

# Chapter 74

## Examining the Integration of Virtual and Physical Platforms From Luxury Brand Managers' Perspectives

**Paola Peretti**

*The IULM University, Italy*

**Valentina Chiaudano**

*University of Turin, Italy*

**Mohanbir Sawhney**

*Kellogg School of Management, Northwestern University, USA*

### **ABSTRACT**

*“The internet dilemma” was the concept used to describe luxury brand companies’ initial reluctance to integrate online technologies into their business model. However, over time, luxury brand companies have understood that moving towards digital transformation is the only way to survive on the market and appeal to the new luxury brand consumers. In a few years, digitalisation has become a priority for all luxury brand companies that started to integrate digital and physical platforms to engage consumers through all touchpoints of their shopping journey. In light of the topic’s relevance and considering the primary focus of research on consumers, this chapter aims to deepen the digitalisation phenomenon in the luxury market involving the little-explored luxury brand managers’ perspective. The authors conducted a longitudinal study to compare the main changes in integrating digital and physical platforms from the managers’ perspective between 2014 and 2020. In this endeavour, they also considered how the COVID-19 pandemic had affected luxury brand companies’ digitalisation.*

## 1. INTRODUCTION

During the last two decades, the Internet revolution has changed the way of doing business. The new digital technologies like artificial intelligence, virtual reality (VR), sharing economy, IoT, and social commerce app have empowered consumers from a market target to become companies' innovation partners (BCG, 2020; Reinartz et al., 2019; Solis, 2013).

Among this interconnected ecosystem, we concentrate our attention on the virtual relationship platforms (online and mobile) that act as a powerful tool to engage customers towards their shopping journey. The main strength of virtual relationship platforms is their ability to switch from the top-down relationship to a bottom-up one, where customers play a leading role. Moreover, according to Bolton et al., 2018, digital platforms with physical ones (stores) enhance customer experience and improve employee performance.

Even if academic studies and reports confirmed the positive effects of virtual relationship platforms on marketing strategies, luxury brand companies long remained sceptics about the opportunities provided by the integration between physical and digital tools. Most companies have chosen to support the traditional point of view for which new technologies could represent just a limited part of the customer journey experience. Particularly, deeper integration between virtual and digital platforms was perceived as an off chance for different reasons. In general, the main concerns were related to the evident incompatibility between digital technologies and the nature of luxury brands (Dall'Olmo Riley & Lacroix, 2003). On the one hand, Internet-based technologies promoted free access and a low level of physical contact.

On the other hand, luxury brands companies aimed to preserve their status of exclusivity and rarity. Physical contact is another controversial variable since it is an essential trait of the luxury brand experience that digitalisation strongly affected (Chevalier & Mazzalovo, 2012). Finally, from an internal point of view, the integration between virtual and physical tools generated a resistance due to the expected efforts in reallocating resources and improving traditional know-how of luxury brand managers with the new digital skills.

However, over time luxury brand companies have understood that moving towards digital transformation was necessary. Furthermore, luxury brand consumers who demanded more tailored and interactive experiences require integrating new digital tools into luxury brand marketing strategies.

Reports from the most relevant consultancy agencies pointed out how luxury brand companies have ridden the digital wave in recent times, and the pandemic was one of the leading accelerators (BCG, 2019; Deloitte, 2019). Digital transformation has become a priority in the luxury industry. So, in a few years, luxury brand companies have moved from a digital embryonic stage to deeper integration between digital and physical platforms. Today, the integration of digital technologies such as Artificial Intelligence (AI), Big Data and e-commerce with the physical channel (stores) to support luxury brand companies in redesigning customer engagement through data analytics is the priority for all luxury brand companies (BCG, 2019; Deloitte, 2019).

Currently, we can find some articles on the topic of digitalisation in the luxury market. However, most of them are mainly focused on the impact of new digital technologies on the enhanced experience from the consumers' perspective. These studies deal with how consumers perceive the integration between digital and physical platforms towards their shopping journey and how that integration impacted brand equity, loyalty, willingness to pay, or buy (Guercini et al., 2020; Taube & Warnaby, 2017).

In light of the relevance of the topic and considering the primary focus on consumers, we aim to deepen the digitalisation phenomenon in the luxury market involving the little-explored perspective of

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