

# Online Distribution Channels for Global Luxury Brands: A Comparative between USA and China

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## INTRODUCTION

The growth of Electronic commerce and expanding consumer patterns in the emerging markets of China are bound to impact many businesses and entire industries. Note that the 2.0 technology has revolutionized not only the individuals' consumption patterns, but also the way brands compete. In Western economies, new trends like recycling or collaborative consumption appear as a way to ensure social and environmental sustainability. In developing economies, especially Asian countries, the consumption of luxury brands has increased greatly. But these traditionally brands present in the offline, have started to develop new ways of competing using internet and social media.

One of the examples of business that can be highly influenced by those factors is the luxury industry. The characteristics originally associated with luxury like uniqueness and exclusivity, in the context of Internet, are now related to the speed and common access. The online luxury industry can be seen as a paradox.

The luxury market has been slow to embrace online channels but the “the rise of digital sales, online browsing, and brand consideration is forcing them to re-focus their respective customer experiences”. Sixty-five per cent of luxury marketers now expect that digital platform will to be the most important form of marketing for their brand.

This situation is especially relevant in some markets such US as China, where the vast majority of online transactions— 85% as of 2009 — take place between consumers. Even Luddites know that the largest internet firms are in America. Yet the forthcoming public offering of Alibaba, an e-commerce giant, underscores that China is catching up fast.

Relative to the above statement, this chapter seeks to examine the impact of Online distribution channels for the global luxury brands in different countries such as USA and China.

To do this in this chapter will begin analyzing how luxury brands can be socially environmentally sustainable. Continue to analyze the concept of luxury brand, identifying which elements make it be perceived as superior to the rest, and we will review the distribution strategies that brands develop in in context of Web 2.0. We end the chapter by reviewing some of the distribution strategies followed by luxury brands in the American and Chinese markets. In particular we analyze the case of e-commerce companies in the US vs. China.

## 1. NEW MARKETING TRENDS IN CONSUMER MARKETS: CAN LUXURY BRANDS BE SUSTAINABLE?

Sustainable development is on the global agenda. Intensive demographic and economic growth without ecological concerns jeopardizes the life of next generations. Governments, NGO's and consumers are asking all economic sectors to change fast. Luxury has recently been a target for public criticism: it would be lagging, if not at odds with sustainable development imperatives. Focusing on specific products and consumers, critics point at the waste of resources for the pleasure of a happy few. Luxury attracts special attention in the areas of ecology, sustainable development and social equity (Kassaye, 2001). A deeper analysis reveals how much sustainable development is deeply congenial with luxury, but real luxury: both take rarity as their central concern and real luxury is by definition durable. Certainly luxury highlights the inequality of society, but it does not create it. Acting as a paragon of quality, luxury will need to act as a model in sustainability. Major real luxury brands have already responded to the demands of sustainability, but without much communicating, (Janssen et al., 2013). Can luxury brands be at the leading edge of sustainability? Much remains to be done. Finally is a luxury strategy the most efficient way to foster ecological behaviors?

Luxury is under pressure of sustainable development. Sustainable development has become the major collective challenge for many countries on our planet. Although not all of them signed the Kyoto Agreement, most of them expressed concern about the limits of our natural resources, the need to find a new type of economic growth while taking into account the costs of its collective negative fallouts, which is so far unmeasured, and will have an impact on future generations.

Sustainable development (SD) is a global concept promoting a society that can persist over generations. As a result it should make prudent uses of the planet resources (physical, human, biological). Beyond ecology, sustainable development promotes the conservation of biodiversity, of natural resources, and is also concerned with social equity. At the extreme, some advocates of SD consider that growth in itself is the problem

Many countries have already incorporated this new paradigm in their public policies, legislation and regulations. Incentives and laws are being enforced that have quantitative targets for carbon dioxide emission reduction or pollution control. Sustainability demands impact consumers. Intensive demographic and economic growth without ecological concerns jeopardizes the life of next generations. Governments, NGO's and consumers have asked all economic sectors to move fast. Luxury has recently been a target for public criticism: it would be lagging, if not at odds with sustainable development imperatives. Focusing on specific products and consumers, critics point at the waste of resources for the pleasure of a happy few. Luxury attracts special attention for, beyond ecology, sustainable development talks about social equity. Now, a deeper analysis reveals how much sustainable development is deeply congenial with luxury, but real luxury: both take rarity as their central concern and real luxury is by definition durable. Certainly luxury highlights the inequality of society, but it does not create it. Acting as paragon of quality, luxury will need to act as a model in sustainability. All major real luxury brands have already responded to the demands of sustainability, but without much communicating. Can luxury brands be at the leading edge of sustainability? Still much remains to be done. Finally a luxury strategy is the most efficient way to foster ecological behaviors. Themselves either as polluters through the type of purchases they make, or as guardians of suspect corporate actions. Active militant groups and NGO's scrutinize corporate and industrial behavior and reveal the culprits to the public.

Recently the luxury sector has come under enormous scrutiny. Reports have criticized this industry for lagging behind (Bendell, Kleanthouse, 2007). Some even say that sustainable and luxury are incom-

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