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How can luxury brands maintain exclusivity by promoting a digital channel as the main touchpoint with the customer? The Josefinas and Manjerica Cases

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Master in Management of Services and Technology

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**BUSINESS
SCHOOL**

Department of Marketing, Strategy and Operations

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Resumo

Durante anos, várias marcas de luxo estiveram reticentes em passar a operar através de canais digitais, pois acreditavam que este promovia uma democratização do luxo. Atualmente a indústria enfrenta vários desafios devido à entrada no mesmo e ao paradoxo da raridade que coloca em causa os principais pilares do luxo- raridade e exclusividade.

Esta dissertação tem como principal objetivo entender como é que marcas que priorizam os encontros digitais, conseguem reter clientes através desses mesmo canal, quais são as estratégias escolhidas para criar uma experiência luxuosa com a ausência de colaboradores na linha da frente e perceberem se estas ultrapassam o paradoxo que a indústria enfrenta.

Para se ter mais informações sobre o tema, foi utilizado uma aproximação exploratória e qualitativa suportada em duas entrevistas semiestruturadas a duas marcas de luxo portuguesas que operam apenas no digital, com o objetivo de perceber qual é a perceção destas sobre os seus clientes, quais as estratégias escolhidas para manterem um forte contacto com o mesmo para que este não sinta saudades de uma loja física e em que momentos é que se verifica uma personalização e uma cocriação com o cliente.

Em suma, os consumidores de luxo digital procuram marcas que consigam fazer a ponte entre o online e offline, onde existam momentos de co-criação e de atenção com o mesmo.

Palavras-Chave: Luxo, Online Shopping, Lealdade do Consumidor, Experiência

JEL Classification System:

L810 - Retail and Wholesale Trade; e-Commerce

L67 - Other Consumer Nondurables: Clothing, Textiles, Shoes, and Leather Goods; Household Goods; Sports Equipment

Abstract

For years, several luxury brands were reluctant to operate through digital channels, as they believed it promoted a democratisation of luxury. Currently, the industry faces several challenges due to the entry into it and the paradox of rarity that puts in question the main pillars of luxury - rarity and exclusivity.

This dissertation has as main objective to understand how brands that prioritize digital encounters, manage to retain customers through these same channels, what are the strategies chosen to create a luxurious experience with the absence of frontline staff and understand if these overcome the paradox that the industry faces.

To have more information on the subject, two semi-structured interviews were conducted with two Portuguese luxury brands that operate only in digital, to understand what their perception about their customers is, what are the strategies chosen to maintain a strong contact with them so that they do not miss a physical shop and at what moments there is a personalization and a co-creation with the customer.

To conclude, digital luxury consumers look for brands that can bridge the gap between online and offline, where there are moments of co-creation and attention with them.

Keywords: Luxury, Online Shopping, Customer Loyalty, Experience

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Chapter 1

Introduction

1.1 Contextualization

The luxury market has always been associated with rich people or famous people, however since the last decades this phenomenon has changed. What potentiated this change were globalization and the presence of emerging markets, enabling middle class people to have access to an income that could support the price charged by the big Maison's (Shukla et al.,2022).

Formerly was a market known for the quality of its products and for being family-owned businesses. A product had five qualities - brand heritage, the high quality, exclusivity, craftsmanship and a personalized service (Kapferer, 2014). Currently the luxury brands to meet the needs of customers have created more accessible ranges promoting a decrease in exclusivity and differentiation, fundamental characteristics in the creation of the value proposition (Shukla et al.,2022).

The internet has played and continues to play a key role in promoting the decline of some key values such as exclusivity and differentiation. The internet has allowed anyone who wants to have access to luxury brands such as Louis Vuitton, Burberry, Dior, among others. There are few luxury brands that are not online, this promotes a dichotomy. The internet is an inclusive environment, whereas luxury is characterised by its exclusivity, lack of accessibility and scarcity. Luxury brands must understand how they will position themselves in this dichotomy, in 2016 alone, according to Bain & Company, millennials accounted for 73% of luxury purchases and 14% of 18–24-year-olds bought their first luxury item online. These figures demonstrate the importance of digital today, a trend accelerated by pandemic. Brands today must understand how they put the customer at the centre of their operations and how by going digital they do not make the mistake of democratising the luxury sector (D'Arpizio, 2017).

1.2 Research Question

Nowadays, luxury brands use the internet as a communication and distribution engine for their products (Chevalier & Gutsatz, 2020).

According to the study conducted by Bain & Company, 70% of purchases were enhanced by interactions that occurred through the internet and that the number of visitors that a website has is double the visits of a physical shop. At least until 2025, shops will continue to play a key role. In 2016, the luxury market occurred predominantly in shops corresponding to 92% and the rest corresponded to online consumption. By 2025, this is estimated to increase by 17 percentage points (D'Arpizio, 2017).

The challenges luxury brands face are several, one of them concerns the transition from physical to digital shops. This is because in a physical shop there is a welcome and other aspects to consider - such as the offer of champagne or even the possibility of having access to the latest collection that has not yet been put on sale. These features that are familiar in luxury, giving full attention and focus to the customer is not possible to be replicated online (Batat, 2019). Technology allows everyone to access luxury brands, to follow new product launches and to see what is said about them. In this way, the communication that brands preserved so much is over. This happens due to several phenomena - the emergence of influencers who create content for brands fostering the need to give the internet daily content; the fact that millennials and generation Z start to have a great weight in luxury brands and that they are much more technological generations, forcing brands to promote such daily content. It is expected that by 2025, 45% of total consumers of luxury brands will correspond to generation Y and Z segments (D'Arpizio, 2017). That said, one question remains unanswered: how can brands maintain exclusivity by promoting an online channel as the main touchpoint with the customer? (Holmqvist et al., 2020).

The question arises as luxury brands have been adopting digital service encounters that allow various interactions: customer with employee and customer with another customer, for example (Holmqvist et al., 2020).

The fact that certain brands remain reluctant to go digital is justified by their need to remain unique and exclusive, but also because they want the encounter to continue to be dyadic onsite and that mainly brands can more easily control (Dion & Borraz, 2017).

This question is raised because there are several luxury brands such as the ones that will be presented later - Josefinas and Manjerica, which operate only through the internet.

In addition, the fact that the type of customer is changing and that in the future millennials and generation z who prioritise other types of encounters will count for almost 45% of consumers is a wake-up call that makes brands rethink the way they interact with customers. Especially with the new segments that will be the main focuses of revenue in the future.

To overcome this issue brands must develop customer journey strategies, touch points with the customer and co-create with them during the creative process.

1.3 Research Objective

The internet has allowed people to have easier access to things, including luxury brands. Before the democratization of luxury, these items were associated with a class of society and a prestige that only an elite could obtain. Today, with the access to new technologies, brands such as Gucci and Louis Vuitton are accessible to everyone with a click. However, the question that arises is related to this democratization of luxury – does not the fact that everyone has access to it make exclusivity and prestige dilute? (Shukla et al.,2022).

To understand how brands, manage to overcome this dilemma of luxury democratization, a study of how Portuguese brands manage to promote digital encounters without losing exclusivity was developed. The focus is on Portuguese luxury brands that operate only in digital format without any physical shop. The choice of these brands was made because they are the ones that feed the phenomenon described above. Luxury implies exclusive, prestigious, with attention to the customer and his needs. How do brands that operate only in digital manage to stay true to the principles of luxury? The internet promotes a faster, more convenient environment, where physical contact is non-existent, any individual has permanent access. This goes against everything luxury stands for (Onkokwo, 2010).

This thesis aims to understand how brands can through an online channel create customer experiences through digital and still ensure that the customer feels exclusive, different from others and willing to return.

The purpose of this thesis is that the internet is increasingly becoming a major source of revenue for luxury brands, so it is necessary to understand how brands can maintain exclusivity by promoting a digital channel as the main touchpoint with customers.

The question is that the data analysed refers to luxury brands that operate in both channels - digital and physical. For brands that decide to focus only on e-commerce, such as Josefina, and Manjerica, it is necessary to clarify what are the most relevant strategies to retain customers.

1.4 Theoretical and Practical research justification

At the beginning of the century, the internet was seen by most luxury brands as an alien, defending the premise that due to the differentiating culture the two could never have a relationship (Chevalier & Gutsatz,2020).

The main differences that dictated the separation were - the sensory experience customers got in the shop; the control the brands had; the culture each brand represented was difficult to transport to the internet and the issue of time. Thus, the beginning of this relationship was marked by the fear that the presence of brands on the internet would define that the control would be in the users' hands.

After a few years, brands began to see the internet as another distribution channel, they created websites and accounts in social networks, to create a wider community. Although in this period of familiarization with the Internet the points of contact with users had increased, the number of interactions with them had not.

Today, the Internet is an ally for companies in any sector, including luxury. The big houses are aware of how relevant it is to be present on the Internet to reach new targets.

Although the internet is the opposite of luxury it is possible to verify that both have managed to relate quite well, however the question that arises is - without physical shops the essential of luxury is maintained?

The ability to create a solid and loyal customer network defines the success of a brand. Many times, this relationship starts in the physical shop when the customer meets the employee, also known as the brand ambassador. Whereas in the case of the three companies being analysed this does not happen, the secret lies in the customer's digital experience.

This way, brands must create points of contact with the customer, some moments along their journey where they feel they are part of the process, which means personalizing their digital experience.

In this manner it is crucial to understand the concepts and types of consumption associated with luxury, its democratization as well as the importance of having or not a physical shop to create a relationship of trust. The theoretical perspective on these issues will be discussed throughout the thesis, to be able to understand how to put the customer at the centre of the operations without the need to have a frontline employee and therefore a physical shop.

The reason why this thesis is useful is because the target of luxury brands is becoming more and more different, that is, millennials and generation Z are starting to have a great weight. These targets are much more technological than past generations, which is why it is so important

for luxury brands that will be born in the coming years or for those who want to abandon the physical to focus only on digital to identify the best strategies to put the customer at the centre of operations.

In addition, the thesis is relevant to give the necessary tools to the analysed companies in question to improve or not their customer journey.

1.5 Methodology

The methodology consists of a qualitative and exploratory research, using inductive process approach, since it is a dissertation support by case studies (two case studies) with the specific objective of analysing the customer retention process that the brands have defined for themselves, also presenting retention strategies and the motivations for the brands to use certain strategies.

As far as the qualitative approach is concerned, the data collection process was based on two in-depth interviews, one with Joana Esteves, responsible for the international sales department at Josefinas. Another interview was conducted with Maiara Daltoe, responsible for the logistics of Manjerica's online shop.

The interview script was built in the light of the literature review, with questions related to the brands as well as questions from a personal point of view, to understand their perspective on the topic as customers of other e-commerce brands.

As far as secondary data collection is concerned, it will be done through digital material and articles published in the press about the previously mentioned companies.

1.6 Outline of the Thesis

The thesis is composed by five chapters: introduction, literature review, methodology, analysis of the results obtained and conclusion.

The first part is the introduction and aims to give the contextualisation to the reader of the present situation in the luxury market, to clarify the importance of the study and its research question, as well as to make its purpose and structure known.

In the second chapter the literature review is presented, where the researched issues that are related to the research question previously presented are widely analysed. The review begins with the presentation of what is considered the luxury market, then two types of consumption are analysed, associated with the type of customer and the emotions associated with

consumption in physical shop and in the online shop. A third phase of the literature review is based on customer engagement, followed by the presence of luxury in digital channels, relating the previous theme to the customer's attitude in a physical shop or an online shop. The issue of the democratisation of luxury is also analysed.

The third chapter, methodology, focuses on explaining the methods used for data analysis, in this case the qualitative analysis methods applied in the interviews. This is followed by the analysis of the results, thus answering the research question.

The conclusion is the last chapter, it concerns the main lessons, difficulties and limitations of the study and some recommendations for future research.

Chapter 2

Literature Review

This chapter aims to provide the existing literature on the research question and set out the academic relevance of the foregoing research problem analysed in this dissertation.

Initially, this section presents the definition of luxury, based on definitions and concepts developed by various researchers. To get an overview of what a luxury brand is, its characteristics and market analysis are presented. This part also analyses the current paradox that this sector faces. The consumption of luxury products is related to the emotional part of human beings, so we focus on the types of customers that luxury brands have, based on an American and French perspective (Batat,2019).

Then, the way customers base their decisions on consumption is analysed. The specificities of the online luxury market are also analysed, focusing on consumers and suppliers.

In conclusion, this part is divided into two key points. The first focuses on what luxury is, its definition, market analysis and customer types and the second on the luxury market and its specific characteristics.

2.1 What is a Luxury?

A luxury brand is perceived by consumers as being of high quality; through desire it offers value; it represents prestige, due to the image created in the market through quality products and craftsmanship; it creates a deep connection with the consumer and, finally, it is worthy of charging a premium price (Ko et al., 2017).

It is relevant to view luxury as one characteristic and not as several attributes. The author defines a conceptualization of three spheres: material, individual and social. The first refers to the quality of the product, the second to the hedonic value created by the individual and, finally, the social field refers to the image that others create of the luxury brand that the individual uses and the message he wants to convey (Berthon et al.,2009).

Luxury is as a set of attributes: premium image; quality; brand equity achieved through symbols, logo, and packaging; intangible connection with customers; establish relationships with other entities; tightly controlled distribution; premium price charged; strategic brand management; broad competition and brand protection (Keller, 2009).

Through six facets, the concept of luxury is defined as: quality; high price; sense of scarcity; aesthetic; heritage, history and superfluous (Dubois et al.,2001).

Luxury is also as a set of characteristics, being these, quality, price, sense of exclusivity, scarcity, prestige and offers emotions through the customer experience (Tynan et al.,2010).

Luxury can also be defined as the distinction made between luxury goods and non-luxury goods. According to the authors, the first one's present distinctive performance dimensions: functionality, experimentation, and symbolic interactionism (Vickers& Renand, 2003).

Luxury is also the perception that consumers have about brands. (Heine, K. (2012)).

On the other hand, luxury brands as the offering of premium goods that at the core of the operation emotionally connect with customers. (Hagtvedt & Patrick, 2009).

As can be noticed from the literature the concept of luxury is not widely accepted among the researchers. Some scholars have agreed on a code of luxury that is consistent over the years. There are several challenges facing the definition of luxury, such as the fact that the concept itself is relative, the perception of luxury is volatile. Researchers continue to desire a non-subjective definition of luxury and the parameters to define to what degree a brand is or is not considered luxury (Ko et al., 2017).

2.2 Definition of Luxury

The word "luxury" itself recalls scarcity, praises a lifestyle of higher social class and still corresponds to a personalized service. The concept of luxury has always been associated with wealth, exclusivity, richness and even power (Loureiro & Araújo, 2014). Thus, corresponding to superfluous desires (Kapferer & Bastien,2012).

Although luxury is a subjective concept, what best defines it is to correspond to people's desires and emotions (Allérès, 2008).

When consumers are faced with the need to mention the products, they consider luxury are the absolute luxury goods - helicopters, private jets, owned mansions in every corner of the world - basically goods that characterize a lifestyle inaccessible to most of the population. (Kapferer & Bastien,2012).

Despite being a subjective concept there are eight key characteristics for a product to be considered luxury (Passarelli,2010).

The first is related to aesthetics, that is, the beauty of a product is one of the elements that most induces the purchase of luxury products. In addition, the author identifies quality, although not a differentiating characteristic, is an acquired fact to be considered luxury. In the luxury

market, products with poor finishing or produced with poor quality materials have no place (Passarelli,2010).

The third characteristic follows on from quality. Since, it is the materials that ultimately dictate whether the product has superior quality or not.

Details are very important because they are the ones that show the customer the time and dedication for the result to be an impeccable product.

In addition, tradition is also considered an essential element. It allows the establishment of a long-lasting relationship with the client.

The concept of luxury is linked to emotions and desires (Allérès, 2008). In the purchase decision process consumers are motivated by their emotions and not so much by the utility of the good (Passarelli,2010).

Taking into consideration all the elements mentioned, the higher price is reflected in them.

Finally, scarcity is related to the need to create the idea of exclusivity, and that is also why these products are produced on a smaller scale.

The concept of luxury is the ultimate version of a spectrum, defined through rarity, high price, sensuality, creativity, attention to detail, agelessness and quality (Kapferer & Bastien,2012).

2.3 Characteristics of Luxury Brands

The definition of a luxury brand has been found by several experts but so far none has been consensual (Ko et al., 2017).

The characteristics that define a luxury brand are superior quality, expensive and superfluous products that appear to be rare, are exclusive and that allow the customer to feel unique through the experience (Tynan et al.,2010).

The definition of luxury goes beyond a set of attributes. For the authors, luxury must be defined according to three spheres: material, individual and social. The first corresponds to product quality; the second focuses on the perception that customers have of the brand and, finally, focuses on the perception that others have of the brand. In other words, the social part represents status (Berthon et al.,2009).

A luxury brand corresponds to the perception that the customer has of it and for that five elements must be present: superior quality; both at the emotional and functional level it must offer through the desired benefits an authentic value; have a prestigious image within the market, through the quality that can be the quality of service and craftsmanship; the brand must

be worthy of the premium value it presents and still, be able to create a deep/emotional relationship with consumers (Ko et al., 2017).

The characteristics that define a luxury brand having a superior quality or a high price is not enough to be considered luxury, everything will depend on the perception that consumers give to the brand. Having a superior quality or a high price is not enough to be considered luxury, everything will depend on the perception that consumers give to the brand (Ko et al., 2017).

2.4 The Luxury Market

2.4.1 The rarity paradox

The challenges of luxury brands relate to the issue of rarity and exclusivity, since the more items of the brands are sold the more popular it will become. Continuous growth is the opposite notion to rarity (Kapferer & Valette-Florence, 2018).

The rarity principle is linked to the definition of luxury, which is based on four main pillars – exclusivity, brand identity, perceived quality and the ability to retain customers and create loyal customers, (Phau & Prendergast, 2000). This definition clarifies that the principle emphasizes the brands' ability to maintain awareness levels and to be able to control its diffusion to maintain its exclusivity.

Value creation is associated with elitism. Consumers place more value on luxury items that they know not everyone can afford to have (De Barnier & Valette-Florence, 2012).

What is currently verified is that the more it is sold the lower the desirability, this happens because the greater the number of people buying a particular brand or piece the perception that the consumer has of its exclusivity and rarity decreases (Kapferer & Valette-Florence, 2018).

For exclusivity to be maintained the number of customers who own products should be reduced. (Phau & Prendergast, 2000).

The rapid growth of luxury brands may pay off in the short term in financial terms, but in the long term it may mean a decrease in their rarity and exclusivity status. (Wang et al., 2021). Furthermore, the authors believe that the availability and accessibility of brands can result in a negative impact on customers' perception of them. Also, the goal of brands should be to continue to ensure that consumers sustain high standards of aspirational value for the brands. The goal of brands should be to continue to ensure that consumers sustain high standards of aspirational value for the brands (Wang et al., 2021).

Due to globalization and the internet brands face the problem of democratization of luxury, calling into question the principle of rarity (Onkokwo, 2010).

Managing a luxury brand is done by ensuring a balance between increasing demand and ensuring that the brand maintains prestige and exclusivity. Currently, this balance is a challenge, especially in e-commerce. (Quach & Thaichon, 2017). The service domain logic (SDL) theory argues that the consumer is always a co-creator of value, i.e., the value of a good does not exist just because the good exists, but because of the value the consumer attaches to it. (Vargo & Lusch, 2008).

Currently consumers can co-create value through online social networks, an example of this is the fact that luxury brands try to maintain a presence on at least one social network (Phan et al., 2011). These platforms allow consumers to communicate not only with the brand, but also with other consumers. It is for this reason that consumers are no longer receivers, but also co-creators of value.

Luxury brands face a problem of becoming mainstream. The question that arises is how to balance the image of exclusivity with the increase in popularity (Chandon et al., 2016).

The best way to overcome this paradox is in the adoption of abundant rarity strategies. These strategies focus on experiences and feelings, brands can do this through limited collections or capsule collections (Kapferer & Valette-Florence, 2016).

In addition to the strategies mentioned above, brands want to continue to grow and the way to do this is by creating artificial rarity. Some of the tactics are: creating collections produced in small quantities to promote competitiveness between customers; partnerships with famous people in which part of the value of the piece is donated to charity creating buzz and, the selection of buyers to create the illusion of elitism (Kapferer, 2017).

Therefore, e-commerce and internet access represent great challenges for luxury brands and the way to overcome them is through abundant and artificial rarity (Kapferer, 2017).

2.4.2 Luxury Market Analysis

The goods and experiences/services segments were analysed, corresponding to nine different segments mainly led by luxury cars, luxury personal goods and luxury hospitality (D'Arpazio, 2021).

Compared to 2020, due to the pandemic, the market grew by only 13% in 2021, with a percentage increase of 2%. However, it is still far below the figures presented in 2019.

The personal luxury goods market, which corresponds to the “core of the core” – has been recovering. After the contraction seen in 2020, sales of luxury goods, it was expected through a forecast that 2021 sales would beat those of 2019, standing 1% above the 2019 record. This improvement was due to local consumption, according to the study conducted by Bain, products consumed locally increased from 50% to 60% from 2019, while purchases made by tourists decreased from 90% to 80%. (Claudia D'Arpizio, 2021).

Due to the period experienced in 2020 and affected a part of 2021, the pandemic, drove the growth of digital channels. Thus, this was the fastest growing market. It increased by almost 50% and doubled its market share to near 23%, up from 12% in 2019. This channel influenced about 85% of the transactions that took place and between 40 to 50% of the purchases made in this period occur on digital. (D'Arpizio, 2021).

Online and single-brand channels were key to the market recovery (Levato,2021).

Websites developed for just one brand gained ground and now account for 40% of the online segment, contrasting with 30% in 2019.

Online sales have collaborated greatly to the recovery of the personal luxury goods sector. In 2021 online sales increased for 27%, maintaining the market share gains seen in 2020 in the early stages of the pandemic (Levato,2021). (Figure 2.4.1).

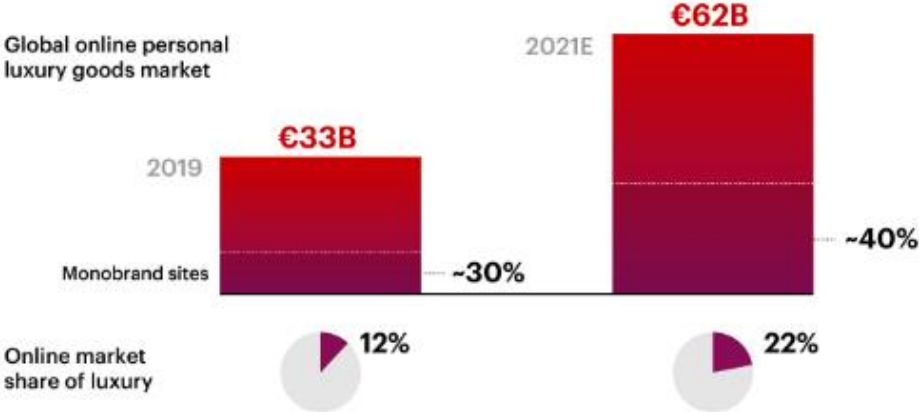


Figure 2.4.1 - Monobrand, Websites and market share evolution

Source: Bain & Company (2021)

In the same study developed by Bain & Company, leather goods, tennis shoes and skin care products continue to represent the most popular sectors of online luxury goods. Also, a forecast on the most popular channels and online will account for about 25% of the global market as early as 2025. While physical shops dedicated to a single brand will have a decrease when

compared to 2017 of 5 percentage points. Physical shops, meanwhile, will also decline by 16 percentage points by 2025.

The crisis experienced by the industry due to covid brands is a turning point, as customers expect more from brands than ever before. Beyond the unique products that brands offer, customers are looking for tailoring, differentiation and mainly that these are aligned with the values they stand for (D’Arpizio, 2021).

Another trend that is occurring according to Bain & Company is that millennials and generation z by 2025 will account for 45% of consumers. (Figure 2.4.2).

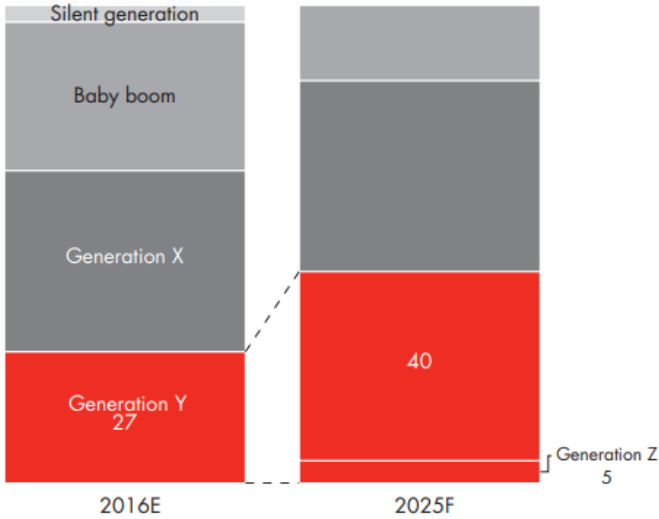


Figure 2.4.2 - Millennials and Generation Z in 2025

Source: Bain & Company (2017)

In addition, new segments are gaining more and more space and operate only digitally. In 2016 the Millennials aged 15 to 35 who consume luxury brands did it through the internet. In 2017, the luxury market was fuelled by a "millennial state of mind" corresponding to 85% growth. This generational shift is driving a change in how luxury brands redefining what they do and how they deliver it to customers (D’Arpizio,2017). This trend shows no signs of slowing down. (Figure 2.4.3).

Percentage of luxury goods consumers who used the Internet in 2016
(by age)

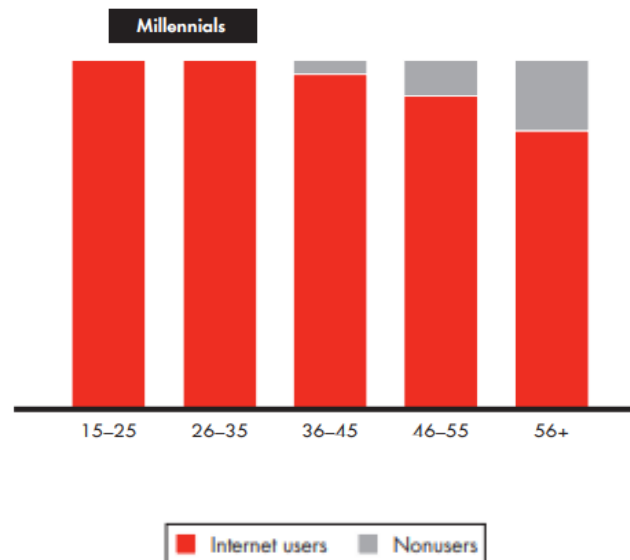


Figure 2.4.3 - Percentage of Luxury Consumers who used the Internet in 2016

Source: Bain & Company (2017)

In conclusion, both 2021 and 2022 were and are years in which this market is expected to grow (Levato, 2022). However, the growth of the online channel reinforces the need for luxury brands to innovate and reinvent the way they communicate with customers (D'Arpizio, 2017). The way brands must reinvent themselves, encompasses product personalisation strategies, customer touch points, to build potential customer loyalty (D'Arpizio, 2017). Associated with this are the challenges mentioned by of striking the balance between growing a lot in terms of sales without losing luxury value (Kapferer, 2017).

2.5. The Luxury Consumer

The American and French approach describe what motivates consumers to buy luxury goods. The American one corresponds to conspicuous consumption whereas the French refers to the distinction theory (Batat, 2019).

Considering the first theory developed by anthropologist Thorstein Veblen, conspicuous luxury. Veblen states that what moves individuals to buy luxury goods is the need for recognition by the society where they live.

it is possible to make the link between conspicuous consumption and individuals' emotions. Thus, the author notes that conspicuous consumption is not only the type of goods, but also the orientation behind the purchase of them. (Batat, 2019).

Based on the theory of the anthropologist previously mentioned, the author establishes five types of conspicuous luxury.

The first type refers to visible economic luxury. In this case the individual's main motivation is to show that he has economic power and wealth.

Then, social visible luxury. The individual intends to show social status through, for example, luxury leisure activities or travel.

When an individual aims to belong to a certain social sphere, it means that it is a type of conspicuous cultural luxury.

Fourth type relates to the meaning of consumption of luxury goods such as, for example, wine or art. It is known as symbolic visible luxury.

Finally, it focuses on filling gaps in the individual. That is, a person feels a sentimental emptiness and tries to fill it with moments of luxury. The fifth type is known as emotional conspicuous luxury.

The writer also considers four types of components when it comes to characterising a conspicuous luxury consumption.

The first component emphasises the visible side of luxury. It is the fact of being visible that individuals can communicate their wealth and social status to retain the consideration of others. To achieve social recognition, they consume luxury products and brands to convey the message that they have the values established by society.

Subsequently, the focus is on symbolism. The author states that the symbolism associated with this type of consumption occurs due to the message they convey to a certain niche of society. This type of consumption is associated with a higher social class.

The individual's identity reflects his/her true essence. And that is what this component centres on, identity. This characteristic is relevant since the individual seeks recognition in the field of social self. The consumer seeks to acquire luxury goods or services that convey to others an idea of self, to be able to connect with the social group to which he wants to belong. The individual may also seek to differentiate himself from other people in his circle (Batat, 2019).

Ultimately, the consumption of conspicuous luxury allows individuals to identify with certain social groups. The consumption of goods is based on the social values of the group to which the individual belongs. Social belonging has the same importance as symbolism, since, if a luxury brand wants to stand out it should resort to symbols that consumers within a particular social group use.

Regarding the French theory, distinctive luxury. As it happened previously, the author resorts to a theory of a sociologist, Pierre Bourdieu, to explain that individuals resort to the consumption of luxury goods to stand out from the massive trends prevailing in society.

The sociologist considers that the upper classes resort to luxury goods to symbolize cultural and economic power, to intensify their social status.

The distinctive consumption of goods dictates the preferences of luxury brands consumed in the public sphere. Thus, the visible consumption makes the identification of certain brands easier and enhances the affirmation of the individual's identity and the status associated with it.

According to this perspective, luxury brands must present the following characteristics: inaccessibility, exclusivity, rare and new.

The author states that this theory emphasizes the importance of social life and social status and that the goods consumed are the expression of individuals' values.

The two theories previously presented complement each other and demonstrate the social and cultural motivations behind the consumption of luxury goods.

2.5.1 The online vs onsite consumer

The industry is undergoing a profound change with the emergence of the internet, modernising distribution and retail management stated (Doherty & Ellis-Chadwick, 2006).

The luxury sector is one of the few that is still reluctant to embark on the digital revolution, one of the reasons being the possibility of digital's lack of exclusivity.

A study was developed which consisted in comparing online or in-store buying behaviours. The conclusions that the authors reached were based on ten themes, five for each type of consumer. The authors first analyse the five most mentioned characteristics by online consumers. The dominant theme in this segment was convenience. Consumers mentioned that they can buy products whenever they want, it's easy to find what they're looking for, and they save time by traveling to the shop and not having to wait in line (Liu & Hou, 2013).

The second most mentioned point was price. The authors stated that consumers of online luxury goods tend to compare prices until they find the perfect deal. One of the reasons why consumption of luxury goods through the digital channel is so popular is because of price, better prices attract more customers.

When buying products online, consumers are looking to find what they want and more variety, something that does not happen in a physical shop because there is the possibility of

the product being out of stock or space limiting the variety displayed. These problems disappear with online shopping. For customers who have the purchasing power, having the product available is a feature that they appreciate and value.

The fourth most frequently mentioned point is the consumer experience in the online context. Individuals find that shopping online is a more enjoyable time compared to in-store, because they do not feel pressure from salespeople to buy something.

The last point relates to the confidence consumers have in shopping online, concluded from statements given by respondents that consumers build their trust based on online reviews and ratings from other consumers. The issue of trust is relevant for luxury goods due to their high price. The authors suggest that luxury brands should attract more customers online through quality service. A service based on trust and a good relationship with the customer can help increase online sales (Liu & Hou, 2013).

Regarding in-store consumer behaviour, the most mentioned point was aesthetics. Consumers value touch and sight when it comes to buying luxury goods, due to the emotional connection and the experience, thus being able to develop a better opinion about product quality. The authors mention that individuals believe that online does not do justice to the beauty of the products and their functionality.

Consumers need to create a relationship with the shop to begin shopping online. They also consider that the professionalism of the salespeople and the shop itself convey a sense of security, as they do not have to worry about the authenticity of the products. The customers of physical shops had some concerns during the study: lack of security in the payment method, lack of privacy, the exchange process taking a long time, delivery delays, account data being shared. For these customers the physical shop purchase solves all these doubts.

As in the first case, in-store customers are concerned about the experience. Some individuals consider shopping to be therapeutic.

One of the most mentioned points was customer experience. The authors believe that some individuals consider that good customer service by salespeople is key.

Consumers also value the presence of salespeople in the process of choosing and offering a personalized service. According to the authors, if salespeople are courteous, they become incentives for customers to consume goods in physical shops.

Finally, it is the sense of power. The fact that individuals can consume a certain type of more elitist goods gives them a sense of power. The fact that the vendors themselves are courting them and treating them with respect conveys the feeling of being highly valued.

Conclude that consumers rely on reviews and feedbacks from other peers to make their purchases via online. However, individuals show some fear when it comes to product authenticity, which is one of the reasons customers choose to shop in-store (Liu & Hou, 2013).

2.5.2 Types of online luxury clients

It is possible to identify three types of customer segments that buy online – purists, opportunists and e-lux. (Klaus, 2020).

Regarding the first, purists consume products online when no other option is available, as argued that customers consume when in-store products are scarce or when they are inaccessible. (Jebarajakirthy & Shankar, 2020).

This segment resorts to online as a last resort, their first choice is online. This type of segment expects the in-store and online experience to be similar, that is, an experience where they are recognised, and their needs are identified. The purists have these expectations due to the in-store experience, as this mirrors their needs (Klaus,2020).

This segment values the in-store experience and interaction as a gratification of their purchase and desire. Despite this, they resort to online research and pre-evaluation of the product.

Next, opportunists is a segment that values both online and offline. This type of segment seeks the shop when the purchase refers to a special event such as graduation, a birthday. In other words, a customer goes to the shop when it is related to a personal event. When it is a purchase without any type of celebration behind it, this type of client values the online shop to overcome the limitations of the physical shop, such as stock quantities, for example (Klaus, 2020).

The last segment is the opposite of the purist, they avoid offline experiences as much as possible. In this case, this type of customers visits the shop to understand the material, the size of the piece and to understand if it matches their buying patterns or not.

In this case, customers visit the store to understand the material, the size of the garment and whether it matches their buying patterns or not. This segment determines their preferred luxury brands taking into consideration the interaction via online channels. The valuation of brands occurs when they can identify and understand that this type of customer likes to research, search in their own time (Klaus, 2020).

This segment values and prefers online channels, due to a poor in-store experience.

2.5.3 What are the customer emotions before and after entering a luxury shop?

There are several triggers regarding the emotions felt by consumers before and after entering a luxury shop (Kim et al., 2016).

Luxury brands create a strong image in consumers' eyes before they enter the shops. (Fionda & Moore, 2009).

For this reason, consumers can be more easily stimulated before entering the shop, so the emotions they feel beforehand can influence the quality of service. Because of this, the fact that a customer feels VIP before entering a store makes him/her perceive the service in a different way.

Although the service is perceived differently due to the emotions previously felt, there is another factor that influences the quality of the service - the familiarity with the brand.

Consumers' expectations regarding a certain type of service are shaped by their previous consumption experiences (Licata et al., 2008).

The fact that customers have a reason to buy a luxury good makes the perception of the service and its quality higher (Kim et al., 2016).

The customer with a motive has a tendency of happiness when it comes to their high-end self-presentation, and they also consider that entering one of these shops is a demonstration of their social status (Vigneron & Johnson, 2004). Customers without a purchase motive, on the other hand, may feel uncomfortable with the information they convey to their peers as, not having the same financial possibilities.

The emotions that consumers feel after entering a luxury shop are influenced by the various dimensions of services (Kim et al., 2016). For example, the physical aspect of the shop such as the fancy décor and layout can enhance the feeling of exclusivity and uniqueness in the customer. (Pullman & Gross, 2004).

In addition, the level of familiarity alters the emotions the customer feels when in the shop. Unfamiliar customers are more influenced by stimuli (Kim et al., 2016).

Customers with different buying motives, have different service focuses. For customers with no purchase motive, different interactions with staff where they show empathy carries more weight, whereas for customers with purchase motive their focus goes to problem-solving skills (Wilburn, 2007).

Therefore, before the customer enters the shop several emotions can be felt, many of which alter the customer's perception of the brand. The customer's perception of the brand and its

service depends on their familiarity with the brand and their motive for buying. Customers with an established motive are influenced by VIP emotions, while consumers who do not have a motive are not, focusing more on international dimensions such as empathy (Kim et al.,2016).

2.6 How luxury consumers make their purchasing decisions?

With increasingly competitive markets it is necessary to have loyal consumers, so it is possible to achieve competitive advantage and a sustainable profitability (Loureiro & Araújo,2014).

An effective approach to engaging customers is to allow them to interact with the brand, thus achieving their loyalty. Customer engagement has several benefits for the company, which are reflected in the co-production and value creation with the organization. However, the individual only engages with the firm for his or her own benefit (Prentice & Loureiro,2018).

Luxury brands combine several factors such as quality, hedonic factors, and authenticity, appealing to the emotional side of the consumer. This enhances the consumer's desire to consume these goods (Prentice & Loureiro,2018).

The consumers' motivation is related to the desire and exclusivity of obtaining a social status, which is why they put some effort in the involvement with the brands to become affiliated.

Consumer behaviour is reflected by the desire to possess it before embracing the action to purchase them and influence others, and to be in the disposition to give feedbacks as users and receive incentives of being engaged with the brand

The desire to obtain a luxury good begins long before making the purchase and influencing others, however they are willing to give feedback on the products as users and to receive incentives of any kind, monetary or otherwise, to engage with the brand, according to (Kumar, 2016). A consumer's desire to purchase a luxury good is triggered, they seek means to engage with the brand such as purchasing it if the financial means are available. Owning a luxury product resembles a certain social status or a higher financial class. Because of this, the individual is interested in actively referring to the product or brand because of the benefits they receive, and the non-financial values derived from their involvement with the brand. The consumer needs only to communicate his experience, for example, on social networks, in the brand community or provide feedback to the company (Prentice & Loureiro,2018).

Consumers turn to luxury brands to affirm their professional position, to differentiate themselves from others or to enhance their social status. Thus, social value is linked to these desires and wills to demonstrate social and economic power. In this case, social value is closely connected to what others think, reflecting participation in society.

The individual is willing to interact with the luxury brand due to the social motivation behind it (Kumar & Pansari, 2016).

A framework was developed known as "Brand Luxury Index". Thus, they argue that there are five factors that influence consumers to make their purchases - conspicuousness; uniqueness; quality; hedonic and extended self. The first three correspond to a non-personal perspective and the others to personal perspectives (Vigneron & Johnson,2004).

Regarding the first factor, Veblen believes that the consumption of this type of products is important for people who seek social status. Also, customers who associate high prices with luxury (Bagwell & Bernheim, 1996).

In this case, this type of consumers buy luxury products looking for social positioning.

Next, uniqueness. The human being needs to feel unique, so when looking for a product from a luxury brand he looks for this characteristic. A luxury brand which is hard to find due to its rarity and which is supposedly more expensive than normal, will be something even more valued by this type of clients (Verhallen & Robben, 1994).

As far as quality is concerned, consumers add more value to a luxury brand because of their perception of it, as they believe it has superior characteristics (Aaker, 2009).

Hedonism enters the field of personal perspective, consumers who seek sensory gratification and pleasure consume luxury goods for that purpose (Rossiter, 2014).

Finally, extended self can be divided into two types of motivations - materialistic or social acceptance.

Materialistic consumers achieve their happiness through the consumption of this type of products. While people who seek social acceptance acquire products that their peers may notice (Bearden, 1989).

2.7 The online specifics of Luxury Market

The luxury market has been slow to adapt to digital, due to various factors such as heritage and caution when it comes to change (Holmqvist et al., 2020).

It is relevant that the market personalises the service, focusing on the brand image and on creating the need, placing luxury at the centre of the encounter between the consumer and the frontline employees (Kapferer & Bastien,2012).

Luxury differs from other businesses by the following characteristics: exclusivity, prestige, hedonic and escapist (Holmqvist et al., 2020).

The authors discuss the interaction that occurs in the context of luxury, based on, the fusion between multi-actor and technology.

The first proposition relates to the employee customer frontline, which defines that before the digital age, the control of interaction between customers and employees was valued in all luxury services. However, this interaction, although important nowadays, can no longer represent every luxury service.

The second refers to the relationship between employee, digital and consumer. States that digital can enhance the aspects of interaction between both. The authors consider that digital is a tool that enhances the ease of interaction, because the employee can see if a product is available or even fill in his preferences faster and easier.

The third proposition focuses on new consumer groups, such as the millennials. Nowadays this group corresponds to the biggest sales segment of luxury brands, so brands should bet on new communication channels that potentiate these new encounters. What we see is that the old consumers who preferred the dyadic relationship are being replaced by new consumers who expect a digital interaction.

Regarding the fourth proposition, whatever the service encounter, it must be escapist. The authors consider that digital-only interactions are risky, as buying a luxury item is not only about the purchase but also about the unique interaction that allows escapism to occur.

In what concerns the sixth proposition, it emphasizes that the interactions that occur in digital should not replace human interactions but stimulate new interactions with additional values for the brand.

As concerns the seventh proposition, it focuses on the interaction between customers. For those customers who want to acquire a luxury experience, interactions with other customers can help to find services. However, there are customers who have no interest with the contact with another peer, only the acquisition of the good. Managers must be careful not to impose these interactions on customers who do not want them.

The remaining three propositions refer to the multi-actor interactions. The eighth proposition states that conspicuous consumers have the opportunity through the digital to interact with other customers.

The following proposition focuses on customer experience. The use of digital tools allows customers to co-produce their experience with the brand, achieving a differentiating experience from others.

Finally, the tenth proposition addresses the sense of ownership. Through digital interactions in the brand's communities, the sense of ownership can increase and thus enhance customer engagement.

The propositions mentioned above reveal an important topic that brands have neglected, digital as a driver to improve service encounters. Multi-actor interactions represent an added value for the luxury business and are an alternative to the traditional, dyadic approach (Holmqvist et al., 2020).

Chapter 3

Methodology

This chapter is aimed at explaining the research methodology to be used for this thesis. The two companies studied throughout the thesis are also presented and the way in which the data was selected through primary and secondary data is approach.

3.1 Research Methodology

The main objective of this study is to study how two companies without physical shops manage to retain customers, through the interviews carried out and based on the literature analysis presented above, to make recommendations on the performance of the chosen companies.

Additionally, the research will consist of inductive research and a qualitative method, as it is a study with the aim of analysing how both Josefinas and Manjerica manage to promote the digital channel as the main touchpoint with customers.

Qualitative research is based on the analysis of field observations, in-depth and open-ended interviews and written documents (Patton, 2005). Inductive reasoning it is a theory-building process that begins with observations whose main goal is to establish connections about the phenomenon being investigated, in this case the Josefinas and Manjerica cases (Hyde, 2000).

To conclude, the qualitative method in this case includes in-depth interviews. It aims to identify the key underlying concepts and their relationship. (Hyde, 2000).

In addition, it takes the form of a case study. In this instance, the case study research question begins with the word "how", which is considered a question of process (Yin, 1994).

3.1.1 Josefina's Case

Josefinas was born in 2013 and is the first brand of Bloomers SA. It has its headquarters in Braga and its main activity is the production of footwear and accessories such as lunch boxes and t-shirts for women.

The brand was born from the dream of Filipa Júlio and the designer Maria Cunha. In an interview given in 2015 to Ego Magazine, Filipa assumed that her main goal was to create an elegant shoe brand that would praise her past as a dancer, but mainly her future as a modern woman. Thus, Josefinas' mission is through savoir-faire to value simple shoes and accessories to create pieces with unique value. The pieces resemble a music box (Pinheiro, 2019). In addition, the pieces have another meaning - helping women to have a better life. Josefinas started their business solely online (<https://josefinas.com/pt>) and in 2014 they won the Mercurio Award for the Best Online Commerce and Service Brand. (Pinheiro, 2019).

In 2015, a venture invested in the brand which allowed it to go further and fly to New York. (Figure 3.1). The shop ended up closing after a year, because as Maria Cunha, the CEO, says, the origin was online, and it was a business that gave 20% return. In 2019, Josefina's was worth around two million euros. Currently the brand operates only online, however it occasionally bets on pop-up shops. (Pinheiro, 2019).



Figure 3.1 - Josefina's Pop-up store in New York

Source: Google Images

3.1.2 Manjerica's Case

Manjerica was born in 2011 by Teresa Bettencourt and her husband. The greatest desire of both was to create a brand that would be a reference in the world of accessories in Portugal and take the made in Portugal to the world. (Ferreira, 2019).

In addition, the brand has another purpose, to share the experiences lived in the Azores through a product that is linked to the bearer.

According to Teresa, the brand has been gaining space in Portugal and is today considered one of the best accessory brands in Portugal. Since 2015, the brand has sought to expand to international markets. Teresa also considered to Rua Magazine that the impact has been positive, since it has customers in various points of the world from Egypt, Australia to China and the United States. (Ferreira, 2019).

The brand has a strong online (<https://manjerica.com/>) presence and the goal for the future is to continue to grow both inside Portugal and abroad, especially to strengthen relationships with the United States, Spain and the United Kingdom.

3.2 Data Collection

In this part the aim is to make known the types of data collection done throughout the research and explain the structure of the questionnaire made the companies under analysis.

3.2.1 Secondary Data

The use of secondary data is the use of data collected and analysed by others, i.e., it is not the responsibility of the analyst. In this case, secondary data collection was done through reports, books and luxury articles. Other sources such as academic journals, marketing and luxury marketing were also used as external sources of information (Irwin, 2013).

Using this type of research is very important for the researcher to gain deep learning on the topic, identify what has already been said and identify possible gaps.

3.2.2 Primary Data

This type of data collection is obtained through the original source of the information - in this case the people who worked for the companies under analysis (Bell et al.,2022).

Also argues that it is a type of data collection where there is a higher level of confidence. The author specifies two types of sources: the industry environment, in which case observations, photographs or pictures are used; industry employee, i.e., conducting interviews, questionnaires to members of the company (Bell et al.,2022).

Semi-structured interviews allow interviewees to raise doubts about the questions being asked, allowing the interviewer to rethink their questions and improve them if necessary (Hox, & Boeije, 2005).

The primary data for this study was collected through interviews conducted via Zoom. To have a greater breadth of analysis regarding the answers given, the interview was conducted with open-ended questions. All interviews conducted were recorded, transcribed and coded.

3.3 Interview Structure

The first part focuses on customer support and how the customer feels unique and accompanied, not missing a frontline employee.

Next, the emphasis is on the customer experience as well as the experience associated with the brand. Basically, what are the mechanisms used by companies for customers to feel unique

and have a personalised experience. Also, at this point we analyse the way in which it is possible to retain customers and attract new ones based on the strategies previously defined.

The last moment of the interview involves understanding how the interviewed employees feel about not having a physical employee. This was the moment when the interviewees were given space to give their opinion on the subject. Also, at this moment it is analysed the ease of creating contact through the internet and the various interactions that may occur in an online purchase.

3.3.1 Interview Layout

The interview was divided into four parts, in this part of the thesis it serves to make known which questions correspond to each part. For more information on both the answers and the interview script, see the annex.

Regarding the first part, which focuses on customer service, the questions referring to this issue are A1- What is Customer Service for the Company; A2- How is the interaction with order fulfilment processes and A3 – How does customer service goes along with the customer throughout their journey.

The second part corresponds to digital customer experience and consists of seven questions, these being for example, B2- How it is possible to attract new customers? How do you think new customers get to know the brand: through your assiduous presence on social networks, through your presence in fashion magazines or though the power of word of mouth or others?

Finally, the last part concerns the interviewee's opinion about frontline staff, the differences between digital and physical as well as the different encounters that occur in digital, corresponding to moment C. In this case, the last section of the interview consists of three questions. For example, C3- Can technology (digitalization) replace frontline employees and to what degree? If not (totally or in part), what role can frontline employee play? What aspects can be improved by digital employees-customer interactions?

Chapter 4

Findings and Data Analysis

In this chapter, the interview responses are revealed and analysed considering the literature review and additional articles.

The interviews will be analysed individually and finally the responses of both companies will be compared.

4.1 Findings

In the interview with Josefinas, the most important thing to remember when it comes to digital customer processes was:

1. *“Josefina’s Customer Service is not merely a customer service, it is much more than that, it is a continuous interaction, very strong, reinforced and especially with the creation of emotional elements with our customers”*
2. *“(…) the delivery is personalised. The client is the one who shapes the process by which Josefina’s will be guided.”*
3. *“If customers contact us through different channels, whether by social media or email we give an immediate response. As far as possible, our service is always done on the spot, 24-hour continuous service”.*

Regarding the digital customer experience, the most relevant parts were:

1. *“It is simpler to interact with customers who are regulars, you already know them better, the process is continuous. You are always tracking them, gathering information so that we can get to know our customer better and so that we can interact in the most appropriate, intelligent and adequate way, which also meets the customer's needs.”*
2. *“I can advance is that we created a club Josefinas that is called The PinkBond and is a club for members, i.e., Josefinas clients who registered in it and were invited for that, having access to several advantages to pre-order collections, discounts, offer of tickets for cultural events”*
3. *“The club is also an experience. “*
4. *“The shopping experience, depending on the amount of purchases the customer has already made, will provide him with a different type of shopping experience. The idea is to surprise more and more at each level”*

5. *“Word of mouth still gets through and many of the customers are recommended, or new customers are recommended that way, through someone who already knew the brand, who had bought it, who liked something, in other words, it is a very powerful tool that is still very valid today.”*
6. *“If the client wants a specific product, we try to see if it is possible to create it, if it is agronomic. Sometimes we create special products, for example, we change the colour/ tone. Usually, we are told that I like this model in another colour and it doesn't exist. Creating a product from scratch is unlikely to happen, something very atypical. (...) Designing, placing and accepting the order is customised. “*

Regarding the final part, the most relevant information was as follows:

1. *“Customers interact in a very pleasant way; I think because they are surprised they also react very positively to our interaction, and you wanted empathy Transactional conversation. “*
2. *“There is a community without a doubt. We have clients who then tell their friends, for example, who become our clients.”*
3. *“We think that digital does not interfere with this proximity that we create with the relationship we have with our customers. In fact, we've already had a physical shop in New York that only reinforced what was already being done; currently, we don't have a shop because it was a project we implemented on a temporary basis, and we don't think it will be affected at all.”*

In the interview with Manjerica, the most important thing to remember when it comes to digital customer processes was:

1. *“When we talk about a luxury service, we have to understand that the customer needs to understand our story telling, our branding, our values and also the quality of our products. I believe it is one of the colours/pillars of Manjerica to be able to treat the customer in a close way, polite and familiar language at the same time luxury language.”*
2. *“The Manjerica contact the customer pre transaction through the chat on the site. Usually the customer has a doubt, for example, if the bag has a strap or not, colour X or Y. Manjerica takes photographs, measures to the respective wallet. In this case, the customer has a personal shopper available to clarify any doubts.”*

Regarding the digital customer experience, the most relevant parts were:

1. *“The returning customers, come back in sale periods or when they really like the bag and want to give it as a gift to a second person or when they want to buy a second bag. 90% get in touch through the newsletter, they receive information every week (information about new releases, blogger X is using a particular model of the brand). “*
2. *“In the sense of the design of the product it is not possible to customize, Teresa already has a whole artistic vision of that and generally does not have so customize the colour or the model, something in that sense.”*
3. *“To have a more customized vision, they write a more customized handwritten note to each client, each one sometimes even tells their story, their birthday something like that. Then the designer herself writes a note by hand and the client receives it along with the bag.”*
4. *“It's the only personalised point that I can tell you really works and has a great effect in terms of feedback.”*
5. *“Co-creation only happens with customers who have already bought Manjerica and give feedback or sometimes, in the creation process Teresa asks some customers, some specific things. People who are already our clients we ask for their opinion, sometimes in the development process.”*
6. *“(…) There are several bloggers that the brand contacts that are very slow fashion that already defend sustainability and are already looking for bags with vegetable skins, so they don't attract that kind of public, they attract the kind of public that wants that escapism (…)”*
7. *“Perhaps this escapism, perhaps an escapism to leave the look with a splash of colour, one of the differences of Manjerica is the use of vibrant colours, colours that are not so common. That's what Manjerica tries to communicate in their branding, that escapism to nature or that idea of colours. “*

Regarding the final part, the most relevant information was as follows:

1. *“There is no interaction. They interact only with employees. The website has some testimonials, but there is no live contact like a call or something. “*

These were the most relevant points during the two interviews that allowed a deeper analysis.

4.2 Analysis and Comparison

4.2.1. Josefinas' Case

Regarding the first moment of the interview that is related to customer service, which in this case is digital, Josefinas argue that it is not only a customer service, since the brand is not limited only to meet customer needs. In this case there is the need to involve the customer in the whole process. (*Annex C*).

When the client interacts with the brand, he feels that in addition to seeing his doubts clarified, there is a real concern on the part of the brand in wanting to know.

Making a bridge with the literature review, the way Josefinas involves customers in this process is a moment of co-creation with the customer. One of the ways to overcome the rarity paradox. (Phan et al.,2011).

Another moment where co-creation with the customer exists is now of placing and receiving the order. It is the customer who defines the delivery, i.e., usually a pair of Josefinas takes about two weeks or more to arrive, however if the customer expresses that they need the order as soon as possible the company responds shortly. In this case, the customer gets to feel unique and exclusive. The concept of luxury is the ultimate version of a spectrum, defined through rarity, high price, sensuality, creativity, attention to detail, agelessness and quality (Kapferer & Bastien,2012).

The brand maintains contact with the customer pre, post and during the transaction. Regarding the first case, if the contact is made via email or social network there is an immediate response, because the customer service is 24 hours. Whatever the contact, Josefinas always tries to understand what the customer needs. For example, if it is a bride, the person can share how the dress will be so that the service is more personalized.

After the purchase, there is a follow-up for the customer to know the status of the order, as for example, the expected time of delivery. During this follow-up, Josefinas shows its availability to remove any doubt that may exist.

After the purchase has been received, the brand contacts the customer to understand how the experience was, both regarding receiving the order and the order itself, whether it was what they expected or not.

Soon, the brand wants to implement a more spaced follow-up, for example, of one year. This way, they can guarantee a personalised and unique service to customers. Through this action, they transmit to the customer their concern and interest in knowing whether they remain

satisfied with the product they bought. This allows the brand to contact the customer more dynamic.

Having a superior quality or a high price is not enough to be considered luxury, everything will depend on the perception that consumers give to the brand. In this case, the brand is concerned about being more than just expensive. It pays attention to the customer and to the detail of the service, shows an availability to keep in touch and mainly there is a quick response whenever there are doubts, both in a first contact and in an existing one. (Ko et al.,2017).

The second moment of the interview concerns the customer experience. About existing customers, keeping in touch is easier. Whenever the brand interacts with customers, it tracks information to get to know the customer better and to give them what they want. So, contact with an existing customer is more genuine.

With potential customers, however, it is more work, due to a lack of knowledge. Despite this, the brand treats all customers in the same way, whether they are potential or loyal.

At the time when the interview took place, the customer area of Josefinas wanted to update an aspect of the relationship with loyal customers. So, when the customer entered the site, they had a message greeting them for coming back.

Another strategy implemented by the brand to retain customers and to attract new ones is the creation of a Josefinas club called The PinkBond. Only those who signed up or who were invited can be part of it. Who belongs to this club has access to the collections earlier and can make a pre-order, have access to tickets for cultural events or even discounts.

When it comes to attracting new customers, the brand considers that word of mouth is still a very important player in this industry. In addition, many customers arrive through social media. Social networks allow consumers to communicate with brands and with customers of those same brands, enhancing value creation (Phan et al.,2011).

Considering the Service Domain Logic (SDL), the value of the good does not exist just because it exists, the existence occurs because the consumer attributes value to it. Both the Josefinas club and the interactions with customers via social networks enhance this value creation (Vargo & Lusch, 2008).

Something to consider when ordering items online is the refund or exchange policy of the brand, in the case of Josefinas there are both options. So, if the customer doesn't really like them, he or she can return them, exchange them for another item or keep a credit note and redeem it in a future purchase. There is also, in the case of shoes, if they don't fit. In this case, Josefinas expedites the whole process for the realization of the exchange for a model higher or lower. If the customer needs half sizes, the brand creates a half size only for that customer.

Besides this customization in size, Josefina's tries to customize the shoes according to the customers' needs. In other words, if a customer wants a shoe of a certain model in a different colour, the brand evaluates if the request makes sense and if it goes according to what the brand defends and if so, produces the shoe only for that customer.

Although it is easy to change an existing product to another colour, the same is not true when creating a product from scratch. The brand says that it is something very atypical of happening, however the requests are always analysed. Josefina's considers that a client looks for the brand because it is exclusive and prestigious, because it is associated to a client's pleasure and because it is an escape from reality.

These reasons can be explained not only by all the personalized service, the customization of the products but also when it comes to receiving the order. Thus, according to the product ordered, the packaging changes. For example, the Josefina's Moscow are delivered in a different box than usual. In this case it is a romantic music box, handmade with a golden ballerina. (Figure 4.2.1).

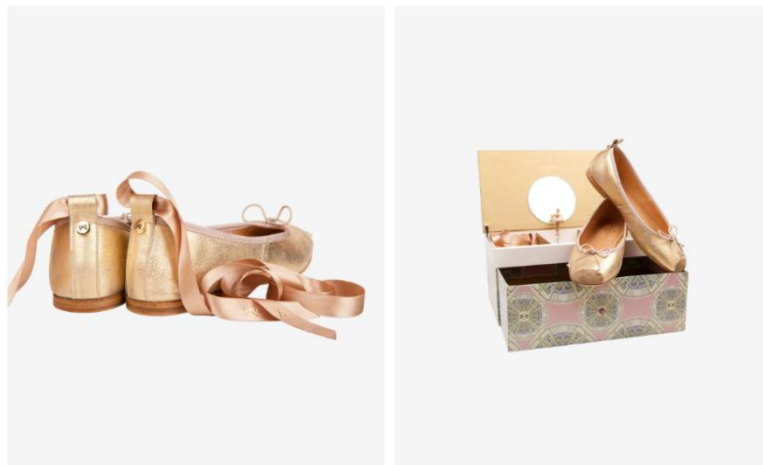


Figure 4.2.1- Josefina's Moscow

Source: Josefina's Website

Even the moment of receiving the order, whatever the product, is an experience.

The last moment of the interview is related to the interactions that occur on the digital.

According to Josefina's, customers interact with friendliness and a great relationship is created between employees and them. People choose to communicate through both social networks and by email or mobile phone. People who are less digital choose the latter option. There is also a relationship between the various customers- a community. Customers exchange messages with each other and sometimes this is how new customers arrive.

At the end, Josefinas analyses the importance of a frontline employee and the role of technology. For the brand, digital is a complement to evolve faster, but it does not replace the other.

Josefinas believes that the work they develop with the client overcomes the barrier between the digital and the physical. This happens because if the client wants, he has the option of going to the atelier. Another strategy implemented by the brand to decrease this distance between client and Josefinas is the creation of pop-up stores and the presence in fairs. The physical shop they had in NY confirmed the brand's thinking, although it was a positive experience the digital does not influence the relationship with the client. (*Figure 4.2.2*).



Figure 4.2.2- Inside of New York Pop-up Store in New York

Source: Google Images

Pop-up stores can be defined as experiences where interaction occurs between the customer and the brand during a limited amount of time within a store-like space (Warnaby et al., 2015). This type of concept allows a customer engagement with the brand to create a Buzz. Thus, the need to buy or the sense of urgency is developed (Warnaby et al., 2015). Pop-up stores are a new way to sell luxury and allow brands to test their products and to test the brand image in new markets (Pomodoro, 2013).

The experience element is associated with pop-up stores. A brand that manages to mark its customers through a pop-up store can transform the relationship that the brand has with them (Taube Warnaby, 2017). Three aspects were identified in order to contribute for this: through a surprise element provoke a break in routine; provoke a feeling of exclusivity, that is, if the customer feels that this experience is exclusive the more, he wants to be part of it. Brands can do this through entertainment; promote fun, i.e., that the atmosphere felt in the pop-up store is

of party and that allows customers to socialize with each other and that they can meet some people who represent the brand. (Klépierre, 2022).

The main objective of a pop-up store is not to sell the items, but to stimulate the word of mouth (WOM), to multiply the reach of the brand and to penetrate other new targets. (Klein, 2016).

The rarity principle as being linked to the definition of luxury, which is based on four pillars - exclusivity, brand identity, quality and the ability to retain customers. Josefinas manages to correspond to the four pillars, exclusivity occurs both in the product itself and in the personalised service they provide to the customer. (Phau, & Prendergast, 2000) The brand identity is always respected and although they include the client in the moment of creation, they always analyse if the requests correspond or not to the essence of the brand. When it comes to quality, Josefinas are handmade, with top quality products. Finally, the ability to retain customers relates to the ability that the brand must create moments of interaction with the frontline employee. (Prentice & Loureiro, 2018).

In this case Josefinas interacts with the customer in the various moments of the purchase - pre-post and during. Also, in the creative process this happens, as mentioned before, the customer can show the desire to want a certain model and the brand sees if it is possible or not, in addition it also creates special models for customers as are the case of half sizes.

consumers need a relationship so that they can start buying online, pop-up shops and presence in trade shows allows this contact to start (Liu & Hou, 2013).

In addition, the presence in digital and offline, even if it is sporadic, allows the brand to reach the three types of customers that are found online. The purists that go online when there is no other option and the extreme point that is only e-lux. Through these strategies the brand can include the entire spectrum as customers.

Thus, it is possible to see that the brand, despite belonging to the digital world, can interact with customers and retain them through various strategies. (*Appendix C*).

4.1.2 Manjerica' Case

Regarding the first moment of the interview that concerns digital customer experience, Manjerica believes that the first contact that customers have with the brand is through Instagram or advertising on other social networks. Social networks are very important for meeting customers who have never heard of the brand. (*Annex D*).

Customer service occurs whenever the customer has a question or makes a comment on the social networks.

Manjerica provides a brand book, so the employees know the best way to address the customer, using a language more associated with the luxury market.

For Manjerica, the luxury service involves the customer understanding the storytelling, the brand branding, the values and especially the quality of the product.

Regarding the ordering process, Manjerica has a service level agreement (SLA) where the response time is up to 6 hours, depending of course on the customer's time zone.

When the order is placed, the client pays, and the order is placed. The brand contacts the customer to confirm receipt, and then contacts the customer again to inform them that the order is ready. Next, the client has the track number and so can track where the order is, after receiving it the brand prepares an email to understand the client's feedback. In this case, the feedback refers to the wallet as well as to the experience itself.

During the pre-purchase, Manjerica has a personnel shopper available to answer any questions the customer may have. For example, the brand takes photographs and measures the respective bag to clarify any doubts.

Also, at this point it is possible to see personalization of the experience according to the consumer since they provide an employee to accompany the customer on his journey., Customers value meetings with employees along their journey and the fact that Manjerica provides employees to clarify the doubts of customers and even send photos for this to have a more realistic view of the product demonstrates the commitment. (Liu & Hou, 2013).

The ability to retain customers relates to the brand's ability to create moments of interaction with the customer (Prentice & Loureiro, 2018).

The second moment of the interview concerns the online customer experience.

In this case, Manjerica considers that existing customers return in sale seasons or when they want to give a gift to a person or to make a second purchase for themselves. In the case of loyal customers, they receive them if they have subscribed to the newsletter and 90% of the contacts come from there.

The contact with new customers comes through social networks, they interact through a response to a photo, for example. Social networks allow consumers to communicate with brands and with customers of these same brands, enhancing value creation (Phan et al., 2011).

Ultimately, through the ads they end up on the website. The attraction of new customers arises through the assiduous presence that the brand has in social networks, through the presence in fashion magazines and through word of mouth.

The influencers help in this role of promoting the brand. The brand considers that the first contact that the customer has with the brand is through influencers, magazines and ads. Word of mouth works super well for Portuguese customers.

Social media plays a key role in influencing consumer behaviour. (Cao et al., 2021). A study was conducted and concluded that in 2025 100% of purchases will be influenced by interactions occurring on digital. (Ware, 2018). Luxury brands are keen to understand digital and their customers in this medium, as it is this that influences and will shape current luxury (Sun et al.,2021).

Consumers today have access and information where they must go to buy luxury goods due to the exposure they have to social networks. Associated with this phenomenon we have the type of customers that social media attracts and influencers - conspicuous consumers (Kaplan & Haenlein ,2010). This type of consumers seeks to buy products to achieve social status (Kradischining, 2018).

In this sense it is necessary to understand how the brand works with influencers because the intention of working with brands is to attract new targets and make the brand more popular and sometimes more popularity means more sales. However, this goes against everything luxury should be, not in the sense of sales, but in the sense of ceasing to be rare and unique.

From a perspective of meeting customer needs and making them satisfied, the brand also has return policies. If a customer does not like it or is not satisfied, the brand tries to understand why, tries to suggest another portfolio. If it has no effect, the customer receives the value of the portfolio.

Also from the customer experience perspective, Manjerica does not have the option to customise product designs. However, the brand pointed out a point of customisation of the customer experience that works super well and that the brand gets feedback from customers, is the handwritten tickets for each customer. For example, sometimes the ticket can tell the customer's story or have a message wishing a happy birthday. Considering a second purchase the ticket has messages of thanks.

Customers value touchpoint when buying luxury brands because of the emotional meaning the purchase may have. For this reason, the tickets that Manjerica sends are a good option to make up for this absence of touchpoint. This is a moment of closeness with the customer and helps them to feel unique (Liu & Hou, 2013).

The brand considers that this type of strategy works with Portuguese clients because it is a public that knows the brand, knows its quality and expects these small attentions with the clients.

When describing the international public, the brand considers that they buy Manjerica because they are in love with the country or the Azores, and that it is a more emotional purchase.

Although the brand does not have the option to customize the design, there is an attention to the most loyal customers and in the process of creation some customers can give feedback to Teresa through questionnaires or e-mails.

As already mentioned, the brand uses Influencers to sponsor its product. The brand looks for influencers who share the same values to attract new customers, but who share the same philosophy.

The brand considers that a customer consumes Manjerica because it is exclusive, although this is not the brand's communication. When it comes to prestige, the brand does not focus on status, but rather on sustainability and the fact that it is a timeless and quality product.

As far as escapism is concerned, they believe that it has to do with the colours they present and the connection to nature.

The brand considered that the priority of a client who consumes its products is to be escapist, then to be hedonic, then exclusive and finally to represent prestige.

The last moment of the interview is related to the interactions that occur in the digital.

The brand believes that it is difficult to transfer a personal contact to digital. However, it believes that the positive point is that in a digital contact it is the customer who seeks the brand and not the other way around. In the case of Manjerica, the employees are available for the customer but the approach they take is not to be very active in that sense because they believe that luxury is not to be insistent with the customers.

For the brand in digital, success is about understanding the customer's freedom and demonstrating availability without forcing contact.

When it comes to creating a community, that is, in the sense that customers can talk to other customers and exchange feedback, the Brand says that this does not happen. The interaction that occurs is with employees and the website provides feedbacks from other customers.

Finally, the role of technology and the role of the frontline employee were approached. In other words, there is a point of contact with the customer to strengthen that branding and the rest of the operations occur in the digital.

In short, the brand bets on digital as a channel to communicate with customers. There is no "community" of Manjerica customers and where moments of interaction between customers may occur. However, there is the possibility of interaction with the brand through social networks and the contact with brand professionals during the buying process.

In addition, for the most loyal customers, Teresa, Manjerica's CEO, sends them e-mails and questionnaires so that they can participate in the creative process.

As far as the use of influencers is concerned, it has to do with the issue of exclusivity and rarity of a luxury brand that, through the interviews, it was not possible to understand whether it affects the positioning of the brand. (*Appendix D*).

4.2.3 Comparison

As it was possible to analyse previously both companies were born in the digital world and remain so until today, both operate in the same sector although Josefina has a greater variety of products from shoes to wallets, including t-shirts. Manjerica produces only and exclusively handbags.

Both are considered luxury brands and according to the definition of luxury brands offers superior quality; craftsmanship; could develop a connection with the customer and because of all that was mentioned can put a higher price. Because of all the above, both position themselves as luxury brands and meet the definition (Ko et al., 2017).

However, what defines luxury is the perception that customers have of brands (Heine, 2012).

Regarding the rarity paradox this is a challenge that luxury brands face today and it is about rarity and exclusivity. In this case, brands want to be popular and still be exclusive and rare. How is it possible to overcome this paradox? (Kapferer & Valette-Florence, 2018).

Brands must present strategies that focus on customer experiences and feelings, such as the creation of capsule collections or limited collections (Kapferer & Valette-Florence, 2016).

Thus, Josefinas can overcome this paradox by creating pop-up shops where they can meet new customers and develop a connection with them.

Manjericas overcomes this issue through the care they have with their customer during their buying process and with the personalised messages they send to their customer.

Regarding the issue of influencers, it is not possible to compare because Josefinas has not explained its positioning on this type of strategies. Anyway, influencers help in the promotion of the brand and make it popular, however brands fall in the paradox presented if they cannot develop strategies that provoke emotion in their customers.

These two cases are interesting because the luxury industry has always been very reticent when it comes to embarking on digital, mainly due to the idea of losing exclusivity. Both Manjerica and Josefinas demonstrated throughout the interview how it is possible to create a connection with a client without having a frontline employee. In the case of Josefinas, customer support works 24h a day and they respond to the customer as quickly as possible, regardless of the communication method chosen. They have created a member only group where they launch exclusive opportunities for these clients to increase exclusivity. For example, they have access to products earlier than customers who are not members.

They also have the option of customising the colour of the product if it is in line with the brand's philosophy and they also provide half sizes for their clients, demonstrating once again that they place the client at the centre of their operations. Based on Service Dominant Logic (SDL), the value of the good does not exist just because it exists, it exists because the consumer attributes value to it (Vargo & Lusch, 2008). Both the Josefinas club and the interactions with customers via social networks enhance this value creation.

The *Table 4.1* highlights the different strategies defined by the brands, while one focuses on customers looking for exclusivity and prestige in the first instance, the other focuses on customers looking for hedonism and escapism (Vargo & Lusch, 2008).

Josefinas for its 24h for seven service, for its availability to change the date of receipt of the shoes to earlier if that is the customer's desire or even the openness of being able to create shoes according to the customer's taste are examples of strategies for customers who seek exclusivity online.

Another way of taking exclusivity to another level is to use the pop-up shop concept to establish contact with the customer and make him or her part of the family.

Another curiosity is the fact that they do not advertise directly to influencers, that is, they see them as brand ambassadors in an involuntary way. A good example of this was the case of Chiara Ferragni (Italian blogger), who clearly praises the exclusivity and prestige of the brand.

While Manjerica develops its strategies around the creation of escapism and hedonic pleasure.

It manages to do so through the messages it sends to customers who follow along with the order, differentiated and exclusive service and attention (third point mentioned by Manjerica).

Another moment that refers to an escapist moment is the opportunity to participate in the brand's creation process.

Furthermore, the fact that they use influencers who share the brand's values attracts customers who, when consuming the product, bring them the sensation of hedonism and escapism. These are the sensations that, according to the brand, customers most seek.

How can brands maintain exclusivity by promoting a digital channel as the main touchpoint with customers? Answering the question, everything resides on the type of emotions that customers seek. However, both brands mention that the key is a combination of online and digital.

Based on the Josefinas example, the core of the business is digital but to raise the exclusivity status they develop pop-up shops to create a buzz around the brand and make it even more desired, but not for everyone.

When it comes to Manjerica this value creation occurs differently, it occurs through the tickets that they send along with the orders. It also occurs now when the customer has a doubt, and the brand provides someone to accompany the customer during the process.

The attention that occurs when the customer returns and the messages he receives, such as, for example, "Manjerica is always here for you".

defines that a luxury brand combines several characteristics - quality, hedonic factors, authenticity, able to appeal to the sentimental side. All these characteristics make the consumer want to purchase a luxury good (Prentice & Loureiro, 2018).

Both brands manage to transmit this sentimental side. Josefinas, on the one hand, through female empowerment and Manjerica through the vibrant colours of the cards that refer both to Portugal and Lisbon.

Tabel 4.1 - Summary of all the strategies applied

Strategies	Josefinas	Manjerica
Online Customer Support	Josefinas has a customer support available 24h a day.	Manjerica takes a maximum of 6 hours to respond due to the service level agreement.
Moments of Co-creation	<p>The moment of co-creation with the customer begins before he/she makes the purchase. It starts when the customer enters the website or when he has any questions before buying the product.</p> <p>It can occur during, if the customer shows interest in placing the order at a different date. Normally they take almost two weeks to arrive, however if the customer shows interest the product is delivered earlier.</p> <p>Another situation that can occur is the customer wanting a product in a different colour, in which case it is evaluated if the request makes sense with the brand value.</p> <p>Regarding a pre-purchase situation, Josefinas tries to know if the customer liked the product and if it was what was expected. If there are size problems, there is the possibility of custom sizes for the customer.</p>	<p>The first moment of co-creation with the client occurs when they have questions and Manjerica provides a personnel shopper to accompany them during their journey on the site.</p> <p>Another clear moment is the opportunity Teresa gives her most loyal customers to participate in the brand's creative process through questionnaires, for example.</p> <p>In addition to this, the brand personalises the card that goes in the wallets and the feedback it receives from customers is very positive.</p> <p>There is also the possibility of returning the product.</p>
Customer's Contact	<p>Josefinas considers that it is easier to get in touch with customers who are already known. With new customers it is more difficult. However, they consider that Word of Mouth and the presence in social networks are a great help in attracting new customers.</p> <p>The development of pop-up stores allows a greater contact with the customer.</p>	The first contact that customers have with the brand occurs on digital through ads and word of mouth is still very important.

Community Development

The creation of clubs for customers where they have access to promotions or collections in advance allows a community to be created.

According to Manjerica, consumers do not communicate with each other.

Although there is not, there is the possibility to see feedback from other customers exposed on the site.

Influencer users

Josefinas does not pay influencers to use its product, however it considers that this market is an opportunity because if influencers recommend certain product consumers are more willing to consume them. The brand considers that the Influencers are unofficial ambassadors for the brand and allow it to reach more people (Jordão, 2019).

Manjerica uses influencers to promote the brand. It chooses influencers who share the brand's image and who can attract people with the same values.

Why consumers choose the brand?

According to Josefinas, a customer seeks the brand because it is exclusive, prestigious, hedonic and escapist..

For Manjerica, the customer consumes the product because it is escapist, hedonic, exclusive and prestigious.

Chapter 5

Conclusion

5.1 Conclusion

The main goal of this thesis is to understand How can brands maintain exclusivity by promoting a digital channel as the main customer encounter, based on the cases of two Portuguese brands- Josefinas and Manjerica To study this phenomenon, some auxiliary questions were developed: doesn't the fact that everyone has access to it make exclusivity and prestige dilute? who the digital customers are and what do they value most and what are the possible strategies to overcome both the democratization of luxury associated with digital channels.

To answer the research questions, two interviews were made to two Portuguese brands that operate in digital and that all their genesis is based on digital.

To answer the research questions, two interviews were made to two Portuguese brands that operate in the digital and that their entire genesis is based on it.

The first brand is Josefinas that was born with the intention of empowering women while Manjerica has the mission of making the vibrant colours of the Azores known.

Regarding the first, Josefinas, its strategy is based on trying to transport the onsite to the digital, through moments of co-creation and attention to the customer.

As previously mentioned, the brand has a customer service twenty-four hours a day, demonstrating the availability and interest in meeting their needs.

This behaviour of Josefinas is in line with Service Dominant Logic. The value of Josefinas doesn't exist just because it exists, but because the consumer attributes value to it (Vargo & Lusch, 2008).

This value goes through the customer service, the possibility of customizing the products and that each case is re-evaluated, the availability of adapting the order to the customers' needs and the availability in the creation of new sizes.

Another strategy that allows Josefinas to prioritize the digital contact is related to the presence of fairs and the creation of pop-up stores. The brand to fill the absence of a physical shop creates these "moments" where customers can have contact with front-line employees. Having contact not only with the employee, but also with other customers and developing a sense of community.

For example, the pop-up shop was a good way for the brand to introduce itself to customers in a new country and to develop bonds with them.

Looking now at the case of Manjerica, it engages with the customer from the first moment and believes that this contact starts at Instagram or through advertisements for those who do not know the brand.

In addition, the brand provides a personal shoe salesman to accompany the customer throughout their journey to clarify any existing doubts.

Manjerica collaborates with influencers to make its work known and popular. Social networks are a key factor to influence the role of consumers (Sun et al.,2021). This information goes in line with the study developed by Bain & Company that estimates that in 2025, 100% of purchases will be influenced by these interactions.

As far as the option of product customisation is concerned, Manjerica does not have this option. Nevertheless, for loyal customers, the brand puts them at the centre of the operation during the creative process, as Teresa (CEO and designer) asks their opinion for future collections. The figure above highlights the different strategies defined by the brands, while one focuses on customers looking for exclusivity and prestige in the first instance, the other focuses on customers looking for hedonism and escapism.

Josefinas for its 24h for seven service, for its availability to change the date of receipt of the shoes to earlier if that is the customer's desire or even the openness of being able to create shoes according to the customer's taste are examples of strategies for customers who seek exclusivity online.

Another way of taking exclusivity to another level is to use the pop-up shop concept to establish contact with the customer and make him or her part of the family.

Another curiosity is the fact that they do not advertise directly to influencers, that is, they see them as brand ambassadors in an involuntary way. A good example of this was the case of Chiara Ferragni (Italian blogger), who clearly praises the exclusivity and prestige of the brand.

While Manjerica develops its strategies around the creation of escapism and hedonic pleasure.

It manages to do so through the messages it sends to customers who follow along with the order, differentiated and exclusive service and attention (third point mentioned by Manjerica).

Another moment that refers to an escapist moment is the opportunity to participate in the brand's creation process.

Furthermore, the fact that they use influencers who share the brand's values attracts customers who, when consuming the product, bring them the sensation of hedonism and escapism. These are the sensations that, according to the brand, customers most seek.

Therefore, the study carried out allowed through the interviews and the chosen literature review to answer the question developed and presented previously.

In this way it is possible to conclude that it all comes down to the type of emotions that customers are looking for. However, both brands mention that the key is a combination of online and digital.

Based on the Josefinas example, the core of the business is digital, but to raise the exclusivity status they develop pop-up shops to create a buzz around the brand and make it even more desired, but not for everyone.

5.2 Limitations

During the development of this thesis, some restrictions were encountered concerning the research.

Only two companies in the Portuguese luxury sector responded to the contact attempt made and were available to carry out the interview.

This is a limitation, as it is not possible to extrapolate to the whole industry the conclusions drawn.

Furthermore, it was not allowed to contact customers who consume both Josefinas and Manjerica, so the part of trying to understand how customers perceive the brand and what they value most in their interaction with the brands was not possible to study.

Regarding the question of influencers, Josefinas did not answer enough for the question to be analysed and compared with Manjerica.

To conclude, the results of the study cannot be generalized because the sample is not representative of the population.

5.3 Future Research

Based on the limitations mentioned above, future research should include more companies to better understand the extrapolation to the industry, as well as obtain feedback from customers of these companies.

In this case, it would be advisable to conduct a survey in order to validate the hypotheses drawn from the study.

Another interesting future research would be to compare with more companies how the strategies vary or not among them.

Finally, it would be interesting to compare Portuguese luxury brand strategies with international ones, to extrapolate to the industry.

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Annexes

Annex A – Josefina's Interview Guide

A- Digital Customer service processes

A.1. What is Customer Service for Josefina's?

A.2. How do you interact with the order process?

A.3. How does customer service accompany the customer throughout his journey (pre, during and post transaction)?

B. Digital customer experience / brand experience

B.1. How are the encounters initiated: 1) with loyal customers; 2) and with potential customers)? And how can the customer experience be personalized?

B.2 How can you attract new customers? How do you think new customers get to know your brand: through your regular presence on social networks, through your presence in fashion magazines or through the power of word of mouth or others?

B.3 Customers have the option of a refund or exchange in situations where Josefina's do not fit. In this case, can the refund be fully affected by returning the item and under what conditions?

B.4 How is it possible to customize the customer experience? (1) design the product; 2) design the order; 3) place the order; 4) accept the order; 5) deliver the order; 6) provide the product testing service; 7) guarantee the return without cost and without the need to resell or start a new transaction cycle)?

B.5. Has the brand made (or/and intends to make) appeal to influencers in its business (to appeal to conspicuous customers)?

B.6 How do you think a customer experience can become part of the brand experience which, besides being functional, also includes sensations and feelings such as: 1) being exclusive; 2) being prestigious; 3) being hedonic related to pleasure; 4) being escapist related to the escape from reality? (Address items 1 to 4 - one at a time)

B.7 Josefina's are always delivered in a box with a soap and a thank you card. Does the personalisation of the delivery vary from customer to customer or from country to country? If yes, why?

C- Digital Multi-actor interactions

C.1 How easy is it to establish the relationship with the customer through the website? And how do you interact with them?

C.2 In your knowledge and opinion, how do Josefina's customers interact simultaneously with 1) the company's employees; 2) different digital tools to access the brand; 3) and other customers through the customer journey?

C.3. Can technology replace frontline staff? What role can frontline employees play? What aspects can be improved by interactions between digital employees and customers?

Annex B – Manjerica’ Interview Guide

A-Digital Customer Experience

A.1.What is Customer Service for Manjerica?

A.2. How is the interaction with the order fulfilment processes?

A.3 How does the customer service accompany the customer along his journey (pre, during and post transaction)? At what part of the process does Manjerica contact the customer?

B. Digital Customer Experience/ Brand Experience

B.1 How are the encounters initiated: 1) with loyal customers; 2) and with potential customers)? And how can the customer experience be personalized?

B.2 How is it possible to attract new customers? How do you think new customers get to know your brand: through your assiduous presence on social media, through your presence in fashion magazines or through the power of word of mouth or others?

B.3 Customers have the option of a refund or exchange in situations where Manjerica does not fit. In this case, can the refund be fully affected with the return of the item and under what conditions?

B.4 How is it possible to personalise the customer experience? (1) design the product; 2) design the order; 3) place the order; 4) accept the order; 5) deliver the order; 6) provide the product testing service; 7) guarantee the return free of charge and without having to resell or start a new transaction cycle)?

B.5 Has the brand made (or/and intends to make) appeal to influencers in its business (to appeal to conspicuous customers)?

B.6 How do you think a customer experience can become part of the brand experience that, besides being functional, also includes sensations and feelings such as: 1) being exclusive; 2) being prestigious; 3) being hedonic relative to pleasure; 4) being escapist relative to escaping reality? (Address items 1 to 4 - one at a time)?

C- Digital Multi-actor Interaction

C.1. Is it easy to establish the relationship with the consumer through the site? How do you interact with him? How do the meetings start: (1) loyal consumers and (2) potential consumers?

C.2. In your knowledge and opinion, how do Manjerica customers interact simultaneously with 1) the company's employees; 2) different digital tools to access the brand; 3) and other customers (C2C - customers to customers - interactions) through the customer journey? Which

of these multi-actor interactions are most relevant to the Manjericas case? What is the role (or expects to be) of C2C interactions (triadic interactions or brand community interactions)?

C.3. Can technology (digitalisation) replace frontline workers? and to what extent? if not (totally or partially), what role can frontline workers play? What aspects can interactions between digital employees and customers improve?

Annex C – Josefinas' Interview Answers

A- Digital Customer service processes

A.1.What is Customer Service for Josefinas'?

Josefina's Customer Service is not merely a customer service, it is much more than that, it is a continuous interaction, very strong, reinforced and especially with the creation of emotional elements with our customers. We always try to ensure that the relationship with the customer is very close, heartfelt and emotional. Sometimes, even bonds of friendship are created, being very particular and very cute.

We don't just respond to the client's needs; we involve the client throughout the process. Bonds are created in a very genuine way, which leaves the client very surprised, in addition to responding to their needs by clarifying their doubts the client also feels that we genuinely care and that we want the client to be truly satisfied, fulfilled.

A.2.How do you interact with the order process?

The customer is informed when placing an order. That your order will take; about two weeks or more, or if you have urgency, you are immediately aware that Josefinas can respond quickly. So, they always adapt to the situation. If the customer tells us that they need a birthday present in 3 days, no matter how difficult our process is, we manage to give them an answer. We do the possible and the impossible to respond to the client's wishes and to surprise them. When placing an order, the client is informed of all the steps, that is, that the order will take x amount of time and that as soon as it is ready, the client will be informed that it will be shipped and that it will take x amount of time to be delivered. After delivery, we interact with the client again.

Basically, the delivery is personalised. The client is the one who shapes the process by which Josefinas' will be guided.

A.3.How does customer service accompany the customer throughout his journey (pre, during and post transaction)?

Pre- if customers contact us through different channels, whether by social media or email we give an immediate response. As far as possible, our service is always done on the spot, 24-hour continuous service. It also depends on the contact that the client makes, through the different channels, whether by networks or also by phone. We try to understand what the customer wants. If the client is undecided we can keep in touch with them to see if they have

decided in the meantime. If it is a bride we can help if she shares with Josefinas, for example, the idea of her dress we can help her with the matching of Josefinas Shoes. They try to involve the customer.

During - during they inform the customer about the status of the order, estimated time of delivery. They also inform you that they are always available if you need something, need to make any changes or want to let us know beforehand, or if you want to ask when you will receive your order, or any other details. A continuous working relationship.

Post transaction - we always follow up after the order has been shipped and from there, we try to understand how their experience was and we also want to understand if Josefinas can make the customer's journey happier and more inspiring. We try to empower the customer, in this case women, to pursue their dreams.

They want their customers to feel empowered.

Something that we are implementing is to do a more spaced follow up, that is, after one, for example, to know if the clients are still satisfied, if they need something from us, that is, it's a continuous process. We want our customers to be happy all the time. We try to make contact more dynamic, always considering our customer profile, their wishes and tastes.

B. Digital customer experience / brand experience

B.1. How are the encounters initiated: 1) with loyal customers; 2) and with potential customers)? And how can the customer experience be personalized?

It is simpler to interact with customers who are regulars, you already know them better, the process is continuous. You are always tracking them, gathering information so that we can get to know our customer better and so that we can interact in the most appropriate, intelligent and adequate way, which also meets the customer's needs. So, this work, as it is continually done, is simpler and more genuine.

With potential clients, it is also something that we work on, which requires more work because we do not yet know the client, but from the moment we have a contact, this is the beginning of everything. We can work on this aspect in different ways, but it is more difficult because the potential customer may not respond any more. They always treat customers the same way, whether they are potential or loyal customers. They want to treat all customers in the same way, of course the processes are different.

They are updating this part of the customer area, we try to make these aspects evident, for example, a loyal customer who returns to the site with the words "welcome back (...)".

I can advance is that we created a club Josefinas that is called The PinkBond and is a club for members, i.e., Josefinas clients who registered in it and were invited for that, having access to several advantages to pre-order collections, discounts, offer of tickets for cultural events.

The club is also an experience.

The shopping experience, depending on the amount of purchases the customer has already made, will provide him with a different type of shopping experience. The idea is to surprise more and more at each level.

B.2 How can you attract new customers? How do you think new customers get to know your brand: through your regular presence on social networks, through your presence in fashion magazines or through the power of word of mouth or others?

The power of word of mouth is still very important today. Word of mouth is one of the most powerful marketing tools ever.

Word of mouth still gets through and many of the customers are recommended, or new customers are recommended that way, through someone who already knew the brand, who had bought it, who liked something, in other words, it is a very powerful tool that is still very valid today.

Then customers often come through social networks, I think more and more, and they end up surpassing email as well, since it is still seen as a more formal tool. Whereas social media makes us more comfortable to get in touch with brands and it's an open door through which you enter easily, and which people resort to more and more.

B.3 Customers have the option of a refund or exchange in situations where Josefina's do not fit. In this case, can the refund be fully affected by returning the item and under what conditions?

The customer can return the Josefina's if they do not fit, are not perfect, are defective. In case the customer simply does not like it, so by law the return is mandatory for 14 days, I believe. We never object to this, the customer is not satisfied can return the Josefina's or can of course exchange them for another article or keep a credit note with voucher to use for a next purchase.

Examples when the customer chooses the wrong size: initially the customer chooses his usual size, he can contact us beforehand to ask if the sizes are real, if they fit bigger or smaller, we will inform him.

If we already know the client, if we think there is any alteration to be made, we contact the client immediately, so that all this does not delay the process. But if the customer buys and then tries the Josefina's and they are not perfect, the customer contacts us immediately if we have not already done the follow up, usually in advance because they receive the order and check immediately. After that, Josefina's provides the exchange that he wants, if the customer has some difficulty with sizes and sometimes needs a half size, we have this solution that is not available on the site, but that we can provide, or if the customer needs a half size, we can create a half size especially for that customer.

B.4 How is it possible to customize the customer experience? (1) design the product; 2) design the order; 3) place the order; 4) accept the order; 5) deliver the order; 6) provide the product testing service; 7) guarantee the return without cost and without the need to resell or start a new transaction cycle)?

We have this customisation option; the values are different and implies developments sometimes and implies changes in the product that we have to evaluate at an early stage. If the client wants a specific product, we try to see if it is possible to create it, if it is agronomic. Sometimes we create special products, for example, we change the colour/ tone. Usually, we are told that I like this model in another colour and it doesn't exist. Creating a product from scratch is unlikely to happen, something very atypical. However, it is always evaluated, and the customer is given an answer. Designing, placing and accepting the order is customised.

B.5. Has the brand made (or/and intends to make) appeal to influencers in its business (to appeal to conspicuous customers)?

There are influencers who contact us because they identify with Josefinas and want to try our products and then find that they really like it and then use new products that are launched. There is a genuine interest from influencers is often what I can answer.

B.6 How do you think a customer experience can become part of the brand experience which, besides being functional, also includes sensations and feelings such as: 1) being exclusive; 2) being prestigious; 3) being hedonic related to pleasure; 4) being escapist related to the escape from reality? (Address items 1 to 4 - one at a time)

- 1)
- 2)

3)

4)

B.7 Josefina's are always delivered in a box with a soap and a thank you card. Does the personalisation of the delivery vary from customer to customer or from country to country? If yes, why?

Josefina's are delivered in a beautiful shoebox with a notebook and a personal thank you card.

Special collections such as Josefina's Moscow for example come in a different and very special box/packaging.

Josefina's Moscow are a charming edition that unites the savoir-faire of master shoemakers, handmade cardboard and sculpture. This edition is created by expert hands, making perfect shoes for years and travels inside a romantic music box, all handmade: the little golden ballerina, painted by sacred art artists, spins to the sound of a passionate melody; the pink Swarovski crystal points the way to find Josefina's Moscow which are accommodated in the drawer.

C- Digital Multi-actor interactions

C.1 How easy is it to establish the relationship with the customer through the website? And how do you interact with them?

We don't interact through the website it's just the place where the purchase is made then that customer information is recorded at the time of purchase and is stored in our CRM, in our database. We have all the information gathered and then we do the interaction and the management of all the involvement with our customers. So, it is something relatively simple once we have all the information gathered and from there, we can develop the dynamics and actions directed to each customer.

C.2 In your knowledge and opinion, how do Josefina's customers interact simultaneously with 1) the company's employees; 2) different digital tools to access the brand; 3) and other customers through the customer journey?

1) Customers interact in a very pleasant way; I think because they are surprised they also react very positively to our interaction, and you wanted empathy. Transactional conversation.

2) Email, social networks, phone. All social networks and LinkedIn is also usual. There are less digital and resort more to mobile.

3) There is a community without a doubt. We have clients who then tell their friends, for example, who become our clients.

We have a special client who is a nurse, whenever she sees someone with Josephine in the hospital, she always comments with us. Customers develop among themselves, customers based on this common taste for Josefina.

There is a community, clients exchange messages and experiences, this is often how new clients arrive.

C.3. Can technology replace frontline staff? What role can frontline employees play? What aspects can be improved by interactions between digital employees and customers?

I don't think technology can replace the human side, although we have been a digital company from the very first moment, we never felt that this could devour the whole range of people who are dedicated to the brand. Digital is a complement is a way for us to evolve faster, to progress, to continue the work in this line of ours, but one does not replace the other they only complement each other, and we strongly believe in that.

All our treatment, all our work overcomes this barrier in some way, that is, even when we talk to the client on the mobile phone, it is as if we were close to him.

We create a strong connection with great proximity, which shortens distances and makes everything seem more natural, so to speak. In addition, we welcome people to our atelier who want to test our product or are from the outskirts of braga/porto to visit us on purpose.

Another aspect that softens and attenuates this situation is the organization of events (fairs, markets), aimed at creating greater proximity with the client.

We think that digital does not interfere with this proximity that we create with the relationship we have with our customers. In fact, we've already had a physical shop in New York that only reinforced what was already being done; currently, we don't have a shop because it was a project we implemented on a temporary basis, and we don't think it will be affected at all.

Annex D – Manjerica’ Interview Answers

A-Digital Customer Experience

A.1.What is Customer Service for Manjerica?

The first point of contact with the customer is usually on instagram or through the adds (present on Facebook and instagram). If the customer has never heard of Manjerica the first contact will be through these sites.

The goal of the brand is that the customer can enter the site, customer service starts when the customer wants to ask a question or make a comment or like a photo on instagram.

Manjerica has a brand book and in it the brand has a tone of voice that the employees talk to the consumer, has some keywords and a close language (not ceasing to be a luxury language) and are always available to that customer either through the chat present on the site, social networks or through email. These are the points of contact with the customer.

Basically, when we talk about a luxury service, we have to understand that the customer needs to understand our story telling, our branding, our values and also the quality of our products. I believe it is one of the colours/pillars of manjerica to be able to treat the customer in a close way, polite and familiar language at the same time luxury language.

A.2. How is the interaction with the order fulfilment processes?

Manjerica has an SLA, response time of up to 6h depending on the customer's time zone, fast and efficient service that tries to solve everything in the first contact.

It has some KPIS.

Manjerica offer free shipping, free returns in Europe. Every new customer has a 10% discount if they subscribe to their newsletter.

Manjerica always try to inform the customers about possible doubts and try to meet all the metrics, like the response time and send the product as soon as possible.

A.3 How does the customer service accompany the customer along his journey (pre, during and post transaction)? At what part of the process does Manjerica contact the customer?

Manjerica has this process well-structured in the automatic messages fire shop itself. Once the client has paid and placed the order on the website, Manjerica contacts the client to say that they have received the money. After that, the client receives a message, usually when the order is ready. From this moment the client follows up with the track number and when the order

arrives in the client's hands, they receive a feedback email (what the client thought of the bag, something along these lines).

The Manjerica contact the customer pre transaction through the chat on the site. Usually the customer has a doubt, for example, if the bag has a strap or not, colour X or Y. Manjerica takes photographs, measures to the respective wallet. In this case, the customer has a personal shopper available to clarify any doubts.

During the transaction, the customer follows up on the order and receives an e-mail from the brand informing them that they have received the money.

Post transaction, the e-mail from the brand for the client to give feedback. There is an exchange of emails to check if the customer is satisfied or not.

B. Digital Customer Experience/ Brand Experience

B.1 How are the encounters initiated: 1) with loyal customers; 2) and with potential customers)? And how can the customer experience be personalized?

The returning customers, come back in sale periods or when they really like the bag and want to give it as a gift to a second person or when they want to buy a second bag. 90% get in touch through the newsletter, they receive information every week (information about new releases, blogger X is using a particular model of the brand).

Potential customers get in touch with the brand through instagram, they send an email, they interact through instagram stories and publications or lastly, they go to the website due to the adds.

B.2 How is it possible to attract new customers? How do you think new customers get to know your brand: through your assiduous presence on social media, through your presence in fashion magazines or through the power of word of mouth or others?

Always all these together. Usually through influencers and fashion magazines. Once the client has managed to find the brand in one of these places, another place would also be some of our adds and then yes get on our website/ instagram to find out more.

First contact: influencers, magazines or adds.

Word of mouth works super well for Portuguese customers.

B.3 Customers have the option of a refund or exchange in situations where Manjerica does not fit. In this case, can the refund be fully affected with the return of the item and under what conditions?

Usually, the customer gets in touch via email, the brand tries to understand what's going on, they try to suggest another bag, something along those lines.

If the customer still wants to return the item, the brand has return policies. The brand schedules with the carrier to pick up the suitcase, and when they arrive at the atelier, they check the labels and the condition of the suitcase. They then make the refund via the same method that the client paid. Super-fast process, the refund standard way arrives in 15 days.

They always make the refund (there is no option to keep the value in credit and debit another wallet), if the customer wants to exchange will have to make another request.

Invoice and stock issues, transactional issues.

B.4 How is it possible to personalise the customer experience? (1) design the product; 2) design the order; 3) place the order; 4) accept the order; 5) deliver the order; 6) provide the product testing service; 7) guarantee the return free of charge and without having to resell or start a new transaction cycle)?

In the sense of the design of the product it is not possible to customize, Teresa already has a whole artistic vision of that and generally does not have so customize the colour or the model, something in that sense.

To have a more customized vision, they write a more customized handwritten note to each client, each one sometimes even tells their story, their birthday something like that. Then the designer herself writes a note by hand and the client receives it along with the bag.

It's the only personalised point that I can tell you really works and has a great effect in terms of feedback.

Generally, Portuguese clients are more brand aware, they already know manjerica and have always wanted one.

Foreign clients really like the design or are passionate about Portugal, or something along those lines have a more emotional involvement with the brand or know the Azores or something along those lines. They generally buy quicker than the Portuguese, they are quicker in that sense.

When it's a client that has bought more than once, we usually write "I'm glad you're buying your second manjerica" or "we're always here if you need us". Usually customers respond, chat or make a social media post.

Co-creation only happens with customers who have already bought Manjerica and give feedback or sometimes, in the creation process Teresa asks some customers, some specific

things. People who are already our clients we ask for their opinion, sometimes in the development process.

This interaction is done through e-mails, enquiries generally on e-mails.

They focus on loyal customers, those who come back.

B.5 Has the brand made (or/and intends to make) appeal to influencers in its business (to appeal to conspicuous customers)?

The brand has all options: partnering, offering a portfolio. It depends on the goal with each influencer. Have they ever done partnerships, exclusive products because of that blogger or offering the portfolio in exchange for content, it depends on the number of followers, it depends on engagement. It depends on the marketing strategy associated with a particular influencer.

Depending on the influencer's profile, depending on the product she generally posts on social networks, depending on the language she uses with the client. There are several bloggers that the brand contacts that are very slow fashion that already defend sustainability and are already looking for bags with vegetable skins, so they don't attract that kind of public, they attract the kind of public that wants that escapism, that wants a different, sustainable product, that cares about what the brand has to offer and it's not just about status. It depends on the influencer, but they always try to look for influencers who have the same values as the brand so that she can spread the word to potential customers of ours.

B.6 How do you think a customer experience can become part of the brand experience that, besides being functional, also includes sensations and feelings such as: 1) being exclusive; 2) being prestigious; 3) being hedonic relative to pleasure; 4) being escapist relative to escaping reality? (Address items 1 to 4 - one at a time) ?

Exclusive every luxury product is going to be a little bit, but that's not what Manjerica is trying to communicate.

Prestige, the idea of the brand is never this status thing, but that idea of sustainability that it is a timeless product and that it is of great quality that will stay even for the children because it lasts a lifetime.

Perhaps this escapism, perhaps an escapism to leave the look with a splash of colour, one of the differences of Manjerica is the use of vibrant colours, colours that are not so common. That's what Manjerica tries to communicate in their branding, that escapism to nature or that idea of colours.

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C- Digital Multi-actor Interaction

C.1. Is it easy to establish the relationship with the consumer through the site? How do you interact with him? How do the meetings start: (1) loyal consumers and (2) potential consumers?

It is not easy, due to the adaptation of the language to an "internet" language, of course they always try to pay attention and give the "tone" of luxury, I call it familiar luxury because it is a closer language, but always polite.

It is not easy to transfer a personal contact to an internet contact, but the big difference in the internet contact the client will contact the mark if he wants, many times we don't have a very active approach because it means something very aggressive (luxury is not pushy saleswoman, just being available for the client). Power is in the hand of the customer.

When it is in person there are several approaches, we can start the conversation, break the ice and something in that sense.

You must understand very well the freedom of the client on the internet, suggest without attacking, show availability without forcing anything.

Loyal consumers interact due to the newsletter

Potential consumers discover the brand through Instagram, ads present on social networks or when ads take them to the website.

C.2. In your knowledge and opinion, how do Manjerica customers interact simultaneously with 1) the company's employees; 2) different digital tools to access the brand; 3) and other customers (C2C - customers to customers - interactions) through the customer journey? Which of these multi-actor interactions are most relevant to the Manjericas case? What is the role (or expects to be) of C2C interactions (triadic interactions or brand community interactions)?

There is no interaction. They interact only with employees.

The website has some testimonials, but there is no live contact like a call or something.

C.3. Can technology (digitalisation) replace frontline workers? and to what extent? if not (totally or partially), what role can frontline workers play? What aspects can interactions between digital employees and customers improve?

Very honest opinion from all that I have studied. The ideal would be a mix of the two, some experience space and the rest being done online. I think, for example, like Farfetch did at Browns of the customer coming into the shop, buying the product and receiving it at home and not leaving with the bag, some hybrid thing in that sense would work very well. But I think that more and more, the digital will replace and with covid helped a lot this buying process, being all online so the clearer the information is to the customer, the more he can have access to images, videos, anything that he can see the product, as faithful to the live as possible, augmented reality technologies or something in this sense, I think it will certainly facilitate a lot the purchase over the Internet. But I strongly believe that the ideal would be for the hybrid to have a contact experience point to strengthen this branding and the rest to be all digital.