Chapter 10

Old and New Distribution Channels in the Luxury Sector

Fabrizio Mosca
University of Turin, Italy

Elisa Giacosa
University of Turin, Italy

ABSTRACT

The focus of this chapter is to provide scientific evidence to luxury businesses for competing in a competitive global market, providing for further research opportunities of old and new distribution channels. Thanks to a qualitative method, it emerged that distribution strategies implemented by firms operating in luxury markets are typical and specific with respect to firms in other markets and represent a source of competitive advantage. Four phenomena have characterized distribution in this area in recent years: a growing investment by luxury brands in direct distribution activities; the integration between distribution and communication activities; the development of the digital channel in luxury markets; and lastly, the growing integration between User Generated Content and distribution channels. As the distribution variable influences the constitution of brand identity, old and new distribution channels have to be differently articulated according to the exclusivity of the brand.

INTRODUCTION

Italy and other countries are universally renowned for its strong vocation for luxury. In particular, the Italian and French luxury sectors are important to the Italian and French economy, thanks to a strong tradition in these fields and strong efforts into innovation policy. The market seems to be particularly susceptible to external pushes linked to the socio-demographic, cultural, political and economic context, which impact on to the tastes and desires of individuals and, consequently, to the company’s choice.

As the market of a luxury companies is a globalized market, a company has to understand the variables that impact on this marketing mix variable (the distribution variable), and tries to obtain advantages from them. In addition, it is appropriate to place different types of distribution channels into different categories of luxury, in relation to the affordability of a brand (Non affordable luxury and Affordable luxury).

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Some winning companies permit us to identify successful business models in different luxury sectors, such as the core luxury sectors (fashion, jewelry and watches, perfumes and cosmetics, and cars) and new luxury sectors (wines, spirits and other gourmet products, tourism and catering, and furniture and household items).

The aim of this work is to analyze the distribution strategies of high-symbolic-value goods, highlighting the main trends, and providing scientific evidence to luxury businesses for further research opportunities of old and new distribution channels.

The chapter is structured as follows. The first section analyzes the theoretical background of the distribution variable into the luxury sector. The second section outlines the main focus of the chapter. The third section presents future research directions for this topic. Finally, the last section presents the conclusion, implications and limitations of the study.

BACKGROUND

The luxury business represented a very interesting topic on which many researchers focused.

Luxury is an elitist connotation, but also a social manifestation in a community. A specific target is attracted, firstly, for a status symbol connotation and for intrinsic quality of the products, price, rarity and creative content. More precisely, luxury fashion is divided into non-affordable luxury and affordable luxury, according to the target audience.

Firstly, the human need has been analyzed, as luxury companies have to satisfy it. A need is a symptom of what an individual is lacking: it is influenced by his cultural, economic and social context and his expectations and preferences and has different levels (Airoldi, Brunetti & Coda, 2005; Erner, 2004; Giacosa, 2011; Giacosa, 2012; Kemp, 1998). If it is a primary need, the individual seeks to obtain an object that is necessary for his survival and whose purpose is to help him deal with the daily struggle for nutrition, warmth and a certain level of health. When it is a secondary need, the individual is driven by the desire to own a variety of luxury goods that are beyond the simple requirements of daily life. Often, this secondary need will grow until the consumer gains possession of that object, after which the desire diminishes. On this subject, the CEO of Hermès has reconstructed the paradox of luxury: “The more one is desired, the more one grows, but the more one grows, the less desirable” (Thomas, 2011). This paradox is the manifestation that the world of luxury should be considered a phenomenon in its own right, since it is a powerful generator of causal ambiguity (Chailan, 2013; Orton & Weick, 1990; Weick, 1976). The Luxury business falls into the category of secondary needs, and aims to meet several types of needs. First of all, the creative need, namely the need to look a certain way, thanks to the availability of a particular series of objects designed to enhance the body. Secondly, there is a communicational and social need, namely the need to communicate a given message to the outside world and the feeling of belonging to a social group, through tangible factors (such as a handbag) or intangible ones (such as the brand of the bag). Lastly, there is the need to feel up to date with fashion trends, which is satisfied by possession of objects from the latest designer label collections. Manifestation of a series of secondary needs is to some extent the result of improved economic conditions for a section of the population, and the ageing of the population. Indeed luxury has gained new customers amongst the wealthy sections of the population in emerging countries and amongst the new seniors, that is, those individuals whose good
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