FUNDAÇÃO GETULIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

RENATA FERREIRA DA ROSA

ECOMMERCE AS INTERNATIONALIZATION STRATEGY

An exploratory study based on premium fashion Brazilian brands: case study of Farfetch

SÃO PAULO - SP
2016

RENATA FERREIRA DA ROSA

ECOMMERCE AS INTERNATIONALIZATION STRATEGY

An exploratory study based on premium fashion Brazilian brands: case study of Farfetch

Dissertation presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge: Luxury and Retail

Adviser: Prof. Dr. Luís Henrique Pereira

SÃO PAULO - SP

2016

Rosa, Renata Ferreira da.
Ecommerce as internationalization strategy: An exploratory study based on premium fashion Brazilian brands: case study of Farfetch / Renata Ferreira da Rosa. - 2016. 82f.

Orientador: Luís Henrique Pereira

Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo.

1. Objetos de luxo - Comercialização. 2. Comércio varejista. 3. Centros comerciais. 4. Marketing. I. Pereira, Luís Henrique. II. Dissertação (MPGI) - Escola de Administração de Empresas de São Paulo. III. Título.

CDU 658.8

RENATA FERREIRA DA ROSA

ECOMMERCE AS INTERNATIONALIZATION STRATEGY

An exploratory study based on premium fashion Brazilian brands: case study of Farfetch

Dissertation presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge: Management and Competitiveness in Global Companies.

Approval Date

____/____/_____

Committee Members:

____

Prof. Dr. Luís Henrique Pereira (Adviser)
(FGV-EAESP)

____

Prof. Dr. Benjamin Rosenthal
(FGV-EAESP)

____

Prof.ª Dr.ª Karen Perrota Lopes de Almeida Prado
(Universidade Presbiteriana Mackenzie)

ACKNOWLEDGEMENTS

I would like to express my gratitude to all those who have been instrumental in the preparation of this research report.

First of all I would like to thank my parents for being my safe harbor and best example. I am deeply grateful for their support and the opportunity that they were able to provide me for the accomplishment of this Master, and for being always kind and patient.

Secondly, I am thankful to FGV – EAESP and HEC Paris for being my alma mater and providing me the opportunity to undertake this study and allowing me to carry out this project. I am deeply grateful to my supervisor Prof. Dr. Luís Henrique Pereira, who suggested and helped in defining the framework of this research project. I am thankful to him for his continuous support, advice and encouragement.

I also appreciate the support of all my friends that were present in some form in this trajectory. Specially, I would like to thank my friends Paola, Bruna, Marta, Camila and Gabriela that shared the challenges of the first part of the master with me. Moreover, I am deeply thankful for my so called "Luxury Family" that I had the opportunity to meet at HEC and became my local family in Paris; expressively, thanks to Mohit, Alina, Pelin and Romina.

My sincere thanks to Farfetch that besides the opportunity to work and learn with them, also supported and helped me with the development of this case study. A special thanks to Daniel, the general manager of the Brazilian office, that always encouraged me and without his support, I would not have gotten the results I expected. Also thank to Paula, the head of business development that kindly answer my questions, and I can say that her disposition has helped me to complete a task that I strongly wished to develop.

“Success is most often achieved by those who
don’t know that failure is inevitable.”
Coco Chanel

ABSTRACT

As stated by Hoffmann and Coste-Manière (2012) "The web is a mass medium that contrast completely with the traditional codes of exclusivity associated with the luxury industry, and has long been simply rejected by the luxury industry for being an illegitimate distribution channel." Meanwhile this market presents an incomparable pace of growth and is gradually changing the existing retailing business model and companies must be aware of this change and capable to adapt to it. The internet and cross-border sales already changed the competition throughout retailing and it will increase even more, so companies must be ready to face it.

Internet has shown its great opportunity for all markets, although luxury/premium market is not yet taking the proper advantage of its potential, but the necessity to be an omnichannel business strategy is growing. This paper presents an exploratory research based on a case study of how premium fashion Brazilian brands are using Farfetch, e-commerce, as an entry market strategy and how this affects them. The research question of this study is: *How is Farfetch helping on the internationalization of Brazilian premium fashion brands?*, and in order to answer it was conducted an in-depth interview with the Brazilian head of business development of Farfetch, apart an extensive secondary data research.

As expected the study found a list of trade-offs of using an e-commerce, luxury specialized, with a marketplace approach to the brands willing to internationalize. As stated by Altagamma and McKinsey (2015) study "[…] luxury brands have no choice but to embrace the digital era and become truly omnichannel. This will require them a radical rethinking of both their customer experience of their consumer engagement strategy." Looking either from the Farfetch point of view, trying to understand why they offer this opportunity to the brands, or also from the brand side if this is a manageable approach. This study presents a contribution for both sides, trying to give tools to the brands on understanding the internationalization reasons and approach, as well as explaining Farfetch business model, and the advantages it can bring to them, at the same time of a general market trend analysis for Farfecth.

Key words: e-commerce, e-shopper, internet, technology, luxury market, premium brands, entry market strategy, internationalization.

RESUMO

Hoffmann e Coste-Manière (2012) afirmaram em seu estudo que "A web e um meio de massa e contrasta completamente com os códigos tradicionais de exclusividade associados a indústria de luxo, e por isso foi por muito tempo simplesmente rejeitada pelo mercado de luxo por não ser um canal de distribuição legitimo." Enquanto isso o mercado apresenta um ritmo de crescimento incomparável e gradualmente esta mudando o modelo de negócios existente para o varejo, portanto as empresas precisam estar consciente das mudanças e serem capazes de se adaptarem a elas. A internet e as vendas além-fronteiras já alteraram as formas de competição no varejo e vão aumentar ainda mais e as empresas têm de estar preparadas para enfrentar isso.

Internet já mostrou a sua ótima oportunidade para todos os mercados, no entanto os mercados de luxo/premium ainda não estão tirando o total proveito do seu potencial, mas a necessidade de adotar uma estratégia de negocio omnichannel esta crescendo e se mostra fundamental. Esse trabalho apresenta um estudo exploratório baseado em estudo de caso de como as marcas de moda premium brasileiras estão usando a Farfetch, e-commerce, como uma estratégia de entrada de mercado e como isso as afeta. A questão de pesquisa desse estudo é: Como a Farfetch esta ajudando no processo de internacionalização das marcas de moda premium brasileiras?, e para responder essa pergunta foi conduzida uma entrevista em profundidade com a responsável por desenvolvimento de novos negócios da Farfetch, alem de uma extensa pesquisa de dados secundários.

Conforme esperado, o estudo encontrou uma lista de trade-offs de usar e-commerce, mesmo especializado em luxo, mas com uma estratégia de marketplace, como estratégia de internacionalização para as marcas que assim o desejam. Conforme o estudo da Altagamma e McKinsey (2015) "[…] marcas de luxo não tem mais escolha senão abraçar a era digital e se tornar um verdadeiro canal omnichannel. Isso vai exigir uma atenção redobrada tanto na experiencia do consumidor como na estratégia de engajamento do consumidor." Com um olhar tanto da perspectiva da Farfetch, tentando entender o porquê oferece essa oportunidade para as marcas, como das próprias marcas para entender se essa e uma abordagem viável. O estudo apresenta contribuições para os dois lados, oferecendo ferramentas para as marcas analisarem as razões e melhor abordagem para internacionalização, assim como a explicação do modelo de negócios da Farfetch, e as vantagens que ele pode trazer, assim como uma analise geral do marcado com suas tendências para a Farfetch.

Palavras-chave: e-commerce, e-shopper, internet, tecnologia, mercado de luxo, marcas premium, estratégias de entrada no mercado, internacionalização.

LIST OF ILLUSTRATIONS

FIGURES

TABLES

EXHIBITS

LIST OF ACRONYMS

B2B – Business to Business

B2C – Business to Consumer

C2B – Consumer to Business

C2C – Consumer to Consumer

CSFs – Critical Success Factors

DB – Destination Brazil

FDI – Foreign Direct Investment

MNE – Multinational Enterprise

OLI – Ownership, Location, and Internalization

P2P – Peer to Peer

SIFs – Success Inhibiting Factors

SME – Small and Medium Enterprise

TABLE OF CONTENT

1 INTRODUCTION

1.1 Contextualization

The internet first described in 1962, and spread to the mass around 1993 (Leiner, 1997) changed the retail and the consumers expectations. Nowadays costumer can not only easily compare prices and products details, but also buy products from their homes, wherever they are and receive their packages a few days or even hours later. This technological change brought a new perspective to companies; they do not compete only in local market, rather globally. For that, companies must adjust their strategies to fit this global competition and make sure of their global presence.

As Euromonitor stated:

> "*Internet shopping has been a disruptive force in retailing in developed markets for a number of years. With the enlargement of the EU, increasing internet speeds, consumers' growing acceptance of buying over the web and retailers looking to internationalize, consumers have looked to shop across boarders. In the future, the internet and cross-boarder sales are likely to mean that competition throughout retailing will increase.*" (Euromonitor, 2011)

Also according to Euromonitor it is predicted that by 2016 the Internet retailing will account for 5.7% of total retail value in Western Europe and 3.5% in Eastern Europe, up from 1.8% and 1.1% in 2006 (Euromonitor, 2011). This pace of growth is gradually changing the existing retailing business model and companies must be aware of this change and capable to adapt to it.

The European B2C Ecommerce Report 2015 brings important numbers of the European market size and growth. According to them among the 818 million people who live in Europe, 70% use internet, and from the internet users 40% are e-shoppers. The average spend per e-shopper in Europe is around € 1,925 per year, and the online retail is already estimated to represent 7,2% of share in total retail, contrasting with the predicted value from Euromonitor mentioned above, reinforcing the increase tendency. Among the Europeans countries UK, Germany and France account for about 60% of total ecommerce sales (Europe, 2015). Even beyond European markets, once a brand exposure itself to a global market, it is possible to reach even greater online markets as China, USA and Japan, as shown in the figures below. The Figure 1 represents the top 10 e-commerce countries around the world in billions of euros and Figure 2 represents a revenue forecast in billions of euros for the e-commerce in Europe until 2017.

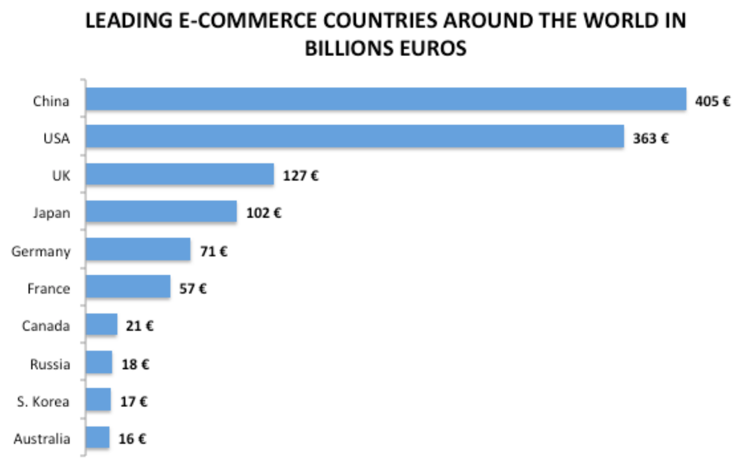

Figure 1 – Leading e-commerce countries around the world (Europe, 2015)

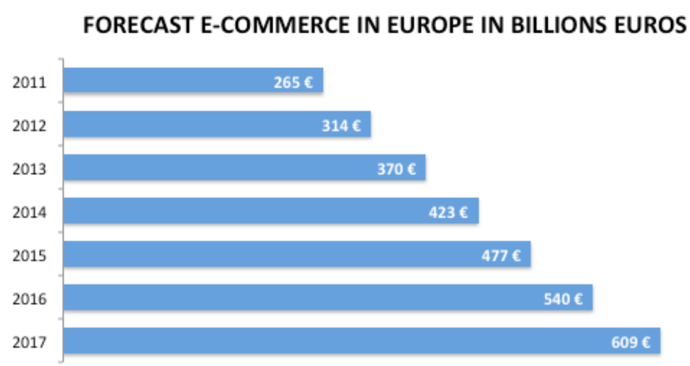

Figure 2 – Forecast e-commerce in Europe 2016 (Europe, 2015)

The Brazilian e-commerce market is not as mature as the European, but also shown impressive figures from these recent years. The WebShoppers report, from the renowned *e-bit* company, released every year can picture the market. Among the 200 million Brazilian about 50% have internet access and from them 51.5 million already did some online purchase. Moreover, despite the high inflation rate and the low economic growth, the Brazilian e-commerce had a nominal growth of 24% in 2014. Among the categories Brazilians most bought in 2014; “Fashion and Accessories” are in first place representing 17% of the online purchases, it is followed by “Cosmetics and Health Care” (with 15% of the sales) and “Consumer Electronics and Tech Products” (12%) (e-bit, 2015). Although all this growth, Brazilians still see e-commerce as an opportunity market where they can find the same products with lower prices. The unprecedented number of orders in Black Friday (although in Brazil the thanksgiving is not celebrated, the promotional sales are adopted by most of the online retailers) supports this behavior, and by that the average online Brazilian ticket was R$376.00 in 2014 (e-bit, 2015).

In this scenario and analyzing the global luxury market this paper aims to better understand the reasons and opportunities for Brazilian premium fashion brands to internationalize through e-commerce. As stated by Euromonitor, "*despite persistent economic turbulence, mounting troubles in the Eurozone and political instability in several emerging markets, the global luxury goods market remains largely positive. The pursuit of luxury has been sustained, with both absolute and affordable luxury rebounding strongly. With a new world order at stake, highlighted further by the BRIC growth story, luxury brands are using innovative ways to compete in this highly challenging industry*". (Euromonitor, 2013)

1.2 Objectives

According to Hoffmann and Coste-Manière "*The web is a mass medium that contrast completely with the traditional codes of exclusivity associated with the luxury industry, and has long been simply rejected by the luxury industry for being an illegitimate distribution channel.*" (Hoffmann & Coste-Manière, 2012). Even though the luxury brands cannot ignore the phenomenon and waste not only potential sales, but also an increasing market. Hoffmann and Coste-Manière also state that within the luxury industry, fashion and cosmetics are well ahead in terms of e-commerce, and this study will focus the analysis on how the e-commerce can help luxury fashion market to internationalize.

Therefore, the objective of this research is to better understand how Farfetch, an exclusive e-commerce model, is helping premium Brazilian fashion brands to internationalize using online market as an entry market strategy. By that the study will offer a benchmark to Brazilian fashion brands on how e-commerce works, and their unique characteristics. Moreover the study will give an updated view of the online market as its challenges and opportunities, including a competitor analysis with their different practices. To achieve that is necessary to understand Farfetch's business model, the specific e-commerce of the partnership, and how it can help or impact on the brand image of its partners. Additionally it is necessary to understand the brands strategies and how internationalizations fit their aims.

Moreover, as also mentioned by Hoffmann and Coste-Manière "*An e-commerce strategy does not only mean accepting to manage an e-boutique, it also implies maintaining an online catalog and recognizing the logistics with complex stock issues across multiple channels*" (Hoffmann & Coste-Manière, 2012). This is a reason why it is so important not only to understand the brand intentions, but also how the specific e-commerce can help them achieve their aims.

1.3 Research question

Internet has shown its great opportunity for all markets, although luxury/premium market is not yet taking the proper advantage of its potential. The goal of this dissertation is to better understand how Farfetch can help Brazilian premium fashion companies achieve global markets and possibly develop a strategy plan for futures brands that want to internationalize through e-commerce as well. This paper aims to give tools to companies to develop a strong strategy to enter and stay in the market, and by doing that, expanding the potential consumer market. In order to achieve this, I will analyze the literature that has been developed on entry market as well as luxury strategy and dig into the luxury ecommerce already present in the market.

How is Farfetch helping on the internationalization of Brazilian premium fashion brands?

2 LITERATURE REVIEW

The literature review will cover the principal aspects of internationalization, the reasoning behind it and how to apply them to e-commerce. Then, it will be presented the principals of the luxury, including its definitions and how luxury brands are adapting them to the recent changes and online market. Finally it is explored the internet evolution and e-commerce overview, with all its challenges and opportunities.

2.1 Going global

2.1.1 Internationalization process

Looking from a historic perspective it is important to state that business environment has been facing radical changes over the last decades. The decrease of commercial barriers has been the first step of business opportunities' growth over the world as well as trade agreements between countries. This resulted in a growing integration process, also called globalization (Raynard, P. & M. Forstater, 2002). Ricardo (1821) was the first economist to demonstrate the benefits of international business transactions after Smith's initial theory about international free trade (1776). According to Ricardo (1821), countries' specialization led to an optimal resource' allocation and utilization.

Other authors also developed their theories in order to explain the theory of internationalization. The behavioral school and the Uppsala process model conceptualized the internationalization as "being a progressive process where a company will start exporting abroad and progressively develop subsidiaries before implementing production units abroad, when the risk is thought to be minimized" (Johanson & Wiedersheim-Pul (1975), Johanson & Vahlne (1977), Welch & Luostarinien (1988)).

Once a company wants to internationalize the main studies available suggest a tree steps process. First, it should be identifying a country abroad that offers big opportunities and a strong growth potential to the company. Secondly, the business should identify the most suitable entry strategy to this particular country. Lastly, the company should be conscious of the challenges it might find while entering the foreign market.

Bearing in mind that the premium fashion brands, focus of this study, are rather SMEs, it is also important to state that they are less flexible to choose the most appropriate market and modes of entry than large multinational corporations (Alon, 2004). Indeed, they have less resource that can be allocated to market selection and are less likely to enter a costly internationalization process. Alon (2004) exposes some critical resources that companies usually lack to go international, namely: (1) capital; (2) management attention; (3) experienced personnel; (4) international business skills; and (5) know how about foreign markets.

In order to give tools to companies' managers to make the best decisions, there are some proposed frameworks to select the best country and host market selection. Pankaj Ghemawat proposes the CAGE Distance (Cultural, Administrative, Geographic and Economic) model showing the relevance of studying these four dimensions for the best internationalization decision (Ghemawat, Choosing the Right Global Strategy, 2007). Alon (2004) offers a framework with a six-step approach to select foreign target markets, being: (1) examining the product exports; (2) analyzing website hits; (3) following the customers' globalization; (4) ranking markets in terms of market potential; (5) dividing markets in terms of ease of entry; and (6) evaluation and prioritizing the most promising markets.

Porter (1986) is another author that has developed new models and theories concerning company internationalization, commonly referred to as the international strategies' typology. He identified some major phases, being the exportation the initial phase of a company's internationalization, once the company enlarges its market to other countries but the production remains local. The next step happens to be the creation of a subsidiary; the company starts to relocate partially its operations out of its market of origin. Those two steps are part of the "international" strategy, generally adopted by companies initializing their internationalization or Small and Medium Enterprises, wishing to internationally develop their activities, as it remains the less costly strategy.

On the other hand, multinational companies will usually adopt a different approach to internationalization as they wish to be more integrated in the international sphere than an international company. Generally, these companies will maximize the most each country where they have operations in, depending on what the countries have to offer (low labor costs, products of quality). The Foreign Direct Investment is the most common to implement production units abroad.

Related to the FDI, John Dunning developed a helpful framework for categorizing called *OLI* and it shows as an "extremely fruitful way of thinking about multinational enterprises (MNEs) and has inspired a great deal of applied work in economics and international business". The acronym OLI stands for Ownership, Location, and Internalization, "three potential sources of advantage that may underlie a firm's decision to become a multinational" (Dunning, 1977).

According to Dunning (1977) *ownership* advantages address the question of "why some firms but not others go abroad, and suggest that a successful MNE has some firm-specific advantages which allow it to overcome the costs of operating in a foreign country". As studied by Dunning (1977) *location* advantages focus on the question of where an MNE chooses to locate. Finally, *internalization* advantages influence how a "firm chooses to operate in a foreign country, trading off the savings in transactions, holdup and monitoring costs of a wholly owned subsidiary, against the advantages of other entry modes such as exports, licensing, or joint venture" (Dunning, 1977).

The theory of networks advocates that the internationalization is a process of market knowledge, and that can only be acquired by establishing relationships with foreign actors (Khayat, 2004). By belonging to international networks, CEOs and managers will get crucial information (Casper, 2007), which have an important role at the time of expanding activities abroad. More specifically, SMEs are the most needy actors in terms of information. The global strategy is mainly known for its standardization and resources optimization's advocacies. The world is considered as a unique market where consumers are considered to have homogeneous tastes; consequently, marketing adaptation is perceived as unnecessary.

2.1.2 Reasons for internationalization

It is essential to understand the motives that take a company to expand its activities internationally. It can provide an interesting framework for the enterprise questioning their potential for internationalization and those on the verge of internationalizing their operations. Multiple researches have focused on the motives hidden behind internationalization.

There are several studies on this topic. Smallbone and North (1995) suggest that firms, which decide to expand their international activity in a way to increase their profitability, and at the same time, raise their chances of survival. Rodrigues and Child (2007) suggest that there are three main initial triggers leading companies to pursue an international strategy. The authors divided it into two groups: rational strategic analysis and serendipitous events. Within the first tier the reasons would be the potential for growth and profitability a foreign market can offer; or a declining home country market and/or difficult home country market competing conditions leading the company to go abroad in order to survive. Regarding the second group Rodrigues and

Child (2007) suggest that internationalization could be also generated by unplanned events leading to an unanticipated approach abroad. Moreover it is important to stress that serendipitous events are less important than the ability of the company managers to identify; react; and exploit these chance events. Social networks, business networks, entrepreneurial flair or any other ability might be crucial to recognize and utilize the international opportunities when they arise (Crick & Spence, 2005).

Dawson (1976) is another author that emphasis the limited market opportunities in the domestic market as a reason to internationalization. It can be explained by local market maturity, aggressive competition or restrictive regulations. Going beyond, Hutchinson et al. (2007) also states the importance of the founder of the company in the brand internationalization, usually being risk-averse when questioned about expanding activities abroad. External pull factors are drivers related to the attractiveness of a potential foreign market. The existence of large untapped markets, the perspective of niche opportunities, the growth prospects (Williams, 1992) are the main external proactive factors that can justify internationalization.

Finally, the brand itself can be a motive of international expansion (Moore et al., 2000), especially in the beauty and fashion markets, where the brand has a meaning and tells a particular story. By being unique and desirable, a brand can drive a retail to expand internationally. Howard (2004) states that "timing is crucial – taking opportunities as they arise, particularly as markets open to foreign investment, and as consumer spending reach absolute levels and levels of growth that are sufficient to support a new entrant" (p. 108)

2.1.3 Born Global

Along the last 5-10 years a new concept of internationalization was brought to light, and it has all to do with the theme of this study. The export behavior of firms has challenged many findings of actual export behavior reported in the traditional internationalization literature. It has been demonstrated that many firms now do not develop in incremental stages with respect to their international activities. Companies are more and more frequently starting with international activities right from their birth, either to enter very distant markets right away, or to enter multiple countries at once, or even to form joint ventures without prior experience, etc. This type of company received several names according to the respective author, like: "*International New*

Ventures" (Oviatt & McDougall, 1994), "*High Technology Start-Ups*" (Jolly et al., 1992), and "*Born Globals*" (McKinsey & Co. (1993); Knight & Cavusgil, (1996); Madsen & Servais, (1997)). A reasonable explanation for this new picture of internationalization of firms is explained by the "more global market conditions, new developments in transportation and communication technologies, and the rising number of people with international experience" (Madsen & Rasmussen, 2002). According to McKinsey & Co (1993) "[…] these firms view the world as their marketplace from the outset and see the domestic market as a support for their international business." The same study of McKinsey & Co (1993) explains the Born Global phenomenon as it's management commitment to internationalization and the "firm's ability to standardize production, marketing, etc. in a global niche instead of – as expected – developing customized products". (McKinsey&Co, 1993)

Even before the Born Global concept was designed, previous studies already talked about these companies that are international from the inception. Jolly et al. (1992) developed focused their studies on high-tech firms, coming up with what they called *High Technology Start Ups* and, as defined by them as extreme cases of internationalization that jumps over the first stages. According to the authors these kind of company are characteristic for having founders and employees from "several countries and that they follow a strategy directed towards international niche markets. These firms represent a type of firms that, due to their high tech product, may have to be international right from the beginning". (Jolly et al., 1992)

Oviatt & McDougall (1994) went a bit further on the Jolly et al. (1992) study, developing a "typology of firms created from the number of value chain activities combined with the number of countries", giving so a more precise definition of the different type of firms researched, as it can be seen on the Figure 3 below:

Types of International New Ventures

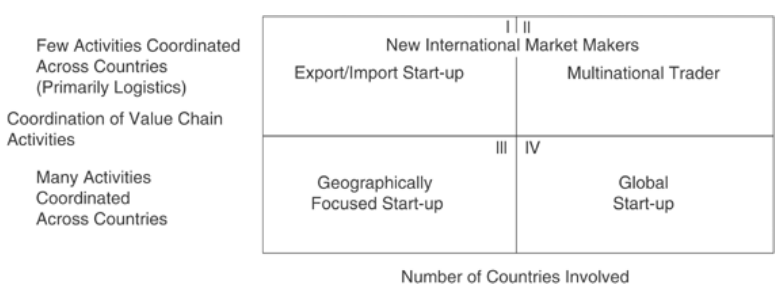

Figure 3 - Types of international new ventures (Oviatt & McDougall, 1994)

First, there are the New International Market Makers (I and II), which are the traditional type of firms operating both as exporters and importers. “Their most important competitive advantage is knowledge about logistics. They use the imbalance between countries in production costs and market prices to create new markets. Often they operate through a large network of business contacts in a large number of countries – often through the founders and managers’ personal contact and relations”. (Oviatt & McDougall, 1994)

Geographically Focused Start-Ups (III), the next type of companies, which gain its competitive advantage by servicing a few customers with a highly specialized demand in a relatively small part of the world. “The competitive advantage of these firms typically stems from the coordination of a number of value chains in regard to technological development, knowledge, production, etc. This coordination is often socially complex and thus difficult to imitate because of the tacit nature of the knowledge involved” (Oviatt & McDougall, 1994). Furthermore the networks and relations involved are closed to outsiders and in this way knowledge is protected.

The more radical international companies are known as the Global Start-Ups (IV). These firms coordinate almost activities in the firm across national and regional borders. “They do not merely react upon possibilities in the global markets but are extremely active globally to get access to resources and markets. They have a unique history and use socially complex knowledge bounded in several networks spanning the whole world” (Oviatt & McDougall, 1994).

According to Madsen and Servais (1997):

> “*[...] when studying a Born Global firm, the time perspective should be extended beyond its birth. Probably, many of its ”genes” have roots back to firms and networks in which its founder(s) and top managers gained industry experience. Basically, in many instances it may be doubtful whether a Born Global can be considered a new company. In a legal sense the company may be new, but were it skills and capabilities not often born and matured prior to its legal birth?*” (p.573)

Firms have to adapt to changes in the environment – at a still faster pace – and have to be able to work in rapid shifting networks and relations with other firms and several other actors. “The firms have to build in the flexibility and the capacity to handle constant change in the organization – and almost always in an international environment” (Madsen & Rasmussen, 1997). Child & McGrath (2001) described this transition from “an economy based on materials to an economy based on flows of information" as 'information-intensive economy'. Going back to the Born Globals it is evident that the most international – and agile – of these firms fits the description of the new firm above. The 'global start-up' from the typology of (Oviatt & McDougall, 1994) is precisely this type of firm. They are extremely flexible, pro-active on a global scale, and working in a large number of networks and relations.

2.1.4 Internet in the retail internationalization process

Petersen et al. (2002) claimed that the Internet would have a revolutionizing impact on the retailing industry, by being a new powerful selling channel that could jeopardize every traditional retailing channel. Anderson, Simester, Zettelmeyer (2010) recently exposed what they believe to be one of the greatest benefits of the Internet over another form of retailing channel: "Internet introduced one-to-one marketing with a scalable cost structure". Equally, companies won the opportunity to target new customers through this "new" retailing channel (Anderson, Simester & Zettelmeyer, 2010).

On the other hand, as Coker, Ashill, Hope (2011) explained "[…] there is still a significant part of consumers that remain doubtful about the payment security when it comes to purchase a service or a product online". On the companies' side, regional cultural aspect still matters when it comes to selling through the Internet channel. The Internet is not used for the same motives between countries (Guillen, 2002), and this may lead to different web-marketing strategies (web-site content, web-site layout design). Equally, Anderson, Simester and Zettelmeyer (2010) identified that "the Internet can lead to the destruction of traditional segmentation" (one distribution channel for one segment) as well as to negatively impact traditional retailing channels' income.

Therefore, the Internet distribution might not be easy to implement for developing international activities, but as Chen (2003) concluded in his research, leaders or at least companies famous in their country of origin will have much more chance to have a fast international growth by using the Internet and by establishing a global standard.

2.2 Luxury market

Luxury developed and changed significantly in these recent years. As stated by Chang & Horng (2010):

> *"The concept of luxury is incredibly fluid and changes dramatically across time and culture. In the past it was associated with champagne, caviar, designer clothes and sports cars. Nowadays with increased affluence, luxury is a blurred genre that is no longer the preserve of the elite. More and more consumers have traded up as the old values of tradition and nobility have become less important. People are enjoying much more material comfort in comparison to previous generations, resulting in a trend of a cultural shift for personal fulfillment and aspiration through experience."* (Chang & Horng, 2010)

As briefly explained above, this chapter will bring a review of luxury history, the differences in this market and the challenges faced by those brands and how they face the new online market and marketing. For that the main authors of the topic will be studied, such as Kapferer and Bastien, Hoffmann and Coste-Manière, and Okonkwo.

2.2.1 Luxury definition

As stated by Kapferer and Bastien (2009) either by Chevalier and Mazzalovo (2008) luxury received various definitions according to the author who wrote it. Even tough, there are some distinctions among them. The variation is caused by the approach each author decides to focus, in order to specify some particular aspect and to defend its arguments. As Ghosh and Varshney (2013) argue, "[…] the concept of luxury is quite complex and has specific context". Some authors tried to explain the nature of luxury, suggesting that they serve the "necessary purpose of recreating social stratification in modern democratic societies, because individuals fundamentally need to know their *place in society*" (Kapferer & Bastien, 2009).

Chevalier and Mazzalovo (2008) sustained their definition of luxury based on a triad criterion: "it must have a strong artistic element; it must be the result of craftsmanship; and it must have a global brand reputation". Beyond that, Kapferer and Bastien (2009) proposed that luxury is a conversion of "the raw material that is money into a culturally sophisticated product that is social stratification".

Kapferer and Bastien (2009) went further in their own conceptualization of luxury, as it can be seen below:

> *"Luxury is qualitative and not quantitative: the number of diamonds in a necklace is an indication of the opulence of the wearer, but says nothing about his taste. Also, when it comes to luxury, hedonism takes precedence over functionality: this is a major distinction with premium brands. Luxury is closer to Art, than to mere function. It has to be multi-sensory and experiential: it is not only the appearance of a Porsche that matters, but also the sound of it; not only the odor of a perfume, but also the beauty of the bottle it comes in. It is a multi-sensory compression. Luxury being a social phenomenon, and society being composed of human beings, luxury, whether object or service must have a strong human content and must be of human origin"* (Kapferer & Bastien, 2009).

By analyzing the definition proposed by the authors, luxury means exclusivity and rarity. The luxury market is a very close and elitist sector, which just a small portion of the society can reach its goods. Even more, luxury involves the experience perceived by consumers, which demands more than just a product; it is necessary to create a value beyond the functionality of the goods. Thereby, luxury can be defined by a social stratification, in which consumers have high expectations and demand for a unique and exclusive product and/or service.

Chevalier and Mazzalovo (2008) sagaciously described that "traditional luxury brand was one that was selective and exclusive, that creates desirable attributes of being scarce, sophisticated and in good taste". The scarcity and aristocratic dimension of these brands went hand to hand with lofty price tag, making them inaccessible to most people.

As the paradigm was broken, luxury was not merely restricted to the elite class and became to be recognized as an industry (Ghosh & Varshney, 2013), so its market had the need to be classified and split among different sectors. According to The European Cultural Creative Industries Alliance, (ECCIA, 2014) the luxury industry now a days is divided into the following sectors: (1) Watches & Jewelry; (2) Fashion; (3) Perfumes & Cosmetics; (4) Accessories; (5) Leather Goods; (6) Gastronomy; (7) Furniture & Furnishing; (9) Design Household Equipment; (10) Cars; (11) Yachts; (12) Wines & Spirits; (13) Hotels and Leisure Experience; (14) Retail and Auction Houses; and (15) Publishing.

The following sections of this dissertation have as goal better understand the luxury market and its nuances. In order to reach it, is necessary to study the evolution of the market. So then, it can be clear how the market and the brands create their strategies and work nowadays. After analyzing the evolution and main characteristics of the luxury market of today, it will be explored specific characteristics of Brazilian luxury market, and lastly the retail distribution specificities.

2.2.2 Evolution of luxury market

The professors Kapferer and Bastien (2009) explain luxury market evolution by four sequential generations that are a result of the progress of the industry through the 21 centuries. As defined, the first is what we know as the traditional luxury industry, in its beginning. It was defined by high quality products developed to the high hierarchy from Western Europe up to the 18th century. Secondly, the next generation is marked by the rise of the Haute Couture, a high-end fashion segment in the 19th century, mostly presented in France by that time. Subsequently, the next phase occurred by the end of the 20th century, when it was introduced the concept of democratization of luxury, and the potential of new markets. And lastly, there was the 21st century turnover, characterized by a whole new luxury segment internationalized, which defines the fourth generation.

Another author, Berry (1994), also analyzed the luxury evolution with a chronological perspective as the following:

> *"From a historical perspective, the fact that the desire for luxury goods can be assumed to be innocuous is a point of considerable significance. From the Greeks onwards, luxury had always been associated with desire but, up until the eighteenth century, this association had been deemed pernicious and harmful. While an important evaluative change occurred at that time, a morally censorious attitude towards luxury persisted throughout the nineteenth century, attaining a prominent place in France in the last decade of the century and echoes can be heard in some aspects of contemporary cultural criticism."* (Berry, 1994)

Thereby, in order to understand and contextualize the evolution of the market, the following subsections present the main characteristics of each phase, and contribute to the creation of what is luxury today and how it is explored by different markets.

2.2.3 First generations

On the two first generations of luxury industry, the tradition is mainly the most relevant aspect. The first phase, besides the traditional is also represented by the essential luxury. As stated by Kapferer and Bastien (2009), “the traditional luxury was originally the visible result – deliberately conspicuous and ostentatious – of hereditary social stratification (kings, priests and the nobility, versus the gentry and commoners)”. Aristocrats had to show their inherited rank to the crowds: ostentatious spending was a social obligation for the aristocrats, even the less fortunate. On the other hand, social distance was preserved: the rich Bourgeois were not allowed to dress like aristocrats. This was forbidden by royal rules (sumptuary laws). In that sense, the old and traditional luxury was defined by the heritage and has a presence over several centuries up to the 18th century.

The second generation is marked by a slow transition with a raise on the captured consumers, all belonging to a high hierarchy, but still keeping its traditionalism. This shift is due to social changes that society was facing by that time. The imperialistic world – defined by a period of superior ideas and dominant practices that was developed by the extensions of authority and control of one states over another (Gregory et. Al, 2009) – was being substituted to a new form of society. Bourgeois started to be recognized as a class that could create stratification from the bottom of the pyramid, but not until the 20th century this changed has fully occurred. Kapferer and Bastien (2009) explain this society shift as seen below:

> *“Eighteenth-century rational thought and enlightenment philosophy resulted in the gradual disappearance of the founding myths that gave legitimacy to this social structure, and led to our present-day western society. Globalization is inexorably conquering the world, that is to say, a materialistic and fluid society in which any kind of transcendent social stratification has disappeared. Meritocracy has been substituted with aristocracy. Each person in a democratic world has even chances of succeeding: one makes one’s own destiny through work. This has much more fluid and open world. Some people even speak of classless societies”* (Kapferer J.-N. & Bastien V., 2009).

The second phase also witnessed the emerge and diffusion of the Haute Couture. The concept of Haute Couture was created in France and referred to the creation of exclusive custom-fitted clothing. Haute Couture is a high-end fashion entirely developed by hand from the beginning to end. It is designed with the highest quality, expensive, unusual fabric, with extreme details and finished by the most experienced and capable techniques. In other words, the introduction of Haute Couture in the luxury industry diffused the concept of fashion into the industry, but with high selective manners.

2.2.4 Third generation

The third generation is marked by the rise of new social class, the modern *bourgeoisie*, was already by that time totally recognized by the social stratification. The ascension of this new class, besides creating a new market that have never been explored, also enabled the success of luxury in the 20th century. This century is presented by gradually change in the French fashion sector from a "homemade world with a deep know-how, to an activity of mass production in order to address a wider market" (Jollant-Kneebone & Braunstein, 2003). However, it was only in the beginning of the 90's that the luxury industry have been redefined and reoriented: designers and fashion designers became art directors (Hoffmann & Coste-Manière, 2012).

Three main factors have created the new environment for the luxury market: the development of new social classes, the introduction of pure capitalism and the rise of democratic States. Jollant-Kneebone and Braunstein (2003) state an important change in the end of the 80's. According to them "luxury brands were not a company, but a close universe of personal and unreachable boutiques". These houses had regular customers and the world of luxury was a closed and very elitist universe; however, this environment has changed with the arrival of large luxury groups such as Kering, Richemont and LVMH – Moët Hennessy Louis Vuitton.

This new era brought by the end of the 80's broke the previous paradigms and introduced a totally new concept to the luxury industry as the highest turnovers ever seen by the market. "The narrow range of consumer-targeted and exclusive-distribution channels have been replaced by stretching of the brand to appeal to new markets and to be affordable by a wider range of consumers" (Hoffmann & Coste-Manière, 2012).

This generation brought a commercial and industrial logic, the manufacturers were no more adopting a straight luxury approach, and they were rather defining strategies of integration. Marketing became the dominant notion with the concept of large-scale production. Moreover, the luxury industry underwent a process of industrial standardization, and the luxury product became a product like any other.

The luxury industry saw by this time emerge of new segments: “arts of fashion and perfume henceforth entered the industry of mass consumption, a concept that became justifiable in the sector” (Hoffmann & Coste-Manière, 2012). This breakthrough brought a totally new meaning for luxury: a division between the traditional luxury consumer – created in the French society centuries ago, and the new consumer that emerged from the shift of the values and hierarchical levels of the modern society.

The third generation brought with it emerge of new markets and a wide ray of opportunities, which resulted in the internationalization of the luxury industry. There was a huge potential of growth in the emerging countries during the 90’s. The big brands had enough weight to support country risk and take advantage of this growth. However, it was necessary to pay off, on a wide base, the investments of the collection and the development of the concepts of product and distribution. The necessary investments to develop and manage concepts that could create some value in the luxury were no longer enough to compete only in one country.

As Hoffmann and Coste-Manière (2012) stated, “the emergence of a new consumer with high purchasing power was also a determining factor of the growth of the luxury sector in the international trade, it helped boost sale”. Therefore, the 90’s with the arrival of new markets gave industry incredible new opportunities of development and success, shifting away from the traditional concept and management of the luxury industry, which was highly differentiated, exclusive, and limited consumers’ niches and markets.

2.2.5 Fourth generation

The 21st century brought the last studied phase, and with it new challenges to the luxury industry. Luxury should face the need of adaptations and changes. The entire concept was changing, both anticipating and following the constant shift of consumers dreams, needs and desires. The biggest challenge to the brands was linked directly the consumers’ needs. “Luxury brands had to be more competitive, while maintaining their values, extending their rages, refreshing, stretching and offering more affordable products for the upper-market” (Hoffmann & Coste-Manière, 2012). This phase brought to stage the concept of internationalization to the luxury market. Companies had to expand not only to new horizons, but also adapting their names.

"To keep pace with the radical changes in the concept of luxury, luxury brands had to be more competitive, innovative and aware of consumers' slightest needs, dreams and desires" (Kapferer & Bastien, 2009). Brand stretching, as personal incomes rose, made luxury marketers able to offer less luxurious product lines at more reasonable price. According to Hoffmann and Coste-Manière (2012), "[…] different categories of brands have been introduced such as *premium brands*; *niche brands*; *creators brand*; *top of the range brands*; *luxury sewing*". This arose of categories brought problems to the brands with their identity and positioning. After the expansion of niche market, consumers are less and less likely to deeply understand brands values. With this emerged the concept of luxury democratization through internationalization.

According to Kapferer and Bastien (2009) "the democratization of luxury came with the recreation of luxury in some degree of social stratification and recreated the definition of luxury: the sophistication has remained, but the selectivity was less apparent". The democratization of luxury provided accessibility to a large number of new consumers. This spited luxury into two types: the *inaccessible* and *the mass*. The factors that bound them were an additional creative and emotional value for the consumer and the promise of quality. The democratization of luxury explains the increasing number of people that could afford a couple of designer pieces without becoming regular consumers, often because they cannot afford it. Here is how the luxury brands adopted the concept of entry products and collections, developing products that can satisfy this new costumer desires, but being still affordable. This also explains the reason of such heterogeneous luxury clientele nowadays.

The authors Silverstein and Fiske (2003) further explain the democratization of luxury based on three types of goods: "accessible super premium"; "old-luxury brand extensions"; and "mass prestige or masstige". The first category, *accessible super premium*, includes products which are the most expensive ones in their categories, but affordable by middle market consumers; these are low-ticket items, so labeled by Kapferer and Bastien (2009) as entry products. The second category, *old-luxury brand extensions*, is defined by brands that have lower priced version of goods and have traditionally been affordable only by the riches. This can be a dangerous strategy as it focuses on attracting more clients based on brand extension. The last category, *mass prestige* or *masstige*, targets mostly what is usually known as the "luxury tourist". This is far from being the highest-priced product in the category, it is a mix between mass and class, there are less expensive than super premium goods, which allows a wider access to luxury goods.

With another point of view, Allèrés (2000) also explains his three categories of luxury. First, there is the *inaccessible* luxury, which "[…] represents the maximum excellence, high quality products, extreme rare and with an artesian method of production". This first category is close to the definition of traditional luxury goods. On those goods it is valued the forms, colors, design, craftsman produce and origin of the products.

Secondly, there is the *intermediate* luxury; even though the products have high quality they are "less exclusive and production and material have not the same sophistication". Those products are known as "trends products", they are not traditional and they follow the new trends of the market. It is possible to associate those products to the first change of the luxury industry, when luxury products became more accessible, but still with some restrains.

The last category defined by Allèrés (2000) is so called *accessible* luxury: "the products are rapidly manufactured, they demand fewer hours to be confectioned and the materials used in the process are not of high quality". Those products are defined by the logic of the continued manufacture process, in other words, scale products. In association with the evolution of luxury, this category illustrates the democratization of luxury goods. It is easier for brands to enter this market, there are lower entry barriers and investments are also smaller; this category has created a competitive market niche.

In that sense, the introduction of new categories of luxury brought a new concept to the definition of luxury. While the old luxury is defined by its prestige, heritage and uniqueness, the new luxury industry offers goods that are fresh and unexpected; introducing the appealing side of the market and attracting consumers that are particularly young and fashion-conscious. Moreover, the fact that luxury brands have moved into emerging markets has also contributed to the diversification of the luxury consumer profile. The consumer has become more casual and particularly more diverse in terms of culture and preferences. Not only had the emerging markets become new entry markets of luxury brands, but the world as a whole justify by the new international marketing strategy. In conclusion, new markets have emerged and culture, geographic and demographic forces became the shapers of the new luxury brand universe, which developed new products and marketing practices.

2.2.6 Brazilian luxury market

As mentioned by Hoffmann and Coste-Manière (2013) in their book "Brazilians are resilient, dynamic, energetic and impulsive, with high future oriented culture of appearance and image". With a mostly young population, Brazilians are very pleasure and entertainment driven. The country has developed a real luxury culture with a high demanding group of costumers. When it comes to products, Brazilians look forward to exclusive limited edition lines.

In the 90's Brazil lived an economy boom based on the currency stabilization provided by the "Plano Real" – economic program to control hyperinflation and currency. This also helped with Brazilian opening to international market. "Brazil has become an attractive destination for different markets, and luxury brands were no exceptions" (Hoffmann & Coste-Manière, 2013). Euromonitor (2013) states that by this time, "Brazilian market was already considered the second best emerging market, only behind the Asian market".

A Euromonitor study (2013) pointed Brazil as a "key market for major luxury goods companies" nowadays. According to the World Bank data released in 2015, Brazil represents the 7th largest economy of the world (World Bank, 2015), and purchase power of the population has increased substantially in the last years. The sector of consumption is receiving a huge attention from investors and foreigner companies. The luxury goods market in Brazil was valued by R$13 billion (US$7 billion) in 2010 and it is one of the fastest growing luxury markets (Euromonitor, 2011). Between 2005 and 2010, the luxury goods market in Brazil increased by 19% in real terms, making it the sixth fastest growing market among the 26 countries covered by Euromonitor research of 2011. The same study reveals "Brazilian luxury market value increased by RS$4.2 billion (US$2.3 billion) placing it in 4th position worldwide" (Euromonitor, 2011).

It is also relevant to stress that, despite the rapid growth witnessed over the last years, the Brazilian luxury market is still in its infancy compared to more traditional luxury markets. Consumer demand for luxury in the country is very different, when compared to other emerging markets, such as China, India and Mexico, where luxury goods are purchased mainly for ostentation (Euromonitor, 2011). As pointed out by this study, Brazilians look mainly for experience and quality when purchasing luxury brands. Additionally, brand heritage and authenticity also play an important role. According to Hoffmann and Coste-Manière (2013) “the fact that luxury brands have moved into emerging countries has also contributed to the diversification of the luxury consumer profile, the consumer became more casual and, particularly, more diverse in terms of culture” (Hoffmann & Coste-Manière, 2012).

Regarding luxury perception, Ghosh and Varshney (2013) states that, it changed and “consumers all around the world are no longer the same way they used to be, they evolved through the decades due to the constant shift of mind thinking based on culture and geographic values”. According to Hoffmann and Coste-Manière (2012) nowadays “costumers buy luxury products and services for different reasons, such as to impress others, self-direct pleasure, self-gift giving and for quality”. Moreover, Hoffmann and Coste-Manière (2013) argue, “consumers in emerging markets are becoming more discerning and they are progressively raising their standards for quality and service, and looking more for luxury experiences”.

Putting Brazilians consumers’ specificities on the spot shows the importance of status and ownership of high quality product to this targeted group (Euromonitor, 2011). In Brazil, the consumption of these products come from individuals with higher incomes, a group that has increased in number and purchasing power over the years, as a result of the opportunities available to highly educated people in the local economy. These consumers are likely to express an increasing preference for European luxury brands over other luxury brands.

Moreover, there is another class emerging in the country: the new middle class. “In 2012, this class represented more than 52% of the population” (Euromonitor, 2012). This emerging middle class has triggered investment in luxury Shopping Centers. They are classified as new aspirants of luxury goods and preferably buy luxury accessories, which are more affordable. Although upper income groups A and B comprise the majority of shopping mall patrons, representing 74% of the consumers, according to Abrasce (Brazilian Shopping Centers Association), class C consumers have also begun to attract the attention of investors in such developments (Euromonitor, 2011). The new middle class has an appetite for consumption, and increasingly seeks products generally available only to higher income groups, as a way of demonstrating status.

As explained by Fionda and Moore (2009) "conceptualizations of luxury are typically derived from a consumption perspective". So, luxury sector is directly linked to the purchase power of the population and it is a good measure of the development of the demand for luxury goods from the world population itself. Therefore, the importance of analyzing this activity to understand how is the current Brazilian consumption trends and values, and the level of purchasing power of the society.

2.2.7 Distribution formats in luxury

As any other retail, luxury "involves aspects such as suppliers, distribution channels, sales strategy, physical design and arrangements, development of sensory senses in point of sales" (Chevaier & Mazzalovo, 2008; Quintavalle, 2012; Dion & Arnould, 2001). In the case of distribution, its definition is based on the accessibility and forms of reaching the market. Quintavalle (2012) mentions the possibility of reaching consumers through physical and/or virtual mode.

The retail formats developed for the luxury market can be classified according to two variables: "*channel*, indicating the level of control operated by the brand, this can be *direct* or *indirect*; and *typology*, addressing several goals that retailing covers within the strategy of the luxury brand" (Quintavalle, 2012). According to Chevalier and Mazzalovo (2008), the "ideal model is represented by the brand owning, managing and selling exclusively its own shops. This strategy ensures complete control of the image, stock, pricing, consumer experience, brand communication and protection". However, since this control demands higher economic fund, some brands found the solution to rely in between with a mixed system. The follow table illustrates distribution formats currently used in the luxury industry:

Distribution Formats	
Direct	1. Flagship stores 2. Monobrand selling points 3. Shop-in-shop 4. Factory outlet center (F.O.C) 5. Temporary store
Indirect	6. Multibrand sales point 7. Department stores 8. Corner 9. Duty-free shop 10. Franchising network

Table 1 – Distribution Formats
Source: Adapt from Luxury in Action: Retailing in the luxury industry (2012)

As shown by the Table 1 above, the direct format includes five different strategic approaches that may luxury brands use (Quintavalle, 2012), namely: (1) Flagship stores, (2) Monobrand selling points, (3) Shop-in-shop, (4) Factory outlet center (F.O.C) and (5) Temporary stores. Flagship stores are characterized by a wide exposure area located in the most prestigious spaces and with a wide range of the brand products, including unique and highly specialized pieces granting full mark up and profit. The main goals with this type of format are: consumer communication; evocation of the brand values; and maximization of product visibility. These stores are mainly located in prestigious streets in different parts of the world, such as in Fifth Avenue in New York, Champs Elysees in Paris, Bond Street in London, and Via Montenapoleone in Milan.

The second direct distribution format, or the monobrand, is a selling point located in main tourist areas and major cities, characterized by smaller selling areas and lower realization costs. They are affordable not only to big brands, but also to small and medium enterprises. The main goal is market coverage and turnover maximization, as well as the collection of market and consumer information.

Shop-in-shop, that shows as the third direct mode, are monobrand points of smaller selling areas located inside multibrand department stores; layout and atmosphere are the same worldwide to offer the same brand experience, and full product range is generally displayed. Management, logistics and staff costs are covered by the company owning the brand.

Moreover, factory outlet center (F.O.C) is characterized by a wide exposure area and several directly managed monobrand boutiques that offer unsold and damaged products; items of the previous season or out of production; collections of samples; end of collection models or from fairs and exhibitions; and second-choice products. Those centers are generally located outside cities, but closer to urban conglomerates; the choice is driven by socio-demographic logics and by the need to protect the brand.

Lastly, the temporary stores or pop-up stores are selling points opened and directly managed by the brand for a limited time period and the goal is to engage the consumer, communicate the values, reinforce the brand image and create sense of exclusivity.

Moving on to the indirect distribution formats in the luxury market, illustrated by the Table 1, they are represented by five main channels: (1) Multibrand sales point, (2) Department stores, (3) Dedicated space or corner, (4) Duty-free shop, and (5) Franchising network. Multibrand sales point featured a wide range of selected brands positioned on higher-level prices. Its strengths are the specialization of the assortment, the high level of consumer service, the well-established image in the area.

Department stores are characterized by a large surface in which premium brands cohabit with private labels with an accessible offer, and are established in the main streets of towns despite their notable size. They display products in various areas under concessions. This strategy has an advantage in terms of lower investments in communication to reach their consumers. Some renowned examples of department stores around the world are: Harrods in London, Galleries Lafayette in Paris and Neiman Marcus in USA.

Dedicated space or corners are exposition areas opened to the costumer, where the offer of one specific brand is displayed on available space. Assortment and atmosphere are responsibility of the brand, while the storeowner sponsors the sales personnel. A famous example that applies this concept is the French company owned by the group LVMH, Sephora.

A duty-free shop is an intermediary situated in transit areas such as airports, large train stations, and arrival and departure terminals of cruise ships. It is a channel for conquering the occasional and the traditional consumers, who travels for work and may have idle time to use in browsing and watching.

And lastly, franchising network is when a franchisor company grants to another company the franchise, in exchange for sales royalties, the right to use its own commercial formula and know-how within a defined geographical area in accordance with defined regulations and a given sign or brand. The franchisor acts as a channel leader by dictating commercial policies to franchises that, on the other hand, take full advantage by benefiting from the already-established loyalty of the consumers of the brand.

As previously mentioned, due to changes in the structure of luxury retailing, others aspects rather than distribution formats have evolved recently. In that sense, when strategizing in luxury, there are different commercial policies that are fostered by brands. Each of them is developed based on the positioning of the brand and how it wants to be perceived. As Quintavalle (2012) mentions, commercial policies seek a trade-off between recreating distance with the consumer and maximizing profits, the former obtained through high prices, no discounts and limited quantities, whereas the latter is obtained through stock clearance that is mostly achieved by consistent reductions.

2.3 E-commerce overview

This section will describe briefly the internet and its evolution, focusing on e-commerce and its opportunities. Since e-commerce is a relatively young field, past academic efforts have been limited. Research in the field of e-commerce diffusion and e-commerce diffusion factors started at the beginning of the 21st century and has been either qualitative or quantitative.

2.3.1 Dimensions of e-commerce

According to Turban (2012), “the internet is the most recent and most important distribution channel for goods, services, and other products on a worldwide scale”. Connecting this fact to the value chain concept developed by Michael Porter in 1985 implies that a minimalistic definition of e-commerce simply includes e-commerce as an alternative distribution channel, competing with physical indirect or direct (door-to-door) distribution. However, the impact of this new form of distribution on company business models is considerable and should therefore not be limited to the distribution function.

Whinston (1997) uses three dimensions to define and delimit the area of e-commerce, namely (1) Product, (2) Agent / Player, and (3) Process. As it can be seen from Figure 4 below, each of these dimensions can have three different manifestations, namely (1) physical, (2) digital, and (3) virtual.

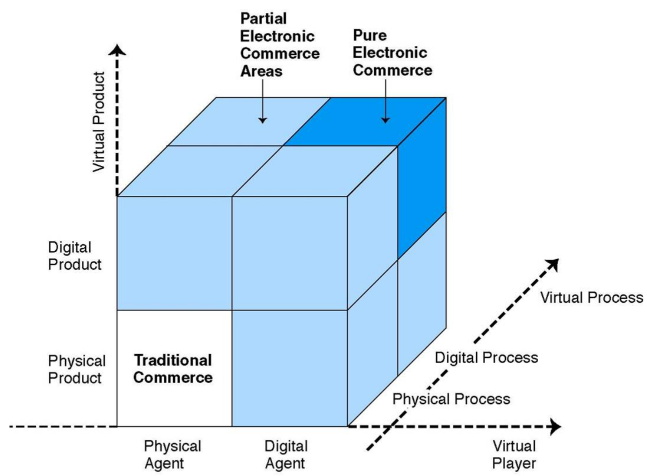

Figure 4 – Dimensions of e-commerce vs Traditional commerce (Whinston, 1997)

As such, the author differentiates between *Pure Electronic Commerce* and *Partial Electronic Commerce Areas*. For further research in the context of this thesis, we shall include all areas of e-commerce except the traditional commerce as defined by Whinston (1997). In the specific case of Farfetch, as further to be detailed explained includes physical product, physical process and also a digital agent, being Farfetch itself.

2.3.2 B2C vs. B2B e-commerce

In addition, different agents and counterparties will be involved in an e-commerce transaction. It will therefore be crucial to distinguish between business-to-consumer (B2C) and business-to-business (B2B) activities. As can be seen from Figure 5 below, four different types of e-commerce markets exist. The classification depends on the nature of the parties involved, which can be either a business or a consumer.

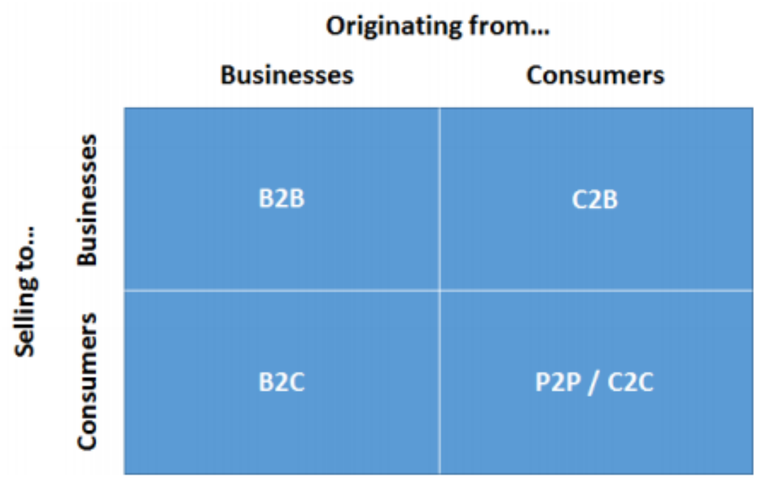

Figure 5 – Different e-commerce markets according to Turban (2012)

For the purpose of this research the focus is on the B2C e-commerce market only, as this is how Farfetch works. B2B, consumer-to-business, and peer-to-peer (P2P) / consumer-to-consumer (C2C) shall be excluded from the analysis. After having defined that e-commerce essentially consists in the sale of a digital or physical product through a digital agent using a digital and physical process, we will now take a closer look at the definition of drivers and inhibitors of e-commerce on a worldwide scale.

2.3.3 Drivers of technology and e-commerce adoption

Kautz (1996) argues that the adoption of a certain technology within a society or country is an "evolutionary, path-dependent diffusion process affected by a wide range of socioeconomic and environmental factors". The author further argues that most of these factors have common influences across countries when it comes to technology adoption. However, in the specific context of B2C e-commerce Gibbs et al. (2003) argue that the factors, which explain the diffusion of e-commerce more specifically, are local, i.e. country-specific and should be analyzed on a country-individual level.

Past research agrees on the fact that there are two different kinds of factors, which lead to adoption of a certain technology or phenomenon, namely (1) driving factors and (2) inhibiting factors. Ronald (1961) first introduced driving factors, which influence the success of a certain company, technology or other path-dependent process. Later, Boynlon and Zmud (1984) refined the concept further and named factors that influence the adoption of a certain phenomenon critical success factors (CSFs). Inhibiting factors, on the other hand, have not benefited from the same degree of standardization efforts. Mangiaracina (2012) and other recent literature refers to potential obstacles as success inhibiting factors. In essence, the concept of CSFs and SIFs can be used in connection since a negative development in a success factor will most likely represent a barrier to e-commerce diffusion.

Last, the driving factors behind the adoption of e-commerce will pertain to specific categories. Past literature shows different ways of structuring and differentiating between CSFs and SIFs. A potential classification can be done using (1) macroeconomics, (2) sociology, (3) infrastructure, (4) offer & demand, and others.

2.3.4 Luxury and e-commerce

Now taking a closer look on the differences and specificities of the luxury related to the e-commerce, according to the recent Altagamma and McKinsey (2015) study, "luxury sales performance online have accelerated in 2014 reaching 14€ billion", this represents a raise of more than 50% compared to 2013. The study shows that the online market represented a bit more than 6% of the global luxury market purchases for personal goods. "And it is likely it will continue to rise" (Altagamma-McKinsey, 2015). As it can be seen on the Figure 6 below, "[…] online sales of luxury goods consistently outperform those of the total global market. Over the past five years, they have grown four times faster – an annual growth rate of 27% versus 7% for offline sales" (Altagamma-McKinsey, 2015).

Figure 6 - Online sales account for 6% of the 2014 global luxury market (Altagamma-McKinsey, 2015)

The same study presented and interesting data, 2 out of the 8 analyzed countries stand out. “The UK experienced the greatest digital shift, with 11 percent online sales penetration” (Altagamma-McKinsey, 2015). According to Altagamma and McKinsey, what can be seen at UK is result of a confluence of three elements: “a higher than average degree of digital savvy among UK consumers; online purchasing habits that have developed in other categories; and perhaps most importantly, the significant quality and quantity of online offerings”. On the other end of the spectrum is Brazil’s 2% online luxury penetration, a low rate that’s due to the country’s relatively young luxury market and lack of local online offer, this reinforces the opportunity of Brazilians brands being exposed to more mature online market. “The 6 remaining countries range between 5 and 7 percent of online sales penetration” (Altagamma-McKinsey, 2015).

Regarding the luxury consumers and their habits the Altagamma and McKinsey study point out that this costumers are highly digital, mobile and social, and because of this have extremely high expectations for what they want in a shopping experience. “More so than most, luxury shoppers want a seamless, digitally enabled, multi-channel experience – one that unfortunately most luxury players are not yet ready to deliver” (Altagamma-McKinsey, 2015). Luxury players have historically been very cautious about digital and e-commerce. The Internet and digital more broadly have been indeed once perceived by the luxury industry as a loss of control over its brand image and storytelling – combined with the challenge of tier distantiation towards customers. The study points out an important fact that also raise with e-commerce, as it “has even more been seen as a threat: with C2C platforms favoring the development of counterfeits and grey markets and with pure players becoming a conflicting channel with the brands’ own stores” (Altagamma-McKinsey, 2015).

It is also important to show that the categories did not have the same market penetration. The Altagamma and McKinsey study shows that beauty and ready to wear are the most active e-commerce categories (as it can be seen on the Figure 7), both with 7.2% of sales on the online market. Accessories are right behind the first categories with 6.2%, followed by watches and jewelry with only 4.1%. “These differences are certainly driven by price differentials but also by the extent to which there have been rich and compelling e-commerce offerings developed in the category” (Altagamma-McKinsey, 2015). On this front, both beauty brands and fashion retailers have been dynamic in their innovation over the last few years.

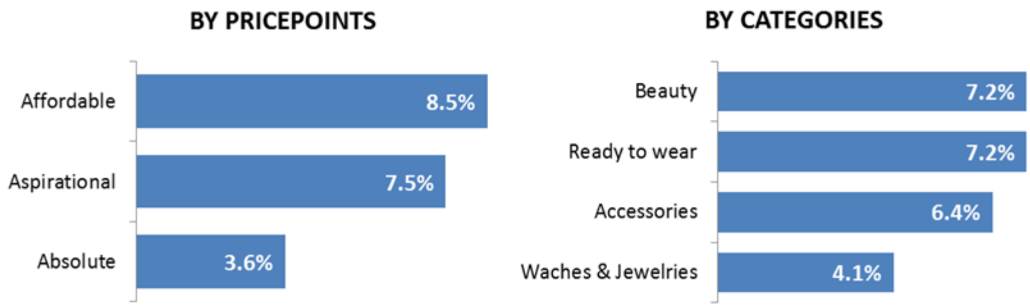

Figure 7 - Online luxury sales Penetration (Percent of global sales)
(Altagamma-McKinsey, 2015)

In conclusion, the chapter of literature review explored the main concepts that compose the proposal of the present study, including: internationalization, luxury and e-commerce. Relevant authors and researches were exposed, in order to create the base for the research development. Next, it is presented the chapter of methodology that explains the choices and assumptions included in the study.

3 METHODOLOGY

The appropriate choice of the methodology guides the author to a successful research strategy (Silverman, 2005). This section aims to better explore the theme and clarify the type of research that was developed by this author. For that, first it is explained the type research that has been chosen. Further it is explored the participants that were analyzed; the design of the research, and at least how the data analysis was done.

3.1 Case study as research strategy

Given the little knowledge and researches about the studied topic, Polonsky argues that the exploratory research is the most suitable methodology in this case. The author also explains that the exploratory research also gives more flexibility to the researcher while exploring the issue (Polonsky M. J., 2011). Malhotra (2010) defines the basic aim of an exploratory research as an effort to explore and analyze the problem and provide comprehension. The author gives six main purposes when an exploratory research may be used (Malhotra, 2010):

1. To model or define a problem with more accuracy;
2. To identify alternatives ways of action;

3. To develop hypothesis;
4. To isolate variables and key-relations for a further analysis;
5. To have a better perception of the problem in order to develop a better approach; and
6. To establish priorities for an additional research.

Additionally Malhotra also defines that though more flexible and informal, an exploratory research may benefited by a more defined method, such as: survey with experts; pilot-surveys; secondary data analysis; case study; and qualitative search including group discussions and in-depth interviews (Malhotra, 2010). Moreover exploratory researches do not lead to a definite conclusion, once it commonly lacks statistical strength, but it provides useful insights on the reasons things are happening and how they are happening (Malhotra, 2010).

Based on the characteristics of an exploratory qualitative research this method is the one that better suits the research question proposed in this study. This approach was preferred once it gives more flexibility to the research process and allows a better understand and improvement on a specific topic in order to develop a better approach. Moreover this exploratory research is based on case study, once this is aligned with the necessity of flexible data collections and at the same time provides some structure necessary to guarantee interesting and valuable insights for the research. In order to follow a structure and collect comparable data a semi-structure guide will be prepared. According to Yin (2003) "the case study is an empirical inquiry that investigates a contemporary phenomenon in depth and in its real life context, especially when the boundaries between phenomenon and context are not clearly defined".

3.2 Participants

Malhotra (2010) states that the selection of the sample of participants must take into account four main points. First, the researcher should define the period of time in which the research will be conducted; second, it is necessary to define the extension of the research (mainly the market targeted); third, it should define the unit of the sample; and at least the target elements (Malhotra, 2010).

In the case of this dissertation the research was conducted in a defined time arranged with Farfetch. The extension of the research is the Brazilian branch of Farfetch targeting Brazilian brands willing to internationalize. Paula Queiroz, the head of Business Development from Farfetch in Brazil, and the one really responsible for negotiating the specificities of the partnerships, composes the sample in order to better understand the strategic reasons and requirements for the internationalization. Regarding the specific choice of Farfetch as a case study, it came from a deep interest and belief of the author of this study on the business, and also because I had the opportunity to work at the company during the master, getting into a close contact with the main actors of the internationalization project of Brazilian brands, making the choice of participants also convenient.

3.3 Design of a case study and procedures

Yin et al. (1983) described four forms of case study: "single case with unique unit of analysis; multiples cases with unique unit of analysis; single case study with multiple units of analysis; and, multiple cases with multiples unit of analysis". The current dissertation explores the first type of case study research: a single case with unique unit of analysis.

According to Yin (2010), a single case study represents a critic case that tests a theory or a model. The objective of a single case is to capture the circumstances and the conditions of a daily situation. Therefore, in order to answer the question of the present research, the single case analysis was chosen to represent the methodology of the study. The single case has unique unit of analysis, however with multiple fields of exploration that includes three theoretical perspectives: Internationalization; Luxury; and E-commerce.

Components of the Research Project	
Research question	How is Farfetch helping on the internationalization of Brazilian premium fashion brands?
Assumptions	- Recent online market changes and opportunities - Farfetch benchmark - Internationalization process and reasons
Unit of analysis	Online luxury market
Connection of data and assumptions	Multiples sources: documents, interview, direct observation and secondary data
Criteria's to interpret findings	Theoretical proposition, development of a case description, use of qualitative and quantitative data and examination of market practices.

Table 2 - Components of the research project
Elaborated by the author

Additionally, according to Yin (2010), multiple evidence sources guarantee a higher quality level for analysis in a case study. There are five main sources: documents; files records; interviews; direct observations; and indirect observations made from the researcher. The present study has collected evidences from multiple sources and integrated the data collected, in order to develop in-depth analysis, such as interviews, direct and indirect data.

As mentioned before the exploratory research enables a better comprehension and insights of an issue. Therefore it approaches the problem with few preconceived ideas of the result of the investigation and allows more flexibility to unexpected situations (Malhotra, 2010). Interviews are the core of qualitative studies as they allow the researcher gather very specific information on given situations, being really insightful. Although as highlighted by Yin (2003) interviews presents risks, so in order to avoid bias and interviewee consciously or unconsciously reflexivity they need to be very well prepared.

According to Malhotra (2010) two methods of data collection can be applied to investigate a problem: primary and second data. This dissertation will be supported by primary data originated by the researcher and supported by secondary data about the sector and the company itself.

Moreover the qualitative research can be done by direct or indirect procedure (Malhotra, 2010). In this study the direct approach will be used based on in-depth interview technique.

A multiple source approach was followed, given the complexity of the phenomenon. Petty et al. (2012), support this view, by highlighting the usefulness of multiple methods in corroborating each other and deepening the understanding of the complex context of the study in case. This is also known as methodological triangulation (Yin, 2003). In this study, multiple sources of evidence were used, so to bring-in a non-biased, non-subjective outcome. Ritchie and Lewis (2003) point out data collection methods most suitable for qualitative research as being observational methods, in-depth interviews and analysis of documentary evidence. Creswell (2009) mentions the same sources of data as being of importance for case study research.

According to Patton (1987) there are mainly three types of interviews for qualitative researches. The author mentions the informal conversation; the guide approach; and the standardized open-ended interview. Due to the scope of this dissertation the guide approach interview is the one that better suits the goals of the research. Therefore the interview was conducted in a semi-structured approach where the questions were presented for the interviewee but there was given space for her to explore the topic as she preferred and even suggest new topics she felt was relevant for the discussion. The interview was recorded to assure maximum comprehension and further exploration on the topic.

3.4 Data analysis

According to Yin (2010), the analysis of the case study should integrate fours strategies: theoretical propositions; the development of case description; use of qualitative and quantitative data; and, examination of rival explanations. All strategies were previously covered in the previous sessions and were explained how it would be conducted, in order to maintain the integration and the quality of the study. What is explained next is a more detailed and theoretical approach of how the data analysis process was controlled.

Malhotra (2010) states seven steps for the process of data analysis. Once with all the data collected the researcher should first elaborate a preliminary plan of data analysis; then proceed with the verification of the questionnaires; edit the data collected; make any codification if applicable; transcript the data; eliminate poor or empty data; and at least select a proper data analysis strategy (Malhotra, 2010).

The data analysis of this dissertation followed the applicable steps proposed by Malhotra (2010) after the collection of the data and once with comparable databases the best data analysis strategy was chosen. But as the guide approach with a semi-structured interview was done, the results were analyzed considering the profile, history and philosophy of the interviewee. The interview was re-listened and transcript to assure a better interpretation of the case.

4 CASE STUDY

The selection of the case study was based in the definition criteria presented by different authors that have studied the luxury universe. According to Chevalier and Mazzalovo (2008), to be considered in the luxury universe a brand must satisfy three elements: it must have a strong artistic element, it must be the result of craftsmanship and it must have a global brand reputation. The brand satisfies the three elements, as it will be presented: all products have an artistic element differentiation and are all tailor-made, and the brand is known internationally.

4.1 Farfetch history

The history of Farfetch is intrinsic linked with the one from its creator. José Neves, the CEO and founder of Farfetch, is a native entrepreneur with a career of over 10 years within the retail industry. José's first business started while he was still studying Economics at Universidade do Porto, back to 1994. After that the Portuguese entrepreneur quickly developed his portfolio, as listed by the Business of Fashion, "establishing contemporary shoe brand Swear in London in 1996, followed by B-Store in 2001 for which he received a British Fashion Award for 'Retailer of the Year' ". Moreover, Mr. Neves kept receiving numerous accolades as an entrepreneur and for his business ventures, including The Business of Fashion's 500 People Shaping the Fashion Industry in 2013, Ernst & Young's 2013 Entrepreneur of the Year and Vogue's DirectorsOf.COM Top Entrepreneur in 2011. This is intrinsic aligned with the statement by Madsen and Servais (1997) that the Born Global companies have its "roots back to firms and networks in which its founder and top managers gained industry experience." (Madsen & Servais, 1997)

By October of 2007 that José brought together his interest in fashion and technology and launched Farfetch. The business model is an integrated online marketplace supporting and promoting the retail activities of independent physical boutiques in the e-commerce sector. The idea came when the serial entrepreneur had experienced first-hand the challenges faced by bricks-and-mortar retailers wanting to expand online. His vision was to create a single portal, offering independent boutiques the opportunity to compete with the leaders of fashion e-commerce. Here it is possible to link the importance of the founder of the company in the brand internationalization, as stated by Hutchinson et al. (2007) and mentioned in the literature review.

Mr. Neves wanted create a "platform for the best specialty stores worldwide" to assure that, he excel a curating work, carefully selecting visionary fashion boutiques around the world that offers an inspirational shopping experience to fashion-forward consumers. This created a platform with an unrivalled range offer. "The site quickly became credited as being one of the fastest growing e-commerce networks in the luxury market and currently counts over 300 individual boutiques in its directory". (BOF, 2015) According to Paula, from the beginning Farfetch always exposed their partner boutiques to the international market, no matter if the boutique is from any place in Europe, or USA. This contrast with the approach and specificities on the Brazilian market.

According to an interview by the Fast Company (2014), Farfetch reached an "annual sale of $275 million (2013), with a year-over-year growth rate of 100%. With customers in almost 190 countries, the site averages about 10 million page views each month with and the average order is a steep $650." (Sherman, 2014) Initial capital was raised through investments from Advent Ventures and eVenture Capital, and in March 2013 Farfetch secured an additional $20million investment from Condé Nast International.

Nowadays the company accounts with offices in London, New York, Los Angeles, São Paulo and Porto, empowering the boutiques by offering "local PR agencies, a local marketing departments, and local customer services. Markets that would be completely impenetrable otherwise." (NY Mag, 2013) According to CrunchBase (2015) Farfetch showcases over 1000 labels and is dedicated to supporting independent fashion and to the cultural diversity that comes from uniting the perspectives of hundreds of different buyers, each with their own unique style and vision. Farfetch was elected by The Times one of the best shopping websites in the present.

(Times, 2012) This proves the luxury position of the brand, as it keeps truth the luxury universe elements stated by Chevalier and Mazzalo (2008), being a strong artistic element that Farfetch assure with a selective curating of the brands exposed. Further most of the brands sold by Farfetch have the element of craftsmanship in their signature, increasing the value of the item sold. Lastly as just mentioned the website has a global brand reputation, and was even elected as one of the best websites nowadays.

4.2 Farfetch business model

> *"The independent boutiques within our community have been carefully selected for their forward-thinking attitude, unique approach to merchandising and diversity of brands. They are located everywhere from Paris, New York and Milan to Bucharest, Riyadh and Seattle, but united in one e-commerce website. When you order through Farfetch, your order is delivered directly from the boutique to your door."* (CrunchBase, 2015)

The boutiques working with Farfetch are mainly Multibrand, indirect, point of sale, regarding the distribution format from Quinavalle (2012). As explained in the literature review this enable "a wide range of selected brands positioned on higher-level prices. Its strengths are the specialization of the assortment, the high level of consumer service, the well-established image in the area". At the beginning it was a hard process convincing them that the online world is real and they could make profit out of it. Regarding how the approach is done, at the beginning many of the stores Farfetch wanted, because they are the best stores, very old businesses. They've been around 20, 40, or even 100 years, and they're traditional brick and mortar. The challenge was explaining the boutique owner, that Farfetch offers a way to crack the Internet. Nowadays the challenges are not anymore the same, as many boutiques have the initiative to go look for Farfetch and asks for a partnership, but the e-commerce stay truth to its standards, and analyze case by case to check if it deserves to be exposed on the website.

Regarding how the partnership works, Farfetch does not any charge up-front fees or set-up fees or fixed listings, everything is taken care of for the boutique. This means: payment; fraud; customer service; photograph; styling; and Photoshop. According to José's interview to the NY Mag (2013) "the only thing the boutique needs to do is pack the merchandise and wait for our DHL guy." Farfetch's revenue comes out from a percentage fee of each sale for its part in the process. The percentage is not disclosed, but thinking on the overall costs of setting up an ecommerce or stablishing physical stores abroad compared to the size of the boutiques Farfetch work with, the partnership really represents an easy and less costly alternative to reach a global market.

Unlike its competitors, Farfetch itself does not hold any inventory, therefore, not faces high up-front costs or the pressure to shift goods each season, giving it an edge over rivals. But if taken into consideration all the set up costs for an online retail website it requires a lot of money, and as stated by Mr. Neves to The Economist (2013) this is an investment decision that "doesn't make sense for most independent fashion retailers". The business model proposed by Farfetch is pretty much what is called a win-win model, as Farfetch receives the commission over the sales, but also provides global appealing to these small boutiques to a global audience.

4.3 Luxury e-commerce segment

In order to understand the luxury e-commerce segment it is important to have a brief overview on the main competitors. It is really difficult to compare, as Farfetch offers a unique business model as marketplace focusing on small and specialized boutiques, whereas its main competitors work more as department stores, buying their own stock. As stated by Mr. Neves once asked to compare Farfetch to Net-a-Porter, he answered: "It's different. The overlap is only four percent. 96% of the products on Farfetch cannot be found on Net-a-Porter or Neiman Marcus. It's just the way these boutiques buy. They take more risks. They take in many designers that the big department stores don't buy." (The New York Times, 2014) At the same time it is important to mention that the best seller brands of Farfetch are still Saint Laurent, Valentino, Chloé, Givenchy, Comme des Garcon, amog others renoknw luuxury/premium brands. At the same time this represnts an opportunity to less recognized brands, as they are all displayed togheter according to internal criterias used by Farfetch focusing on the higher turn over.

Figure 8 - Farfetch international benchmark
Elaborated by the author

From the Figure 9 it is clear the outstanding positioning of Farfetch compared to the main international competitors, regarding adaptability and premium products. Net-a-Porter, recently merged with the Yoox.com group, is the mostly common benchmark mentioned to compare with Farfetch. Their website is clean, and user-friendly, but is not yet adapted to many languages and do not offer many different currency rates according to the country, making it difficult to some customers to know the final price with taxes. Neiman Marcus and Nordstrom are both North American e-commerce, but with a much lower adaptability than Farfetch. Their website is not as clean and intuitive as Farfetch. Moda Operandi lastly is the one with the most different business model, but also used as comparison. Their focus is offering the looks from the fashion designers straight away after the runway show. All the international competitors offer international shipping, though it might not be in the local currency of the destination country.

Regarding the local Brazilian market, Farfetch stands out even more compared to its local competitors. Brazil has several e-commerce, including ones targeting the premium market, but they are very far from Farfetch on an overall comparison, and focused on visibility and products offer. As the studied business is a born global company, able to "standardize production, marketing, etc. in a global niche instead of developing customized products" (McKinsey&Co, 1993), with offices and employees all around the world, there is much more cash to spend on the business development. Farfetch is clearly way beyond on the website presentation and features, allowing not only the customers to shop by designer, product type, color, size, etc, but also the interface is much clearer and user friendly, crucial point when dealing with luxury costumers. Detailed images of Farfetch website and Destination Brazil project are shown at the Appendixes.

Evaluating the offer and main features, the closest Brazilian competitors would be OQvestir and Gallerist, but they have mostly premium Brazilian brands and operate only on the national territory. The others like e-closet, shop2gether have a way lower visibility as product offer, and the e-commerce like olook or Privalia work with lower end products. None of the Brazilian e-commerce offer international shipping, either international version of the website or other currencies apart Brazilian Reais.

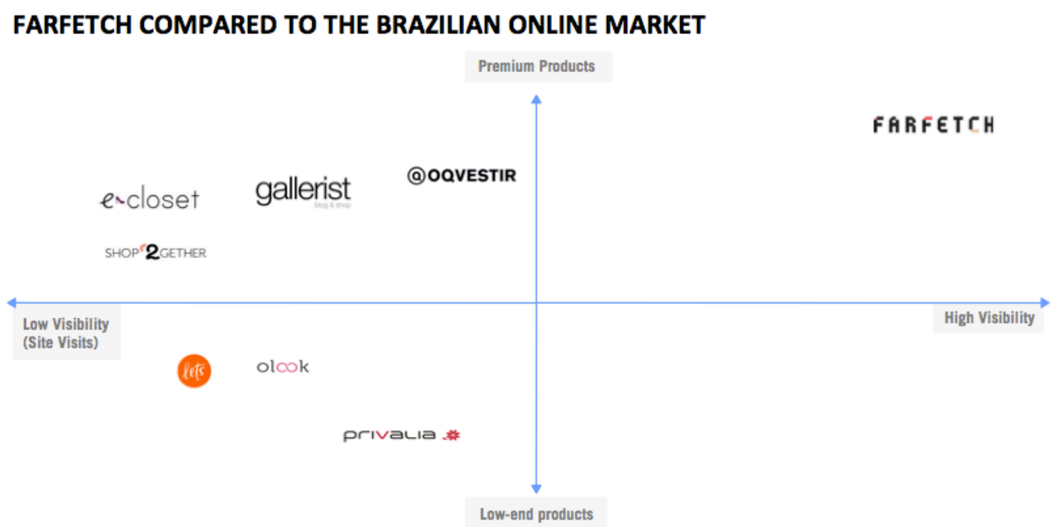

Figure 9 - Main competitors in the Brazilian market
Elaborated by the author

4.4 Destination Brazil

As mentioned before Farfetch was born already as a global business, not only with international partnerships with the best boutiques around the world, but also selling to customers across borders. Their intent is and always has been exposing the boutiques to an international market, representing also a great offered asset by the brand. Aligned with Jolly et al. (1992) statement that *High Technology Start Ups* “follow a strategy directed towards international niche markets”, When Farfetch started the partnerships with the North American boutiques, they were already able to sell all over the world, though with Brazil was not the same case, as it presented some first difficulties that are addressed right below.

When asked about the specificities of the Brazilian market, Paula, the Brazilian head of business development, explained that the national market does not present as many multibrand boutiques that meet Farfetch's high standards, as the ones spread around Europe or USA. Though, Brazil developed an amazing number of national brands, highly specialized, and with an incredible offer, highlighting the best of Brazilian culture and *savoir faire*. Yet most of these national brands operate mostly with their own stores as direct distribution, or some national multibrands boutiques that sell mainly Brazilian brands, or a few premium international ones.

According to Paula there had always been the desire of exporting the products from the Brazilian boutiques, but due to the national specificities such as logistics and taxes difficulties it took a while until they were able to launch the project. After a long time of studies and negotiations the project Destination Brazil was finally launched in April 2014. From the over 50 Brazilian boutiques present on the national branch of the website, at the moment of this study only 15 of them are present in the Destination Brazil exposing their products to a worldwide audience. Farfetch tries to recreate online the experience you could find offline, enabling purchases within a specific boutique. However, in order to make the process possible they decided to create the named "Destination Brazil" boutique grouping selected products from the participants' brands.

When asked about why only a few brands are being exposed to the project, and how the selection is being made, Paula explained it is a bit of two sides' interest. From the Farfetch side there was always a big interest of attracting well-known brands to the website, though not all of them demonstrated interest before, and once this possibility of internationalization was exposed the deal was easily closed. Regarding the reason of why only few brands and some selected products she stated that is more a matter of curating and recreating a real Brazilian inspiration with the boutique to be exposed globally. Nowadays there is a slightly trend to reinforce beachwear, as these products seems to be working very well and also is the most remarkable Brazilian know-how.

From a look on the website the current brands part of the Destination Brazil project can be divided mainly in three groups according to the main characteristics presented by the articles. Among all of them it is clear the artistic element and craftsmanship, though not all the brands are globally recognized yet. This Brazilian brands presents on Table 2 are also aligned with the

Allèrés (2000) definition of *intermediate* and *accessible* luxury with scale products, with democratic luxury goods and all in a competitive niche.

Uniqueness	Beachwear	Accessories
• Amapô • Andrea Marques • Emannuelle Junqueira • Fernanda Yamamoto • Giuliana Romanno • Isolda • Martha Medeiros • Osklen • Vitorino Campos	• Amir Slama • Blue Man • Brigitte • Isolda • Osklen • Skinbiquini	• Emannuelle Junqueira • Osklen • Serpui

Table 3 - Destination Brazil brands groups
Elaborated by the author

5 RESULTS ANALYSIS

> *"Digital is redefining what a truly distinctive experience means for a luxury brand. With luxury consumers being already fully digital and their expectations raising year-on-year as new standards appear from outside the industry, the challenge for luxury brands is high. And it is even more complicated as these digital luxury consumers follow very distinct and fragmented journeys. However the opportunity is there: with a 14€bn online market today that could grow up to 70€bn by 2025. Furthermore with 75% of all luxury sales influenced today by digital (and which could go up to 100% by 2025), luxury brands have no choice but to embrace the digital era and become truly omnichannel. This will require them a radical rethinking of both their customer experience of their consumer engagement strategy."* (Altagamma-McKinsey, 2015)

As stated in the strategy& - former Booz&Company - study (2012) "For most manufacturers, a fully-fledged e-commerce strategy will eventually require an integrated omnichannel approach that includes investments in clicks-and-bricks retailers, pure-play e-tailers, and proprietary online stores. Success in these e-commerce channels will require significant investments in three core elements: content, data and analytics, and targeted media." (strategy&, 2012)

Aligned with the idea above and taking into consideration what was studied in the literature review is expected that the companies not only want, but also need to use e-commerce, either to reinforce their brand power, or as an entry market strategy. Under the internationalization optic, e-commerce presents as a cheaper and less risky way to reach multiple markets as an entry strategy. Through e-commerce the companies can fell faster the results, if it products fits the market and even return on investment, as the investments are lower. Bearing in mind that one of the first points to be analyzed once trying to internationalize is to choose the best country, through e-commerce there is the opportunity to reach the entire globe without a previous target, but also a more certain country choice once the company gets the best countries markets.

On the other hand it is expected that by using e-commerce as an entry market strategy the brand image and awareness may be injured. There is also a lower adaptation to the local market, as the company tries to reach multiple countries in once, but this is aligned with the Born Global characteristics of standardizing production and marketing. As well as with the following statement "the world is considered as a unique market where consumers are considered to have homogeneous tastes; consequently, marketing adaptation is perceived as unnecessary". In aim to understand and explain all the nuances, this section will detail the vantages and disadvantages of being part of the Destination Brazil project. As mentioned by the Altagamma & McKinsey study (2015) "designing the perfectly blended approach that combines the high standards of luxury with the agility of digital is the key to unlocking future success."

5.1 Farfetch as market entry strategy

As e-commerce is still a very young technology, there is still not much literature exploring its benefits as an internationalization or entry market strategy. The current internationalization literature focus their explanation on the reasoning of going global, as the strategies and challenges that should be analyzed before taking the decision of internationalizing. Although taking into account recent studies released by consultancy companies such as McKinsey&Co, strategy& and ATKearny emphasis the importance of the e-commerce for luxury in the next years, showing as a potential pull factor for the internationalization strategy.

So taking a closer look to the opportunity offered by Farfetch to the luxury multibrands around the world, it is important to have the point of view from the boutique's owner in order to oppose from Farfecth perspective and understand how they see the partnership from their side. In this aspect there is an interesting testimony given by Brian Bolke, owner of Dallas's highly regarded Forty Five Ten boutique - which joined Farfetch in September 2013 after two years'- worth of conversations - confirmed that the partnership has broadened his customer base: "*We initially spent a lot of money, time and effort on our own e-commerce. It was connecting with our local clients, but not internationally."* Bolke said. *"We tend to buy only one or two of something very, very special and it has finally caused a sense of urgency. There were women who thought, 'I'm probably the only woman in Dallas who would buy this.' And now they aren't. They realize they have to act."* (Sherman, 2014)

Focusing on the specific case of Farfetch, the advantages are clear and this following Neves' statement: "[…] bring that global reach to these small boutiques that wouldn't otherwise be able to sell there. We're giving them additional exposure with customers that wouldn't find them normally." (Cowles, 2013). For the boutique owner, therefore, Farfetch offers an easy way to crack the Internet. By this statement the author of this work is not intending to say that Farfetch is the ultimate internationalization strategy, but it represents an easy and less risky first entry market mode. This is somehow related to the Uppsala behavioral school stating a progressive exportation process and with the network theory that advocates a "process of market knowledge that can be acquired by establishing relationships with foreign actors" (Khayat, 2004), if we see from the brands side.

According to José this new approach is also getting the boutiques to think more about the global customer, and not only to the local ones. "If you have a store in, say, Dallas or in Chicago, you only have your own local clientele," he said. "That clientele is not shopping online as well. This is a huge missed opportunity. These boutiques in these places don't appeal to the customer just in Chicago or Miami. They appeal to a global audience these days." (New York Times, 2014) "I do think we're changing the way we shop for fashion." This is maybe the fith luxury generation still not analysed by literature.

Not only observed by The Economist "online retail is expanding in all areas, including the luxury fashion sector, with plenty of room to grow further". (Economist, 2013) The Figure 11 below was released by Altagamma and McKinsey (2015) and forecasts that the online sales of the luxury good should triplicate in the next decade, as the companies are getting now to the tipping point before scaling up the sales. Again this shows as a pull factor to enter the online market and the necessity to state their presence in this huge opportunity.

Figure 10 - Online sales of luxury goods in the next decade (Altagamma-McKinsey, 2015)

Last year (2014) experienced another year of impressive growth of retail e-commerce around the world – the market grew by 21% to almost $840 billion. According to A.T. Kearney, the growth results from online retailers expanding to new geographies combined with physical retailers entering new markets through e-commerce, with more and more consumers (continuously) connected. Based on its model, the business advisory foresees a "continued growth for global retail e-commerce, at least until 2018, albeit on a slower rate, with an 18% growth expected this year, of 16% in 2016, 15% in 2017 and 13% in 2018. By then, the market will have passed the $1.5 trillion mark" (Kearney, 2015).

Going back to the Destination Brazil case and the advantages for the Brazilian brands (or even international brands) wanting to partner with Farfetch. Besides the advantages already mentioned, as all the payment; fraud; customer service; photograph; styling; Photoshop and the e-commerce infrastructure itself, with all the IT acknowledgment needed, Farfetch still gives access to the boutiques / brands that sell through their service, the basic information about the sale, meaning name of the client, country of the purchase, and obviously the product as well as with its size, color and so on. This shows as precious information for a brand that may want to stablish later on a physical store abroad, this already tackles one of the critical resources mentioned by Alon (2004), being know how about foreign market. Also, as studied in the literature review, one of the first steps when targeting a new destination should be identifying the country, with Farfetch this is not even a challenge as the data is given.

Farfetch kindly shared the data from Destination Brazil regarding the best-selling countries and the sales growth rate of the project. Though, as it is still a very young project (barely 2 years) and as part of any digital company with its trials, errors and risk taking necessary for development is hard to predict a trend, but the growth is clear. If we take a year over year analysis on top of the month of November the project presented a sales growth of more than 150%. Taking into account that the offer is still quite small and the brands are not totally recognized on the markets abroad, this shows the incredible room for further growth following the general market trends.

As it happens with the sales, it is still early to assure the best market to internationalize for the participants brands of the study. As it can be seen on the Figure 12 the top country that buys Brazilian products are the USA, followed by the UK and Australia, but this pretty much mirrors the global online attractiveness score as shown on the Table 3 by the study from AT Kearney.

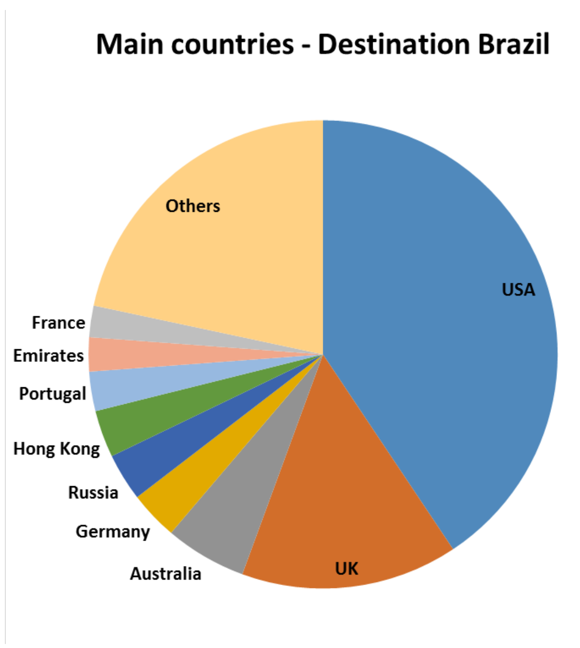

Figure 11 - Destination Brazil main clients country
Elaborated by the author

Rank	Change in rank	Country	Online market size (40%)	Consumer behavior (20%)	Growth potential (20%)	Infra-structure (20%)	Online market attractiveness score
1	+2	United States	100.0	83.2	22.0	91.5	79.3
2	-1	China	100.0	59.4	86.1	43.6	77.8
3	+1	United Kingdom	87.9	98.6	11.3	86.4	74.4
4	-2	Japan	77.6	87.8	10.1	97.7	70.1
5	+1	Germany	63.9	92.6	29.5	83.1	66.6
6	+1	France	51.9	89.5	21.0	82.1	59.3
7	-2	South Korea	44.9	98.4	11.3	95.0	58.9
8	+5	Russia	29.6	66.4	51.8	66.2	48.7
9	+15	Belgium	8.3	82.0	48.3	81.1	45.6
10	-1	Australia	11.9	80.8	28.6	84.8	43.6
11	-1	Canada	10.6	81.4	23.6	88.9	43.1
12	+2	Hong Kong	2.3	93.6	13.0	100.0	42.2
13	+6	Netherlands	8.9	98.8	8.1	84.6	41.8
14	-3	Singapore	1.3	89.4	15.7	100.0	41.5
15	+13	Denmark	8.1	100.0	15.1	75.5	41.4
16	0	Sweden	8.8	97.2	11.8	77.7	40.9
17	Not ranked	Mexico	10.0	53.3	58.6	68.0	40.0
18	Not ranked	Spain	13.2	73.1	20.2	80.1	39.9
19	+1	Chile	2.7	71.8	49.3	73.2	39.9
20	+6	Norway	8.2	99.4	5.6	76.3	39.5

Table 4 - Online attractiveness score
(Kearney, 2015)

Paula explained that aligned with the aims of curating and really presenting the best of Brazil abroad, the Destination Brazil is trying to focus the next partnerships mainly on beachwear, as the country figures on top of mind related to that topic. This may explains the reason way Australia, another country well known for its beaches as well as the beach culture, is interested in Brazilian bikinis. At the same time as the Asian countries like China and Japan do not figure on the top buying countries. For a more conclusive analysis regarding internationalization with physical stores or not the brand cases should be studied one by one, as well as its specific sales and in which countries it presents the best performances.

5.2 Challenges of e-commerce as an entry strategy

"*Luxury business should also revisit the traditional codes of the luxury industry when applied to the web. Understanding the web users' new behaviors and expectations and integrating the online into the global brand strategy are key aspects*" (Tsai, 2005). The e-commerce allows new possibilities to the brands. It amplifies the potential market with a lower entry cost. But it also presents its risks or challenges that the companies should be aware before choosing this strategy. In order to make this analysis a bit more didactic it is taken into account the basic marketing mix tool known as the 7C's (Shimizu, 2014).

The first C refers to the *corporation* that goes beyond the company itself, but also takes into account the organization, competitors and stakeholders. The company must have clear for itself how health the organization is; as well also keep track of its competitor, with a constant benchmark analysis and keep a good relationship with its stakeholders. This is one of the first steps to succeed not only internationalizing, but also in the internal market.

The 4 next C's are the same as the well-known 4 P's (Borden, 1965) marketing mix tool. So the second C refers to the *commodity*, also know as product. In the studied case the products are only fashion articles, but in order to be appealing they have to be attractive to the final customer, and once a company is targeting a global audience, there might be a need of adaption, or as it is being done now, Farfetch Brazil in partnership with the brand, and a European stylist (from Farfetch UK) are working together in order to better adapt and perfectly choose the best product mix in order to please the global/European customer for the Destination Brazil project, this also shows the advantage of the partnership with the expertise of experienced personnel, one of the critical resources mentioned by Allon (2004).

The third C refers to *cost*, or price in the 4P's framework. This is a point that referring to premium/luxury brands are not the main issues, as the higher the prices, usually, the higher the quality and the deep know-how spent in order to achieve the result observed. Even tough it is important to highlight that this Brazilian brands, focus of the case study, are not yet globally recognized, so the price should also be competitive, bearing in mind that the products are not just competing with other local brands, rather with a global market. Once talking about prices is relevant to also take into consideration average importation taxes and exchange rates.

The forth C relates to *communication*, also known as promotion. This might be a tricky point, as on the online market the direct contact with the consumer is lost. For that the company must assure a consistent brand communication, meaning that is not only because Farfetch is taking care of the online sales that the company should forget the rest of its communications. As stated by Altagamma and McKinsey study (2015) "A customer's experiences with a brand's own site determines a great deal about how they perceive that brand". So in order not to lose points with this aspect the brands should be totally aware of the way they expose online, as well as keep an update, clean an easy to use website, with an international version. "The collection and mining of online data and analytics is the key to discovering consumer and shopper insights that can enhance and drive engagement across the myriad touch points in the digital world." (strategy&, 2012)

Channel that can also be recognized as promotions is the next subject. Here we are talking about online market, so the channel is e-commerce, but via Farfetch, not an own e-commerce. At the same time that the small brands gain with the expertise and know-how of doing this business offered by Farfetch, they also assume the risk of the impacts on the brand image. As explained by Paula, once the brand accept to be in a marketplace they should be aware of the exposure, but at the same time there is the need to trust Farfetch's curating skills and know that your brand will be among other few selected brands that deserves to be there. Meaning that is you are still a small brand this is the best place to be displayed, your future costumers will start building their perception based on what they see and how they feel about the product presentation.

Consumer is the next to be in the spotlight. This new luxury costumer is highly digital, mobile and social, and because of this have extremely high expectations for what they want in a shopping experience as pointed by numerous studies, including Altagamma and McKinsey report. More than most, luxury shoppers want a seamless, digitally enabled, multi-channel experience – one that unfortunately most luxury players are not yet ready to deliver. So in order to answer this demand companies can no longer question if they should or not move to online market, rather they should be analyzing the best way to do that.

The last C refers to *circumstances* is related to all the reasons that may impact a purchase. This could be a specific occasion, like gift, personal need, or merely an occasionally boost. The circumstances are hard to predict, but the company should assure all the before mentioned points in order to not lose the opportunity.

The Digital inside report by Altagamma and McKinsey (2015) ends bringing five, as they call, must have touch points. First they state that the luxury companies still must have physical stores. "80% of luxury consumers have regular contact with luxury goods stores, giving this touch point the highest reach and the greatest impact on sales. Delivering an outstanding in-store experience is a must, and digital offers a great opportunity to modernize and further enhance this critical meeting point between a brand and its customers." (Altagamma-McKinsey, 2015) This been said is important to remember that the e-commerce as an internationalization strategy is being suggested as an entry strategy, and once the threats and opportunities are clear to the company the first point of internationalization, meaning choosing the country, will be much easier. And one of the internationalization process mentioned in the literature review could be adopted.

The second touch point extremely important to the modern consumers is the person-to-person word of mouth. Luxury shoppers care about what their peers think. This can be either through traditional conversations, or more commonly by social networks. Online search represents the third point. This represents not only natural traffic, but also paid one and it is essential to have the job of creating visibility falls into the hands of online search. "[…] targeted media spend both on e-commerce sites and across other media channels, are needed to reach mass audiences online and complement investments in owned and earned media in the quest to optimize conversion along the shopper's path to purchase." (strategy&, 2012)

The next point refers to sales people as they might have a lasting impact on a customer, and vice versa for a poor one. Even tough this might be more associated with physical stores, it is import to remember that e-commerce also offers customer services, and usually the ones from fashion e-commerce are highly demanded, meaning that there should be good train of the associates as well as enhance their interactions with the clients. The fifth touch point listed by Altagamma and McKinsey is the own brand web site, as stated "[…] customer's experience with a brand's own site determines a great deal about how they perceive that brand. Content - such as ratings and reviews, how-to video tutorials, personalized match-finder applications, and digital shopper solutions - is the basis for differentiated online experiences that offer value beyond the product itself." (Altagamma-McKinsey, 2015) This is an important reminder to the brands willing to internationalize through an external agent, not to forget about their own website, and keep an updated, as international version of it.

"In the coming decade, manufacturers that create and execute e-commerce strategies will enhance their right to win with retail trading partners. They will be the companies that embrace the e-commerce opportunity within the broader omnichannel agenda, and build an e-commerce capability that engages shoppers wherever they are, however they want to interact, and with a winning proposition that delivers a superior experience." (strategy&, 2012)

6 FINAL REMARKS

In this section, the respective final considerations are going to be exposed, followed by a final note. Finally, the managerial implications and the limitations of the research will be presented.

6.1 Study Implications

The present study aimed to explore implications of using e-commerce as an entry market strategy based on the specific case study case of Farfetch, namely Destination Brazil project. The implications of the research are directly connected to the exploration of concepts that belongs to the luxury and online universe in terms of comparing perspectives. In that sense, some pertinent findings were discovered. For instance, the need to be an omnichannel, present not only physically, but also on the online market, reinforcing the brand image. The findings presented an overall list of opportunities and challenges faced by luxury and how companies should evaluate them.

This research aimed to present a recent overview of the online market, as its opportunities, so then develop a model that could explore multiple concepts that integrates online and luxury market. Even though there are not that many studies addressed to this field, the consolidation of the available concepts permitted an in-depth analysis of different ideas at the same time considering multiple perspectives. However, some limitations are evident on the study, and they are explored in the next session.

6.2 Study limitation and future suggestions

The present study was limited to explore a specific case considering e-commerce, expressively, Farfetch as the internationalization mean for the Brazilian brands. This choice may limit the findings regarding entry strategy modes and even other options, being other e-commerce partnership, own international e-commerce and even direct or indirect distribution centers in other countries.

The findings of this study raised additional questions that provide opportunities for future research. First, other options as other e-commerce in Brazil or abroad could be studied as an opportunity to the brands internationalization. And furthermore, in order to have a detailed view and a list of alternatives to enter new markets physically, an analysis brand by brand should be developed in detail to really understand each case specificity. As the Destination Brazil project is still in its infancy, future studies could explore the evolution of the project and the other impacts it had on the partner brands, meaning increase of available brands for the international market and possible openings of physical store abroad and even partnership of Brazilian brands with international boutiques from other countries.

7 REFERENCES

Alexander, N. (1990). Retailers and international markets: Motives for expansion. *International Marketing Review*(7), 75-85.

Alexander, N. (1997). Objects in the rearview mirror may appear closer than they are. *The International Review of Retail, Distribution and Consumer Research*(7), 383- 403.

Allèrés, D. (2000). *Luxo: Estratégias/Marketing.* Rio de Janeiro: FGV.

Alon, I. (2004). International Market Selection for a Small Enterprise : A case Study in International Entrepreneurship. *SAM Advanced Management Journal*, 69.

Altagamma-McKinsey. (2015). *Digital inside: Get wired for the ultimate luxury experience.* Paris: McKinsey&Company.

Anderson, E. S. (2010). Internet channel conflict: Problems and solutions. *Review of Marketing Research*(7), 63-92.

Atwal, G. W. (2007). Experiencing Luxury. *ADMAP*, 30-32.

Berger, J. &. (2010). Subtle signals of inconspicuos consumption. *Journal of Consumer Research*, 555-569.

Berry, C. (1994). *The Idea of Luxury: A conceptual and Historical Investigation.* Cambridge: Cambridge University Press.

BOF. (2015). *José Neves*. Retrieved November 14, 2015, from Business of Fashion: http://www.businessoffashion.com/community/people/jose-neves

Borden, N. H. (1965). The Concept of the Marketing Mix. *Science in Marketing*, 386-397.

Boynlon, A. &. (1984). An Assessment of Critical Success Factors. *Sloan Management Review, 25*(4), 17-27.

Braunstein, F. J. (2003). *Atelier A : rencontre de l'art et de l'objet.* Paris: Norma.

Butcher, M. (2015, November 25). *Fashion Startups On Show At Disrupt London*. Retrieved November 25, 2015, from TechCrunch: http://techcrunch.com/2015/11/25/fashion-startups-on-show-at-disrupt-london-dec-7-8/

Casper, S. (2007). *Creating Silicon Valley in Europe, Public Policy Towards New Technology Industries.* Oxford: Oxford University Press.

Chang, T., & Horng, S. (2010). Conceptualizing and measuring experience quality: the custumer's perspective. *The Service Industries Journal, 30*(14), 2401-2419.

Chen, S. (2003). The real value of ‘e-business models. *Business Horizons*(46), 27-33.

Chevalier, M. &. (2008). *Luxury Brand Management: A world of privilege.* Singapore: Wiley.

Child, J. &. (2001). Organizations unfettered: Organizational form in an information-intensive economy. *Academy of Management Journal, 44*(6), 1135-1148.

Choo, H. J. (2012). Luxury Customer Value. *Emeral*, 16.

Coker B., A. N. (2011). Measuring internet product purchase risk. *European Journal of Marketing*(45), 1130-1151.

Cowles, C. (2013, June 21). *Q&A: How the Founder of Farfetch Brought Luxury to the Web*. Retrieved November 15, 2015, from NY Mag: http://nymag.com/thecut/2013/06/how-farfetchs-founder-brought-luxury-to-the-web.html

Creswell, J. W. (2009). *The Selection of a Research Design.* Thousand Oaks, Calif: Sage Publications.

Crick, D. &. (2005). The internationalisation of "high performing" UK high-tech SMEs: a study of planned and unplanned strategies. *International Business Review, 14*, 167- 185.

CrunchBase. (2015). *Farfetch Overview*. Retrieved November 14, 2015, from CrunchBase: https://www.crunchbase.com/organization/farfetch#/entity

Dawson, J. (1976). Control over Larger Units in France: The Loi Royer and its Effects. *Retail and Distribution Management*, 14-18.

Dion, D. &. (2011). Retail Luxury Strategy: Assembling Charisma through Art and Magic. *Journal of Retailing, 87*(4), 502-520.

Dubois, B. &. (1995). Understanding the world of international luxury brands. *Journal of advertising research*, 273-278.

Dumoulin, D. (2007). What is today's definition of luxury. *ADAMAP*, 27-30.

Dunning, J. H. (1977). *Trade, Location of Economic Activity and the MNE: A Search for an Eclectic Approach.* London: Macmillan.

e-bit. (2015). *WebShoppers 2015.* São Paulo: e-bit.

ECCIA. (2014). *The contribution of the high-end cultural and creative industries to the European economy.* London: Frontier Economics.

Economist, T. (2013, February 28). *Fetching far flung couture*. Retrieved November 15, 2015, from Economist: http://www.economist.com/blogs/schumpeter/2013/02/high-end-online-fashion

Euromonitor. (2011). *Brazil: Spotlight on Key Market Trends in Luxury Goods .* London: Euromonitor International.

Euromonitor. (2011). *European digital divide: e-commerce markets in Europe - Opportunities and Prospects.* London: Euromonitor International.

Euromonitor. (2012). *Luxury goods and global trends.* London: Eurominitor International.

Euromonitor. (2013). *Luxury goods: Global trends and prospects.* London: Euromonitor International.

Europe, E. (2015). *European B2C Ecommerce Report 2015.* Brussels: Ecommerce Europe.

Fflur, R. (2012). *New Luxury Goods Research: What is it Telling Us?* London: Euromonitor International.

Fionda, A. &. (2009). The anatomy of the luxury fashion brand. *Journal of Brand Management*, 347-363.

Ghemawat, P. (2001). Distance Still Matters. *Harvard Business Review*, 17-26.

Ghemawat, P. (2003). The Forgotten Strategy. *Harvard Business Review*, 5-13.

Ghemawat, P. (2005). Regional Strategies for Global Leadership. *Harvard Business Review*, 29-40.

Ghemawat, P. (2007). Choosing the Right Global Strategy. *Harvard Business Review*, 1-54.

Ghemawat, P. (2007). Managing Differences: The Central Challenge of Global Strategy. *Harvard Business Review*, 44-54.

Ghosh, A. &. (2013). Luxury Goods Consumption: A Conceptual Framework Based on Literature Review . *South Asian Journal of Management , 20*(2), 146-159.

Gibbs, J. K. (2003). *Environment and Policy Factors Shaping Global E-Commerce Diffusion: A Cross-Country Comparison.* London: The Information Society.

Gill, S. (2012, February 7). *Hot Company Profile: Boutique fashion marketplace Farfetch*. Retrieved November 15, 2015, from Pivotl: http://iq.pivotl.com/article/ajxMrROy9eo/2012/02/07/hot_company_profile_boutique_fashion_marketplace_farfetch/

Gregory, D., Johnston, R., Prattt, G., Watts, M. J., & and Whatmore, S. (2009). The Dictionary of Human Geography. In D. Gregory, R. Johnston, G. Prattt, M. J. Watts, & S. and Whatmore, *The Dictionary of Human Geography* (p. 373). -: Wiley-Blackwell.

Guillén, M. (2002). What is the best global strategy for the Internet? *Business Horizons*(45), 39-46.

Guy, C. (1994). Grocery Store Saturation: Has It Arrived Yet? *International Journal of Retail & Distribution Management*(22), 3-11.

Hoffmann, J. &.-M. (2012). *Luxury Strategy in Action.* London: Palgrave Macmillian.

Hoffmann, J. &.-M. (2013). *Global Luxury Trends: Innovatives Strategies for Emerging Markets.* London: Palgrave Macmillian.

Holt, D. (2002). Why do brands cause trouble: A dialectical theory of consumer culture and branding. *Journal of Consumer Research*, 70-90.

HOWARD, E. (2004). Retail Internationalization: How to Grow. In J. Reynolds, & C. Cuthbertson, *Retail Strategy* (pp. 96-118). Amsterdam: Eds.

Hudders, L. P. (2012). The meaning of luxury brands in a democratized luxury world. *International Journal of Market Research*, -.

Hutchinson, K. A. (2007). Internationalization motives and facilitating factors: qualitative evidence from smaller specialist retailers. *Journal of International Marketing*(15), 96-122.

Iyer, B. (2012, november 2). *Are luxury brands ready to take the leap to online*. Retrieved february 20, 2014, from Campain Asia: http://www.campaignasia.com/Article/321698,luxury-report-are-luxury-brands-ready-to-take-the-leap-to-online.aspx

Johanson, J. &. (1977). The Internationalization process of the firm – a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies, 8*(1), 23-32.

Johanson, J. &.-P. (1975). The internationalization of the firm: four Swedish case studies. *Journal of Management Studies, 12*, 305-322.

Jolly, V. K.-P. (1992). Challenging the incumbents: How high technology Start-ups compete globally. *Journal of Strategic Change*, 71-82.

Kapferer, J.-N. &. (2009). *The luxury strategy: Break the rules of marketing to build luxury brands.* London: Kogan Page.

Kapferer, J.-N. &. (2009). The specificity of luxury management: Turning marketing upside down. *Journal of Brand Management, 16*, 311-322.

Kapferer, J.-N. (1997). Managing luxury brand. *Journal of Brand Management*, 251-260.

Kapferer, J.-N. (2008). *The new strategic brand management creating and sustaining brand equity long term.* London: Kogan Page Limited.

Kautz, K. (1996). *Diffusion and adoption of information technology: proceedings of the first IFIP WG 8.6 Working Conference on the Diffusion and Adoption of Information Technology.* London: Chapman & Hall.

Kearney, A. (2015). *Global Retail E-Commerce Index.* New York: A.T. Kearney Company Records.

Keller, K. (2009). Managing the growth tradeoff challenges and opportunities in luxury branding. *Journal of Brand Management*, 209-301.

Khayat, I. (2004, October 27, 28 et 29). L'internationalisation des PME: vers une approche intégrative. *L'internationalisation des PME: vers une approche intégrative*. Montpellier, FR, France: 7ème Congrès International Francophone en Entrepreneuriat et PME.

Knight, G. A. (1996). The Born Global firm: A challenge to traditional internationalization theory. *Advances in International Marketing, 8*, 11-26.

Koblin, J. (2014, April 30). *Farfetch, an Online Boutique, Enjoys Its Moment*. Retrieved November 15, 2015, from The New York Times: http://www.nytimes.com/2014/05/01/fashion/farfetch-an-online-boutique-enjoys-its-moment.html?_r=1

Leiner, B. M. (1997, February). The Past and the Future of the Internet. *Communications of th ACM, 40*, 102-108.

Linder, S. B. (1961). *An Essay on Trade and Transformation.* Stockholm: Almqvist and Wiksell.

Madsen, T. K. (1997). The Internationalization of Born Globals: an Evolu- tionary Process? *International Business Review, 6*(6), 561-583.

Madsen, T. K., & Servais, P. (1997). The Internationalization of Born Globals: an Evolutionary Process? *International Business Review*(6), 561-583.

Malhotra, N. K. (2010). *Introdução à pesquisa de marketing* (5 ed.). São Paulo: Pearson Prentice Hall.

Mangiaracina, R. P. (2012). Factors Influencing B2c eCommerce. *World Academy of Science, Engineering and Technology, 6*(5), 295-303.

McKinsey&Co. (1993). *Emerging Exporters. Australia's High Value-Added Manufacturing Exporters.* Melbourne: McKinsey & Company and the Australian Manufacturing Council.

Moore, C. F. (2000). Brands without boundaries: the internationalization of the designer retailer's brand. *European Journal of Marketing*(34), 919-937.

Okonkwo, U. (2009). *Luxury online.* London: Palgrave.

Okonkwo, U. (2009). Sustaining the luxury brand on the Internet. *Journal of Brand Management*, 302-310.

Oviatt, B. M. (1994). Toward a theory of international new ventures. *Journal of International Business Studies, 25*, 45-64.

Patton, M. (1987). *How to use Qualitivative Methods in Evaluation.* London, England (2nd. Ed.): Sage Publications.

Petersen, B. W. (2002). The Internet and foreign market expansion by firms: Theoretical questions and three predictions. *Management International Review*(42), 207-221.

Petty, N. J. (2012). Ready for a paradigm shift? Part 2: Introducing qualitative research methodologies and methods. *Manual Therapy, 17*, 378-384.

Phau, I. &. (2000). Consuming luxury brands: The relevance of the "rarity principle". *Journal of Brand Management, 8*, 122-138.

Pine, B. &. (1998). Welcome to the experience economy. *Harvard Business Review*, 97-105.

Pine, B. &. (2011). *The Experience Economy.* Boston: Harvard Business School Press.

Polonsky, M. J. (2011). *Designing and managing a reasearch project: A business student guide.* Thousand Oaks, CA: Sage Publucations.

Polonsky, M. J. (2011). *Designing and managing a research project: A business students guide.* Thousand Oaks, CA: Sage Publications.

Porter, M. (1986). *Competition in global industries: a conceptual Framework.* Boston: Harvard Business School Press.

Quintavalle, A. (2012). Retailing in the Luxury Industry. In &. I.-M. J. Hoffmann, *Luxury Strategy in Action* (pp. 74 - 107). London: Palgrave Macmillan.

Rasmussen, T. K. (2002). *The Born Global concept.* Odense, Denmark: Paper for the EIBA conference.

Raynard, P. & M. Forstater. (2002). *Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries.* Vienna: United Nations Industrial Development Organization.

Ricardo, D. (1821). *On the Principles of Political Economy and Taxation.* Lodon: London: John Murray.

Ritchie, J. &. (2003). *Qualitative research practice: a guide for social science students and researchers.* London: Sage Publications.

Rodrigues, S. &. (2007). The process of SME internationalization: British firms entering Brazil. *Economia e Gestão, 7*(14), 1-178.

Ronald, D. (1961). Management Information Crisis. *Harvard Business Review*.

Sherman, L. (2014, May 1). *Like a high-fashion etsy, farfetch puts the world's rarest fashion at your fingertips*. Retrieved November 25, 2015, from Fast Company: http://www.fastcompany.com/3029848/like-a-high-fashion-etsy-farfetch-puts-the-worlds-rarest-fashion-at-your-fingertips

Shimizu, K. (2014). Advertising Theory and Strategies. In K. Shimizu, *Advertising Theory and Strategies* (18 ed., pp. 63-102). Tokyo: Souseisha Book Company.

Silverman, D. (2005). *Doing Qualitative Research* (2 ed.). London, England: Sage Publications.

Silverstein, M. &. (2003). *Trading up: The New American Luxury.* London: Penguin Books Ltd.

Smallbone, D. &. (1995). Targeting established SMEs: does their age matters? *International Small Business Journal*, 47-63.

So, W. W. (2005). Factors affecting intentions to purchase via the internet. *Industrial Management & Data Systems*(105), 1225-1244.

strategy&. (2012). *E-commerce and consumer goods: A strategy for omnichannel success.* New York: Booz & Company.

Times, T. (2012, December). *The 50 best shopping websites*. Retrieved February 19, 2014, from The Times: http://www.thetimes.co.uk/tto/magazine/article3613132.ece

Treadgold, A. (1988, Nov/Dec). Retailing without frontiers. *Retail and Distribution Management*, 8-12.

Tsai, S. (2005). Impact of personal orientation on luxury-brand purchase value. *International Journal of Market Research*, 427-452.

Turban, E. (2012). *Electronic commerce 2012: a managerial and social perspective.* New York: Pearson Education.

Vidal, I. R. (2000). Determinants of international retail involvment: the case of large US retail chains. *Journal of International Marketing*(8), 37-60.

Welch, L. &. (1988). Internationalization: Evolution of a Concept. *Journal of General Management, 14*(2), 34-55.

Whinston, A. B. (1997). *The economics of electronic commerce.* Indianapolis, IN: Macmillan Technical Pub.

Williams, D. (1992). Motives for retailer internationalization: their impact, structure, and implications. *Journal of Marketing Management*(8), 269-285.

World Bank, D. (2015, Semptember 18). *Data Catalog - GDP Ranking.* Retrieved November 4, 2015, from The World Bank: http://databank.worldbank.org/data/download/GDP.pdf

Yin, R. K. (1983). *Case Studies and Organizational Innovation: Strengthening the Connection.* Washington: Cosmos Corporation.

Yin, R. K. (2003). *Case Study Research. Design and Methods* (3 ed.). Thousand Oaks, CA: Sage Publications.

8 APPENDIX

8.1 Interview guide (Paula Queiroz- Head of Business Development)

a. OVERVIEW OF THE COMPANY (understand how the business initiated and operates abroad)

- Did Farfetch already born global? Selling cross borders? (internationalization approach/Born Global theory)

- How most of the partnerships starts? Brands desire to be online or a proactive approach from Farfetch? (business model)

- Farfetch offers the big advantage of purchasing in the local currency with all the taxes included, in a country were FF is not located how does it work, like Net-a-Porter? (competitor analysis)

- Does Farfetch take any care on the presentation of the brands? Not displaying a specific brand right next to another? (business model/marketing approach)

b. DESTINATION BRAZIL (understand the project history and specificities)

- What is the project, when it started? (history/values)

- Why only part of Brazilians brands are sold abroad? (specificities)

- How do you choose the ones that should be sold abroad? (specificities)

- Are them sold in all the other countries Farfetch reach? (specificities)

- What is offered with the partnership? What informations do the brands have access to? (partnership advantages)

- Do they have access to their client data base? Country/nationality/products bought? (partnership advantages – information access)

- Who is the main consumer? Gender, Country, Nationality? (general data)

8.2 Interview transcript (Paula Queiroz - Head of Business Development)

a. OVERVIEW OF THE COMPANY

RR.: *A Farfetch já nasceu global? Vendendo além das frontreiras?*

PQ.: A grande proposta do José Neves quando lançou a plataforma foi reunir a curadoria das principais boutiques multimarcas do mundo em uma única plataforma online que desse acesso a compradores do mundo inteiro, compradores de internet. Desde o início a proposta era ser um curador de curadores, afinal como as boutiques já tem esse olhar muito particular sobre a compra das marcas, a ideia era que a Farfetch ainda ativesse um olhar sobre essas boutiques, ou seja também fazendo uma seleção de boutiques com uma oferta super especial e bem de luxo.

A Farfetch já começou com Europa como um todo, e entregando no mundo inteiro, e um ano/um ano e meio depois, estabeleceu-se nos EUA e Brasil desenvolvendo parcerias locais. Os EUA desde o início já vendem para o mundo inteiro, enquanto as marcas Brasileiras ficaram restringidas ao mercado local durante os 3 primeiros anos só para clientes do mercado brasileiros.

RR.: *Como surge/surgiram a maioria das parcerias com as boutiques? É um desejo das marcas ou surge como um contato pró-ativo da Farfetch?*

PQ.: Como era uma proposta muito nova, e até hoje ainda é – reunir um mix e oferta de boutiques multimarcas em uma única plataforma – foi a Farfetch que foi atrás das parcerias. A Farfetch que foi a campo entender o mercado e o que tinha o perfil e estava alinhado ao posicionamento da plataforma pra começar a processar as parcerias. Claro que como o trabalho foi muito bem feito e mesmo trabalhando apenas com boutiques, pois não trabalhamos com nenhuma loja de departamento, a Farfetch foi fazendo seu nome, e mesmo compartilhando o estoque de produtos com as boutiques físicas a oferta do site já é muito representativa. Então hoje já acontece o movimento contrário, as lojas vem atrás da Farfetch querendo vender pela plataforma, mas (e ainda mais forte na Europa) existe um rigoroso critério na aprovação da boutique de acordo com a alinhamento aos valores da Farfetch. Com relação aos critérios quase tudo é levado em consideração. Desde, obviamente, a gama de marcas e produtos oferecida pelas boutiques, até arquitetura da loja, localização, e mesmo percepção do cliente com relação a boutique.

RR.: A *Farfetch oferece uma grande vantagem de comprar na moeda local e com a garantia de todas as taxas inclusas. Em um país em que a FF não está atualmente localizada como isso acontece, como no Net-a-Porter?*

PQ.: Com certeza essa é a maior vantagem da Farfetch, comprar na moeda local com todos os impostos incluídos em qualquer país do mundo. O site também está adaptado para as línguas locais e estamos aumentando ainda mais a oferta de sites totalmente traduzidos para diversas línguas. E acima de tudo a maior vantagem que a Farfetch oferece é a possibilidade de ter uma oferta infinita, afinal como não existe o investimento em estoque, dando possibilidade de parcerias com diversas boutiques também aumenta a possibilidade de oferta de produtos no site e o faturamento está diretamente relacionado ao número de produtos oferecidos.

RR.: *A Farfetch toma algum cuidado na apresentação das marcas? Não mostrando uma marca específica ao lado de outra?*

PQ.: Com relação a disposição dos produtos no site a marca em si não tem poder nenhum de decisão com relação a isso, e fica a total critério da Farfetch, como parte de seu know-how de curadoria saber e selecionar qual a melhor exposição de produtos que impulsionarão as vendas, independentemente de marcas. No momento ainda não existe nem a possibilidade de merchandising da própria pagina da marca, mas a ferramenta está para ser lançada o que possibilitará as marcas de fazer o próprio display de produtos na página específica da marca.

b. DESTINATION BRAZIL

RR.: *O que é o projeto, quando e como começou?*

PQ.: Desde o início as marcas brasileiras queriam exportar. Tanto que, quando eu ia apresentar a Farfetch como sendo uma plataforma inglesa e global, eles já assumiam que a venda seria internacional. Sempre existiu essa demanda, as marcas brasileiras tem muita dificuldade em exportar e sempre viram a Farfetch como uma oportunidade. No entanto, por questões logísticas e fiscais que representavam uma grande dificuldade a gente evitou isso ao máximo. Até que em 2013 nós começamos a trabalhar nesse projeto (DB). Percebemos que por dificuldades em assinar contratos de parceria com grandes marcas brasileiras, a possibilidade de exportação oferecia um forte argumento, estabelecendo assim uma parceria não só nacional, mas também internacionalmente.

Com relação ao formato, visto que internacionalmente todas as parcerias são boutiques, nós resolvemos criar uma boutique chamada Destination Brazil. A criação do DB foi primeiramente para se adequar ao formato, mas também para facilitar e ajudar o consumidor internacional a encontrar e identificar os produtos, já que temos uma oferta muito grande. Dessa forma reuniríamos todos os produtos nacionais em uma única boutique que tivesse mais peso e reconhecimento facilitando as buscas para o cliente que quisesse entender a oferta de produtos brasileiros. A partir desse momento começou um trabalho de entender do portfolio já existente de marca nacional que representa bem o DNA brasileiro, que tenha alguma particularidade, algum trabalho mais expressivo e selecionar algumas delas para o projeto. Uma vez feito isso, existe também um trabalho de selecionamento dos produtos em si que seriam expostos no DB, a oferta internacional não espelha 100% da oferta nacional. Com o projeto estabelecido começamos a procurar grandes marcas reputadas nacionalmente que gostaríamos de ter no site mas ainda não eram parceiras e que seriam atraídas com a ideia de exportação dos produtos para os clientes internacionais. Essas novas parcerias precisavam atender tanto o âmbito local, como internacional, oferecendo uma gama de produtos atrativa para os dois mercados.

RR.: *Por que apenas uma parte das marcas e vendida no exterior?*

PQ.: Atualmente o portfolio foi definido de acordo com as nossas ambições e a exploração maior da face *beachwear* brasileira, mas nós estamos em contato com uma *stylist* da Farfetch Londres que a partir dessa perspectiva externa está analisando a nossa oferta no site nacional em busca de um melhor mix de marcas e produtos que possam agradar o gosto estrangeiro assim como dar maior valor a oferta. É importante que faça sentido a nossa oferta no exterior, mesmo com relação ao ticket médio, uma vez que, por exemplo, a Martha Medeiros que oferece um incrível trabalho artesanal de renda da renascença do Nordeste, mas talvez pelo preço possa não fazer o sentido fora do Brasil, já que a marca não é reconhecida da mesma maneira e é um produto de alto valor agregado.

RR.: *Como são escolhidas as marcas que deverão ser vendidas no Destination Brazil?*

PQ.: No início a criação do DB foi um grande atrativo para atração de grandes marcas que anteriormente não se sentiam tão atraídas pela parceria apenas com a Farfetch Brasil. A princípio foi uma etapa de testes em que os produtos e marcas eram testados ao poucos para ver a aceitação do público. Mas o mais importante sobretudo é o DNA brasileiro com alguma particularidades, tais como Serpui Marie de acessórios, ou produtos mais minimalistas que nem Giuliana Romanno, e Fernanda Yamamotto, que todas as outras marcas também parte do projeto apresentam. Preço, por exemplo, não era um fator muito considerado no início. Conforme o portfolio cresceu e o número de marcas parceiras aumentou consideravelmente, nós mudamos um pouco a estratégia e começamos a focar cada vês mais em *beachwear*, afinal é por isso que o Brasil é reconhecido, o produto que fazemos bem e apresenta um diferencial do resto do mundo. Como o aumento da oferta é diretamente relacionada ao aumento do faturamento, percebemos a necessidade de aumentar nossa gama de produtos conquistando marcas que não apenas que vendessem biquínis, mas também peças relacionadas a *beachwear* e com um *ticket* médio interessante, assim como BlueMan, Skinbiquini, que são marcas com uma ótima identidade brasileira e preços atrativos para o cliente internacional.

RR.: *O Destination Brazil está disponível para todos os outros países em que a Farfetch opera?*

PQ.: Sim, atualmente não importa o país do cliente eles conseguem acessar os produtos oferecidos na boutique Destination Brazil.

RR.: *O que exatamente é oferecido na parceria para as marcas? A quais informações as marcas tem acesso?*

PQ.: Todas as informações diretamente relacionadas a venda são oferecidas as marcas, seja o produto vendido em si – cor e tamanho – como também o país destino do produto vendido.

RR.: *Elas tem acesso a base de clientes que já comprou seus itens? País/nacionalidade/produtos comprados?*

PQ.: Eu não sei exatamente a forma como a área comercial oferece a base de dados para as marcas parceiras, mas com relação a nacionalidade dos consumidores com certeza não existe nada, pois não é uma informação exigida no cadastro, e muitos consumidores não preenchem integralmente as informações pedidas.

Visto da perspectiva da boutique/marcas (no caso brasileiro) a parceria com a Farfetch é muito mais vantajosa para o lado da marca parceira. Afinal o estoque já está produzido, o investimento já foi feito, e a Farfetch proporciona uma dupla possibilidade de venda no mercado nacional e internacional, com uma excelente vitrine, ao lado de grandes marcas. As marcas parceiras não tem custo nenhum, pois a Farfetch se responsabiliza por toda parte de operação e logística, sendo a Farfetch que exporta e não existe devolução (para a boutique, mas se o cliente devolver o produto, esse volta para o site e fica armazenado no escritório mais próximo), pois não é possível retornar o produto para o Brasil

RR.: *Quem e o consumidor do Destination Brazil? Gênero, País, Nacionalidade?*

PQ.: Essa pergunta pode ser melhor respondida área comercial.

8.3 Farfetch website

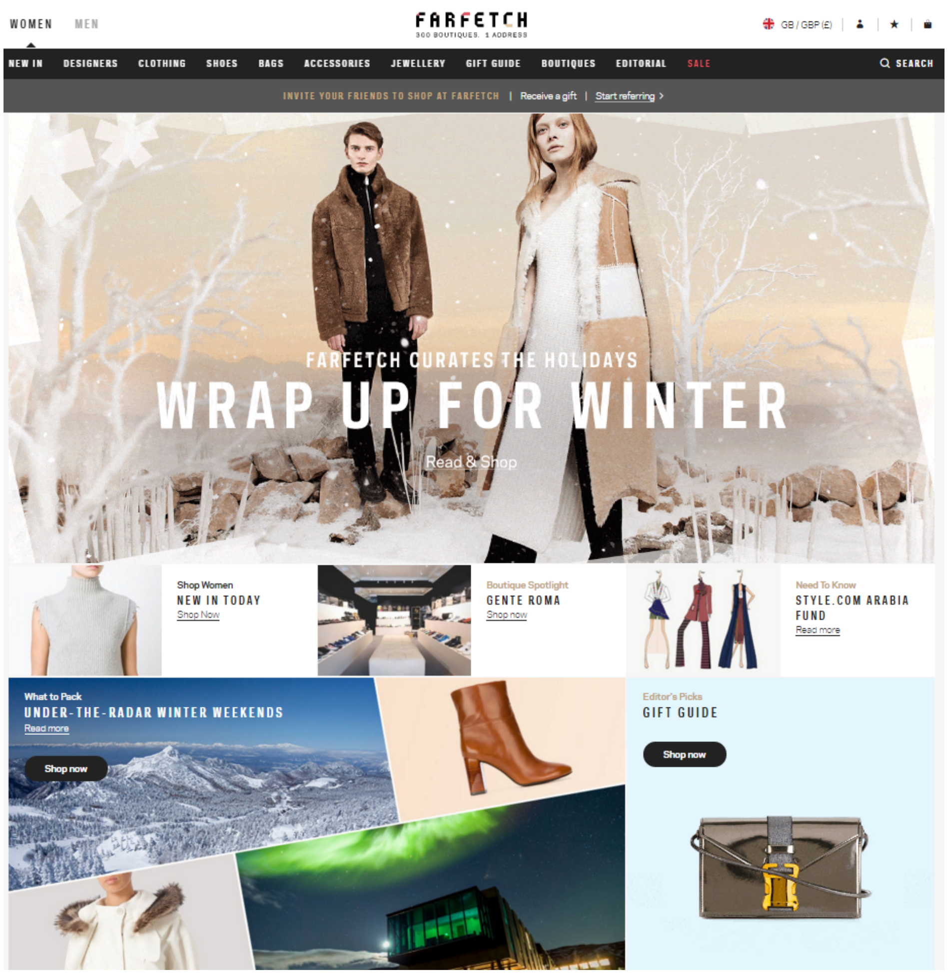

Exhibit 1 - Farfetch Homepage

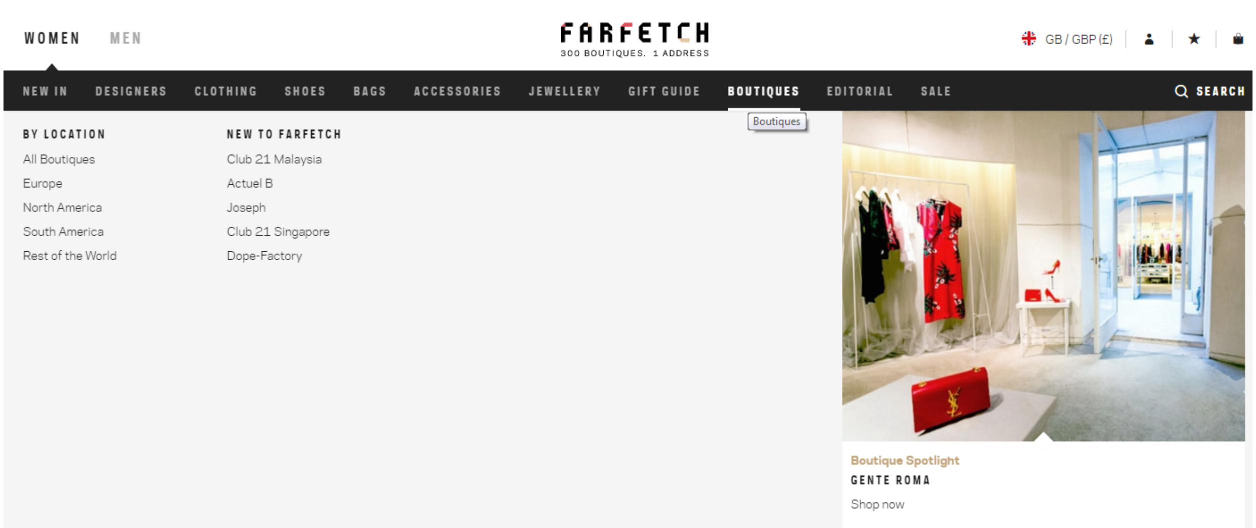

Exhibit 2 - Farfetch Filters

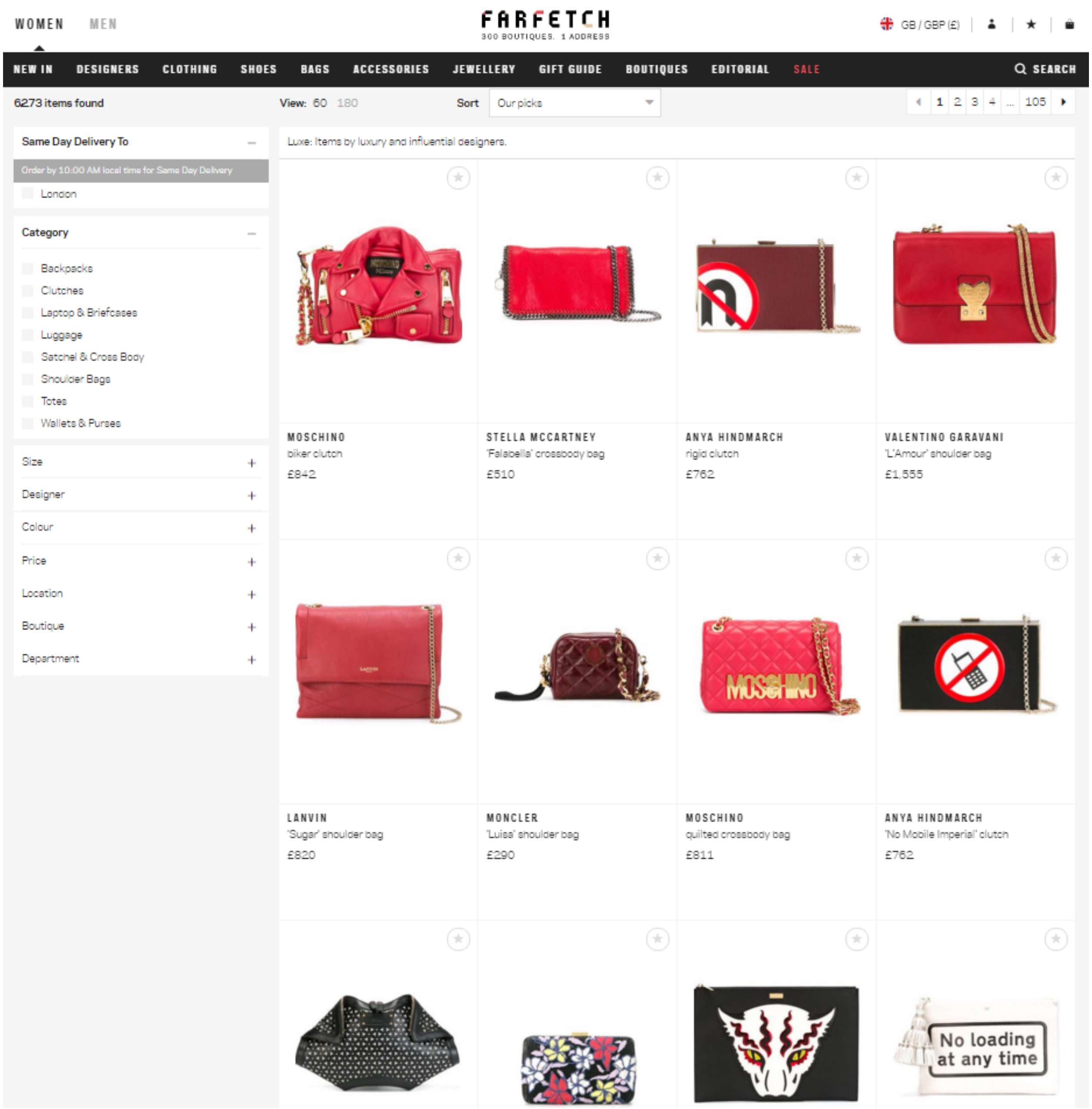

Exhibit 3 - Products Display

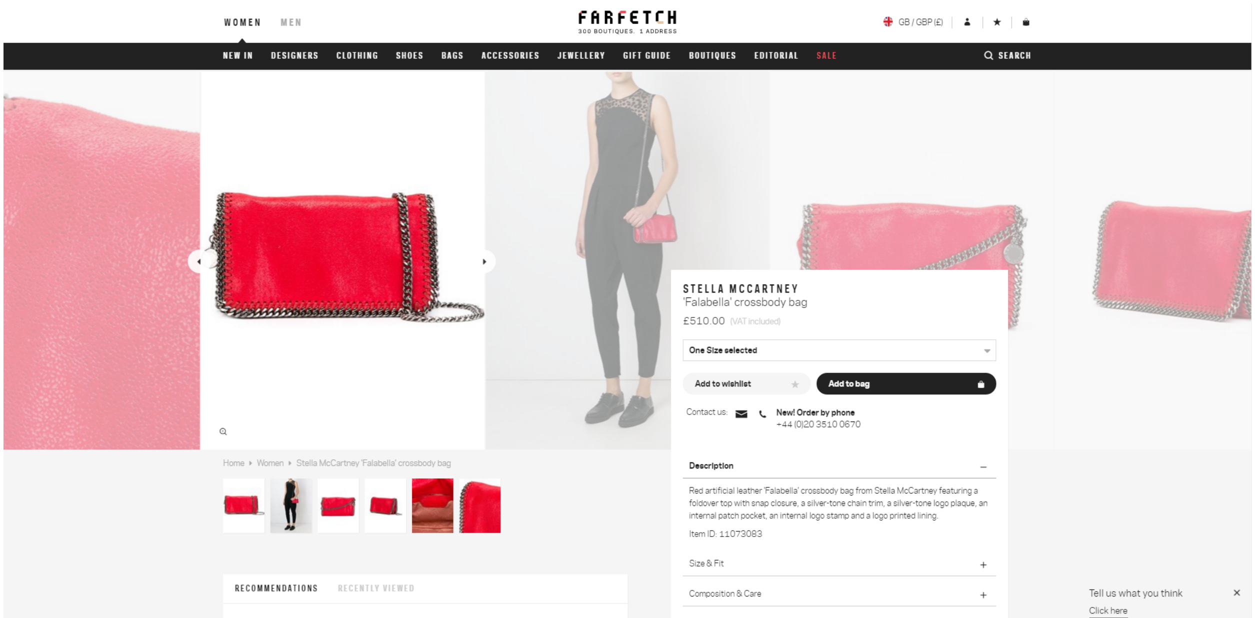

Exhibit 4 - Product Page

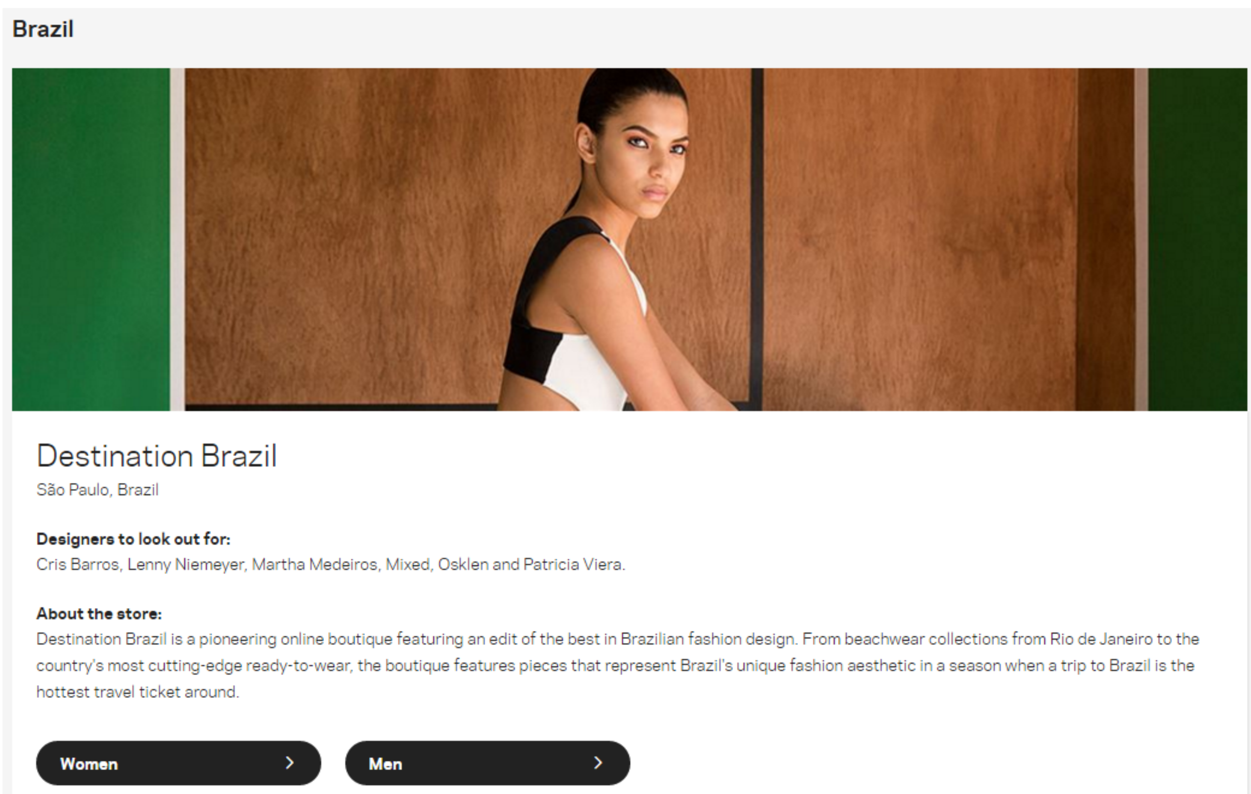

Exhibit 5 - Destination Brazil (boutique page)

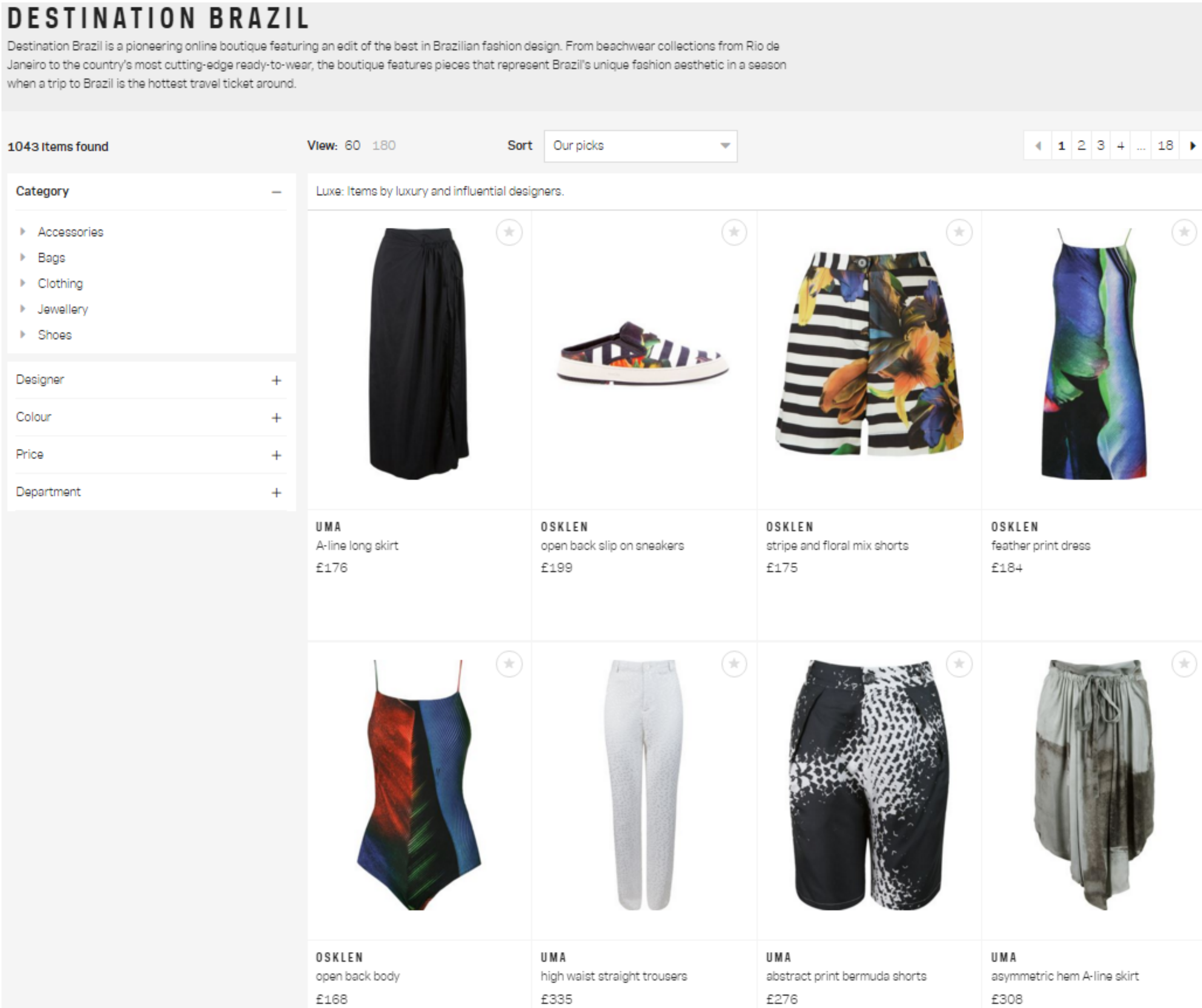

Exhibit 6 - Destination Brazil (product page)