

Harnessing Omni-Channel Marketing Strategies for Fashion and Luxury Brands

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Edited by

Wilson Ozuem, Elena Patten, and Yllka Azemi



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The consumers' purchasing behaviour has changed tremendously with the development of E-Commerce. The so-called "omni-channel customers" tend to switch retail channels during their purchasing process. In order to address changing consumer behaviour, omni-channel fashion retailing companies still need to learn how to be able to provide an excellent service to these customers. This paper aims to investigate this phenomenon from the perspective of omni-channel customers.

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Brands can no longer survive without the intangible presence of a social media platform that allows a brand to travel beyond physical limitations in reaching consumers. Millennial markets have embodied social media as a central outlet of communication, going as far as deeming it a form of public identity consumers embody across global connections. Brand connections and perceptions are consequently developed based on the potential tangible and intangible values that a brand is perceived to offer. Social media acts

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Organisations have veered communication to social media platforms in pursuit of the new-age vocal consumer. Social media means have allowed brands and customer to engage in real-time interchange, facilitating for the transposition of traditional brand communities to virtual communities.

Social media brand communities produce interactive spaces of variable extents across global consumers. Through social media platforms, brands are able to produce content that resonates with customers, expanding brand awareness, inducing brand impressions, and fostering brand-customer relationships that constitute the foundation for brand communities. Such social media brand communities have instigated a sense of belonging across worldwide consumers, allowing individuals to utilise overt brand associations through online brand communities as a means to further social identities. The following chapter examines the influence of social media brand communities on the Millennial generation in the fashion industry, from a social identity theory perspective. This chapter focuses on theoretical and managerial implications.

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Yllka Azemi, Indiana University Northwest, USA

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Online luxury brands are uniformly recognizing the practical advantages of electronic commerce. The existing literature provides conceptual elucidation that focuses on utilization of specific online marketing strategies. However, digital platforms invite holistic marketing applications—an all-embracing approach that nullifies the risk of potentially overlooked online marketing practices. This chapter provides conceptual insight into the overarching existing marketing literature, extending beyond the discourse of unconventional marketing utilization. The chapter also discerns insights fundamental to luxury customers with disabilities, as a customer group with increased

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Dominic Appiah, Arden University, United Kingdom
Kerry Howell, University of Plymouth, United Kingdom
Geoff Lancaster, London School of Commerce

The smartphone is increasingly redefining our identities, and reshaping our perspectives about shopping, socialising, teaching and learning. With current developments and the shift towards luxury smartphones, the expectation of luxury smartphone manufacturers is ultimately to consolidate customer loyalty through improved user experiences. Nevertheless, luxury is considered as an experience that adds value to consumer-brand relationships, and emphasizes that luxury brands enable consumers to derive, to some extent, intangible benefits beyond their functional utility. Loyalty to a luxury smartphone brand occurs as a consequence of positive attitudes which motivate consumers to repeatedly demand a particular brand, or a limited number of brands within a suitably defined period of time. The management of these luxury smartphones is a key marketing function. A strong and healthy brand is instrumental in creating sustainable competitive advantage and the transition to a relationship marketing paradigm places brand loyalty at the heart of customer relational strength. It is widely accepted that brand loyalty has traditionally been perceived as a behavioural construct relating to intentions towards repeat purchases. This chapter aims to provide some insights into brand switching in the smartphone industry and offers opportunities for marketers and scholars in the development of related marketing plans.

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Jianqiong Xu, University of Gloucestershire, UK
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Samuel Ayertey, University of Plymouth, UK

Gordon Bowen, Northumbria University, UK

Maxwell Ayertey Banor, Lakeland University, USA

By being able to fill the gap in product knowledge that is totally impossible to provide in a physical shop setting, fashion retailers are now able to merchandise an impressive variety of goods and products online. Yet, the phenomenal growth of online luxury fashion retailing has not occurred without a unique set of issues in terms of service delivery, product defects and website failure. Even though inexhaustible studies have been carried out in relation to service failure and recovery, the extent to which service recovery needs to be explored so that it is deciphered into a satisfactory state remains unresolved. Drawing on the constructivist perspective, this current chapter provides creative insights into failure-recovery strategies as competitive tools for marketing in the digital age. The closing section contributes to extant knowledge and provides some strategic implications and insights for fashion and luxury brands seeking accelerated success in the online marketplace.

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Foreword

I was invited by the editors of this most welcomed volume to write a short preface to this book “Harnessing Omni-Channel Marketing Strategies for Fashion and Luxury Brands”. The book with its thirteen chapters is a treatise of the power of emerging media and especially its use, application and driver for business applications and purposes. For those of us who have transitioned from the non-digital age to the digital age there has been significant un-learning and new learning required to not only keep abreast of technology and seek to master its potential for positive good to mankind. Social media is a multifaceted tool which society is only just learning how to use and dare we say master. It is however a tool which can easily be seen in partial and conflicting ways. Like all important discoveries in society the dilemma of what these new discoveries might bring to business let alone society, in both their positive and negative is enormous. This frequently poses challenges to fashion and luxury brands and the debate about the uses of emerging media can find themselves before a partisan jury.

When thinking about writing this foreword I was struck by a story from a business colleague back in 2008 on the rise of social media and its potential and power. The story went something like this: Social media has collected more personal information on citizens than what the CIA and the KGB together have collected on each other’s citizens throughout the Cold War period. True or not true—the story is compelling and can make many to think about the power of social media—not always for positive purposes. Likewise Twitter around 2014 was on the verge of collapse as a social media company only to be salvaged by Republican Presidential running candidate Donald Trump who made it his policy tool platform to his audience. Let us not underestimate the power of social media. These two stories provide for us the power of social media in political spheres of historic kinds.

However in a more positive context, this book seeks to address the digital business applications that computer-mediated marketing environments can provide and how they can be of a positive nature to our consumers, businesses and economy overall. More specifically, as the editors have sought to point out, “The book takes a wider perspective of the application of social media so it is not just a marketing tool, but the societal benefits and implications are discussed from a millennial generation viewpoint”. In the current climate of mass information in all avenues of life, this book has the remarkable coverage of covering a myriad of digital applications across a vast area of business and marketing activities. This is a book which eloquently describes and responds to the many, creative and innovative ways in which omni-channel retailing can be important to the enhancement but also the measurement of business activity. Most importantly the book does not shy away from the potential difficulties that arise and the need to not blindly rely solely on digital means. Business applications are always looking for ways to do things better, quicker and in ways that are more effective. I am thankful for this opportunity to write these few words of appreciation of this volume and recommend it to readers who will like myself, become convinced that this book theme will be a fundamental topic of our time.

Professor Bruno Mascitelli

Swinburne University of Technology, Melbourne, Australia

Foreword

Omni-channel is a term that represents more than ‘just’ a marketing strategy but something inevitable in today’s marketing practice. As technology enables retailers to integrate all the information, marketers now have the opportunity to utilize their channel of distribution in every way possible (hence, omni). Harnessing the phenomenon requires an understanding of consumer behaviour and how to deliver a seamless experience, both in the physical and digital world. In the business of high luxury items, seamless experience is a crucial factor that contributes to value. Thus, best practices on how to approach omni-channel, specifically to this area, is something in high demand.

This book contains a selection of articles that discuss omni-channel as a popular topic, yet still able to provide a unique perspective to guide readers into the journey of understanding the phenomena. It starts the journey with customer purchasing behaviour and service quality from the customers’ perspective. It set the base understanding of how consumers respond on various channels that are now presented in the market. The following chapters then narrow down on social media role in affecting purchase intention. Including in this topic is a fresh intake on omni-channel focusing on the millennial segment and typologies of omni-channels customers in the fashion industry.

The fashion and luxury branding industry are discussed, both from conceptual and practical evidence. The discussion laid out the understanding of the industry by an explanation on the communication and consumption trajectories of social media in the fashion industry and the ecosystem of luxury brands. On a more practical side, the topic delves on how to foster a relationship with customers, examine the drivers of brand loyalty and switching behaviour, including evidence of omni-channel practice from one of leading luxury fashion brand. Within the context of fashion luxury,

the book has succeeded in compiling a well-known topic with an interesting twist—for example, the topic of brand communities in the light of social media. Towards the end of the book, readers will find a nice ‘closure’ in the area of service failure and recovery. The areas that are crucial in every industry yet sometimes overlook.

This book is an indispensable read for those who are interested to understand how omni-channel works related to consumer behaviour. I believe the book is a valuable addition to expand knowledge, not only within specific areas of fashion and luxury branding but also in novel marketing practices.

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Her expertise includes Service Marketing and Digital Customer Experience

Chapter 1

Omni-Channel Purchasing Behaviour and Service Quality

Elena Patten

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ABSTRACT

The consumers' purchasing behaviour has changed tremendously with the development of E-Commerce. The so-called "omni-channel customers" tend to switch retail channels during their purchasing process. In order to address changing consumer behaviour, omni-channel fashion retailing companies still need to learn how to be able to provide an excellent service to these customers. This paper aims to investigate this phenomenon from the perspective of omni-channel customers.

KEYWORDS

Channel Integration, Consumer Behaviour, Omni-channel Retailing, Retail-Mix Strategies, Shopping Experience

INTRODUCTION

Retailing has changed fundamentally during the last decade (Gensler, Neslin, & Verhoef, 2017; Heinemann, 2019; Hult, Tomas, & Zhang, 2019; Verhoef, Kannan, & Inman, 2015). This development was mainly driven by technological and societal factors (Emrich, 2011; Hsieh & Tseng, 2018). In this context, the commercialization of the Internet was probably the most important cornerstone (Cao, Liu, & Cao, 2018; Patten & Rashid, 2015; Ozuem, Howell and Lancaster, 2008).

Several different kinds of leisure activities nowadays take place in the Internet. The use of social media websites, such as Facebook, Twitter or Instagram, has become an important activity of everyday life (Stokinger & Ozuem, 2015). The permanent usage of mobile devices together with the dominance of Social Media has created the situation, that customers virtually bring their whole social network to a store (Piotrowicz & Cuthbertson, 2014). The borders between offline and online activities are blurred, and retailers use Social Media as an important instrument of communication (Stokinger & Ozuem, 2015).

The result is that retailers are continuing to develop their online shops. Over the past few years, several different online retailing business models have developed in the market (for a review, see Heinemann, 2019). During the initial phase, “pure online players”, such as Amazon and eBay, launched their online shops. In the next phase, “shopping comparison” websites appeared on the market. These players allowed customers to compare products on a single page and to read recommendations and critiques written by previous users. The “optimization and scale-up” phase, which started from 2005, offered new system solutions and service providers. Since 2008, many brick-and-mortar retailers have been launching online shops as an addition to their offline channels and so have become multichannel retailers (Heinemann, 2013; Ozuem et al., 2017). Then, these retailers focussed on the integration of the different retail channels and offered “cross-channel”—services, such as “click and collect”, the ability to order and return or exchange goods in-store, ordering while in-store, using own mobile device or self-service technology provided by the retailer (Piotrowicz & Cuthbertson, 2014; Reinartz, Wiegand, & Imschloss, 2019). Ultimately, “clicks and mortar” retailers aim to offer fully integrated channels to become omni-channel retailers (Saghiri, Wilding, Mena, & Bourlakis, 2017; Verhoef et al., 2015).

This chapter will focus on omni-channel retailing. It will, therefore, aim to investigate the concept of integration by considering the different elements of the retail mix. Furthermore, it will elaborate the key drivers of perceived omni-channel service quality.

THE CONCEPT OF INTEGRATION

Research about omni-channel retailing embraces the concept of “integration” of the different operated channels within an organization (Ailawadi

& Farris, 2017). Channel integration initially meant that a retailer should provide a seamless customer experience between stores and online shops; customers should be able to easily switch channels during their interaction with the retailer (Saghiri et al., 2017; Seck, 2013). However, important questions remain unanswered yet: Does a seamless customer experience automatically mean a full integration? In other words, does it mean the more integrated the better? For retailers, the level of integration is a difficult managerial decision. They face various challenges since channels might be different regarding purposes and features, cost structure and competitors (Berry et al., 2010). Studies have investigated the optimal level of integration in certain areas. Related literature has devoted to several aspects of the retail-mix. Mainly, a special focus has been set on integration of assortment (Emrich, Paul, & Rudolph, 2015; Mantrala et al., 2009), pricing and promotions (Vogel & Paul, 2015; Wolk & Ebling, 2010), fulfilment (Agatz, Fleischmann, & Van Nunen, 2008; Lang & Bressolles, 2013; Wolk & Ebling, 2010; Xing, Grant, McKinnon, & Fernie, 2010), and web- and store design integration (Emrich & Verhoef, 2015). However, none of the aforementioned areas have been completely resolved yet. Quite the contrary, there are still several areas for further investigation (Verhoef et al., 2015).

With regard to the assortment strategy of a retailer, it is deemed necessary to overcome the complex duty to offer an attractive assortment on the one hand side but avoid choice difficulty on the other hand side (Mantrala et al., 2009). There is a controversy in the reviewed literature about the degree of assortment integration in omni-channel retailing. Some researchers argue, that the assortment does not necessarily need to be integrated, when the target customer of the two channels is different (Berry et al., 2010; Neslin & Shankar, 2009). This is not the case for omni-channel customers, who switch retail channels during their purchases. However, other researchers argue that product consistency is crucial to provide a seamless shopping experience for the customer (Berman & Thelen, 2004). In practice, most of “clicks and mortar” retailers nowadays apply an asymmetrical assortment strategy, which means, that they offer a larger assortment online than offline (Emrich et al., 2015). Emrich et al. (2015) investigated the impact of assortment integration on underlying assortment relations. They classified three different assortment relations. Either, assortments are substitutive (for instance, when a retailer sells two different kinds of similar shoes), or complementary (shoes and shoe crème), or independent (shoes and sun lotion). Emrich et al. found out that in any of the three assortment structures no integration of assortment is detrimental. However, they argued, that for an

omni-channel retailer with a substitutive assortment, the perceived variety is lower when the assortment strategy is asymmetrical, because customers tend to disesteem the decreased channel choice and autonomy.

Regarding pricing and promotions, “clicks and mortar” retailers often need to find a way out of a dilemma: Generally, customers expect products online to be equally or even less expensive than in-store (Zhang et al., 2010). But at the same time, customers expect integrated channels with a consistence pricing strategy among channels (Seck, 2013). How can retailers overcome this dilemma without losing market share and unsatisfied customers? In practise, retailers mostly tend towards a partial integration of their pricing (Wolk & Ebling, 2010). They charge the same-posted prices among their different channels, because they fear that different prices might lead to customers’ confusion and resentment. But, at the same time many retailers apply channel specific price promotions or charging handling and shipping costs (Neslin et al., 2006). In the reviewed literature, most of the researchers argue in favour of a consistig pricing strategy for all channels of a retailer (Berman & Thelen, 2004; Vogel & Paul, 2015; Wolk & Ebling, 2010).

Wolk and Ebling (2010) developed a conceptual framework on the factors, which might influence a pricing strategy across channels, namely competition, offline reach, online reach, number of distribution channels, size of company, product type, and brand power. They argued, that the lower the level of competition in one segment is, the higher the extent of price differentiation is. Thus, market power has an impact on price differentiation. For Wolk and Ebling, physical distance is a criterion, which determines if customers have an easy access to a product or if they need to spend high transaction costs to get access. For retailers that operate multiple channels this means, that if he operates just few stores and apart from that sells his products online, the retailer will be able to operate both channels more separable. As a consequence, this retailer is more in a position that he can apply price differentiation online and offline. The increasing number of customers who buy online and furthermore use different channels of one retailer during their purchase process leads customers to easily have access to a retailer’s overall offer. This will lead retailers to offer the same prices among their different retail channels. Regarding the number of distribution channels, the two researchers argue, that a customized operation of each channel means an increase of transaction costs and effort for the retailer. Concluding, the more channels a retailer operates, the less channel-based

price differentiation he will apply. The size of company is therefore pivotal, that retailers, which face lower cost when engaging in price differentiation, will apply it more often. Normally big companies can leverage on strategic advantages such as an efficient organization, cheaper purchases or superior technologies. Thus, bigger retailing companies will more likely apply channel-based price differentiation. For certain product types, customers prefer one channel over another. For instance, customers prefer to buy clothing in-store, since they want to try it on and physically see and touch the item. So, if one channel is superior for the customer than another, it is more likely that customers will accept channel-based price differentiation and pay a higher price in that channel, which they prefer. Generally, branding decreases the customer's price sensitivity. But channel-based price differentiation might lead also to confusion and in turn decreases brand power (Wolk & Ebling, 2010).

Wolk and Ebling's conceptual framework gives a valuable contribution to the debate of channel-based price differentiation. It is the first framework to conceptualize the different influencing factors considering customer (market), retailer and product characteristics.

However, channel-based price differentiation has certain positive and negative impacts on customer satisfaction: It positively affects their perceptions of value, increases relationship quality, and enhances repurchase intentions, but it also leads to perceptions of price unfairness and limits customer self-determination, which negatively affect retention outcomes (Vogel & Paul, 2015). It remains questionable, which of the mentioned criteria affect more the final choice of shopping location and furthermore the long-term relationship with the retailer: Would customers rather buy at a retailer with a higher perception of value or would they tend to buy at a competitor, where they find the pricing fairer?

A possible pricing strategy for omni-channel retailers, which embraces both- a high perception of value and price fairness, is considered as "self-matching pricing" (Kireyev, Kumar, & Ofek, 2015): Here, the retailer can set different prices across channels, but he will offer the lower price to the customer when he can supply evidence. Thus, 'self-matching policies, by design, offer retailers the flexibility of setting different prices across channels, while affording consumers the possibility of a consistent experience, presumably in line with the omni-channel philosophy' (Kireyev et al., 2015, p. 29).

Price promotions at omni-channel retailers have several within and across channel implications: Offline price promotions can reduce category

sales online during the promotion period; furthermore, online promotions can reduce category sales offline during the promotion period; negative cross-channel effects are higher for loyal customers than for opportunists; and, the impact of online promotions on offline sales within the promoted category is higher than vice versa (Breugelmans & Campo, 2016).

One can conclude, that a successful management of pricing and promotions is a complex field in omni-channel retailing. It is deemed necessary to consider effects within and across channels and set a coherent pricing and promotion strategy.

Regarding fulfilment, a coherent omni-channel strategy should concern both the marketing mix and operations management (Agatz et al., 2008). In this respect fulfilment is an important component of a retailer's operations strategy. According to the reviewed fulfilment literature, omni-channel e-fulfilment can be considered as fulfilling online or in-store orders including warehousing, picking and order preparation, distribution, purchasing, delivery and returns (Agatz et al., 2008; Lang & Bressolles, 2013). For omni-channel customers, four dimensions of fulfilment can be considered as predominantly important, namely timeliness, availability, condition and return (Xing & Grant, 2006; Xing et al., 2010; Ozuem & Tan, 2014). Timeliness refers to several aspects, such as speed of delivery, choice of delivery date, or delivery within a certain time slot. Availability refers to the confirmation of availability, order tracking, or waiting time. Condition refers to order accuracy, order completeness, or order damage. Return refers to return policies, such as ease of return and return channel options, the promptness of collection and of replacement (Lang & Bressolles, 2013). For omni-channel retailers this means, that their supply chain management needs to be adapted to these specific customer needs. This has several impacts: (1) an online channel not only provides a physical product but also several related services, most notably delivery. The delivery service may range from making the product available for pick-up to time-specific home delivery. The management of this service component of e-fulfilment gives rise to novel planning issues. (2) The flexibility of an omni-channel retailer with respect to order promising and pricing, makes it necessary to imply an appropriate strategy. (3) The integration of different channels raises issues in inventory deployment, since different channels may require different service levels (Agatz et al., 2008). (4) E-fulfilment requirements are different across different product categories (Hu, Kumar, & Sumit, 2014).

PERCEIVED SERVICE QUALITY IN OMNI-CHANNEL RETAILING

In the context of omni-channel retailing, the evaluation and understanding of service quality has become a topic of major interest both for academics and practitioners (Badrinarayanan, Becerra, & Madhavaram, 2014; Banerjee, 2014; Patten, 2017; Seck & Philippe, 2013; Swaid & Wigand, 2012). “Owing to the intangible, heterogeneous and inseparable nature of services” (Martinez & Martinez, 2010, p. 30), several definitions of service quality have been built over the years. Zeithaml (1988), for instance, sees service quality as “... the consumer’s judgment about a product’s overall excellence or superiority” (Zeithaml, 1988, p. 3), Bitner and Hubbert (1994) view service quality as “... the consumer’s overall impression of the relative inferiority/superiority of the organization and its services” (Bitner & Hubbert, 1994, p. 77). The academic debate about how to evaluate service quality has developed extensively since the 1980. In essence, the service quality literature can be divided into two streams: Some researchers use a performance-only approach to evaluate service quality (Boulding, Kalra, Staelin, & Zeithaml, 1993; Cronin & Taylor, 1992; Teas, 1993; Ozuem, Thomas & Lancaster, 2016). In contrast, the majority of researchers evaluate service quality based on the disconfirmation paradigm as a gap between expected service and perceived service (Carr, 2007; Dabholkar, Thorpe, & Rentz, 1996; Grönroos, 1984; Parasuraman, Zeithaml, & Berry, 1988). These studies draw extensively on the work of Oliver (1990). Oliver sees himself in the tradition of Sherif’s and Hovland’s “assimilation theory” (Sherif & Hovland, 1961) and Festinger’s “dissonance theory” (Festinger, 1957), whereby “customers are posited to perceptually distort expectation- discrepant performance so as to coincide with their prior expectation level” and “post exposure ratings are primarily a function of the expectation level because the task of recognizing disconfirmation is believed to be psychologically uncomfortable” (Oliver, 1980, p. 460).

Several different service quality gap models, such as “The Service Quality Model” (Grönroos, 1984), “SERVQUAL” (Parasuraman et al., 1988), “E-SQUAL” (Parasuraman, Zeithaml, & Malhorta, 2005) or “WEBQUAL” (Loiacono, Watson, & Goodhue, 2002) have been developed to conceptualize service quality and consumers’ perception of it. But most of the approaches tend to take a single-channel perspective and do not consider omni-channel settings (Seck & Philippe, 2013; Sousa & Voss, 2012). But, it is deemed necessary to view omni-channel service quality from a