Service design needs for luxury e-commerce: an empirical study

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Abstract—Nowadays, we are just in the launching phase of luxury e-business, it is not clear whether it should be served with a luxury service from a physical shop, or not. Do consumers especially wish a pre- and after-sales service which is taken in charge by a physical shop while buying on the official luxury website? After the opinion of luxury bloggers, we do know that there is a need for luxury service offer which comes with luxury e-commerce in general and specifically for pre- and after-sales services[1]. Our results are based on 168 questionnaires from international luxury e-shoppers. They show clearly that luxury consumers, who buy luxury goods via internet, do need a physical shop. Additionally this physical shop has to assume all pre- and after-sales issue. So, luxury e-commerce does not replace the physical independent wholesaler network, but has to be integrated in a complementary strategy with it.

I. INTRODUCTION

THE first ventures of luxury watch brands in e-commerce were launched officially (Mont Blanc and Cartier products) during 2008. There are only accessible in Japan for the moment. So the Chinese area is in a development phase, for instance in 2007, luxury watches and jewels were sold for 8 billion dollars which represented 20 % of the global luxury market [2]. In Europe there is still no official e-commerce site for luxury watch and jewel brands. At the time being, companies are selling their goods through their independent wholesalers' network. Following the last results from January 2009, coming from the professional fair SIHH in Switzerland, where important watch and jewel brands sold directly to independent wholesalers, the sales were satisfied [3]. So the need of the being of physical luxury shops still exists.

More diversified luxury goods groups, like LVMH, have their own physical and virtual distribution network. Taking into account the economic and commercial issues of the existing physical distribution at stake, the e-commerce issues and challenges would be reflected very difficult on e-commerce strategies of the various goods companies.

From our research, consumers are really concerned about service offer in general and pre-and after sales services [1]. In most cases they were discussing about negatives experiences or needs which are still ignored from the company's side. From their e-commerce site, companies should explicitly state it as consumers' mail delivery too risky.

There is a lack neither in the literature about the issue of pre-

and after-sales service nor on luxury goods [4-10]. There is nothing about the need of consumers who wish to have a physical shop while they are buying their luxury goods in the internet.

II. LUXURY SERVICE DESIGN NEEDS

A. Luxury e-service needs

From literature we know that e-services are part of a whole e-commerce concept [11]. In most cases e-services are reduced to technical issues [12], and rare are the discussions of e-service needs coming from the consumer's point of view [13]. We found that e-services should match to the market [14-15], so to consumer service needs. The impact of the relationship between the customer and the brand to an e-service offer [16] and consumers who pay special attention to products, will influence the quality perception of the linked e-service [17], were treated in literature. We know that service quality is defined also between the difference of expected and perceived services from the consumer's side [18]. It is also interesting that recent positive service experiences made in a physical shopping experience by a consumer will have a positive impact to the e-service perception with the company [19]. As there is a mostly physical shopper experience in the luxury watch and jewel industry, and a good number of them are positive [20-22], we infer that it is the same for luxury e-commerce experiences. If e-services do not meet the expectations of consumers, they will get more sensible to any price variation [23]. In general the luxury service is part of the product price. In certain cases it might be extra charged, like for specific after-sales purposes. So, if the repair service for a luxury watch does not meet the expectation of the luxury consumer, he/she will perceive the asked price as too high. Otherwise, the price will fit to the expected quality level which the consumer attributes to the luxury brand. But will it be the same for luxury e-services?

We found nothing in literature about the need or not, if a physical shop should support the luxury e-commerce transactions in general and the e-service consumer needs in particular.

B. Luxury virtual e-service experiences

Experience concept includes in general, three dimensions, a physical, a practical and a rhetoric one [24]. Luxury consumers, who do buy their goods on-line, can live a physical and practical experience through the fact that they

have to live the whole virtual buying process, from the need of recognition to the purchase act [25]. The physical one is experienced because the consumer has to introduce his commands into the computer, so a physical effort has to be done to participate on the virtual shopping act itself. Rhetoric might be replaced by text parts which are introducing the special visual luxury atmosphere of the brand and his products; it can describe different luxury products or deliver information concerning the attached services. So it is more the formal way of the rhetoric dimension which will seduce the luxury consumer.

We do know that physical human relations can be replaced by divers Web 2.0 interactive solutions [1] with the luxury consumer in the e-commerce. Examples like http://www.thewatchavenue.com/site/#/gclid/first/wa , or the last game version of Home coming from Sony, show the latest technology evolution in this sector.

Luxury business is also strongly related to an emotional dimension, stimuli coming from the physical buying commercial places; touch off feelings and sensations [26] from the luxury consumer's side. So, stimuli can be caused by a specific design and music which remind on a specific luxury brand, we may even talk about virtual atmospheres [27] which pursue emotional goals.

Service is part of e-commerce experiences, service and relationship quality were distinguished in literature [28]. It is the luxury consumer who evaluates the level of quality of the relationship to a buyer in a physical shop. In most cases, both sides' expectations must be met to have a strong and long-term relationship between a buyer and a seller [29]. The service quality level is a fix component of the luxury brand image and should meet the luxury consumer's expectations [30].

The following process model for interactive design [31], illustrates the challenges between physical and virtual experiences for service design in luxury e-commerce:
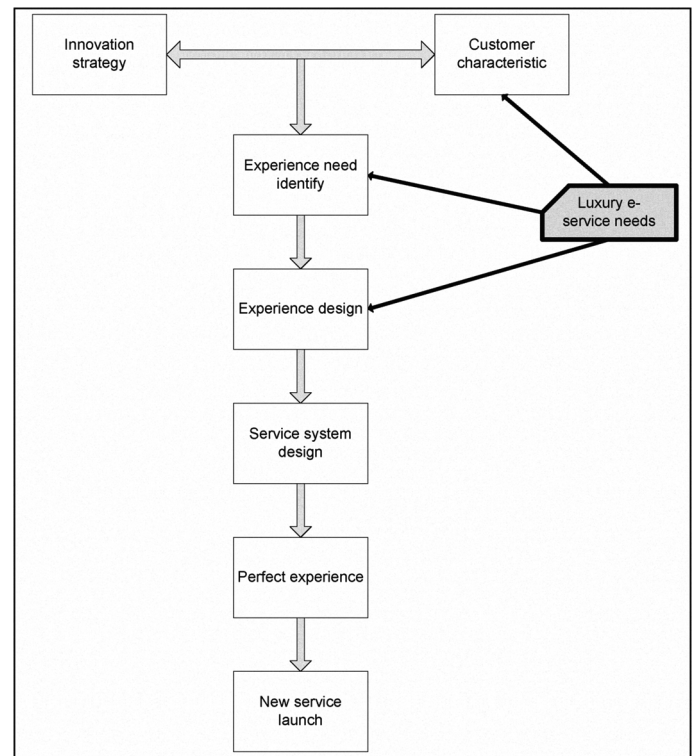

Fig. 1. NSD process model for interactive experience [31], illustrating the intervention of luxury e-service needs

As we are just at the very beginning of luxury e-commerce, we have no idea whether luxury customer characteristics are the same in the virtual shopping world. Would luxury e-consumers do have the same experience expectations for e-commerce issues than for physical ones? And is the experience design similar to the physical one, or do luxury brands have to offer a complete different virtual design?

These discussions lead us to the following hypothesis:

H1: Luxury consumers, who are buying from internet, do not need a physical luxury shop.

H2: Luxury consumers, who are buying from the internet, do need a physical shop for pre- and after-sales services.

III. RESEARCH METHOD

Our hypotheses are part of a big questionnaire, including 19 questions, varying between closed and open ones. We distributed it in an English and in a French version. The questionnaire went also through a pre-test phase, in both languages, in order to identify issues poorly formulated or poorly understood. The final questionnaire asks about fifteen minutes to complete. We opted for the "snow ball technique" [32], meaning we used our social and professional network to get it circulated. We tried to get the spread up of our questionnaire independent. As our questionnaire was specific to luxury issues, mostly consumers' in luxury goods and in e-shopping returned it completely filled in.

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Our sample is composed of 41% male and 59% female, from 20 different countries, 79% rural and 21% city dweller, earning per year "less than 50 K Sfr" (29%), "50'000-100'000 Sfr" (31%), "100-200 K Sfr" (24%), "more than 200 K Sfr" (16%). The proportion of respondent by age is the following: "below 20 years" (12%), "21 and 30 years" (42%), "31and 40 years" (25%), "41 and 50" (14%), "51 and 65" (8%).

H1: Luxury consumers, who are buying from internet, do not need a physical luxury shop.

The following proportions were tested:
- the proportion of consumers' buying luxury goods via internet and do not need a physical shop for service support during the e-shopping operation.
- the proportion of consumers' buying goods via internet and do need a physical shop for service support during their e-shopping operation.

Different scenarios were experienced, like if luxury e-consumers do get their service support via internet, they do not need a physical shop one. If luxury e-consumers are not satisfied with the service offer they found on internet, they need a physical shop for service support for their e-shopping operation. We tested the same for the need of information service before buying via internet, the need of comparing different offers, not only those which are found via internet, but also the ones from the physical shops. Further one, the need to live a physical and virtual shopping experience, in this case the luxury e-shopper do need a physical shop, or the option that virtual shopping experience is sufficient for them. So, they are not in the need of a physical shop. The experiences concept includes dimensions like the need to negotiate a special price for a luxury good, having a real-life shopping experience, need of components of experimental offer [33-38], existing in physical luxury commercial spaces.

H2: Luxury consumers, who are buying from the internet, do need a physical shop for pre- and after-sales services.

We focused directly on questions about the specific pre- and after-sales services issues, like will it be the physical independent wholesaler network to assume this part, or should be directly offered by the luxury brand or the wholesaler via internet?

The risk of a lack-of understanding of the service needs issue, from the seller's point of view and the simplicity of the pre-and after-sales process itself.

IV. DISCUSSION OF MAJOR RESULTS

125 responses out of 168 questionnaires have been kept for the testing of H1. This means that we have only responses from consumers' who already bought luxury goods via internet. And 124 from 125 do need a physical shop for their luxury e-shopping. Figure 2 shows this distribution by factors and by sex.

After this significant result we created five different categories:

- *Virtual vs physical experience shopping (0%)*
  Including the component of time, consumers' prefer buying their luxury goods on internet, so they do not want to waste time to go to a physical shop; the need to have a real-life experience of the shopping operation; the benchmark price research tools form the internet is more comfortable in use than window shopping and/or discussions with a seller about the best price options; product and service description on the internet is sufficient to buy a luxury product on-line; too much product choice in the shop makes the luxury consumer feel insecure in this shopping decision process [25]. So in general the virtual shopping experience is perceived as sufficient by nearly 100 %, so there is no need of a physical shop.

- *The need of service information in particular*
  If luxury consumers buy their goods on-line, they may get service information from objective internet sources, like Blogs, forums and others. They are only 33% who prefer to demand advice directly in the physical luxury shop.

- *The need of a seller*
  If luxury consumers' do not like the behavior of personnel in luxury shops and if they have real Web 2.0 interaction facilities, 70% do avoid a physical shop during their e-shopping luxury operation [1].

- *The need of price benchmark*
  If luxury consumers' buy on-line they do not compare the different offers in physical shops first; so 69 % do search the best price directly on internet.

- *The need of negotiating the final price*
  This dimension is usually part of the shopping experience concept. We underlined it because this is one of the pleasures luxury consumers' do really like, get their luxury good for the lowest price [1].
  So, only 16% of luxury consumers do want to negotiate the final price in a physical shop. They may have difficulties to calculate their final price (duty and delivery fees) of their luxury goods while buying on-line.

We found that a luxury consumer does need at least once a physical shop among the above described categories. Suppose that an independent wholesaler wants to apply the following rule: if there is a reason, i.e. one of the above categories, to need a physical shop, than this must be available. So, in this case, almost all luxury e-shoppers do need a physical shop! Therefore H1 is false.
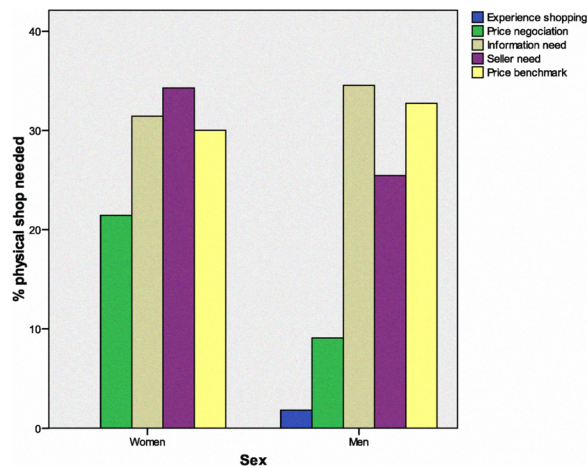
Fig. 2. Luxury consumers who need a physical shop for luxury e-commerce issues, by factors and by sex

Fig. 3. Luxury consumers who need a physical shop for pre- and after sales service issues, by factors and by sex

In order to get an answer to H2, we have to take into account several qualitative factors. Therefore, we have created 5 different categories.

- *Need of the independent wholesaler network*
47% of luxury consumers who buy on-line want to have physical shop to support them for their pre-and after-sales issues. They do not think that there is a big risk for being misunderstood by the shop personnel in explaining their different pre- and after-sales issues.

- *Comfort preferences*
54% of luxury e-shoppers do not necessarily need a physical shop for their pre-and after-sales issues. They find it even more comfortable to handle it directly on-line. Internet pre-and after-service process operations are not really perceived as complicated to use.

- *Internet risk perception of pre- and after-sales services in general*
43% luxury e-consumers do need a physical shop because they find it simply too risky to send their goods by mail and not to have direct human contact possibilities via internet.

- *Brand impact*
There is no need of a physical shop if the brand will directly assume pre- and after-sales issues via internet (77%). So the brand has to be seen as a guarantee for a certain quality level which meets luxury consumers' expectations [30].

- *Need of an pre- and after-sales expert*
75% of luxury consumers do need an expert for their pre- and after-sales issues on-line, so they can avoid a physical shop.
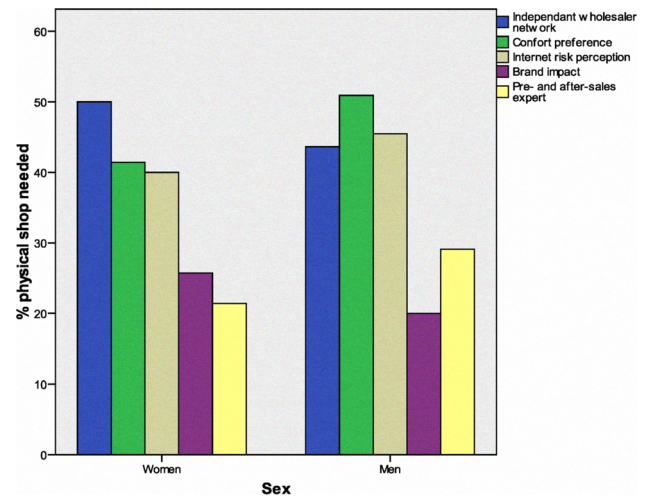
In the two first ones, "need of independent wholesaler network" and "Comfort preferences" the results are very close. If a luxury brand or a professional pre- and after-sales expert does exist on-line, there is no prior need of a physical shop for luxury consumers. The internet risk perception for pre- and after-sales issues in general, does not touch off a clear need of physical shop too.

Suppose that an independent wholesaler wants to apply the following rule: if there is a reason, i.e. one of the above categories, to need a physical shop, than this must be available. So, in this case, all luxury e-shoppers do need a physical shop for pre- and after-sales service issues! Therefore H2 is true.

V. IMPLICATIONS

A. Implications for research

We found that luxury e-shoppers do not need a physical shop when considering one category at a time. But the shopping decision process [25] includes all qualitative incentives. Therefore, luxury e-shopper behavior should be considered in several dimensions all together.

As we have discovered several factors of e-service needs for luxury consumers, it would be interesting to measure their intensity for future research steps.

More research has to be done to clarify the physical shop position in regard to the specific virtual e-services needs.

B. Implications for managers

What is the new role of the independent wholesaler network for luxury e-commerce watches and jewels? May they integrate in a complementary strategy with luxury brands for pre- and after-sales issues? Our results show that luxury consumers, who buy their goods via internet, do still need physical shops.

In studying the luxury e-consumer behavior in detail,

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managers may identify the service needs which can be treated in automated operation processes on-line, and which still have to be handled by physical shops.

VI. CONCLUSION

There was still a gap concerning the service needs for luxury e-commerce in literature. By now, it was not clear whether luxury e-consumers do need physical shops in general and in particular for pre- and after-sales issues. Results show that the traditional luxury physical shop is still demanded by the luxury consumer, even if he is buying on-line. Moreover we have identified several main categories to improve the service design for luxury e-commerce.

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