

Chapter 50

Luxury via E-Commerce: A Prospective Indian Market with Dickey Customers

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ABSTRACT

Internet has presented a new outlook of a commercial phenomenon and customer preferences. Regularly increasing customer traffic on the web and increased turnovers of web-shops impel the companies dealing in luxuries to think about their endeavors. Internet adoption and continuous increasing e-shops motivates customers to move towards purchasing of luxury products from web-shops; but, it is still facing some structural difficulties such as security, originality of products, genuineness of a web-shop and others. In case of luxury products, most of customers prefer purchasing from physical stores after assuring the self. They don't want to buy every luxury product from e-shops even they have previous experience of buying luxuries online. Prices offered by e-shops are also put forward a cause for online purchase of luxury products. Therefore, this study has attempted to enlighten the factors associated with luxury, issues faced by luxury customers, and perceptions they have for e-commerce.

INTRODUCTION

The idea of luxury e-commerce is now in growing phase of its life cycle. Various luxury brands offer jewelries, watches, leather articles, apparels and cosmetics online, but the practice of buying luxuries online has not gained absolute approval. The brands have to be accepted as being top of its alliance, but the articles cannot be distributed widely. Some argue that the wide accessibility of online channels is also a challenge to the products' exceptionality. Consequently, product will lose its status that differentiates it as a luxury. This may be an opinionative consideration over the potential and the strength of a luxury brand.

Nowadays, customers frequently oscillate from one product to another, no matter how the previous product was plush and gorgeous from others. Continually increasing customer traffic over the web and increased turnover from e-shops also impel to think the companies dealing with luxuries about tak-

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ing benefits of e-commerce. E-commerce has changed the buying pattern of customers. For example, before making any purchase, whether from physical stores or e-shops, they usually inquire online about product(s) before making any purchase (such as product's alternative brands, price comparison and preference searching). Buying online is convenient (The Economist, 2010) due to the options and navigations available to customers. On the other hand, the question comes with the existence that why a customer would go for purchasing luxury articles online rather than gaining wonderful experience of shopping physically. The legitimacy of online channel is also one of the factors that affect customer preferences and purchase decisions to buy luxury either from e-shop or not. It is usually observed that customers prefer to purchase luxury products physically after assuring themselves. So hereby, this study has attempted to enlighten the different aspects of luxury products and its purchase through e-commerce.

The Luxury

As Saviolo and Corbellini (2009) stated, "luxury is a multi-dimensional concept that means different things to different people". Barney (1992) considered the product as a luxury when the product is Valuable, Rare, Inimitable and Non-substitutable. Here, the cognitive impact of luxuries is the 'pleasure of ownership' that makes individual different from others and this is one of the factors by which luxury brands trace and satisfies their customer preferences. In the same fraction Laurent and Dubois (1996) parameterized a product as a luxury by its rarity, utility, price, craftsmanship, story and perceived quality.

Rarity can be considered by the availability of the product and mode of distribution, i.e. products are not accessible to everywhere and even sometimes not available for everyone. Luxuries are mostly sold through authorized channels that give perfect control over the brand and product's personality. This restricted mode is an effective way to distinguish the genuine product from bogus one's. Another way adopted by companies is shop-in-shop distribution with limited amount of product distribution. The inborn organism of product is also a reason for rarity; for example, if the used raw material is rare, production and supply would be limited. Another strategy is the simulated rarity which companies create by manufacturing any article with limited editions.

Utility is the efficacy of the product's function. It is hard to consider utility as the dimension for considering an article luxury, but this may make them different than other similar articles and parallel give a feeling to the affluent class of being an owner or a consumer of luxury article(s). It is apparent that the price of luxury is higher than similar articles with similar utility, but that reasonably represents the quality of raw materials, methods and traditional wisdom associated with luxury. This higher price must be justified with other dimensions of luxury. Heritage and craftsmanship play as the central dimension and are highly cherished by luxury brands and their consumers. In craftsmanship, the professed quality of luxury is the highest in degree. The skills and cares with which products are manufactured directly reflect on the quality gap between luxury and non-luxury articles. Production experience carrying a long history and heritage is also an important element to add competitive advantage to luxury articles. These characteristics can specify any article as luxury and are important for companies to utilize them as strategic framework.

Customer Behavior for Luxury

Customers of luxury class are highly brand sensitive. As a result of brand sensitivity, this particular customer class of luxuries is more loyal to their preferred brands, and very rarely engaged with brand

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