groups, can coexist and collaborate in the real world.

First, both consumers and brands proved that they value the internet as a profitable and useful business and shopping environment. 97% of the respondents among customers buy something online at least once a year and all the brands have an online point of sales either owned, from third parties or both together. This idea is also shared by the CJEU when judges decide that a selective distribution agreement is legally acceptable only when it does not ban a business to utilize the online channel in its entirety as pointed out in the Coty case.

Regarding the idea of luxury, Courts and brands are very aligned. Luxury is an intangible value, an idea, that is however able to categorize a product and to define it. Therefore, it must be protected and preserved to save the image of the item itself. This is why selective distribution agreements aiming at this are accepted in a legal environment, as in the Coty case, and this is the reason why luxury brands largely utilize these systems with their retailers, as the interviews with the managers demonstrate. SDSs also help to secure a consistent offer online throughout different “locations” and therefore enable manufacturers to easily detect anomalies (i.e. possible counterfeits) and ultimately create a safer environment for the consumer.

It has been found that customers online behave differently when they buy luxury products compared to when they buy other items. 85% of them would in fact not be sure to buy luxury products online via marketplaces, and even those who are frequent users of these platforms are not certain when it comes to luxurious goods. There are however some services or possible scenarios regarding marketplaces that can change the mind of customers, when they are doubtful. These scenarios can be studied and implemented by managers when they decide to start a new channel similar to the ones investigated or when they have to improve those already existing.

The search for lower prices, one of the biggest fear of managers, has been proven as a major driver for consumers when they are not sure regarding buying a luxury product online. On the other hand, dissonance of prices in different websites had not succeed in pushing customers to change their behavior online only to look for better prices, but it has installed the idea that if the price is low, the product might be a counterfeit. This has happened to more than one manager, as indicated in the interviews, and it might therefore be the reason why not so many undecideds would just buy a luxury product from a website online only because it is cheaper than the same product in an another website or channel.

Customers are afraid of the unknown. This has been deducted from the researcher from various answers given. For example, they are incredibly more willing to buy if they have proofs that someone else did the same purchase successfully or if the seller is a known and trusted entity (like the producer itself). At the same time, they value the convenience that

retailers and marketplaces can give them thanks to refund services, fast deliveries and the possibility to have more products on the same page all at once. Together with the desire of brands to maintain an idea of exclusivity, to control even more their sales points, owned and not, and with the aim of Courts to make decision in a more economic mindset, therefore enhancing economic transactions and financial wealth: specific marketplaces seem to be the perfect choice to bring together the sectors of luxury and marketplaces. Some companies are in fact already using this type of platforms, such as Farfetch. In this website the seller is anonymous to the customers and this can, for example, overcome the fact that retailers might be better sellers than the producers thanks to their services, a fact that more than one manager has pointed out as a negative and not wanted. If the authorized presence of a luxury brand on a specific marketplace is sponsored enough to increase awareness among customers, it might give the users the trust that the products that they are buying are original, creating a trusted and profitable environment for both customers and producers. Consumers can find the convenience of shopping in a place where multiple brands are offered and similar products can be compared, and producer can be sure that no matter the seller, the product sold is authorized, original, the environment is consistent with the image of the brand and that they still have the power over the retailer to manage their own items. Specific marketplaces should also be approved, and maybe incentivize, by Courts because they do not harm the luxurious image of the products, if the environment is curated and only authorized retailers are accepted.

At the same time, this should not however weaken the importance of branded website thanks to all the customized experiences that a luxury brand can performed exclusively on its own channels and that can attract those consumers who are really interested in the brand and want to become loyal clients.

## **PERSPECTIVATION**

The research that aims at analyzing the position of stakeholders about a discussion emerged after the CJEU's decision on the Coty case, can be used in the future as a starting point for more detailed studies for managers or also researchers to fill the gap given by limitations that the author encountered in the making process.

## **7.1 Limitations**

One limitation regards the groups utilized to gather the data. The sample that pictures the managers is small as to the number of individual interviewed numbers, whereas the sample of the consumers is small in terms of heterogeneity of the people investigated.

Only four managers have in fact agreed to participate despite the number of brands contacted. This behavior is attributable to the way luxury companies' employees are taught to approach individuals external to their environment on the exchange of information. One of the managers has in fact informally told, i.e. not recorded, that people from luxury brands tend to avoid releasing interviews and giving information regarding their companies, because everything about the strategies and the history of these entities is protected almost as a secret formula can be. Many of the executives contacted by the researcher have in fact declined the interview request, replying that the company policy does not allow them to give any information outside and that everything that is public can be found on their website.

On the other hand, the problem of heterogeneity is correlated to the consumers. Due to the way the questionnaire has been shared, most of the data comes from a group of people very similar to the author in terms of nationality, age and employment status. Moreover, only sending the questionnaire online has probably increased the chances that those who answered already utilize the online environment for making purchases, therefore they might be biased.

The last limitation is about the fact that only secondary data has been used to study the third group of stakeholders, i.e. Courts. The author has decided to utilize only secondary data that summarized the idea and mindset of the individual representing CJEU because the decision taken during the cases are proofs of the idea that judges have on the issue. However, further researches can try to improve this investigation gathering primary data on the matter from interviews directly to CJEU's judges or law scholars.

Time constraint has also forced the researcher to decide to focus his study uniquely on the European environment. CJEU, the marketplace reality and the managers group studied are all part of the European situation. A manager however alluded, during an interview, how for example the marketplace situation in Asia is very different and therefore managers,

consumers and the legal authorities might have a different idea on the matter if investigated in other countries or continents.

## **7.2 Future researches**

The researcher suggests that future researches fill the gap generated by the limitations just presented of this study. Therefore the first aim should be to analyze a bigger sample in terms of size and heterogeneity and to conduct the consumers' survey also in person in order to "move" the questionnaire out of the online environment and try to have a sample less biased regarding the general use of online channels.

This study investigates what people utilizing internet in general think of buying luxury on online marketplaces. Future researches might analyze what individuals that usually buy luxury items think of buying these products on marketplaces and then analyze what differences emerge. For example, the importance of the luxury experience in a store might be more important than it was in this study, and therefore the idea towards buying on marketplaces might be very different. Or again, how the willingness of people to buy on third-party platforms changes according to the type of luxury products involved, a relation that this study has barely mentioned but that might be of particular interest especially for managers and companies dealing with specific items.

Another possible study with managerial validity starting from this research is the investigation done in other parts of the world, as proposed in the limitation. As said, this thesis deals exclusively with the European context but in other part of the world some of these questions might be obsolete because marketplace are already selling luxury products, or they might be wrong because, for example, selective distribution agreements might be illegal. This type of research can be useful for companies that deals with the idea of opening an online channel in a new country, therefore trying to approach the consumers in the most appropriate way. A research like this one can capture the values and fears that individuals have towards luxury and channel preferences therefore giving valuable information to the brand about the type of channels that might be more profitable, or the kind of relationships that has to be constructed with business partners to ensure revenue and a healthy economic relationship.



Future researches can in fact enhance the literature regarding luxury, e-commerce, consumers behavior and marketplaces and therefore be useful to an academic point of view. At the same time, this type of studies can help brands and managers to understand the environment in which they operate, it can give them information to improve their structures and channels, ultimately to increase profits and to ensure that through these choices, all the characteristics of their luxury products are protected.

## **CONCLUSION**

### **8.1 The future of the relation between luxury and marketplaces**

The author can conclude that the positions of the three groups are not very different. Managers and Courts seems connected to a common idea that luxury is a fundamental feature that can define a product, whereas customers are apparently more open to the idea of trying a new channel such as a generic marketplace. The idea that seems to be at the base of future discussions also because it is supported by Courts is how producers can ensure consistency among channels that they do not own but that are utilized by consumers because of various types of convenience. Brands are in fact afraid of price dissonances and that customers might just go online to find better deals, but apparently trust towards the channel used might be the most important driver for the sales choice of a client. For luxury products, however, the European environment might expect full protection from the legal Courts following the decision take in the Coty case and this should help eliminate doubts regarding counterfeits, illegal transactions and unauthorized reseller, creating therefore a more trusted business environment.

After having individualized the mindset of the three groups of stakeholders and after having discussed these three positions together, the researcher concludes that the solution able to satisfy in the best way all the parties involved, is the one of specific marketplaces.

Specific marketplaces, those in which only a particular category of products is sold, are in fact the best way to satisfy the need of clients for convenience in terms of time and services, without harming the image of the brands selling. The question of how to enter these platforms then is kept in the hand of the executives of luxury brands. They might decide to be the only one selling directly, in order to have the highest amount of control over the

environment, they might decide to leave these channels to the retailers, or they might decide for a hybrid solution where both them and their retailers are allowed to use the marketplace. The decision might come from the type of marketplace and from its characteristics, like for example if the name of the seller is shown to consumers, as discussed earlier in the analysis, but it is for sure a decision that will have to be taken keeping in mind not only the interests of the brand but also the relationships that the brand has with its business partners. The goal is to succeed at preserving the brand image, enhancing revenue maintaining the idea of exclusivity and, at the same time, avoiding hurting inevitably the contracts with resellers or create incentives for them to try to get out of their agreements because these pacts are not sustainable or profitable anymore.

Generic marketplaces seem on the other hand far from partnering with luxury companies right now and probably in the next future. Luxury manufacturers do not trust them, they do not see them as fitting with the idea and image that a luxury product should induce in people and also, producers do not allow their retailer to use them if they have the power to do so. Retailers, on the other hand, might decide to avoid risking to go against a luxury brand in this matter, or even try to discuss the possibility to use these platforms, and Courts seems to agree with the view of luxury producers, making it even harder for retailers to have a chance to exploit this channel, should they want to.

Consumers are not totally against this type of platforms even though the majority of them is not entirely sure about generic marketplaces. They want and need to trust the marketplace where they might make a purchase and there are still a lot of characteristics of the offline environment that they value. Moreover, consumers have also expressed their preference toward a specific marketplace compared to a generic one as shown in the analysis. Therefore, producers and retailers might and should try to exploit this situation to be able to serve and satisfy the requests of their clients with a new channel, without hurting the characteristics of their products like one of the most important feature of a luxury brand as well: its image, the one of its brand and aura of exclusivity and prestige around them.

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## APPENDIXES

### Managers' interview structure

Object	Question	Backup/Refinement Question	Examples Concepts to be covered by the answers
<b>Icebreaker</b>	What is your role in the company?	What is your exact decision capacity in respect of online sales channel?	Overall introduction  Validity for working with the area interested by the analysis
<b>Scout question</b>	How is the online channel of your company structured?		Information unbiased from the point of view of the thesis regarding the channel (verification of online strategy)
<b>Online experience</b>	What are the main objectives of your company website?	Are you also selling directly on that website?	Understand if, how and with what objectives they have experienced the online environment
<b>Appeal towards Amazon</b>	Do you see Amazon or similar marketplaces as useful channels specifically for the products of your company?	Motivate your answer	Understand if they are thinking about entering or not that new channel

	What do you think are the main differences between selling on Amazon and on your own website?		
<b>Their idea regarding consumers decision</b>	How do you think that your average client can react to this decision of using (or not) online marketplaces?	What do you think they value that goes along or against this decision?	Understand if they are in line with the ideas of consumers also regarding what the client values
<b>Their retailer selling online policy</b>	Do you have retailer selling online?	Are they also allowed to sell on marketplaces or merely on their own website and why?	Once assessed the Amazon idea on their own, understand the willingness of company to trust retailers to sell there
	What do you think are the main differences between selling on your retailer's website and on your own website?		
	What do you think are the main differences between selling on marketplaces when you are the seller and when your retailer is the seller?		
<b>Coty case knowledge</b>	Are you aware of the Coty case decision	If yes, what do you think about it and did it changed your view on the matter?	Understand if they are aware of the



	taken in 2017 by the CJEU?		legal position of EU on such issue
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## Consumers' questionnaire structure

### Luxury and online marketplaces CBS

Intro: You are going to answer some questions regarding luxury products and marketplaces (also referred to as third-party platforms). It won't take more than 5 minutes, every answer is anonymous and will be only used for my Master thesis at the Copenhagen Business School.  
Thanks!

Q1 How old are you?

- ☐ < 25
- ☐ 26-40
- ☐ 40-60
- ☐ > 60

Q2 Where do you live?

- ☐ Italy
- ☐ USA
- ☐ Denmark
- ☐ Other (please specify) \_\_\_\_\_

Q3 What is your current employment status?

- ☐ Student
- ☐ Employed full-time (for less than 2 years)
- ☐ Employed full-time (for more than 2 years)
- ☐ Unemployed
- ☐ Retired
- ☐ Other (please specify) \_\_\_\_\_

Q4 How often do you shop **online**?

- ☐ Often - At least once a month
- ☐ Usually - At least once every 2/3 month
- ☐ Rarely - At least once a year
- ☐ Almost never - Less than once a year

Q5 What percentage of these sessions is done on third-party platforms/marketplaces (websites not directly owned by the brand of the manufacturer, e.g. **Amazon**, **ASOS**, **eBay** etc.)?

- ☐ Rarely - Around 25% (1 out of 4)
- ☐ Half the time - Around 50%
- ☐ Usually - Around 75% (3 out of 4)
- ☐ Almost everytime - Around 100%

Q6 What is the average price of the **single** item you usually shop online? (i.e. if you pay 80 € for 4 different items at once, you should answer 20 €)

☐ < 50 €

☐ 50 € - 200 €

☐ > 200 € (please specify) \_\_\_\_\_

Q6bis What was the price of the **most expensive** item you have ever bought online? **Indicate ONLY the price** (in €)

\_\_\_\_\_

Q7 On a **generic** third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a luxury product of any kind?

☐ Definitely yes

☐ Definitely not

☐ It depends

*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q8 The next propositions offer some different scenarios, whose realities are to be taken singularly, on the same question: **would you buy a luxury product of any kind on an online marketplace if...**

-----  
*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q9 ...the platform is **specific** for the category of the product that you are looking for (e.g. a specific marketplace for luxury product)?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q10 ...the product is sold on a generic platform but **from the brand producer** of the product (e.g. a Cartier watch sold directly by Cartier on Amazon)?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q11 ...the product has a **better price** on the marketplace compared to the same product sold on the website of the producer or from the real boutique?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
= Definitely yes*

*Or ...the product has a better price on the marketplace compared to the same product sold on the web... = Yes, in this case I would buy a luxury product*

Q12 Is there a personal **price limit** over which you would not consider buying a luxury product from a marketplace anymore?

- ☐ Over 100 €
- ☐ Over 250 €
- ☐ Over 500 €
- ☐ Over 1000 €
- ☐ I would always consider a marketplace, no matter the price

Display This Question:

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q13 ...the policy of the platform/marketplace includes **refunds and/or return** item in case of counterfeit or damages?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

Display This Question:

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q14 ...you already **know the product's** characteristics (for example after having visited a real boutique store)?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

Display This Question:

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...  
!= Definitely yes*

Q15 ...a **person** that you know has **bought the same** product on that platform/marketplace?

- ☐ Yes, in this case I would buy a luxury product
- ☐ No, I would still prefer to avoid buying it on a platform

Q16 **Where** would you prefer to buy a luxury item of any category? **(You may select multiple answers)**

- ☐ Online, but exclusively from the real website of the producer
- ☐ Online, either from the real website of the producer or one of a reseller
- ☐ Offline, either from the branded shop of the producer or from a reseller
- ☐ Offline, but exclusively from the branded shop of the producer
- ☐ Other (please specify) \_\_\_\_\_

*Display This Question:*

*If On a generic third-party platforms/marketplaces (such as Amazon, eBay etc.) would you ever buy a...*  
*= Definitely yes*

Q17 What **characteristics** of the platform/markeplace do you value the most in order to buy a product like this ? **(You may select multiple answers)**

- ☐ Chances to find better prices
- ☐ Return policy in case of counterfeits or damages
- ☐ Functionality of the platform
- ☐ Awareness/trustfulness of the platform
- ☐ Word of mouth regarding the purchase on the platform from a friend/family member
- ☐ The speed and comfort of home-shipment
- ☐ The fact that you can see similar products from different producers on the same place
- ☐ Other (please specify) \_\_\_\_\_

Q18 What do you value of the shopping experience offered in a **real physical branded store** when you buy a luxury product? **(You may select multiple answers)**

- ☐ Any complementary service offered inside the store
- ☐ Expertise of the staff
- ☐ The luxurious atmosphere
- ☐ Instant possession of the item purchased
- ☐ Showing off the shopping bag after the purchase
- ☐ Touch and feel the product

☐

Other (please specify) \_\_\_\_\_

Q19 Do you think of online marketplaces as appropriate channels for luxury products? Briefly explain why

☐ Definitely yes (please specify why) \_\_\_\_\_

☐ It depends (please specify why) \_\_\_\_\_

☐ Definitely not (please specify why) \_\_\_\_\_

Q20 How would you change your perception of a luxury company selling its products via online marketplaces? **(you may select multiple answers)**

☐

Positively, they are trying to attract more customers

☐

Negatively, I don't see marketplaces as suitable channel for luxury products

☐

Positively, I expect nowadays products from luxury brand on well-known marketplaces

☐

Negatively, the entire luxury experience is lost on marketplaces

☐

Other positively (please specify) \_\_\_\_\_

☐

Other negatively (please specify) \_\_\_\_\_

☐

I don't think my perception would change as long as the quality is the same



## **Managers' interviews transcriptions**

### **Interview #1**

**Q: What's your role in the company and your decision-making power regarding the online channel?**

A: I am Marketing Director for XXX in Portugal and we are a division of XXX for cosmetics, we only sell through pharmacy and para pharmacy and my job is to direct the strategy of my brand as a whole, I'm responsible for the image as well. I report to a GM for the Portugal division and I am part of the managing committee of the division and I work in partnership with the commercial director, the business development director the medical business director and the other marketing director of the division.

In case any new channel should be opened, I am part of the committee deciding on it. Ultimately the final decision is taken by the GM of the division and as Portugal we answer to the West Europe team and our GM also has a functional report to the country manager of the company as a group. If we would want to start selling our product in perfumeries for example, this would have to be discussed at the European level because it is a change in the business model, but I would be involved.

**Q: How is the online channel of your company structured? What are the main objectives of your company website?**

A: For my division and my brand, we don't have a direct to consumer selling website. Other countries do have it (like Canada, UK) but not in Portugal. Our websites are not transactional, they are designed to bring traffic, inform consumers about our products, to convert to offline retail that have our products in their stores and then we have a couple of clients, some are pure players some are pharmacies, with their own website where people can buy our products. In the future we might have a conversion tool in our website that by clicking on a product it can show you all the online and offline retailer that might sell it to you.

The main objectives of the website are therefore awareness of the brand and of the product, education about the product and the category. For example we have a couple of brand corporate initiative in our website that can tell you about lifestyle, health and exercises that

we believe are useful for the people we target and it is a way to also bring traffic to the website and to push product to users. We also use our website as a gathering tool for CRM programs. We gathered data regarding the interest of our clients and we utilizes cookies to improve the effectiveness of our investments. Knowing what people look for on our website and their behavior might then be utilized for Facebook campaigns and therefore maximize efficiency for media investments.

**Q: Do you see Amazon or similar marketplaces as useful channels specifically for the products of your company?**

A: That's a big discussion we are having right now. First, I believe everyone acknowledge that Amazon is a giant. It does not exist a specific Amazon Portugal and the most used are the ones of Spain, Germany and UK. Our products are already sold on Amazon, but they are sold through retailers. Especially here in Portugal we have one retailer that sells directly to consumers on Amazon.

The discussion around these new e-retailers exists because for some countries these platforms are surely a way to grow the business (since every country report to the group as a separate entity) but sometimes that environment looks a bit like the Old West and cowboys movies because everybody is free to do what he or she wants. We are aware that some of our clients sell overseas via Amazon then whether or not we want to partner with Amazon directly it's as I said, a discussion we are having right now. The issue around which much of the doubts are revolving is how this partnership might hurt the current business with our clients. By partnering directly with Amazon we might in fact make the relation with our other business partner more difficult and this is true at the European level, not just Portugal. Then there's a discussion regarding other marketplace. In France for example there's one platform specific for pharmacy product called 1001Pharmacies and it is a big player over there. We do see this type of channel as useful also because consumers are already using these marketplaces a lot, the issue is how to tackle specifically the other giant marketplaces and how this can deter the relationship we have with our current clients.

**Q: Since your company deals with a lot of different products from various categories and with different prices, do you think such marketplaces are equally useful for all these products?**

A: Right now, we witness a situation where marketplaces are more potential for luxury products than for mass-market products, at least in my country for my company. The reason is the price point and accessibility, these selected products typically have lower distribution than mass-market products, e-retail brings down this accessibility barriers so, at least in my categories and in my opinion, marketplaces are more important for high-end products. The issue is then to preserve the image of the brand in certain websites. Right now, for example we only sell in pharmacies because we think that they are the ones that can advise our consumers in terms of the product specificities and actions, therefore we need to think how to provide such type of services online. We have developed programs such as Q&A sessions, online diagnostics, partner with retailers, contents on the ingredients used, on how the product works. Key idea is that we bring material online that can match the expectation of consumers.

**Q: This idea that marketplaces are more important for high-end products is kind of new and unexpected to me so how do you think that your average client can react to this decision of using online marketplaces? You mentioned “accessibility”, but a key point of luxury is that it has to be difficult to be achieved and exclusivity, how can this co-exist with what you have mentioned that online is good because it levels these obstacles?**

A: The reason I’m saying that marketplaces are more important for those products comes from data regarding each division of my company. For those dealing with day-to-day products e-commerce accounts for 3% to 5%, then we go to professional products with a higher price, and luxury divisions where online accounts for 15% to 20% sometimes even 25%. Then of course it depends on geography but in general luxury divisions gain more from e-commerce than other ones.

The point is that I believe right now brand still see some marketplace as a sort of “thinking outside of the box” therefore innovative. However, the competition on platforms is inevitable and when giants like Amazon will really decide to jump into those markets, there’s going to be very little space to compete with them. The thing that exclusive brand will have to do is to ensure that they provide something difficult to reproduce online. My view is that there is too much money on the table (generic marketplaces) right now for brands to not sacrifice some exclusivity, especially in the long run, so they have to rethink the way they deal with exclusivity, not in the way of how products are made or perceived by the services that they provide. For some of our clients for example is not possible (and convenient for us) anymore to force them out of these environment so now the priority has become to ensure brand image of our products and preserve it and at the same time maximize their presence on marketplaces in terms of revenues and data on the behavior of users.

**Q: Since you have retailer selling online on marketplaces, how do you trust them when they sell in an environment that you just can’t control?**

A: As said before, geography is very important. We assume that our retailer can only sale in Europe, even though we also know that a few sells also outside of the European boundaries. Usually we don’t want to stop them cause that’s still an important source of money for us. We have sometimes sent warning to them that they must stop, and our policy is like baseball, that is “strike 1”, after 3 we can cut our supply to them. Some consumers have shown doubts for some retailer, asking us if the product is real or not so for example in this case it would just be easier to be us selling directly to them on a marketplace, to make the client more secure.

Generally, the majority of our big clients have easily gained trust from the consumers and then our work is just to ensure that they use the right logo, the right font, packaging etc., to ensure that the image of the brand is consistent with our website and communication.

**Q: So, are your retailers in a selective distribution system or you just controlled them according to preselected points?**

A: We do have written agreements with them, and we do enforce these agreements. I believe these agreements were created to protect us if we want to cut the relation with a certain client and to be able to say no to someone who wish to sell our product but we don't believe he is the right fit. It happens for example that some parapharmacies, part of a supermarket group, wanted to sell our product outside of the parapharmacy corner into the normal supermarket and we used the agreement to stop them since this would have harmed the brand image and the relationship with other similar clients.

**Q: you said that you might consider going on marketplace directly on your own, what do you think are the main differences between selling on marketplaces when you are the seller and when your retailer is the seller?**

A: I believe that the big difference is image control and data collection, these would be the biggest points also of negotiation with the marketplace. When I imagine my company selling directly on Amazon there's a benefit for us as a business of gaining control and data, for the consumer I think that they will expect the service to be better or they would have more trust on buying when we are directly selling to them (still on a marketplace) or they will have the idea that they might find a better deal.

**Q: Since your company is very similar to Coty in terms of business and categories of product sold, are you aware of the Coty case decision taken in 2017 by the CJEU?**

A: I am not but I am very curious to know about it.

**'Explanation of the case by the researcher'**

**Q: What do you think about it especially since you seemed very willing to use generic marketplaces while Coty went to the CJEU to enforce their right to stop one of their resellers to sell on that platform?**

A: If we think about very high-end product about cosmetics with price around 300/400 euros, I can understand the point of Coty, the problem of the quality and of brand image. The reason why Coty has done that might be more of price monitoring if those are the product that they wanted to protect. I also understand that they wanted to take distance in order not to ruin the

relationship they have with all the other clients that are not allowed to sell on Amazon. If Coty products has to be sold on such marketplaces, they might want to be the first and only to do so.

I think they were trying to protect those kind of high-end products in particular cause in my opinion those are the product that can have an impact on the image of the brand if they are discounted too much, since I do believe that price is sometimes synonym of quality. For lower prices, I personally don't think that even a big discount can deter significantly the perception of a brand in the mind of consumers.

## **Interview #2**

**Q: What is your role in the company?**

A: My role is chief e-commerce officer for the group, so I take care of all the e-commerce businesses across all geographies and brands.

**Q: What is your decision-making power with regards to online sales channels?**

A: It is one of my responsibilities to define the online strategy, but everything is of course agreed upon with the rest of the management team.

**Q: How is the online channel of your company structured?**

A: We have a website, the brand website where the four brands of the group operate, then we have presence online with some platforms, especially in China and in some social network like WeChat. We also have third parties that operates as whole sales customers.

**Q: What are the main objectives of your company website?**

A: The company website is the first destination for people who want to deal with our brands, it is a go to place to find the latest items and the best assortment, latest communications, it is dedicated to people who love our brands. It is also a sales channel, we manage our e-commerce over there.

**Q: Do you see Amazon or similar generic marketplaces as useful channels specifically for the products of your company?**

A: I will not make any comment specifically regarding Amazon because we don't want to have any comment on it. In general we believe that some of the marketplaces available in the market have a fit with our strategy and that they can deliver the right message for our brand, others we don't believe that they can really function to the development of our brand and we don't want to be there.

The idea is that if there is a place where people are interested in our brands then that becomes a channel that we consider because we want to have a relation with our customer and we want to deliver our brand message as much as possible. We are on the other hand not interested in opportunistic ways of making transactions, it is not just about making sales. We don't want to be the one making discounts because we need money. It is really about choosing the most attractive place where people desire our brands and where we can have the right form of interaction with them.

Marketplaces that are already selling luxury products are of course more interesting because we know that they are visited by people that might be interested in our brand as well. Of course, every case has to be analyzed specifically but generic marketplaces are for sure less attracting for us.

**Q: What do you think are the main differences between selling on a marketplace and on your own website?**

A: Selling on a marketplace means that you are in an environment where others are selling and you probably have the opportunity of serving higher traffic because more people visit a marketplace rather than a specific website but not all this traffic is relevant to your brand. Being there also increase our brand awareness, more visitors will see our brand so there will be more visibility. Not all this visibility is a quality one.

On the website traffic is lower but much more qualified and interested because if they choose to end up there, it means that they have a real connection with our brand.

**Q: How do you think that your average client can react to this decision of using online marketplaces? What do you think they value that goes along or against this decision?**

A: Everything will depend on the type of marketplace, if the marketplace fits the brand values then for the customer it will be natural and normal to find us selling there. It is like when you walk in a city and you find our brick-and-mortar store, and then you find our products in other stores. If those latter stores are carrying a good assortment in a good place, they are of course carrying a good message for our company. If on the contrary it is not well representing the message of our brands, then of course it could be a problem. Values that our customers have towards us will change or stay the same accordingly with this difference.

**Q: Do you have retailer selling online? Are they also allowed to sell on marketplaces or merely on their own website and why? Is there a selective distribution system?**

A: Yes, following some rules they can sell online. Lots of retailers now have their own website or they are working in some marketplaces and we check them. We cannot control them, but in our relationship, we have continuous discussions with them and we are interested in how they behave and in what they do. We have criteria of distribution, that I'm not allowed to disclose with you, but we do have them, and they are contractual agreements delineating rules for the distribution that they sign with us. It is something that we do but that also our competitors do.

**Q: What do you think are the main differences between selling on your retailer's website and on your own website?**

A: It is a totally different experience. In our retailer's website there will be some space for us but along with the space that other brands have. The space we can get is only limited whether on our website the impact is totally different because we only talk about our brand with a lot of contents and communication and also the assortment is different because retailer can only get a limited part of our total assortments.

**Q: What do you think are the main differences between selling on marketplaces when you are the seller and when your retailer is the seller?**

A: I think that for the consumer is really difficult to understand who is selling the item and sometimes the consumer doesn't even look at the details of the sales. You might understand it ahead in the checkout product. From our side, when we sell on the marketplace, we observe



a very strict policy regarding our calendar, change of product according to seasons, prices and etc. Therefore, for us it is important to try to have consistency of these differences among the marketplace and for example our website. There should be alignment also among website and retailers' websites.

I think that in some marketplaces showing who the seller is can however be useful because users might be scared of counterfeits and providing them with the proof that they are really buying from the producer can definitely convince them.

**Q: Are you aware of the Coty case decision taken in 2017 by the CJEU? Did it changed your view on the matter?**

A: Yes of course I was aware, and we all looked at it with a lot of interest. I don't know if this decision will really start a change but since 2017, I haven't observed a complete change in marketplace and behavior. It might be a process still in motion. Our strategies however didn't change for these specific cases, we were not dramatically affected.

In my opinion it will take a long time until we will be able to see remarkable changes, there would probably be similar cases in the next future and according to these cases we will be able to see the direction of thoughts. If I have to bet, I will say that there will be other decisions similar to Coty where authorities give right to the producer.

### **Interview #3**

**Q: What is your role in the company?**

A: I am head of digital for the luxury division in Portugal and part of the managing board committee for the XXX Luxury division and I am responsible for all the online business both direct and indirect and everything related to social media, community management and community action of all the luxury brands.

**Q: How is the online channel of your company structured?**

A: We have an e-commerce website for our B2C brand XXX and this is the only website we have then the rest of the business is done via retailers and partners in a way that 20% is B2C then 80% is with third parties.

**Q: What are the main objectives of your company website?**

A: The website plays various roles like to reach consumers, it's important for data with subscriptions, the love-the-brand effect helping them become loyal to us. We also sell directly through our website, it is one of the 8 points of sales that we have and it covers around 20% of the business we do nowadays.

**Q: Do you see Amazon or similar marketplaces as useful channels specifically for the products of your company?**

A: First of all, there's a legal restriction that we have. All our brands on the luxury division operate through selective global agreement. This is true for every luxury group and this agreement states that to sell online you have to have at least one point of sale. Legally there's no way for us to sell directly through Amazon. We want to avoid marketplaces anyway because we are talking about luxury brands and we need to maintain the quality and positioning of our brand. Moreover, the marketplace environment in Portugal is still at the beginning. Some locals are trying to open new marketplaces, but they are still small, so it makes no sense for us to go there.

**Q: What do you think are the main differences between selling on Amazon and on your own website?**

A: First, you want your data when you sell. Data regarding traffic is a quite valuable kind of information and companies want it. In terms of margins and way you can behave with your consumers is also very different, but the main point sometimes is mainly traffic. There's much more traffic on a multi-player multi-product website compared to a website owned by a company but we are also looking at qualified traffic and specific customer's profiles.

On the other hand, specific marketplaces might be very useful and this already happen in other places around the world. The main point is reliability

**Q: How do you think that your average client can react to this decision of using (or not) online marketplaces?**

A: Reliability is probably the key point since there's a lot of counterfeits in the luxury sector especially among retailers. The customers need to feel confident that they are buying an original product. There's also something very important about the luxury experience that is not so valued when buying mass-market products or pharmacy products, but it is for our sector; the storytelling and the image of the brand we need to protect and be consistent on the customer experience online and offline. Customers in fact value experience and quality and going on a marketplace is not exactly the same cause it is not a retailer that we can work with. On marketplaces the client can get lost. Everything from the packaging, the delivering, the brand pages, the sampling need to be kept at maximum level and demanding and marketplaces cannot always achieve this.

**Q: Do you have retailer selling online? Are they also allowed to sell on marketplaces or merely on their own website and why?**

A: They can sell online but they cannot sell on marketplaces. The reasons why in my opinion are the one I said regarding how customers might react. Reliability is fundamental and if it is already difficult for us as the producer to relate in the best way with marketplaces, it is difficult to trust someone that it's not us and that might hurt the image brand because it's not their first priority when it is for us. At least for now it's like that until the environment get more selected.

**Q: What do you think are the main differences between selling on your retailer's website and on your own website?**

A: Brand expression is of course different, the way you display your brand compared to how a retailer does is different and it might be to be aligned with the brand image of the retailer as well as it is big enough. Competition as well is a factor, you are more exposed in a retailer's page. There's surely more data and traffic on a retailer's website but you don't own this traffic and for some niche product, this data might be incredibly valuable.

**Q: What do you think are the main differences between selling on marketplaces when you are the seller and when your retailer is the seller?**

A: Probably the retailer can be more price competitive cause it might have more elasticity to adapt to a marketplace and less interest in keeping the prices up to maintain a certain image. Especially for small and niche products that have a strong emotional factor, where image is very important etc., a big retailer can try to satisfy the interest of a consumer driven by price and do discounts and price offs. This is something we don't do, we don't have price variation to preserve the brand image as much as we can, and therefore a retailer might be able to behave more freely compared to us. This is also one of the facts why I would not go on a marketplace because we would not be able to be competitive against retailers that is free to set the price they prefer.

**Q: Are you aware of the Coty case decision taken in 2017 by the CJEU? What do you think about it and did it changed your view on the matter?**

A: I was aware the time it came out, we all received a memo telling us the main points of it. In our country however it did not have a great impact due to the fact that as I said before, in Portugal the marketplace situation is still small. However, we are of course not ignoring the situation because marketplaces are becoming bigger and bigger so we have to be ready when decisions will have to be made.

#### **Interview #4**

**Q: What is your role in the company?**

A: I have several roles within the company, they are all within the online environment, they go from running business units in different countries, develop new markets or launch new websites for example around the world. I am not necessarily involved in deciding to go with different channels, but I am always participating in the decision process.

**Q: How is the online channel of your company structured?**

A: There used to be several ways for the customer to get to our brand like apps, third-party websites, our own websites, then a change in management years ago also changed this structure and they have decided to consolidate one website to be the main point of connection between us and the customer. With the advent of social media we then had to reinvest in different social media and we developed again our own app but everything was still

connected with the website and it remains the central point of this structure. There are of course websites that we don't own like some retailers that can use their own images and do their shooting but then the images of different campaign have to be ours and the prices have to be aligned. Legally we cannot force them to change their prices, but they have a suggested prices that everybody usually follow and they cannot do promotions.

**Q: What are the main objectives of your company website?**

A: There are two main objectives, it is a commercial website and we expect a certain percentage of our revenues to come from it but first of all it is our biggest branding vehicle that helps the company spread the message of the brand: brand awareness, brand consolidation, provide more content, allow the customer to really go through the idea of spending more time on our website and enhance engagement with the brand. We know that customers of luxury goods don't just buy without engaging first, it is quite unlikely, they go to the store then online, then the store again before buying. Whether they then buy online or offline is a preference of the customer so we want to be sure that they can always find the same offer in every channel they use. We do have offline exclusives or online exclusives and special collection in some countries, but the main background has to be the same.

**Q: Do you see Amazon or similar marketplaces as useful channels specifically for the products of your company?**

A: In my idea, if you are a luxury brand you don't want to see your product in marketplaces such as Amazon or similar. The point is that luxury brands want their product to look special therefore being in a place where a lot of offers are made and where prices are everywhere in the site is not wanted. In general, it's always a balance between aspiration and accessibility and western marketplaces are still far to give this idea. Some Asian marketplaces have achieved this, they have more curated offer and they are positioned higher in the mind of people. They have worked for some companies, but we decided to avoid pursuing this opportunity.

The only marketplace where we sell is Farfetch.

**Q: What do you think are the main differences between selling on Farfetch and on your own website?**

A: On Farfetch operate a lot of different companies so the customer does not know who the seller is until they receive the package. Farfetch is a sort of brand amplifier, it allows customer to search across a multitude of vendor and decide whether they want to buy something or not therefore it makes sense for us to be on that marketplace. Having the seller unknown until the end makes the environment more neutral. In general, however, as I said, if you are a real luxury company you just don't want to be on marketplaces but aspiring companies even in this sector might utilize these platforms to increase their brand awareness. If you allow your retailer to spread on different platform, you might as well be on such platforms on your own, so that you can capture some of the sales and control the message it is being delivered. But a real luxury company should try to have a tight structure with retailer not allowing them to go anywhere but their website.

**Q: How do you think that your average client can react to this decision of using (or not) online marketplaces? Any value of your consumers that might get disrupted?**

A: When I was working in the east, we received several questions from customers who wanted to buy our products through our site, but they found the same product on Farfetch at a different price because they were being shipped from Europe where the price is lower. Customers were questioning us if the products were real or not and if the marketplace has to be trusted. This example is to say that when you allow your retailer to sell globally and on different channels, there might be a problem of dissonance that from my point of view is not positive at all. This also allow customers to go online only to look for discount and this is not what we want.

I think that the consumer can be very happy that they can get something exclusive at a lower price but at the same time the image of the brand that they have might get hurt, especially if this situation happens more than once.

**Q: You said your retailers can sell online and on marketplaces, how is their distribution system organized?**

A: Wholesalers come to us to buy the products that they then want to sell each season. They are not allowed to do discount and we monitor them online. We also monitor that they don't use our name as an attraction method, therefore correlating our name with a discount even if our brand is not really discounted. This is not allowed, and we have guidelines published to make sure that this situation is not violated by the retailers. This might become a bit difficult for us to control when the retailer sells globally and therefore has to adjust the prices according to the various regions.

Depending on the contract then they are allowed to sell in any channel they own but it is something we can also discuss before with them and set boundaries. They cannot take our product outside of their channels without our permission (like for example for Farfetch).

There's then all the problem with those products who are not sold, we specifically ask the retailer to destroy them to avoid overexposure, but it has happened that some of them went to China and sold these products to other websites and marketplaces. This is why a lot of luxury brands have become more and more aware of this problem and they have now become more restricting with their retailers.

But a major point between us and retailers is trust. If a retailer would do something like start selling on Amazon without having our permission just because we don't specify it, nobody would ever work with them again.

**Q: What do you think are the main differences between selling on your retailer's website and on your own website?**

A: If you sell on your own website it is a great opportunity to build loyalty and engagement with your customers, you can capture them when they are young and make them become bigger and bigger consumer of your product. There are however some customers that like to buy from retailers, it might be for convenience, it's just easier to have all the brands together and some retailer are better than us for refunds giving your money back in your bank account for example or faster logistics. This is something that we are always striving to improve in order to become better than them and convince our customers to buy directly from us.

Higher traffic is also another advantage of selling on your retailers. Especially if you are a small brand, big retailer might be more famous than you so it might be very good to have your product together with very known luxury brands to increase your awareness.

**Q: What do you think are the main differences between selling on marketplaces when you are the seller and when your retailer is the seller?**

A: I think that the if there are reviews and fulfillment ratings together with the name of the seller, it might be very good for the seller because customers might decide to spend a bit more. However, producers cannot always, almost never, compete with speed and efficiency of fulfillment of a real retailer, producer are not build for that, it is a different kind of service, therefore this visible system of seeing who is the seller in a ranking might force the producer to get out of marketplaces because they would be worse than retailers. And luxury companies don't even want to compete with that because luxury is not accessibility and speed but exclusivity. In my opinion if you are online in a marketplace, you have already proven that buying experience and buying from the producer is not a priority to you, you are there to look for convenience and maybe a better price. Therefore, I don't think this would make a lot of difference in the mind of the consumer unless they are afraid of counterfeits but then we don't want to be in a place where there is the chance of buying counterfeits.

I can totally see the convenience of some marketplaces that have all your information and are extremely good in delivering and stuff like that but then if you are a luxury brand you don't want this associated to your product unless is you the one providing this services to them. The aspiration should be to achieve this level of perfection on your own.

**Q: Are you aware of the Coty case decision taken in 2017 by the CJEU?**

A: Not so much

**'Explanation of the Coty case'**

**Q: Do you think this would change the mindset of your company toward this problem?**



A: I don't think it would make a lot of difference for us because our products is very different and the contracts we make with retailers would never include a third-party of that kind and our retailers know that it would make no sense to even advance the idea of selling there because our answer would be no.