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# The paradoxical importance of the physical channel in a digital era

The cases of Loja das Meias and Stivali

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## Abstract

**Title:** The paradoxical importance of the physical channel in a digital era

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**Keywords:** *physical store; digital era; online channel; multibrand luxury retailers; omnichannel strategy;*

In the digital world that we live in today, the physical experience seems to be disrupted by the online one. Scholars have shown that customers are digitally influenced, and more than an online experience, they demand an omnichannel environment where both channels meet at the same time. Therefore, it is of utmost importance that multibrand luxury retailers who started with a physical store, know how to thrive in this age adapting their strategy.

However, in the luxury sector the physical store provides a complex and customized experience that some managers see it as the priority of the business. The adaptation to this new era might be hard to integrate in the company strategy of traditional multibrand luxury retailers. The comparative case of two direct competitors in the Lisbon luxury market, Loja das Meias and Stivali, tries to illustrate how traditional luxury retailers who prioritize the physical store, can play in the offline and online channel not having the digital resources to do so.

## Resumo

**Título:** The paradoxical importance of the physical channel in a digital era

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**Palavras-chave:** *loja física; era digital; canal online; lojas multimarcas de luxo; estratégia omnichannel;*

No mundo digital em que vivemos atualmente, a experiência física pode ser deteriorada pela experiência online. Académicos demonstraram que os clientes são influenciados pelo mundo digital e, mais do que uma experiência online, exigem um ambiente omnichannel onde ambos os canais se encontram ao mesmo tempo. Por isso, é da maior importância que os retalhistas multimarca de luxo que começaram com uma loja física, saibam prosperar nesta era, adaptando a sua estratégia.

No entanto, no sector do luxo a loja física proporciona uma experiência complexa e personalizada que alguns gestores consideram ser a prioridade do negócio. A adaptação a esta nova época poderá ser difícil de integrar na estratégia da empresa dos retalhistas de luxo multimarcas tradicionais. O caso comparativo de dois concorrentes diretos no mercado de luxo lisboeta, a Loja das Meias e a Stivali, tenta ilustrar como os retalhistas de luxo tradicionais que dão prioridade à loja física, podem participar no canal offline e online, não dispondo dos recursos digitais para o fazer.

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## 1. Introduction

*“Tasmia Kashem, a resident of Burbank, California, went to the Beverly Center mall in Los Angeles to shop for shoes. After browsing at Nine West, a fashion retail chain store, Kashem didn't see anything she liked. As she was leaving the store, an associate offered to show her additional collections on an iPad. Upon scanning through the online offerings and reading reviews, Kashem decided to preorder a new style that was arriving at the store the following week.”(Brynjolfsson et al., 2013, p. 1)*

According to Brynjolfsson et al. (2013), four main elements can be easily identified in this short story: the client, the employee, the physical store and the online channel. These four elements together influenced Kashem decision making process: without them she would have left the store without buying a single item. This example illustrates how the boundaries between traditional and internet retailing are increasingly blurred today (Brynjolfsson et al., 2013).

We are tired of hearing about this digital world happening around us. Social networks are constantly overwhelming us with information, news and advertising. We even think that brands that don't have an online purchase option are at a disadvantage. But, is it really so clear that in the luxury sector, where products are above average prices, this digital feature overlaps the physical contact?

In the luxury sector and more specifically in the luxury multibrand retail sector, businesses that were born with a physical store now face this new digital world. More than a half of costumers search online to buy offline (ROPO), or go to stores before buying online (Abecassis-Moedas, 2017). The technology blurs the distinctions between physical and online retail to the point where managers need to rethink their competitive strategies (Brynjolfsson et al., 2013). Thus, adapting these multibrand retail businesses to this new world is more than ever important (Brynjolfsson et al., 2013). Nevertheless, it can be very painful and frustrating for some companies who lack of resources to do so (Woodworth, 2018b). The managers, the ones deciding the path to reach their customers and desired targets, question themselves if it is worthy to go online or offline, or both. Given the dilemma faced by traditional multibrands stores, my research question will be the following:

*How can multibrands luxury physical stores adapt to the digital era?*

To answer the research question, I used a qualitative approach, and more specifically a comparative case study. I selected two traditional Portuguese luxury multibrand retailers: Loja das Meias and Stivali, with which I had the opportunity to conduct 2 interviews from each company. In addition to these four interviews I also interviewed 22 Portuguese luxury customers.

The thesis is structured in several chapters. The first chapter review the literature on luxury multibrand retailers and the Portuguese luxury market. Afterwards I will see the scale of the online channel and give some figures about the customer online behavior in these days as well as the importance of the physical store. Lastly on this section, I will analyze what is an omnichannel and what is the necessity behind having an omnichannel strategy. The third chapter is a description of the methodology I followed to answer the research question. In the fourth chapter, the empirical facts the two companies are presented. After this section, the findings are analyzed and structured based on four main topics: the importance of the physical store, the necessity of the online channel, and how both channels complement each other leading to the omnichannel strategy. Finally the last two chapters I present the discussion and conclusion.

## 2. Literature Review

In this chapter, I show that the Portuguese luxury retail is growing, and that the luxury brands are mostly located in Lisbon and Porto. The luxury sector attracts the niche of customers with a different type of purchasing power more resistant to economic cycles. However, it is to notice that investments on luxury business are less frequent on monobrand stores. The review of the literature also shows that most of luxury customers are “digitally” influenced with easy and permanent access to the internet. Nevertheless, I show that the desire of the luxury physical experience is still valued by customers and businesses and that for this reason emerged the “omnichannel strategy”.

### 2.1 The multibrand retailing & the Portuguese angle

Luxury retail in Portugal has shown positive growth in recent years. Factors such as climate, cultural and historical aspects have driven the country's economy and have turned out to be good allies of luxury retail sector. In Portugal the main brands in the sector are located in Lisbon and Porto. In Lisbon the luxury brands are mostly located on Avenida da Liberdade, Rua Castilho, and Chiado with the trendy brands. The biggest demand for international brands happens in Avenida da Liberdade. This street concentrates 77% of all luxury and premium brands in the offer, and has been the main gateway for luxury brands in the country since the 1980s (Cushman&Wakefield, 2014). As we can see Avenida da Liberdade:

*“It is the only place where luxury brand stores are concentrated that are not found elsewhere in the country (...) Avenida da Liberdade is considered the 35th most expensive avenue in the world.” (Avenida da Liberdade. Os Campos Elísios cá do sítio, 2020, p. 1)*

In Porto also, although with less presence compared to Lisbon, the luxury retail sector has been growing with most of the luxury commerce happening in the Avenida da Boavista (Cushman&Wakefield, 2014). Portugal can be considered a very attractive destination for the luxury tourist. The Chinese tourist, the largest luxury retail customer in Portugal, makes average purchases over 3000 euros. Additionally, this sector attracts a niche of consumers with other purchasing powers and more resistant to financial crises. This was observed in the 2008 crisis, where several luxury retailers reported solid growth, while the opposite was observed in other sectors (Pinto, 2016). It is also to notice that the trend to invest for the luxury business is more about opening exclusive places with short dimensions rather than monobrand stores. Meaning

that it is not financial worthy anymore to invest in a single brand store, people invest instead in a representation of the brand through a multibrand retail business (Paes, 2016).

### 2.2 The magnitude of the online channel

Nowadays, the most important feature of a luxury brand website is having the chance to buy products online (Berger, 2013), while it was considered the least important ten years ago (Riley & Lacroix, 2003). However, the luxury sector, has been slow in embracing the digital revolution not only because of its concern for losing the aura of exclusivity (Okonkwo, 2007) but also because the luxury players in general, are slow in the construction of digital capabilities (Rios, 2016). In 2019 10% of total revenue was generated through online sales and it is expected to be 14 % in 2023 (Statista, 2020). As it can be seen with the following graph:

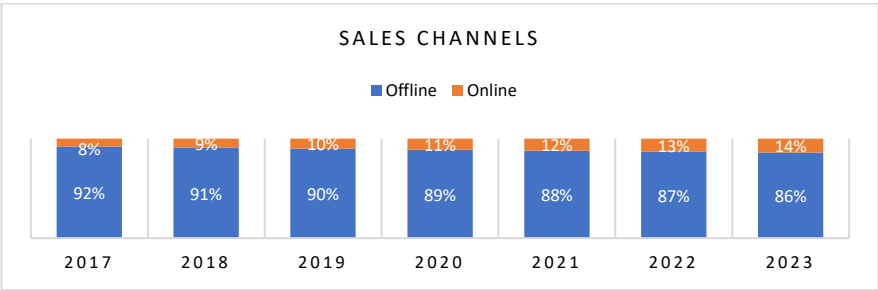


Figure 1 – Adapted from Statista, November 2019

The slowly acceptance of selling luxury goods online may be due to the concern of the possibility to erode the fragile perception of scarcity and thus brand desirability (Kapferer & Bastien, 2012; Seringhaus, 2005). It happens because before this digital transformation of channel, luxury goods manufactures could limit the access of their products in terms of a selective distribution, high-end prices and limited production, and all these variables together were believed to preserve the brand desirability. Thus, this limitation of production stops when entering the online channel. Meaning that the internet channel of distribution implies extending the accessibility of luxury goods to virtually anyone (Gastaldi, 2012; Hennigs et al., 2012; Kapferer & Bastien, 2012). And at the same time it is lost all the desirability, the feeling of exclusiveness, lack of touch, feel and human factor, and in operational terms the likely increase of channel conflicts, transparency and security concerns (Brun et al., 2015).

Nevertheless, in terms of the digital resources and capabilities, the near-instant feedback, order quickly and easily and a faster delivery that the online channel can provide are

some of the factors that affect consumers' purchase decisions today (Abtan et al., 2016). And, of course, the digital capabilities, tools, resources, mindset are the oxygen that will allow the luxury players to anticipate and respond at real time to tomorrow's consumers expectations (Abtan et al., 2016). As BCG researcher said:

*“Gone are the days when luxury revolved around traditional marketing and face-to-face interactions exclusively at the store.” (Abtan et al., 2016, p. 5)*

### **2.2.1 The new generations and the luxury shopping behavior**

As BCG (Abtan et al., 2016) pointed out the millennials are becoming a huge group of consumers, more than 2.3 billion strong, making up about 32% of the world's population. The generations Y and Z fueled the luxury market by 85 % in growth in 2017 (D'Arpizio & Levato, 2017). Therefore, it is important for luxury brands to track their attitudes and behaviors (Abtan et al., 2016).

In the total of luxury consumers, 95 % have a mobile device compared with 65% of the rest of consumers. Millennials have in average 4 mobile devices personally used and baby boomers have 3,5 mobile devices. Adding to this, millennials spend 17,5 hours and baby boomers 16,4 hours per week on Internet, excluding professional usage. And about 98% of millennials use social media compared with 75% of baby boomers (Mckinsey & Company, 2018). 14% of the young consumers aged between 18 and 24 years old, did their first luxury purchase online (D'Arpizio & Levato, 2017). At the same time, 3 of every four luxury purchases, even if they were made in person at the stores, were influenced by what consumers saw and heard online (Rios, 2016). For instance, 60% of young consumers rate products on the web and upload reviews about products and services, and 45 % check and compare prices via mobile even in the store while 43% look for promotions online in the store as well (Abtan et al., 2016).

These numbers show the strong power of the online channel in the luxury shopping experience. Most of the luxury customers across all generations have a mobile device. They do shop luxury goods online, thus the online channel ends up influencing the consumer's decision in some way in most cases and at some part of the decision-making process.

### **2.3 The survival of the online channel**

We just showed that the role of the online channel is growing at high rates. However observers are wondering whether the future of shopping is exclusively online. It is to notice a

new strategy pursued by some of the most successful digital-born ecommerce outside the luxury sector, like the giant online retailer Amazon: the creation of not only temporary pop-ups but also permanent showrooms and physical stores in 2018. This strategy is based on the need of the offline channel (physical store) to complement the online one, the desire to touch, to experience, to feel a luxury product before a purchase remains strong (Woodworth, 2018).

This strategy has also been implemented in the luxury sector. Besides the physical need of the luxury experience, digital born luxury companies are opening physical stores to build brand awareness (Statista, 2019) and to increase traffic to their ecommerce store. Moreover physical stores enhance e-tailer's online profits (L2, 2016). José Neves, the founder of the luxury e-commerce platform Farfetch, even compares fashion with music saying that fashion cannot be digitized like music. He strongly believes that physical experience is going to continue to be where a big part of the action takes place (Kansara & Chittrakorn, 2018).

## **2.4 The advent of the omnichannel**

Almost 40% of the customers feel that luxury products and technology will become more closely linked. Likewise, the customer experience most often takes place through online research for a product bought offline, social media conversations or by a browsing a luxury brand's website (Deloitte, 2019). It is referred as the ROPO movement, research online to buy offline (ROPO), or go to stores before buying online (Abecassis-Moedas, 2017).

Today luxury require a presence in both the physical and the online worlds. Manifesting that 86% of millennials and 75% of baby boomers and older people who buy luxury products are ready for omnichannel interactions (Abtan et al., 2016). Supporting this idea is Scott Tanner, the Boll & Branch<sup>1</sup> co-founder, who said:

*“The brands that can embrace the convergence of offline behavior and online media and use that effectively, those are the brands that are really striving.”* (Liffreing, 2017)

This bring us to the new era of omnichannel, having both online and offline stores is no longer a doubt (Woodworth, 2018). The line between online and physical channels is blurred, a new approach to channel integration is emerging. This new approach is omnichannel, which aims to provide a seamless customer experience regardless of channel (Piotrowicz & Cuthbertson, 2014).

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<sup>1</sup> Boll & Branch is an ecommerce company that sells luxury bedding products.

The evolution of a channel to multi-channel retail is due to the need to overcome existing format limitations such as physical store size, expansion into new markets through electronic channels, increased sales through interactions between the online and physical channel, and gaining valuable insight into consumer behavior via the Internet (Kent et al., 2016). As the authors argued Erik Brynjolfsson, Yu Jeffrey Hu, Mohammad S. Rahman:

*"Advanced technologies on smartphones and other devices are merging touch- and-feel information in the physical world with online content, creating an omnichannel environment." (Brynjolfsson et al., 2013, p. 1)*

In addition to being present in e-commerce and interacting with traditional retail through the omnichannel strategy, the technology is increasingly present to revolutionize the customer experience. The technology represents an opportunity to make the environment more attractive and exciting, and the physical store represents the counseling. This counselling is provided by a person physically present but guided by the customer's data that comes from technology (Abecassis-Moedas, 2017).

However, combining the online and offline channel can be hard for some business who lack in-house digital talents and resources to thrive the online transformation of their business. While larger groups such as LVMH might have those resources and scale to launch their own in-house online luxury retail websites. The strategic shift is when those business who struggle doing by themselves, decide to do a partnership with a technology platform to outsource the digital work happens. For instance, technology platforms such as Yoox Net-A-Porter and Farfetch, which they can benefit from the expertise at a lower cost (Woodworth, 2018b). Farfetch is a boutique platform that creates opportunity for traditional multi-brand boutiques rather than a digital threat. Farfetch's main output to these independent companies is global visibility and access to international markets that they would not be able to achieve by themselves (Abecassis-Moedas, 2017). The platform gives the necessary tools and features to sell online, personalize their pages, with Farfetch José Neves said:

*"By using our API, the brands, even on their own websites, can offer inventory from their physical stores," (Woodworth, 2018)*

## 2.5 The literature on strategy of traditional multibrand luxury retailers

Accordingly to what was presented in the previous sections, now more than ever, it is important to understand the best practices and how to pursue both online and offline channels in the company strategy approach in the luxury market. How businesses must address and survive in the digital era affects not only traditional brick-and-mortar players, but also new players (Avery et al., 2012) in defining their competitive strategy. The focus of this dissertation is more specifically in the retail sector where there is a struggle from multibrand retailers in understanding where the purchasing process begins and ends. And as authors Brynjolfsson, Hu, and Rahman outlined:

*“As technology blurs the distinctions between physical and online retailing, retailers and their supply-chain partners will need to rethink their competitive strategies.” (Brynjolfsson et al., 2013, p. 1).*

In addition, the research on online luxury purchasing is still at a rudimentary stage (Brun et al., 2013). Extensive marketing research has been conducted on the strategy of luxury shopping in the non-internet context or on internet on non-luxury goods (Donthu & Garcia, 1999), but few studies have investigated the luxury goods sector in the online environment. I hope to contribute to the existing gap in the literature on how managers of multibrand retail businesses should decide their business strategy and direction in this digital era, by answering the research question:

*How can multibrands luxury physical stores adapt to the digital era?*

### 3. Methodology

The qualitative approach is the most appropriate to answer the research question, as qualitative research provides a means of identifying generalizable patterns concerning important questions in the field of strategic management (Bettis et al., 2015). As researcher Shoshanna Sofaer said, qualitative research is useful to conceptualize research and reduce uncertainty about important phenomena (Sofaer, 1999). To understand how traditional multibrand retailers can comply with the omnichannel era, I have chosen the comparative case study among the different qualitative research methodologies. With the comparative case study I would be able to analyze the data both within each situation and across situations (Yin, 2003). This was the most reasonable way I found to analyze how two different companies performed when facing the same challenge: the digital era.

The case is a representative case of the luxury Portuguese market for traditional retailers in the city of Lisbon and is a successful case. The chosen companies to undertake this comparative case study were two of the main luxury direct competitors in Lisbon city, Loja das Meias and Stivali. At first, I contacted three companies: Loja das Meias, Stivali and Fashion Clinic, but I got a negative answer from Fashion Clinic. Loja das Meias accepted doing a first interview with Manuela Saldanha, the marketing person, and a second one with Pedro Miguel Costa, the manager of Loja das Meias. They are part of the family behind the business of Loja das Meias and have been involved in the business for a long time. Whereas Stivali collaborated at first with just one interview with the store manager Paula Moldes who has worked for 29 years at Stivali. After insisting, Manuel Casal, one of Stivali founders, accepted to collaborate with the answer of 11 open questions via e-mail<sup>1</sup>. In all the four interviews the topics approached were at first the history and the heritage of the company, the strategy, competitors and understand how the company position itself and future expectations. Secondly, the goal was to acknowledge the value that the business attributed to the physical store, and the perspective towards the online channel. And lastly to observe if it was any challenge for the company to overcome this new era, and what was the strategy pursued. However, not underestimating the excellent availability of both companies concerning email responses and scheduling of interviews, they didn't provide neither financial documents nor any type of secondary data, being this a limitation in the research.

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<sup>1</sup> The Manuel Casal's questionnaire is available as the appendix 1.

I also collected data from the clients of the stores since I found of great importance to study the Portuguese luxury customer behavior in the digital era. The idea of interviewing customer was also supported with the importance and value that both companies assign to their customers. Regarding the method of collecting interviews of luxury consumers, it consisted in two phases. In a first phase, I selected Portuguese frequent clients of both stores. The selection was focused on people in my network because at the time I was not able to pick random clients in front of the physical stores since they were closed. These customer were customers who consumed luxury goods in Loja das Meias and Stivali at least once a month. The selection was done based on demographic data with the objective of getting a consumer of each gender and age group so that I could analyze data from almost every generation. The interviews were conducted by email since they were not available to be interviewed face-to-face and at the same time I was more productive in terms of number of interviews. At this first stage, I conducted 9 interviews, where 6 of the interviews were women aged 23-54, and 3 men aged 29-58.

After analyzing the data of this first phase of customer interviews collection I was not satisfied with having only 9 customers' interviews so I searched for more Portuguese luxury customers who would be able to answer the questionnaire<sup>1</sup> of six open-questions. This second phase of data collection from luxury consumers was more targeted to consumers of Stivali or Loja das Meias. I went to each company's Instagram social network page and addressed the brand's Instagram *followers*<sup>2</sup> directly. The criteria to which customer to approach, was based on the consumers who had recently interacted with the brand's publications, such as *likes*<sup>3</sup> and comments on the companies' publications. However, due to Instagram's privacy and consumer protection policies, I was only able to address 12 consumers within a time frame, and I was temporarily blocked by the social network when I reached this limit. Repeating the procedure twice a day I was able to ask 60 consumers to answer the questionnaire, and from this total only 13 accepted to collaborate. The 13 customers, 7 were Stivali clients (5 women aged between 30 to 55 years and 2 men with 37 and 52 years old), and the other 6 were Loja das Meias clients (2 women with 46 and 56 years old and 4 men aged between 22 to 45 years old). The following table summarizes the primary data collected:

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<sup>1</sup> The customer's questionnaire is available as the appendix 2.

<sup>2</sup> "Followers" is the term for the people who frequently track and interact with the page.

<sup>3</sup> "Like" is the term for a positive interaction between the people following the page and the social network page.

<b>Primary data</b>				
<b>Type of source</b>	<b>Name of the interviewee</b>	<b>Organization</b>	<b>Date of publication</b>	<b>Format</b>
Interview	Pedro Costa, manager of Loja das Meias	Loja das Meias	November, 2019	Face-to-face interview
Interview	Manuela Saldanha, marketing and accountability person of Loja das Meias	Loja das Meias	October, 2019	Face-to-face interview
Interview	Paula Moldes, store manager of Stivali	Stivali	November, 2019	Face-to-face interview
Interview	Manuel Casal, founder of Stivali	Stivali	May, 2020	E-mail interview
Interview	Matilde Barros	Customer	March, 2020	E-mail interview
Interview	Lourenço Botton	Customer	March, 2020	E-mail interview
Interview	Sónia Monteiro	Customer	March, 2020	E-mail interview
Interview	Francisca Santos	Customer	March, 2020	E-mail interview
Interview	Isabel Caio	Customer	April, 2020	E-mail interview
Interview	Carlos Tavares da Silva	Customer	April, 2020	E-mail interview
Interview	Ana Gonzalez	Customer	April, 2020	E-mail interview
Interview	João Pedro Matos Gil	Customer	April, 2020	E-mail interview
Interview	Marta Ribeiro	Customer	April, 2020	E-mail interview
Interview	Maria Helena Assedio Maltez	Customer	April, 2020	E-mail interview
Interview	Susana Correia	Customer	April, 2020	E-mail interview
Interview	Ana Menezes	Customer	April, 2020	E-mail interview
Interview	Sérgio Costa	Customer	April, 2020	E-mail interview
Interview	Marta Nunes	Customer	April, 2020	E-mail interview
Interview	Marta Gonçalves	Customer	April, 2020	E-mail interview
Interview	Sónia Afonso	Customer	April, 2020	E-mail interview
Interview	João Forte	Customer	May, 2020	E-mail interview
Interview	Vítor Correia	Customer	May, 2020	E-mail interview
Interview	Joel Silva	Customer	May, 2020	E-mail interview
Interview	Miguel Costa Cabral	Customer	May, 2020	E-mail interview
Interview	Amanda Nunes	Customer	May, 2020	E-mail interview
Interview	João Silva	Customer	May, 2020	E-mail interview

Concerning the secondary data from Loja das Meias and Stivali the collection procedure was mainly done online. In this process I tried to absorb all the type of secondary data, from newspapers, articles and secondary interviews about both companies which could reveal some type of hint about the phenomenon under study. The result was 16 documents discussion or presenting some form of the strategy pursued by Loja das Meias and Stivali on the digital environment. They were the following:

Secondary data				
Type of source	Name of the author of the document	Organization of the author	Date of publication	Title
Article	Margarida Vaqueiro Lopes	Forbes	May, 2018	<i>A vestir Lisboa há mais de um século</i>
Newspaper	Ana Bela Ferreira	Diário de Notícias	February, 2016	<i>Loja das Meias muda para a Avenida à procura de turistas</i>
Secondary Interview	Maria Amélia Pires	Villas&Golfe	October, 2018	<i>Pedro António Costa</i>
Secondary interview	Katya Delimbeuf	Stratosphere	December, 2013	<i>‘Trabalho todos os dias porque gosto’</i>
Article	Maria João Martins	Diário de Notícias	October, 2019	<i>Abrir portas ao futuro</i>
Article	Bruno Lobo	Jornal Económico	November, 2016	<i>Stivali: renovada, aumentada, melhorada</i>
Article	Francisco Branco	Imagens de Marca	October, 2016	<i>Stivali reforça sofisticação e elegância com novo espaço</i>
Newspaper	Celine Abecassis-Moedas	Observador	December, 2017	<i>“O meu alfaiate é digital” ou Como a tecnologia pode ajudar a fazer renascer o comércio de moda</i>
Article	Sandra Dias	LuxWoman	June, 2013	<i>Stivali Online</i>
Article	Nair Coelho	Lux, IOL	November, 2016	<i>Fotos: Novo espaço da Stivali em Lisboa junta clientes em ambiente de luxo</i>
Article	Cláudia Pinto	Distribuição Hoje	April, 2016	<i>Retalho de Luxo: Portugal está na moda!</i>
Article	Sónia Bento	Sábado	January, 2017	<i>Manuel Casal: Uma vida entre a aldeia e o luxo da Chanel ou da YSL</i>

Article	Turbilhão	Turbilhão	July, 2016	<i>Loja das Meias seduz a Avenida</i>
Article	Delas	Delas	October, 2016	<i>Já pode comprar Valentino e Saint Laurent em Portugal</i>
Article	Paula Brito	Dinheiro Vivo	March, 2012	<i>Manuel Casal: "Mulher Stivali pergunta-nos 'que roupa têm para mim?'"</i>
Website	<a href="https://www.lojadasmeias.pt/">https://www.lojadasmeias.pt/</a>			

The data analysis method used throughout this research was coding. Coding is a reasonable way of organizing and making sense of the data I have collected with categories or key expressions, linking the common through all the data and finally puzzle the information, in order to answer my research question. For instance, after recording the first interview, I transcribed it and categorize each key expression or principal idea. In this way, I synthesized and organized the information collected. After the first interview I did the same for the following based on the list of key expressions and ideas from both the first interview and the research question. However, it is to notice that the very first codes emerged in the formulation of the research question. And by formulation as I explained previously, is the idealization of the best framework to answer my research question. The following table represents two code examples from the coding method applied in the interviews:

Code	INTERVIEW WITH THE MARKETING AND ACCOUNTABILITY PERSON OF LOJA DAS MEIAS, MANUELA SALDANHA	INTERVIEW WITH THE MANAGER OF LOJA DAS MEIAS, PEDRO MIGUEL COSTA	INTERVIEW WITH STIVALI STORE MANAGER, PAULA MOLDES
<b>The importance of the online store</b>	"And then we have a great challenge which is Online."  "We have to be very careful and seize the opportunities that this market place that namely Farfetch and also our e-commerce brings and that can bring that is to make sales outside Portugal."	"Now there's a new challenge that's this online, is to be on this third channel, counting shopping malls and online."  "We estimate to bill 30% with this field (online). (...) and this 30% represents one more store. And with a tendency to grow."	"It's inconceivable, if you want to think you're going to compete with them (online players), forget it, don't go there. This is not a giant vs. dwarf, the difference is much more abysmal, it's incomparable."

<p><b>Complementarity of both channels</b></p>	<p>“But in parallel to the care we have to take in the physical stores, we have to be very attentive to the online.”</p>	<p>“Farfetch is clearly not our competitor, it is complementary.”</p> <p>“Now, this is the big challenge, which is to work well both the digital and the physical channels.”</p>	<p>"I think, and Farfetch is a good example of how online can have a perfect partnership with stores, and how everything can work in harmony, as long as there are fixed rules"</p>
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Looking at the first example the code “the importance of the online store” was a key expression that emerged when formatting the path to answer the research question. With this code, I was able to understand if both companies were aware of the magnitude of the online channel, and they were indeed aware. The second code “complementarity of both channels” was a key expression, which was mentioned by the interviewee Manuela in the first interview and frequently mentioned in the following interviews. The logic behind this coding was to understand whether the idea of an online channel to complement the physical store was a common concept and applicable to both businesses.

## **4. Empirical setting**

In this chapter, I present the cases selected based on the primary and secondary data collected. The first topic will be the history of the company, then the business itself, looking at: heritage, strategy, competitors, target, and lastly how these brands are performing online to better understanding of the phenomena under study.

### **4.1 Loja das Meias**

Loja das Meias is considered one of the most luxurious multi-brand stores in the country. Being a family business with more than 120 years, Loja das Meias is always chasing tradition, but always coupled with innovation (Ferreira, 2016). This family business is a reference in the luxury segment in Portugal and abroad, located in a level of luxury, sophistication and tradition (Pires, 2018). The values promoted by Loja das Meias in their organizational structure are the practice of quality, innovation, modernity and exclusivity combined with an undeniable premium service (Meias, 2020).

#### **4.1.1 History and Evolution**

Loja das Meias, in English Socks Shop, was founded in 1905 by Francisco Pedro Rodrigues da Costa (Meias, 2020). With more than century of history, this company started to sell socks and corsets, and this is the reason behind the name of the company. Over the time Loja das Meias has been introducing other products into its assortment, in its field of activity. Apart from clothing and accessories, they have cosmetic products with a skincare center, fragrances investing in some differentiating and exclusive services, such as phone calls on the arrival of collections, home deliveries, personalized sewing arrangements with tailoring service for men, and special care on the date of customers' birthdays (Pinto, 2016). In terms of brand offer Loja das Meias is a pioneer in the commercialization of the best international brands such as Dior, Celine, Ermanno Scervino, Lanvin, Salvatore Ferragamo, Emilio Pucci, Givenchy, Stella McCartney, Marc Jacobs among many others (Meias, 2020).

Loja das Meias started with a first store on the corner of Rossio and Rua Augusta, a strategic place in the heart of Lisbon. In 1971, together with the expansion of the capital, a new store was opened in the new concept, a shopping center, located at Rua Castilho. Again in 1981 Loja das Meias joined a shopping center and opened a new store in the Amoreiras shopping center. In 1995 Loja das Meias opens a fourth store in Cascais.

After more than a hundred years, in 2007, the very first store of Loja das Meias in Rossio closes its doors for reasons of profitability and target. Later on, an internationalization has taken place in 2015, with a store in Maputo, Mozambique. The last store until the date was inaugurated in the year after, in 2016 in Avenida da Liberdade (Meias, 2020). In short, after almost 115 years and with 4 physical stores: Av. Liberdade, Amoreiras, Cascais and Stock Off Castil, Loja das Meias continues to be the multibrand that sells for men and women fashion products lifestyle.

#### **4.1.2 The business: heritage, strategy, competitors, target**

##### ***Heritage***

When asked to the general manager and the accountability and marketing person behind Loja das Meias, about the heritage of this brand, they both picked the same word: innovation. Pedro Costa, the general manager, even reinforced defining Loja das Meias as tradition in permanent innovation. The tradition element comes from having more than 120 years of history and all those years owned by the same family. This tradition contributes to a really powerful DNA along with several and continuous generations of clients.

The accountability and marketing person, Manuela Saldanha, believes that the fact that Loja das Meias is a family owned business creates a constant concern about the business itself from the day they are born. In other words, this entrepreneurial mindset has been around since they can remember, being this aspect a great tool in the business field and is what define the strong heritage of Loja das Meias. They go further by believing that a family business is more likely to maintain its identity (*Katya Delimbeuf, 2013*).

##### ***Strategy***

The heritage of the practice of innovation that belongs to Loja das Meias, reflects directly in the strategy of the business. One of Loja das Meias principal drive is innovation, the constant search for what the luxury market and the clients are looking for.

Since Loja das Meias is a luxury multibrand retailer, it is to notice the process and the strategy behind choosing what brands to include in the offer. The process of which brands are selected and chosen is divided in two areas, the quantitative and the qualitative aspect. The quantitative aspect of the process of choosing brand to integrate the store offer is all related with the mathematical and statistical data. For the qualitative aspect, the family has the practice

of trying to be physically in the store as much as they can, so they can absorb all type of information coming from the precious clients. The shop assistants also play a big role in this part of the process of capturing this valuable and constant source of information that happens in the store. Loja das Meias, nowadays with the social media, can understand the major trends, the brands in the spotlight and the ones that deserve attention in Portugal and abroad. However, this part of the process is not scientific, and there is a lot of know-how and intuition recognized by the marketing person. Summing to all these elements: the contact that Loja das Meias have with the suppliers and customers, in the fashion showrooms, foreign shopkeepers who have similar business and all the networking done abroad is vital in the eyes of the company. In the end, it is not about what Loja das Meias likes the most, but what the instinct “*feeling, intuition, and sensitivity*” says (Pedro Costa, Loja das Meias).

### **Competitors**

There are two types of competition, direct and indirect. As direct competitors, the multibrand luxury retail businesses, who sell international brands and with similar revenues and services can be identified Stivali and Fashion Clinic. Adding the geographic factor in the Avenida da Liberdade, there is also a direct competition for the same foreign client (Pires, 2018). Fashion Clinic and Stivali position themselves in the luxury market as Loja das Meias, and all the monobrand who position themselves in this market segment, for instance Prada and Louis Vuitton. They compete because the majority of the Portuguese customer do not have the financial capacity to buy 2 bags in one store and 4 in another, so if they buy in the Prada store, they won't buy in Loja das Meias after.

For the indirect competitors, Loja das Meias considers ElCorteInglês that due to his wide offer, Loja das Meias have to be aware. People who go to ElCorteInglês for convenience of being inside this shopping center, and the wide range of products can satisfy different dreams. For Loja das Meias manager all the companies or industries who satisfy the need of selling dreams, are their competitor. He positions Loja das Meias as a selling dreams store:

*“If you buy one more pair of shoes, it is not out of necessity, it is not to not to walk barefoot, you buy that shoe and fulfill a dream.” (Pedro Costa, Loja das Meias)*

### **Target**

The geographic target of Loja das Meias is well defined by the Lisbon district and north of Portugal. However, the brand Loja das Meias has also notoriety in Mozambique, Angola,

Guinea, Cape Verde and Brazil. The remain reputation comes from the online channel. The most visited store by tourists is the store in Avenida da Liberdade.

The chairman Pedro Costa defined the profile of Loja das Meias different in each store. In the Amoreiras store, the customer is more "shopping center" style, whereas in the Cascais store there are a lot of foreigners and mostly residents. In the Rua Castilho store the public is more formal, and in the Avenida store the majority are foreign customers, but also many Portuguese (Katya Delimbeuf, 2013; Pires, 2018).

## **4.2 Stivali**

Stivali, the company that means boots in Italian, was created in 1986 by Manuel Casal and Eckhard Frank. Stivali was the first multi-brand store in the Portuguese market to introduce some of the most important luxury brands, such as Donna Karan, Dries van Noten, Chanel or Gucci among others (Brito, 2012). Stivali is considered one of the oldest and most emblematic multi-brand stores in Portugal (Branco, 2016).

### **4.2.1 History and evolution**

Stivali was created from scratch by Eckhard Frank and Manuel Casal. They were both friends and when Frank first came to Portugal many years ago, he thought that there were a lot of shoe stores (more precisely 1600), but it was missing a high-end shoe store in the country. In 1980 Frank proposed to Manuel to open a high-end shoe store: Italian with premium quality. And so, it was on this basis of difference and quality that Stivali's DNA began to be made and produced over all these years. As the founder Manuel Casal noticed the growth of the business was always very well thought and with "very deep roots", looking at the future always loyal to their selves and the past.

The first Stivali store started as a shoe store on Avenida João XXI, in Lisbon. After the first shop it was followed by a second one with accessories and, years later, the third shop in Rua Castilho. This last store became Stivali's most important space until they opened the fourth store on Avenida da Liberdade (Brito, 2012). And that as Manuel Casal adds:

*"A booster for an avenue that dresses luxury in every block."* (Brito, 2012)

## 4.2.2 The business: heritage, strategy, competitors, target

### *Heritage and Strategy*

The root strategy of Stivali is product differentiation and quality. The main drivers for differentiation are discretion and privacy (Brito, 2012). Over the years, and to answer to the costumers in the best way possible, Stivali has been always adapting the strategy based on the customer opinion, something that they tremendously value. The founder Manuel Casal defined the heritage of the brand, a concept with which the clients identify. This concept is based on an independent woman with an exclusive style and very proper. As the store manager told:

*“If the client wants it, that's exactly what we'll get within the Stivali line, within DNA.” (Paula Moldes, Stivali)*

Stivali has a loyal customer base with three decades, Stivali has and is creating strong relationships with the customers. Manuel Casal believes that their customer retention exists because the customers know that Stivali purpose is to get in touch with them and by no means to foist or impose Stivali's products (Manuel Casal, 2017). The store manager, who has worked for 28 years at Stivali and has crossed all the generations, highlighted that there is a relation of respect and admiration between them and the client, and this makes the client to stay and bring its friends.

Stivali is a multibrand store and recognize the process of choosing which brands to include in the diverse Stivali's offer as a complex process. As the founder announced, Stivali is known by having a different strategy and position as the other players. Stivali is resilient to their DNA by having 5 brands – Chanel, Saint Laurent, Valentino, Chloe and Roger Vivier, joined by 2 corners Fendi and Moncler and many other premium brands such as Elie Saab, Dolce & Gabbana, Oscar de la Renta, Dries van Noten, Gianvito Rossi, Alexander McQueen, Sacai and Off-White. Some of the brands are unique in Portugal. Whenever Stivali consider one specific brand, it has to be for the national and Lisbon client, and for the occasion. With several factors and variables considered, Stivali has the leverage of Frank and Manuel, in terms of knowledge and experience, who travel around the world trying to discover new markets, doing it with a group of people who do the investigation as well. Stivali also choose the brand offer depending on 6 or 7 client profiles and sometimes the products are bought specifically for this costumer. The final goal of this brand choosing process is to find novel and different products to gather in Stivlai's offer.

## ***Competitors and target***

Stivali defines every other store in the city of Lisbon as competitor, all the stores who have the same market position are Stivali's competitors. The competition for Stivali is a healthy and major element. Respecting the competition, Stivali learn from every other store in different circumstances.

*"We face every other player as a competitor in a very healthy and proactive way." (Manuel Casal, Stivali)*

Stivali's geographic target *"will always be our country"* as Manuel Casal stated. For some reason Stivali is not located in a front door of the main avenue of the city, on the contrary, it is located in a quiet place. This is explained by the discrete profile that goes along with the Stivali client, the subtle and fancy that come and go and hardly anyone sees him (Brito, 2012).

## **4.3 The omnichannel process**

### ***Loja das Meias***

Loja das Meias is already in the online channel in two ways: having their own website and selling online and with a partnership with Farfetch which gives them the online volumes and the growth. This partnership has been very positive and important, noted by the manager:

*"We estimate to generate 30% with this field. We have 3 stores today, and this 30% represents one more store with a tendency to grow." (Pedro Costa, Loja das Meias)*

Loja das Meias manager stated that balance between the channels is the magic word so that the client does not lose the brand image of fashion, luxury, based on a service of excellence, which has traditionally characterized Loja das Meias. Pedro also highlights:

*"We are aware of the need to integrate omnichannel into our strategy, i.e. to promote the coherence of our presence in the various channels, be they physical stores, our website, online communications via social networks or the newsletters we send to our customers." (Pinto, 2016)*

### ***Stivali***

Stivali launched an online store in 2013. The initial goal with the creation of the website was to be an online store to sell, presenting a selection of products, with personalized service, availability of articles, suggestions. As we can see:

*“Online store deliveries take on average three days, normal delivery, but can also be done overnight, express delivery; this for national deliveries.” (Sandra Dias, 2013)*

However, Stivali online store is not an online store to sell, just to support customers as if it were a catalogue. The way Stivali entered in the omnichannel was through a partnership with Farfetch (Abecassis-Moedas, 2017).

## 5. Findings

I have highlighted a gap in the literature about the ways physical multibrands retailers can adjust and fit in the digital era that we are living in. To contribute to fill this gap, I chose to answer the following research question: How can multibrands luxury physical stores adapt to the digital era?

The results are organized in the following way. I first analyze the role of the physical store in the strategy of Loja das Meias and Stivali. Afterwards, I analyze the strategic choices of both stores towards the online channel to answer customers' expectations. Lastly, I show how both strategies are integrated by the companies studied.

### 5.1 The irreplaceable physical channel

#### 5.1.1 Loja das Meias: a source of information about customers' needs and purchasing ritual

Loja das Meias defined the importance of having a physical store as the opportunity to get to know the customer. It is through the physical shopping experience that Loja das Meias understands the client. As the chairman of Loja das Meias said:

*"This is also one of the secrets behind the success of Loja das Meias: meeting the needs of our customers." (Pires, 2018)*

For Loja das Meias the client and the sales team, are the major source of information. In all of the stores of Loja das Meias all of the staff receive training so that they are able to provide the best experience to the clients as well as assimilate all the useful information for the business. The service is a priority of the company, Loja das Meias believes that who has the better service is who sells more.

*"I usually tell my staff, emphasizing the importance of service, that the client knows more than we do." (Katya Delimbeuf, 2013, p. 14)*

Another element in favor of the physical store in the eyes of Loja das Meias is the dressing room that can increase the confidence to purchase, and the client ends up buying more products that was interested initially. Inside the fitting room client has already tried the product and feel more comfortable and it *"naturally increases 20 to 30% of the propensity to consume"* (Pedro Costa, Loja das Meias). This is also a moment in which the sales person has a big impact

on, and through all these elements of the physical store: the staff, the environment and the client, Loja das Meias is able to capture hints that would not be possible in the digital channel situation, for instance:

*“The "Too bad you don't have the skirt of that brand that came the other day in the magazine." In online this does not happen, the skirt will appear online because that brand put online.” (Pedro Costa, Loja das Meias)*

Which intuitively says that in the online this situation would result in the client ending up buying in another online store, because where he was searching the product was not available. Whereas in the physical store this situation was a source of information to know what the client would like to see in Loja das Meias products offer. It is clear that for Loja das Meias the sensory part in all the decision-making process is crucial. Hence, to perform well in this physical channel, Loja das Meias really values a good shopping experience, that comprises something extremely positive, with service, luxury, comfort, and diversity.

These advantages of the physical store for a multibrand retailer have also been confirmed by the customers. In interviews with luxury consumers, the importance of the physical store was generally defined by all as a crucial element in the decision process to purchase a luxury product. The factor that weighed most heavily on this importance attributed to the physical store was that it is about a luxury product that has a different decision process as average price goods. With this process being different, the consumers interviewed consider crucial the possibility of *"seeing with my own eyes"*, touching, feeling the *"texture"*, *"look at other options and compare them live"*, trying and see if it is *"comfortable"*, *“it ends up being an emotional experience”*. Moreover, this is only possible in a physical store and most of the customers prioritize this type of purchase and experience.

Going further, it was observed that some customers only make a final decision after seeing the product physically because what they value the most is the sensory part in the purchase decision. There are some attributes that have a lot of weight in the final decision and that can only be ensured with a physical experience, as several customers highlighted for instance: *“the quality”*, *“the confection”*, *“the pleasure it provides”*, *“the emotion”*, *“the material”*, and *“the perception”*. Moreover, here the physical store happens to be crucial in some point of the decision process. There are customers who refuse to buy any type of product based on pictures, as they need to see the product with their own eyes. In addition, it was outlined a concern by a customer about the fact that when buying online there is the possibility of the product to come with a defect while in the physical store this isn't a possibility or a

concern. Overall, most of the customers share the same idea about the importance of the physical store in the purchasing decision process and the confidence and trust that this channel gives to their customers, as it can be observed:

*"If I never tried it I will never buy it" (Francisca Santos, customer)*

### **5.1.2 Stivali: the physical experience is the luxury itself**

The physical store is, and it will always be the priority of the business, as Manuel Casal stated. It is in the physical store that the *"precious physical contact with the clients happens"*, and it is the opportunity for Stivali to explain and communicate their *"concept and attitude"*, their way of living. A strong trait of Stivali and present in its DNA is the way that the company treat his client. The treatment for Stivali is a connection more profound than just call to the client to say they have a new dress, is instead to know how the client is feeling. Stivali has a very personal and personalized relationship with each and every client really important that the customer goes to the store and drinks a coffee, than buying a product. It is all about the service provided to the customers than the numbers. The idea of Stivali was never to see and buy, but to offer a truly personalized service (Lobo, 2016). All the Stivali staff has formation as personal stylish (*Manuel Casal, 2017*), and as the founder said:

*"There's a very great intimacy that's been created with our customers precisely because we're not a fashion supermarket." (Coelho, 2016)*

The fact that Stivali has changed several times his location: Avenida João XXI, then Areeiro, after Rua Castilho and lastly Avenida da Liberdade, symbolize the flexible mindset of Stivali in changing whenever they think the location is no longer appropriate for the store and for the clients. Change the physical store location is one way for Stivali to adapt to the changes of the client:

*"We think that for our evolution, for our clients, because the city changes, and as the city changes so do us." (Paula Moldes, Stivali)*

These facts were to illustrate the importance of the physical store for Stivali. In the end for Stivali, it is all about the physical relationship with the client, which is only possible with the physical store, *"We are very much based on human relationships." (Paula Moldes, Stivali).*

Nowadays there is a natural concern in attracting the customer through the online and offline channel with the final aim of consumption. For Stivali the concern is more about that the customer goes to the store, experience and try all the products, choose the one that best fits and have a personalized shopping experience. Stivali's motivation is:

*"It is to meet the customer, to have dialogue, to have conversation, to understand what she wants, is really based on the human relationship." (Paula Moldes, Stivali)*

Stivali believes that the physical experience, something that should be a basic thing, is what will become the luxury itself. Moreover, all of this happened due to the greed of wanting to grow and all the numbers concern. For Stivali, companies should search for growth but with another attitude, with more flexibility, calm and tranquility. So that *"emotional and human terms do not get lost in the process."* (Paula Moldes, Stivali).

Also confirmed by the customers themselves. They appreciate the decoration of the store and the solid relationship they have with the staff making a *"beautiful and pleasant place to be"* (Matilde Barros, customer). As showed before, they are people recognized by their training and qualification who turn the experience even more fulfilling. They have the ability to correct or match each customer size and taste for the products, the exchange of views and the coordination and complement of other products. Overall, for the customers the staff play the important role of giving the meaning to the products, a deep understanding of it as well as confidence to make the final decision. In addition, the staff are the ones creating most of the relationship between the customer and the brand. In the end, not only they contribute the physical experience to be a pleasant and enjoyable part of the process of buying a luxury product, but also in the development of clients' loyalty. As it can be read from one customer the description of the physical purchasing experience as *"a type of ritual, making the whole experience unique and memorable."* (Lourenço Botton, customer)

## **5.2 The digital channel strategy of Loja das Meias and Stivali**

### **5.2.1 Loja das Meias: the business who faced the online channel challenge with ambition**

Loja das Meias is aware of the need to adapt the digital challenge and how it is constantly challenging the capacity of the company to answer, to innovate and to track all the fast updates happening in the current days. For Loja das Meias the ability to innovate is not easy, however the need to be constant up to date and always innovating is what motivates the

business. All the family in charge of Loja das Meias have a proactive and conscious mindset. The chairman believes that the great advantage of Loja das Meias being a family business, they are all always very aware (*Katya Delimbeuf, 2013*).

Moreover, Loja das Meias is aware of the digital challenge that traditional business like Loja das Meias have to face in these days. Loja das Meias sees the online channel as the customer wants to see it. Meaning that if the customer wants to have the opportunity to buy online in the Loja das Meias, undoubtedly is what the company is going to offer. The manager even compared the importance of having an online presence to the importance of being in the shopping centers a few years ago. Loja das Meias stance was always about the stores doing what the client wants. They end up entering in the shopping center because they listen to the customers. Again, Loja das Meias believes that if the customers want the online presence, the company must have it. As the marketing and accountability person of Loja das Meias stated that the online is a very strong tendency that the company have to adapt and that in the end is a store like the others:

*“Deep down it has to be faced with one more store but with slightly different rules.” (Manuela Saldanha, Loja das Meias)*

As it can be seen, Loja das Meias is conscious of the challenge that is the online channel and all the opportunities that this marketplace, more specifically their partnership with Farfetch brings that is all the international sales. Loja das Meias has a partnership with Farfetch, because as elucidated by the manager they don't have either the financial capacity nor the know-how or experience needed in this online marketplace. Loja das Meias tried to do its own website, however as the manager told: *“it has no meaning, and no results”*. He went further and mentioned two cases: Fátima Mendes in Porto city and Guimarães who pursued an enormous investment, treating the website as a new store. They had staff and a warehouse with photographic studio. The investment ends up having zero return.

Every day 15 to 20 products leave the store to Farfetch stock. Loja das Meias has a cost with this marketplace, but as the manager evidenced they would have the same cost with facilities in a physical store or even lower. Not only are the *“technological tools that we only get through them”* and the sales volumes they provide are important but also the exposure to international markets and clients. With Farfetch, Loja das Meias has access to Korea, Brazil, United States, Russia, China, Dubai, and India markets. And as the manager pointed out:

*“How would the person in India know who Loja das Meias was?” (Pedro Costa, Loja das Meias)*

All the customers interviewed also shared the same opinion of the visibility and being able to reach customers not possible with only having a physical store, which the online channel gives to businesses. Most of the consumers believe that brands should have an online channel. However, it was crystal clear that digital presence nowadays is vital and should be a strong one. By digital presence, the customers meant an existence in some social network or website where they can search for products even without the feature of online shopping. Loja das Meias is also present in the social network Facebook since 2011 with a series of daily contacts from Portuguese to foreign clients (*Katya Delimbeuf, 2013*), and in Instagram with 26 thousands of people following this social network page (Instagram, 2020).

Today's consumer behavior is moving towards online consumption, and there are even consumers who prioritize the online channel. Hence, not being present in this channel would cause brands to lose this market segment. Besides the fact that online presence is necessary to reach a type of consumer, it was common the idea that brands reach consumers faster via digital. Or, even happens that many times products appear in the online channel which consumers were unaware of its existence. In other words, the online channel ensures that consumers *"keep aware of the new trends"*.

As with the digital channel brands are able to reach consumers more quickly, the same thing happens the other way around. The main advantage of having an online store by the eyes of the customers is the wide range availability of products that this channel provides very quickly when compared with the physical store. It can happen that sometimes the physical store does not have the product available and in the online channel that is less likely to happen. On the other hand, in terms of logistic, some customers mentioned that due to their location, meaning that they don't live in Lisbon or Porto they prioritize the online store.

All the customers mentioned that the opportunity to do a product research online is an advantage that reflects in more confidence in the brand for being up to date. In addition, with the possibility of searching online, consumers can still compare prices and promotions more easily, playing in favor in the decision-making process. Therefore, having an online presence increases the interest in the product by creating the possibility for the customer to feel confident about it and provides transparency about other price and beneficial opportunities.

### **5.2.2 Stivali: the physical experience surpasses the online one**

For Stivali the online channel does not have the same value than the physical channel, as the online platform limits the customer and is a loss on the truly luxury good value. Manuel Casal Stivali's founder believes that the online channel for the luxury market is "controversial". In the eyes of Stivali the concept of luxury has nothing to do with a digital interaction because:

*"The most important it will always be the experience that we can offer to the client" (Manuel Casal, Stivali)*

Comparing the experience of the online channel with the experience in the physical store for Stivali they are not similar, much less equal. For Stivali the online deteriorates the exclusivity, creativity and limits the decision-making process in the way that in the physical store the client is exposed and tries products that would not be in the digital one. In the same depreciative opinion, the store manager of Stivali stated that being exclusive online is a loss of identity of the brand.

In the interviews done on luxury customers, some of them complained about product attributes that they are not able to guarantee online or the risk of buying a counterfeit. Nevertheless, they know it is a luxury brand at stake, so quality is assured in any channel. In the end, as long as the customers know the brand they will have enough confidence in buying online.

Stivali has a partnership with Farfetch because they lack tools and resources to have their own website, and the investment of having their own website does not make sense financially. Regarding the digital presence in the social networks, Stivali has 39 thousand people following the social Facebook page and 26 thousand people following on Instagram the social page (Facebook, 2020; Instagram, 2020). However, above those facts, Stivali's priority is the physical customer experience. At the same time Stivali has the clear opinion that the physical channel cannot compete with the online at all, due to the abysmal difference in sizes.

### **5.3 Towards an omnichannel strategy**

*"Farfetch is clearly not our competitor, it is complementary." (Pedro Costa, Loja das Meias)*

This was the answer of the manager of Loja das Meias when asking about the online market players in terms of competition.

*“Online purchase decision is very different from the physical purchase option, they are completely different things. (...) Now, this is the big challenge: working well on both channels, the digital and the physical.” (Pedro Costa, Loja das Meias)*

The manager recognizes that it is very difficult to compete with the comfort of online shopping. Sitting on the couch at home watching a movie while shopping and being able to return everything if you are not satisfied. Moreover, that is why Loja das Meias believes that the offline and the online channel must work both at the same time. Loja das Meias is careful with the physical stores but always focused on the online. Whereas Stivali believes in the complementarity of both channels by a *“perfect partnership working in harmony the two parts are compatible”* but online channel as a way to preview the products and get more information. Stivali recognize the size of the huge reality that is the online channel but *“never prevents coming to the store”* (Manuel Casal, Stivali).

This idea of both online and offline work in parallel at the same time is the concept of the omnichannel strategy. The manager of Loja das Meias Pedro mentioned the impact that the Internet of the very near future, more specifically 5G, will have not only in the form of automation and optimization of operation but also in this idea of complementarity between the online experience and the physical experience. An example it is a business as usual task performed by retail businesses, the inventory, that Loja das Meias 30 years ago took 2 weeks to do, with 5G would not be necessary to do at all, all Loja das Meias need to insure is labels on the products and with radio frequency the store will be permanently inventoried.

Under this environment, Loja das Meias can see a future when the client will enter in the store, the store itself will recognize each client face, and get to know the purchasing history and customer profile. The shop assistant will be notified with all that information and will meet the client with a fully automatized and personalized service. Moreover, this is an environment where both online and offline channel work together, called the omnichannel.

Additionally the interviewed customers, at some stage of their decision process to buy a luxury product, recognized complementing the online experience with the physical or vice versa. According to the customers, both channels allow for different experiences that complement each other and engage even more the customer. Most of them research and do a pre-selection of products that they are interested in online, or even without the intention to, they come across products through social networks. However, the vast majority of the customers only make the final decision after trying them out and be sure about all the attributes of the product in the physical store.

*"The online channel is very useful for the initial research, (...) after the pre-selection, it is almost always essential to go to the physical store." (Ana Gonzalez, customer)*

Depending on the situation, the mood, what product the customer is looking for, it is usual the use of both channels. It can also be the other way around, where the customer first sees, try, know the product in the physical store and for reasons of comfort and convenience, and being sure of the product they want, purchase in the online channel. Either because the physical store does not have the desired size available or for pure comfort of being at home and decide to buy at that time online to not have to go to the physical store. But more important than this combination of both physical and online experiences, everyone admitted that online shopping only happens if the consumer knows the product and the brand a priori. Nearly everyone only buys online if have already had the opportunity to know it physically.

Concluding, in addition to these two channel streams complementing each other and being essential in different ways in the same decision-making process, consumers agree that having both channels available increases the willingness to purchase the product, both are highly valued and *"take the experience to a higher level"*. Accordingly, companies should be present in both to meet all kinds of demand and prosper.

*"I believe that in our age and time a business needs to sell goods and products both online and in stores to be successful." (João Pedro Matos Gil, customer)*

Nevertheless, it is important to notice that several customers think that the online channel it is an excellent vehicle of communication and complementary information but never a substitute of the physical place. Quite a lot of the interviewed luxury customers argued that the physical store in this sector is more important than having only an online store. Brands should have a physical location even if it is at a multibrand store, so the customer can see the product in person. They have believed that buying without having a physical contact with the product *"is not a sensorial, emotional and assertive decision"*.

## 6. Discussion

The results of this study show how traditional multibrand luxury businesses can thrive in the digital environment. First, I would like to recall the fact that the multibrand luxury retailers under study and all the traditional multibrand luxury retailers, started the business with the physical channel and it is still where the majority of their business happens. Therefore, I will analyze previous studies on the value of the physical store in the luxury sector parallel to the companies and customers perspective, against the literature about online channel with the companies and customers point of view as well. At some point, I will show how Loja das Meias, Stivali and the customers interviewed, believe that both online and physical channel are important and must be undertaken in a strategy of a company nowadays. Which besides the different weight that each channel can have, varying from company to company, they are both necessary. And even without the resources to have them at the same time, it is a strategy feasible with a partnership.

Professors Jean-Noel Kapferer and Vincent Bastien, among others, have conducted several studies on the perception of brand scarcity and convenience, and how the online channel can erode them (Gastaldi, 2012; Hennigs et al., 2012; Kapferer & Bastien, 2012). Not only do these studies support this idea, but also, as was showed in the interviews, it is clear to Stivali that a consequence of the online channel is the deterioration and loss of the true value of the brand. This factor was also highlighted throughout the interviews with luxury consumers. They even went further by saying that the physical store and the contact with the products is crucial at the time of the purchase decision. Also, if I look at Loja das Meias as Stivali core business and market position is achieved through a physical store. So the value that both companies attach to this physical channel is clear.

One of the most important perspectives of the physical store in the eyes of Loja das Meias and Stivali is the physical shopping experience and service provided to its customers. Loja das Meias believes that where the most valuable source of orders, wishes and feedback from customers takes place in the physical store. Just as Stivali's motivation, which is based on taking customers to the stores to be with the customer, drink a cup of tea, and dialogue. Stivali has a strong desire to deliver the perfect customer experience. As some of the consumers interviewed also mentioned, they truly value the physical experience throughout the store environment and the qualified and kind staff. They defined the experience as unique and memorable, and even as a ritual. Furthermore, a moment when I also understand the importance of the physical store to the Loja das Meias e Stivali is when Amazon, the online retail giant, took the shift and opened a physical store in 2018. This movement meant a hint for Loja das

Meias about how important the physical store is and always will be. While for Stivali this move is proof that just having the online channel is a loss of identity. For both companies, this event was nothing more than proof of the physical store's value.

However, it can be observed, by the studies and figures presented in the first section, that it is clear the motivation of the customer to have the option to shop online (Berger, 2013). The online channel is an element present in their current routine and most customers see the future of luxury as digital. Also, in consumer interviews the online presence was undoubtedly recognized as a must have in a business. Not only because society's consumer behavior is increasingly digital but also because it is a channel that allows businesses to reach consumers and consumers to products faster and increases the willingness to purchase the product, either by only a digital presence or through an online store. Loja das Meias and Stivali also recognize that the international exposure they have would not be possible otherwise than through the online channel and more specifically with Farfetch partnership. For Loja das Meias the online marketplace is as important as the offline. In terms of sales, the online channel sells as much as a physical store of Loja das Meias. However, both agree that there is no possible way for the physical store to compete with the huge online world. Therefore, not only do customers want this feature in their experience, but Loja das Meias and Stivali are fully aware that having an online market is crucial these days and that both channels are meant to work along.

Studies have also showed that millennials and baby boomers are not only ready for online interactions, but also for omnichannel interactions (Abtan et al., 2016). All nine consumers interviewed made it very clear that both channels take part at some point in the decision process to purchase a luxury good. As was showed at the beginning, it is called ROPO, the research online and purchase offline activity, or vice versa. Consumers use online either to research more about the product and compare prices, something also proven by Deloitte in his study presented in the second section of this document (*Deloitte, 2019*). For comfort or because the product is not available in the physical store, they make the final purchase in a more comfortable way in their homes if they already had experienced the product in a physical way. At the same time, they use the physical channel for traditional shopping after a first selection in the online channel. For most of the twenty-two customers, the physical store is the priority, in fact they do not dismiss the physical experience in any way. Moreover, what I have seen with the four interviews, both Loja das Meias and Stivali have the same mission to act for the wishes of their customers. So, if it is clear that the customer wants omnichannel channels, both online and offline, for shopping, it must be what both multi-brands must offer.

Loja das Meias sees in medium-long term perspective the physical experience combined with the online one, all together at the same time. Stivali, on the other hand, positions the physical store as a channel that adds more value and meaning to the brand than the online channel. As Manuel Casal, one of Stivali’s founder said, there are no channel that prevents the client to come to the physical store. Therefore, when it comes to its mission of solid and loyal relationship with its customers, the online store is not as important as the physical store from Stivali's perspective. Nevertheless, both companies as showed before are aware of the necessity to be on both channels. In addition, Loja das Meias and Stivali have a partnership with the Farfetch platform. With this partnership, companies will encompass the tools and features to sell online.

It is clear the need to coordinate and work together on both online and offline channels. And whoever does, will prosper (Liffreing, 2017). Of course, as we've seen, for companies that don't have internal digital talent it's hard to drive the online channel. The manager of Loja das Meias even gave some examples of cases where it was a total financial failure. Loja das Meias and Stivali both have a partnership with Farfetch, assuming they don't have the know-how or experience to deal only with this channel.

To conclude and looking to all the findings and previous studies, I can acknowledge that it is in the physical store that a big part of the action takes place (Kansara & Chitrakorn, 2018). The Internet is enormous and competition is not questioned, but one works with the other in proportion to the size of each business, and if needed through a partnership. With all these perspectives and analysis done both on the company and customer side and with the observable trend that more and more people are investing in the luxury business in opening exclusive places for a brand or a representation in a multibrand store, rather than a monobrand store, I can infer that both channels are here to stay. The luxury retail businesses is still a trend for this specific sector, even in a digital era.

The following table summarizes all the discussion:

<b>DISCUSSION SUMMARY</b>	
<b>THE LOSS OF THE SENSORY PART</b>	In the online channel there is the feeling of loss of desire and of all the sensory part that the purchase of a luxury product demands.
<b>THE VALUE OF THE PHYSICAL STORE</b>	The physical experience is greatly appreciated by traditional business companies and by customers who by no means dismiss it.
<b>CUSTOMERS ARE DIGITALLY INFLUENCED</b>	Customers and future generations are ready and demand an online option for buying products. They are inevitably digitally influenced.
<b>ONLINE CHANNEL IS A MUST HAVE</b>	Online channel is crucial, not only for market monitoring reasons, but also for growth and reputational purposes.

<p><b>BOTH CHANNELS COMPLEMENT EACH OTHER</b></p>	<p>A company has to be present in the physical channel with online at the same time complementing each other. Both channels contribute simultaneously in the decision making process of consumers.</p>
<p><b>OUTSOURCNG THE ONLINE CHANNEL</b></p>	<p>It can be more difficult for traditional business to join the online channel on their own, it is still a surmountable obstacle working with a platform partnership with experience in the field.</p>
<p><b>BRANDS NO LONGER INVEST IN MONOBRAND STORES BUT IN REPRESENTATION IN THE MULTIBRAND BUSINESS</b></p>	<p>There is a trend in the luxury business sector whereas the luxury brands don't invest in a monobrand store. Instead they invest in an exclusive corner at a vast multibrand retailer for instance.</p>

## 7. Conclusion

The aim of this document is to try to understand how can multibrand luxury retail business whose comfort zone is the physical channel could adapt to this digital era that we are living in. After analyzing the importance of the two channels, I conclude that both channels have their importance which leads them to complement each other. Not only are consumers ready for omnichannel (Abtan et al., 2016) interactions, but traditional businesses recognize this necessity. In a few years' time Loja das Meias sees itself with a shop where the technological environment and complete automation predominate. Something previously described by the authors Erik Brynjolfsson, Yu Jeffrey Hu and Mohammad S.Rahman as smartphones are merging touch and feel information coming from the physical mute with online content, creating an omnichannel environment (Brynjolfsson et al., 2013).

Through the presented results I hope to help traditional luxury business managers who position themselves in the same way as Loja das Meias and Stivali in the market, to guide the choice of having both channels in their strategy. Both the physical and the digital channel have proven to carry great weight for each of the companies and almost as important as these two testimonies, the results from the luxury consumers interviewed make clear the need today to be able to purchase online and the physical channel is essential in the purchase decision process. Therefore, the omnichannel strategy is the answer on how to thrive in the digital era.

To conclude, and as limitation I can identify the lack of financial figures in order to support all the findings. As a future research studies might focus on omnichannel subject, since there are still a minority on this issue. Some relevant questions to study would be for instance: How does the use of in-store digital touchpoints affect shopping behavior and the performance of the luxury goods store? It is very important in the way that not only customers, but also companies are using mobile devices in stores in order to reach the omnichannel experience. In an omnichannel environment, providing a seamless experience through the touchpoints is considered important. The question of how this better control of variables at the company's disposal regarding the customer experience and whether it actually also results in a stronger performance from retailers in the online platforms? In addition, the retail mix through channels is a very important research domain, so for instance, to what extent should buyers control this integration, the customized full customer experience? And of course, how can retailers benefit from this behavior? (Verhoef et al., 2015)

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## **9. Appendix**

### **Appendix 1**

#### *Manuel Casal's questionnaire*

1. What is the essence and identity behind the Stivali brand?
2. In terms of performance and growth where is Stivali today and where is expected to be in the future?
3. What are Stivali's biggest competitors in the luxury market?
4. What is Stivali's geographical target?
5. How do you define Stivali's strategy? Do you consider that Stivali's strategy is common to other companies in the sector?
6. Since Stivali's strategy takes place in the physical store, what is its meaning? And why the choice of the physical channel?
7. About the online luxury market. What's your opinion on e-commerce? And what importance does Stivali attach to the online channel?
8. Do you believe that it can be an asset to have a physical store due to the fact that behind the luxury consumption there is a physical experience. In other words, can it be seen as an advantage compared to the online experience?
9. Do you believe that both channels can complement each other in the strategy of the same company? And going further, are they equally necessary?
10. There's a recent 2/3 year phenomenon where companies, not luxury, but in general, are really getting out of the online and going to the physical stores or investing more in the physical stores for example Walmart. Are you aware of this phenomenon?

11. What is your opinion about this resistance to digital? Does it make sense?

## **Appendix 2**

### *Customer's questionnaire*

1. On which channel do you prefer to consume luxury products, in the online channel (either the brand's website or a retail platform) or in the physical store? Why?

2. How important is the physical store in your decision-making process to purchase a luxury product? Is it crucial for you that the product you desire is available at a physical channel? Why?

3. What are the 3 main attributes that you value most in a luxury product? Can you guarantee using only the online channel that they are included in the product you want? (In other words, does the online channel give you enough confidence about the product?) Give one or two examples.

4. Do you complement the physical luxury shopping experience with the online channel? Or the opposite? If so, please illustrate a situation where this has occurred.

5. Do you think in some type of business model (for instance the traditional multi-brand retailers) the physical store can thrive independently? On the other hand, do you think that there are digital platforms who can continue to be just in the online channel? Why?

6. Going further, do you believe that these days, both channels have to work at the same time in the same company? Please explain the rationale behind it.