



To what extent luxury retailing can be smart?

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ABSTRACT

The aim of this paper is to explore how luxury brands use new technologies in the context of smart retailing. Building on qualitative data from multiple cases from the luxury industry, our analysis reveals that this sector is conscious of the benefits of using smart technologies as marketing tools, while the effective use of these innovative systems is still limited. However, studies on innovation forces affecting the retail industry are still limited in luxury sectors. The study provides an empirical contribution to the emerging topic of smart retailing with an emphasis on the luxury sector through its in-depth investigation of the usage of smart technologies by the firms studied.

1. Introduction

In recent years, retail industry has witnessed an increasing number of technologies able to largely improve processes while entertaining consumers (Dacko, 2017; Demirkan and Spohrer, 2014; Hristov and Reynolds, 2015; Kumar et al., 2014; Pantano et al., 2017; Willems et al., 2017). These technologies can be classified into 3 main typologies: (i) digital technologies, which include social media and the online channel for e-commerce (Gao et al., 2013; Groß, 2015; Hsiao, 2009; Pantano and Verteramo, 2015); (ii) mobile technologies, which include retailers' mobile app (i.e. Hermés app to find the perfect match between the tie and the shirt) (Pantano and Priporas, 2016; Varnali and Toker, 2010); and (iii) immersive/pervasive in-store technologies, which include ibeacons, interactive storefronts and displays, etc. (Pantano and Verteramo, 2015; Papagiannidis et al., 2017).

The rapid diffusion of Internet technologies provides consumers with new online platforms where they can purchase directly at home 24/7 (recognized as I-commerce, e-commerce, e-tailing, or e-store) (Pantano and Verteramo, 2015), which is perceived by consumers as a more convenient shopping environment (Harris and Dennis, 2011; Hsiao, 2009; Jiang et al., 2013). In fact, the new retail settings provide a superior shopping experience, which thanks to a flexible architecture and layout can be updated more frequently than a physical store, with a limited investment in software and programming, enhanced 3D graphics able to enhance product display and interaction, the offer of a

wider range of services, such as recommended systems for supporting a consumer's purchase decision, enhanced information on the product (i.e. video explaining the manufacturing process), home delivery policies, etc.; and convenience in terms of location, parking, opening hours and access, because it consists of a store, accessible anytime (24/7) and anywhere where an desktop internet connection is available (Pairin and Keng, 2003; Pantano and Verteramo, 2015).

Mobile technologies provide marketing with new tools able to distribute interactive and personalized information which overcomes the traditional time-space paradigm where traditional marketing took place (Pantano and Priporas, 2016; Rippé et al., 2017; Varnali and Toker, 2010), in other words it involves new marketing services delivered through ubiquitous networks that consumers may access anywhere and anytime from their own mobile device, based on a high level of connectivity and context-awareness (Gao et al., 2013; Pantano and Priporas, 2016). This is based on the mobile devices' ability to adapt their behavior to users' individual usage (to reply to consumers by automatically recognizing some information about them, such as their location) (Pantano and Priporas, 2016).

The emerging Internet of Things (IoT) technologies, such as indoor positioning, augmented reality, facial recognition, and interactive display support the development of innovative solutions for smart store implementations. The utility of these technologies can be argued especially when referring to the possibility of crossing machine data on customer behavior and direct interaction between sales staff and

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customers. Merging this information, it is possible to extract more powerful knowledge about customers while providing more exciting shopping experiences. In this scenario, Cisco Systems proposed the concept of the Internet of Everything (IoE), defined as “the intelligent connection of people, process, data and things” (<http://ioeassessment.cisco.com>), which luxury retailers replied proposing new interconnected watches (i.e. Tag Heuer's Connected, Apple Watch Hermès and Michael Kors' Access line in collaboration with Fossil). IoT, in fact, focuses on machine-to-machine (M2M) communications, while the more expansive IoE concept includes M2M communication, machine-to-people (M2P), and people-to-people (P2P) interactions (Parise et al., 2016).

Due the large profitability characterizing luxury sector, luxury retailing can be the sector able to better exploit these innovations to increase the business profitability (Jones, 2016). To this end, LVMH Moët Hennessy- Louis Vuitton hired a chief digital officer to increase the exploitation of digital technologies online and offline in late 2015, while the group in 2017 announced the creation of the LVMH Innovation Award to celebrate new ideas devoted to any startup working on issues related to the luxury sector, and become the first luxury partner of the VIVA Technology event (since 2017) built around innovation Labs dedicated to enhance the collaboration between sector leaders and promising startups.

The introduction of advanced technologies at the points of sale changes and influences consumers' shopping experience, which might emerge from the interaction with the technology/automated system (interactive displays, storefronts, signage, etc.), by soliciting the feeling of entertainment and pleasure, by providing more access points and elements able to engage more consumers.

Therefore, a new question arises in luxury industry: can luxury retail be smart? Starting from the definition of smart technologies for retailing provided by Pantano and Timmermans (2014), the aim of this paper is to understand if luxury retail can be smart, by deeply understanding luxury retailers' preparedness for the emerging phenomenon of smart retailing, in order to figure out the extent to which smart technologies might result in a smart luxury retail industry. Specifically, the paper is structured as follows: the next part defines the smart retailing phenomenon and the luxury retail industry, while the subsequent one analyses five case studies research from luxury fashion retailing actually adopting different technology management strategies to enhance the retail process. Finally, implications for scholars and practitioners are discussed.

2. Theoretical background

2.1. Smart retailing

The large diffusion of smart technologies pushes towards a new concept of cities and processes that can become smart through the “smart” integration of new technologies (Pantano and Timmermans, 2014). Within the broader idea of smart cities, Pantano and Timmermans (2014) proposed the concept of “smart retail” that emerges as a new competitive scenario for retailers characterized by the intelligent usage of smart technologies to engage consumers in more efficient and satisfying shopping experiences. Since the idea of smartness goes beyond the idea of intelligent application of new technologies by including more essential dimensions such as the organizational processes and selling activities, Pantano and Timmermans (2014) proposed extending the smart usage of technology to the retail process to evaluate if it can become a “smart process”. In particular, this usage impacts both the organizational process and selling activities, in terms of development of ad hoc capabilities, changes in knowledge management, and creation of smart partnerships; and consumers' access to product/service, relationships with retailers/sellers, products/service consumption. From a retailer perspective, these technologies support new methods and techniques to collect and manage data on market

trends useful in adapting retailing strategy accordingly (Bennett and Savani, 2011; Fiorito et al., 2010; Pantano et al., 2017). Indeed, these technologies provide information in real time on consumer behavior (i.e. purchases, products accessed but not bought, time spent in the store, etc.) (Li et al., 2017). Moreover, they improve the service to the increasing consumers' involvement in the service co-creation (Blitz, 2016; Pan, 2016).

More specifically, concerning the organizational process, smart technologies affect the methods of collecting data from consumers, managing information, transferring knowledge from firms to consumers and vice versa (Leitner and Grechenig, 2009; Pantano et al., 2017; Wood and Reynolds, 2013). Simultaneously, these technologies allow creating a sort of partnership with clients, who become active actors working in cooperation with retailers towards the common goal of producing a more satisfying service, while pushing retailers to develop new capabilities for actively responding to changeable markets and successfully managing innovation (Hagberg et al., 2015; Kindström et al., 2013). Concerning selling activities, smart technologies are able to change the way in which consumers access and consume services and products, as well as the building and maintenance of relationships with sellers. In particular, smart technologies allow consumers to access products and services from anywhere, anytime (through a system equipped with an Internet connection), or buy the product before effective consumption (i.e. buying in the store and delivery at home, buying outside (while standing in city parks, squares, travelling via trains, waiting at the bus stops, etc.) and delivery at home, buying at home and delivery in store, etc.), by separating the moment of purchase and effective consumption (Xie and Shugan, 2001), without the direct assistance of a salesperson. Moreover, these systems allow both consumers and retailers to easily communicate with each other, share comments on products and services, and collaborate in the creation of the service (highly facilitated by self-service systems) (Kowatsch and Maass, 2010; Pantano and Verteramo, 2017). As a consequence, these systems affect the way consumers interact with sellers and retailers since their requests might be submitted directly through these technologies, which mediate all interactions (Pantano and Gandini, 2017).

Summarizing, smart technology for retailing implies the development of (novel) ad-hoc capabilities, new (consumer) access to services, changes in knowledge management, the creation of smart partnerships, and a new consumption of products/services. The benefits emerging from smart retailing are (i) greater availability of products, services, and information (i.e. the usage of apps for locating products in the physical stores allow retailers to collect data on consumers' behaviour within the store in terms of searched products (Landmark and Sjøbakk, 2017); (ii) knowledge sharing between firms and consumers (such technologies as mobile apps allow firms to create and submit personalized offer for each consumer) (Blázquez, 2014); and (iii) smart partnerships among retailers, sellers (e.g. frontline employees), and consumers through the building of smart partnerships (which overcome traditional vendor-client relationships) (Pantano and Timmermans, 2014).

2.2. Luxury retail

The luxury market encompasses several industries, from automotive to apparel, jets, fashion accessories, etc., implying differences in the technological/innovation orientation among the industries (Caniato et al., 2011; Ko et al., 2017).

Past studies demonstrate the extent to which people create an impression of others on the basis of the clothing brands they wear (Eckhardt et al., 2015; Willems et al., 2012), while the evoking social status affect the object evaluation in terms of estimated price, value and willingness to pay for it (Guinn and Tanner, 2015). In this scenario, luxury usually reminds images of rich people with rich lives, a sort of exclusive and inaccessible lifestyle (Dion and Borraz, 2017; Kapferer, 2012). The consumption of luxury brands is driven by social attributes

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