Supply Chain Network Considerations for e-Retail of Luxury Goods in Canada
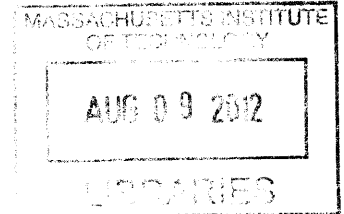
by

Dilek Tansoy

M.S. Chemical Engineering, Northeastern University
B.S. Chemical Engineering, Orta Doğu Teknik Üniversitesi
B.S. Food Engineering, Orta Doğu Teknik Üniversitesi

Yi Linn Teo

B.S. Economics, Singapore Management University

Submitted to the Engineering Systems Division in Partial Fulfillment of the
Requirements for the Degree of

Master of Engineering in Logistics

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Massachusetts Institute of Technology

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Signature of Authors _____
Master of Engineering in Logistics Program, Engineering Systems Division
May 2012

Certified by _____
Roberto Perez-Franco
Thesis Supervisor
Research Associate at Center for Transportation and Logistics, MIT

Accepted by _____
Yossi Sheffi
Director, Center for Transportation and Logistics
Elisha Gray II Professor of Engineering Systems, Professor of Civil and Environmental Engineering

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ABSTRACT

The Internet has changed the way people purchase goods in the 21st century: many types of goods and services have become available online. Luxury goods followed this trend after an initial delay, primarily due to the nature of these goods. At the time of the preparation of this document, there were no proven guidelines for building the most successful e-retail website for luxury goods from the brand management and profitability perspectives. Ralph Lauren (RL) is an established American brand, well known for quality and consistent style in the following categories: clothing for women, men, and children; home goods, accessories; and fragrances. RL Corporation houses many labels that constitute premium and luxury offerings. RL currently sells through the Internet in many countries, in addition to countless company owned stores, 9 flagship stores, department stores and boutiques distributed around the world. To continue growth, RL wants to launch an e-retail website for Canada. This thesis aims to provide supply chain network considerations for the successful operation of the Canadian e-retail website for RL. These considerations stem from a careful look into potential luxury website characteristics that would meet the company objective of elevating the brand towards the luxury category. It is recommended that RL secure expansion capacity that will likely be necessary for B2C operation at its Toronto distribution center (DC). In addition, material handling equipment that will process a high volume of small orders should be placed in this DC. The Vancouver cross-docking facility could be expanded in the future as prompted by sales volume and coupled with a DC to cater to the West Coast of Canada. Also, it is recommended that advanced customer tracking systems and databases be employed, especially to determine high value customers for tailored offerings in the luxury segment.

Thesis Supervisor: Roberto Perez-Franco
Title: Research Associate at CTL, MIT

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1 INTRODUCTION

The emergence of the Internet changed interaction patterns of people with entities and with one another. Rapidly evolving digital technologies made it possible to buy and sell goods on the Internet (online shopping). As people became familiar with the Internet and online shopping, the variety of items available in the online marketplace expanded to territories that were not previously viewed as a good fit for sales through e-commerce. Luxury goods are an example of such items.

The dictionary description of luxury contains many cues that will help the enthusiast understand the characteristics of luxury goods. The Oxford Online Dictionary defines luxury as "the state of great comfort and extravagant living" or "an inessential, desirable item that is expensive or difficult to obtain". The online dictionary Thinkexist.com provides a description that makes the connection with the five senses: "anything which pleases the senses, and is also costly, or difficult to obtain, anything expensive which gratifies the appetites or tastes". As the luxury phenomenon is built on appealing to the five senses, it is not surprising that transferring this experience to the online marketplace is a challenging task to undertake (Okonkwo, 2010).

1.1 Overview of Ralph Lauren

Ralph Lauren is a globally recognized brand, established in 1967 that specializes in high-end, elegant clothing for men, women and children, as well as home products, accessories and fragrances (Ralph Lauren Corporation, Company Profile, 2012). Ralph Lauren successfully built its global physical presence through flagship stores, large department stores and boutiques in more than 30 countries. Ralph Lauren has expanded its operations into the web domain and has

established sales channels on the Internet to provide customers an alternative way of shopping and to establish presence on this emerging domain. Ralph Lauren has a strong online presence in the United States and in many countries across Europe and Asia. However, the e-commerce channel for Canada remains to be developed.

Ralph Lauren aims to build an effective e-commerce website for Canada, coupled with operations that provide excellent customer satisfaction, growing sales and increasing brand awareness in Canada, all while elevating the brand in line with corporate strategy.

1.2 Overview of the Canadian Market

Based on a market research study by eMarketer Digital Intelligence, Canadian consumers purchased US$16 billion worth of products and services in 2010 in the online marketplace, the last year for which the data was available at the time of research. These numbers are expected to double by 2015. This increase can be attributed to a wider variety of products becoming available online and growing awareness about the convenience of online shopping, especially with lower shipping costs. Relying on this expansion in the number of online shoppers and the notable success of the launch of other regions' (US, UK and Asia) e-commerce websites for Ralph Lauren, moving into the Canadian e-retail scene appears to be timely.

Based on research conducted by Statistics Canada in 2008, it was found that many shoppers are relying on the Internet to do research on the items they plan to purchase before going to the store. With e-commerce technologies becoming more advanced, more consumers are completing their purchase online. In Canada, individuals have been spending increasing amounts of time on the Internet, utilizing online shopping and online banking channels (Stanford Institute of Digital

Media, 2012; Yan, 2011). This changing trend towards the Internet leads to the need for exponential increases in companies' online marketing expenditures. The aim is to build operations that will serve the company and customers while achieving the strategic objective of elevating the brand towards the luxury segment.

1.3 Brand Elevation

Ralph Lauren is currently perceived as a premium brand in general (Okonkwo, 2010); however, many labels under the Ralph Lauren Corporation umbrella span multiple segments, represented with a galaxy model (Sicard, 2006). The labels and products within the Ralph Lauren galaxy represent company's vision, a unique American lifestyle. Brand elevation from the premium segment to the luxury segment is a challenging task that cannot be achieved simply via extraordinary success in premium segment execution (Kapferer & Bastien, 2009). The building blocks of a luxury experience and luxury marketing are completely different than that of premium brands; therefore, brand elevation to the luxury segment requires special attention and adherence to a carefully designed roadmap. The journey begins with fine-tuning in marketing including the presentation on the website, and reshaping of operations to meet the new expectations. Alternatively, a brand can move up within its own segment, referred to as *trading up* (Kapferer & Bastien, 2009). However, if the aim is trading up within the premium segment rather than moving into the luxury segment, guidelines to be followed will be different as outlined in the book "*Trading Up*" (Silverstein & Fiske, 2005). It is very important to understand the meaning of luxury, and to differentiate between luxury and premium prior to committing to a costly strategy to transform marketing and operations. This thesis aims to provide some

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guidelines that would serve as suggestions in shaping the supply chain network to complement a successful e-commerce website for a brand that is moving towards the luxury segment.

1.4 Current operations in Canada

Ralph Lauren currently has ongoing Business-to-business (B2B) sales in bulk quantities to retailers in Canada. The operations that spread from Toronto Distribution Center (DC) and Vancouver cross docking facilities feed the current demand. It is expected that the launch of the Canadian e-retail website will drive major changes in operations due to the Business-to-Consumer (B2C) nature of the online shopping website. Moreover, luxury brand positioning will require alterations in customer service, as explained later in the thesis.

1.5 Research Questions and Approach

In the context of the information presented above, the research question that is facing Ralph Lauren can be stated as follows:

"What are the supply chain network considerations for a successful operation of the Canadian e-retail website for Ralph Lauren, designed to meet the strategic objective of elevating the brand to the luxury segment?"

Answering the research question requires understanding the luxury concept and marketing guidelines for luxury goods, exploring Canadian market characteristics, current e-retail of luxury goods by various brands and the operations behind them. This information will lead to a proposal of recommendations for the Ralph Lauren Canada e-retail website, which will have direct and indirect implications on operations. For example, the expectation of free returns for each luxury item sold can translate into the inclusion of returns shipping labels and agreements with specific

carriers to carry out this operation. A detailed look into e-commerce websites of luxury brands such as Louis Vuitton, Gucci and Prada will provide a good understanding of the e-commerce climate and online offerings by luxury brands.

1.6 Thesis Outline

This thesis starts with an Introduction presenting the reader with the main topics related to our research, and the research question we are trying to answer. This leads to a Literature Review, where we examine and present what other researchers have done to answer similar research questions. After the Literature Review, we present the Methodology used to gather and examine data to answer the research question. Consequently, we deliver the Data and Analysis section, to lay out the data that was collected using the research methods highlighted in Methodology, clarify how the data was analyzed and highlight the key findings. These findings help us draw inferences from the data and build connections among results from various research methods, allowing for the Discussion section to be presented next. The Discussion addresses the main findings answering the research question, followed by the Conclusions section.

2 LITERATURE REVIEW

Several studies were conducted in the area of transitions to the e-commerce domain, development of supply chains to cater to this channel and the dynamics between e-commerce and traditional brick and mortar (B&M) stores. However, research that examines the unique transition of luxury apparel industry into the e-commerce arena and its impact on customers, retailers' supply chain, and its implications in the industry compared to the traditional channels are scarce. Moreover, supply chains for luxury goods are not well-characterized.

In attempts to characterize luxury goods supply chains, Caniato et al. (2009) reported a unique way of identifying Critical Success Factors (CSF) in the Italian luxury market through case studies and interactions between various Italian luxury brands and customers. Important factors such as uniqueness, quality and variety of products, supply profile, seasonal variations, market requirements, sales volumes, product complexity, and company size were considered in designing the supply chain network. This thesis will employ some of these factors to provide recommendations on supply chain network.

Research on e-commerce (Cachon, Terwiesch, & Xu, 2008; Brynjolfsson, Hu, & Rahman, 2009) indicated that e-commerce set-ups alongside traditional retail stores do not necessarily affect the business adversely. Intuitively, it would seem that setting up an online channel for retail sales would cannibalize sales in physical stores; however, it was found that multi-channel sales complement each other and increase the sales in general, providing a larger assortment of products and enhancing the recognition of brands in larger geographical areas.

2.1 The Luxury Brand

There are certain attributes that differentiate luxury goods from the rest. Dubois, Laurent and Czellar (2001) determined six main aspects of luxury as follows:

- Excellent quality

- Very high price

- Scarcity and uniqueness

- Aesthetics and poly-sensuality

- Ancestral heritage and personality

- Superfluousness

Customer nationality and changing perceptions in different geographical areas were reported to influence the preferences of customers among these attributes to define the luxury concept (Barnier, 2006).

2.2 E-commerce

e-Commerce can refer to various concepts depending on the context. Definitions of e-commerce in various contexts are as follows (Kalakota & Whinston, 1997):

- Online: e-commerce refers to an online platform where buying and selling take place

- Business process: e-commerce refers to the automation of business work flows

- Service: e-commerce refers to applications streamlining operations and improving costs

- Communication: e-commerce refers to a means of information exchange

In this thesis, the word e-commerce will be used as defined in the first bullet point above. Online transactions of buying and selling of products via the Internet is also referred to as, "e-retail" or "e-tail". The word "e-retail" is used in this thesis for clarity.

Ralph Lauren plans to expand its current operations in Canada through an e-commerce platform to serve customers directly, increase the accessibility of products and achieve the company objective of elevating the brand. Therefore, the challenge is to provide guidelines on how a premium brand can elevate itself towards the luxury segment while developing the e-commerce platform and to determine the potential operational consequences of this platform. The e-commerce channel should be developed taking into account the brand's strategy, customer preferences, and profitability. Previous research suggests that a successful e-commerce channel is only possible when supported by appropriate operational capabilities (Nissen, 2000 & Sen, 2008).

2.2.1 Industry-wide practices

The online customer experience has been explored by many marketing research firms. Considering the increasing number of people that have daily access to the Internet (*The Daily, Statistics Canada*, 2009), it is crucial that a company aligns its e-commerce strategy with the company strategy and the changing expectations of consumers.

Despite the general perception that the e-commerce channel would cannibalize sales in physical stores, several studies indicate the opposite, demonstrating that the presence of and e-commerce channel increases sales in B&M stores (Brynjolfsson et al., 2009 & Coleman-Edouard, 2009). The difficulty in creating the luxury experience online is one key reason why luxury brands are

reluctant in adopting e-commerce. However, based on the studies mentioned, an online sales channel could be utilized to increase physical store sales. The creation of the luxury experience online can be achieved in various ways, which will be explained in Chapter 5.

Factors that play a role in achieving positive customer experience on the Internet are crucial in ensuring the success of an e-commerce strategy. Srinivasan, Anderson and Ponnavolu (2002) have defined eight key factors that would impact the frequency of returning customers to any particular website. These are: customization, contact interactivity, cultivation, care, community, choice, convenience and character. Similarly, Okonkwo (2010) notes that successful e-commerce platforms by luxury brands should reach out to consumers by creating an interactive shopping experience that embraces the five sensory elements (sight, touch, smell, taste and hearing) as far as possible, and should utilize related features for e-commerce to attract and retain consumers. How some luxury brands have used these techniques on their e-commerce platforms is examined in Chapter 4.

2.2.2 E-commerce Channels for Luxury Brands

Creating successful e-commerce channels for luxury brands have been a genuine challenge due to various reasons. First of all, luxury goods appeal to the five senses and present not only the item itself, but also an experience, story, legacy associated with the item. The fine details and craftsmanship are admired by touching the item, and taking a close look. For example, the difference between silk and polyester or cashmere and wool can be identified by touching, however, not in pictures on a website. Also, the stores that sell luxury items complete the luxury experience by providing exceptional customer service, as well as expert opinion, and narrations

of the heritage component associated with the item. For instance, Ralph Lauren offers its customers beverages and food, delivered by butlers in uniforms at "The Mansion [1] ", knowledgeable sales personnel and various customer service options such as home delivery.

Okonkwo (2010), Kapferer and Bastien (2009) not only highlighted the characteristics of luxury goods, but also provided suggestions on how to translate the luxury experience to an online platform. Our suggestions on luxury website characteristics are generated by making use of these literature findings and combining them with our observations and interview results.

Attributes mentioned above are only some of the core components of luxury branding that are challenging to reflect online. Many major luxury goods retailers launch websites regardless, and find ways to convey the luxury experience online. For example, Gucci[2] displays videos of the monogramming process for leather goods, highlighting the location (Italy) and the effort that goes into the manual process. Net-a-porter, an online luxury goods retailer that sells many brands, delivers their products in signature black boxes that are anxiously awaited by the customers as reported on online forums.

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[1] The Mansion is Ralph Lauren's flagship store in Manhattan, New York.
[2] Website URL: www.gucci.com

2.3 The Canadian Consumer

To provide supply chain network recommendations for a luxury goods sales website to be built, the Canadian customer needs to be examined first. Research on the Canadian population pointed to certain population dynamics and subtle differences in their buying behavior compared to North Americans.

Observed and projected births and deaths for Canada are shown in Figure 1. It is seen that the baby boomer generation is ageing and the number of deaths are projected to approach the number of births in the future. This shift is visible in Figure 2. Yet, majority of the Canadian population is currently under 50.
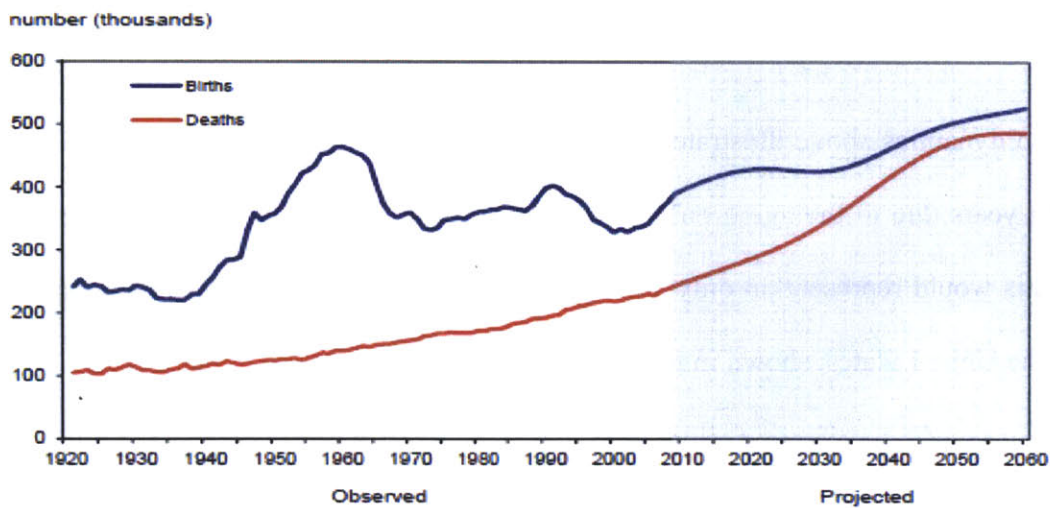
Figure 1. Population Projections for Canada, Provinces and Territories, 2009 to 2061.
[Observed (1921-2008) and projected (2009-2061) number of births and deaths in Canada]
Source: Canadian Vital Statistics and Statistics Canada, 2010.
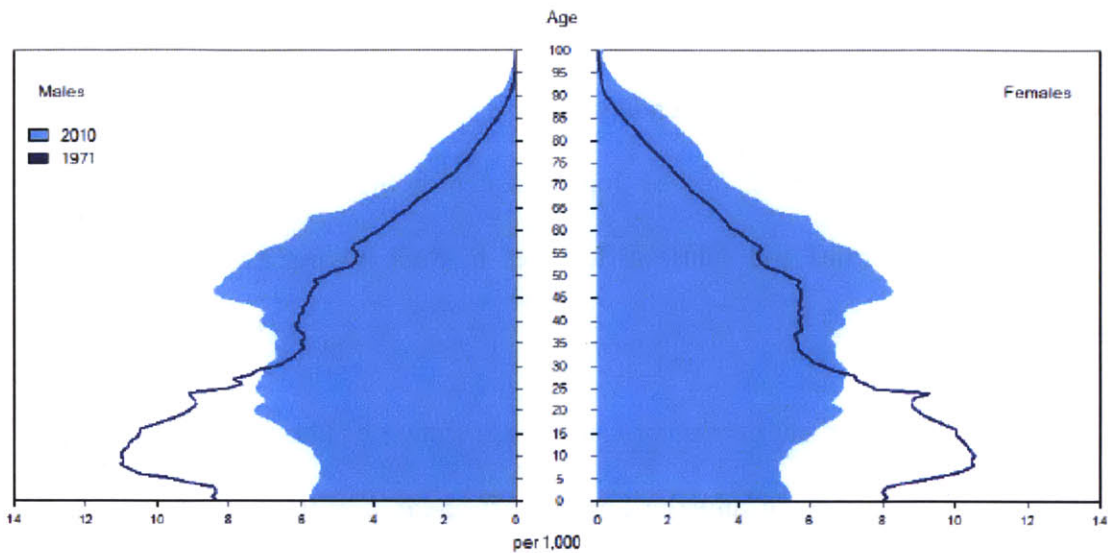
Figure 2. Annual Demographic Estimates: Canada, Provinces and Territories
Age pyramid of Canadian population as at July 1, 1971 and 2010
Source: Statistics Canada, 2010. Statistics Canada Catalogue no. 91-215-X.
Notes – 1971 (final intercensal estimates). 2010 (preliminary postcensal estimates)

The population dynamics above illustrate that the average age of Canadians will likely increase in the coming years due to the aging baby boomers and birth and death rates getting closer to each other. This would represent an only slightly different population from the age perspective, compared to the United States, shown in Figure 3.

In-depth research conducted by Harcar, Kaynak and Kucukemiroglu (2004) shows that there are statistically significant differences between the North American and Canadian consumer. Their major findings highlight that Americans are more likely to shop when there are special discounts, pointing to price sensitive shopping behavior. The presence of fewer shops in Canada and their more consistent prices could result in less 'bargain-hunting' while shopping.

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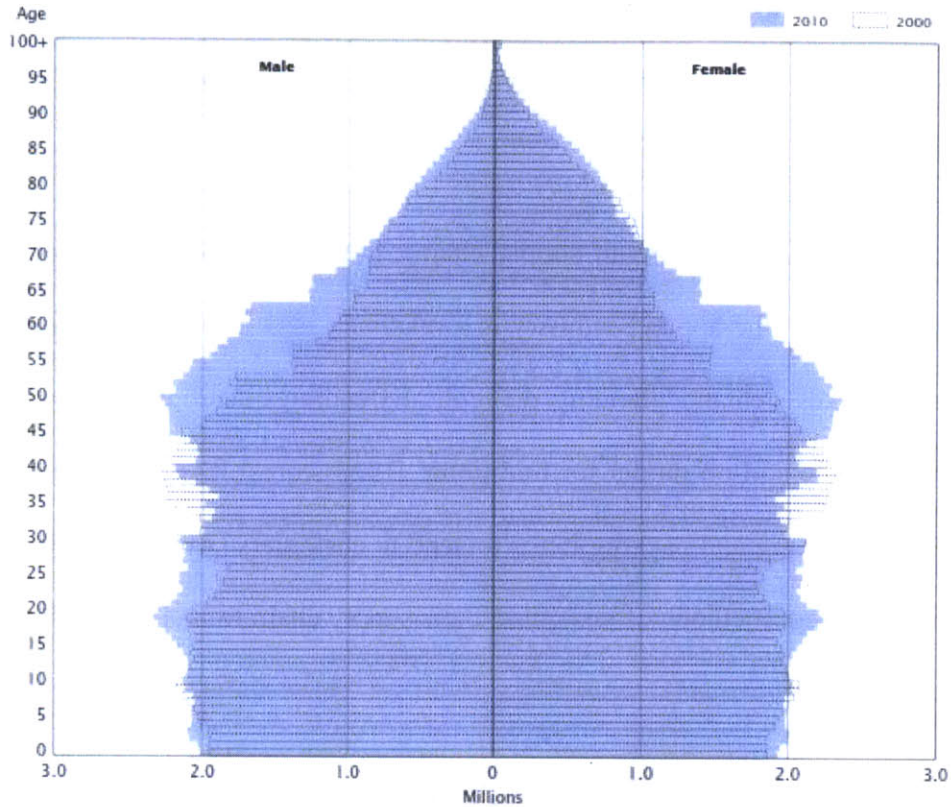
Figure 3. US Population by Age and Gender in 2000 and 2010
Source: U.S. Census Bureau, Census 2000 Summary File I and 2010 Census Summary File 1

Harcar et al. (2004) indicates that the average Canadian consumer places more emphasis on the product's style than its comfort, but is not as open as Americans to experimenting with new products. The Canadian family oriented culture suggests that these consumers would be drawn to family oriented promotions in stores.

2.4 Apparel Supply Chain Operations

Supply chain networks are key in ensuring that customers would be able to find products they're looking for in the store at the time of purchase or receive items at their doorstep within an

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acceptable time frame. The following sections describe research done in three main areas of an e-commerce supply chain – network designs, reverse logistics and customer service excellence.

2.4.1 Network Designs

Much research has been done on retail supply chains; however, managing operations of multi-channel supply chains in the apparel industry is a relatively new area. The unique nature of the fashion industry makes demand planning difficult. Extending operations into an e-commerce channel is not a simple add-on model for traditional B&M stores. It is not simply including an additional mode of picking and packing items to send to customers (Abend & Gill, 2000). Many firms have tried different methods of designing their supply chain to include e-commerce within their supply chains.

Supply chain operations are key for companies to maintain their competitive advantage (Ketchen & Giunipero, 2004). Many companies are starting to realize and act on this fact. Depending on the type of product and the strategy of the company, the right supply chain strategy is very critical to the success of the operations (Fisher, 1997). Research done by Caniato, Caridi, Castelli and Golini (2011) used a framework to create three fashion brand clusters: Fashion Goliaths, Quality Davids and Techstige. According to this categorization, Fashion Goliaths are large reputable fashion firms that sell in large quantities, Quality Davids are smaller firms with low volumes and an emphasis on quality, and the Techstige are companies with low volumes and an emphasis on product complexity.

The two most commonly identified supply chain strategies for extending operations to an e-commerce platform are: outsourcing the new channel to a third party, or including it under the

current supply chain (Ketchen & Giunipero, 2004). Both strategies have advantages and disadvantages. Large retail chains like Wal-Mart and Eddie Bauer have used both types of strategies to various extents, and have been successful. Hence, the literature does not advocate for any particular one-size fits all model for luxury fashion supply chains, but emphasizes that the selection should be made based on the details of the market and consumer needs. Lee (2004) highlighted the importance of having a triple-A supply chain that is agile, adaptable and aligned. These three qualities are crucial when designing a supply chain network. The nature of the industry would have an impact on how well each of these factors could be developed.

2.4.2 Reverse Logistics

An important part of the e-commerce supply chain operations is the returns process. A study conducted by PriceWaterhouseCoopers in December 1999 showed that 39% of consumers did not shop online as they were uncertain about the returns policy. Those who eventually shopped online but were dissatisfied with their experience mentioned that they had problems returning the product (Abend & Gill, 2000). These consumer behavior patterns although from more than a decade ago, can still be seen in some parts of the world, such as China. Results of a study by Boston Consulting Group in China in 2011, are depicted in Figure 4.

Percentage of Respondents

Reasons/Concerns	Percentage
Can't touch the product	67%
Afraid of damage during delivery	58%
Online after-sales service not as good	57%
Afraid of fakes / poor quality products	54%
Fear products might be changed to fakes during..	45%
Delivery costs too much	44%
Want to get the product right away	38%
Concerned about the safety of online payment	37%
Technical problems during transaction	13%
Difficult to find what I want on websites	11%
Prefer to speak to a salesperson	6%
Enjoy going out to do my shopping	5%
Don't have an online payment method	5%
Don't know how to shop online	3%

Figure 4. Percentage of Concerns of Chinese Consumers not Buying Online
Source: Boston Consulting Group, January 2011, Statista 2011

It is not clear if the numbers obtained in this China study are relevant to our research in Canada, however, they may point to potential customer concerns. It is important that two thirds of the Chinese population are not willing to shop online because they are not able to touch the product. Other concerns high on the priority list include the fear of damaged products upon delivery and poor online after sales service. These are essential factors to be considered in operations, as they could lead to high return rates.

In an article "*Canadians will do anything online but shop*" on CanWest News Service, March 2008, it is stated that "(Canadians) like to shop in person." However, the trend of online shopping for apparel is increasing (Forbes, 2011). Therefore, in order to develop *e-loyalty* in customers, a successful e-commerce channel would require the capability to manage reverse

logistics as well. This is essential for luxury apparel e-retail, where consumers do not get to try on expensive products before ordering. To overcome this obstacle, one luxury company in China has partnered with their transportation service provider to offer a value-added service of waiting for the consumer to try on the product upon delivery (Dishman, 2011). The item would then be marked for exchange/return immediately if the customer finds it unsuitable. Customers may expect free returns in the case of luxury goods. However, the reality is that providing this service is very costly.

Fashion company Zara estimated that returns from the e-commerce channel were in the range of 50-60%, compared to a physical store returns of around 5% (McAfee, Dessain & Sjöman, 2007). Various luxury brands such as Louis Vuitton, Burberry and Gucci provide free returns within for goods purchased on their e-commerce websites.

2.4.3 Customer Service Excellence

Customer is at the core of luxury brands' strategies. Much research has been done by companies on customer service excellence, leading to continuously improving service in order to ensure loyalty to the brand. The supply chains of such companies' are the means to achieve such improvement. Heikkilä (2002) and Bernstein, Song and Zheng (2009) highlighted that efficient supply chains that collaborate well with the marketing and sales teams are flexible to adapt to specific operational strategies for different types of products. In Fisher's (1997) article about designing the right supply chain strategy by understanding the product, it is clear that in order to serve the customer best, it is necessary to align the delivery of the product with customers' expectations.

Luxury consumers demand quality products coupled with an exceptional shopping experience that includes the pre-purchase, purchase and after-sales service (Atwal & Williams, 2009). Each portion of the supply chain is critical in delivering what the consumer expects at each stage. One of the key factors of encouraging consumers to return to the online store is to increase the convenience of purchase. For B&M stores coupled with an online store, some of the uncertainty is reduced when consumers see the product in store and speak with store representatives to find out more about the product. However, for companies that do not have a physical presence and rely solely on e-commerce, luxury apparel would be harder to sell (Atwal & Williams, 2009).

The convenience of speaking to someone to ask for help is essential in building confidence and trust for online consumers. In the 2010 Digital IQ Index: Luxury, 72 brands were surveyed and only three had live chat capability. This represents an opportunity for growth in the area of online customer service.

According to an Ipsos/OTX survey commissioned by Google in 2011, 10% of shoppers who visited the store/retailer website made purchases, whereas 20% of mobile shoppers subsequently bought online. Additionally, statistics from eMarketer reveal that 6% of Canadians own a tablet computer with half of them spending 2 to 6 hours online every day, citing their primary reason as shopping. In light of the literature information provided, e-commerce represents a new avenue for growth that could be utilized effectively with a carefully designed website coupled with the right supply chain network.

3 METHODOLOGY

As this research is explorative in nature, various methods were used to gather and analyze data to understand the market and provide recommendations. Data were obtained from various sources: Ralph Lauren employees, market research and consulting firms, literature, websites and industry associations. A mix of qualitative and quantitative methods was selected, with a larger emphasis on qualitative data. This was due to the lack of quantitative data from many sources on Canadian statistics. The diagram in Figure 5 below shows the different approaches taken to answer our research question.

Figure 5. Various Methods Used for Research

The research is divided into three segments **a.** the Canadian luxury consumer, **b.** e-commerce capabilities needed for Ralph Lauren, and **c.** the supply chain network to support the company's e-commerce operations. Each of these segments utilizes different combinations of the methods above. The diagram in Figure 6 lists the methods used in these three segments.

A
-Surveys
+Interviews
+Market research
+Data

Legend
+ indicates useful methods
- indicates methods that did not work well

B
-Surveys
+Interviews
+Field Visits
+Maket Research
+Data

C
+Interviews
+Field Visits
+Market Research
+Data
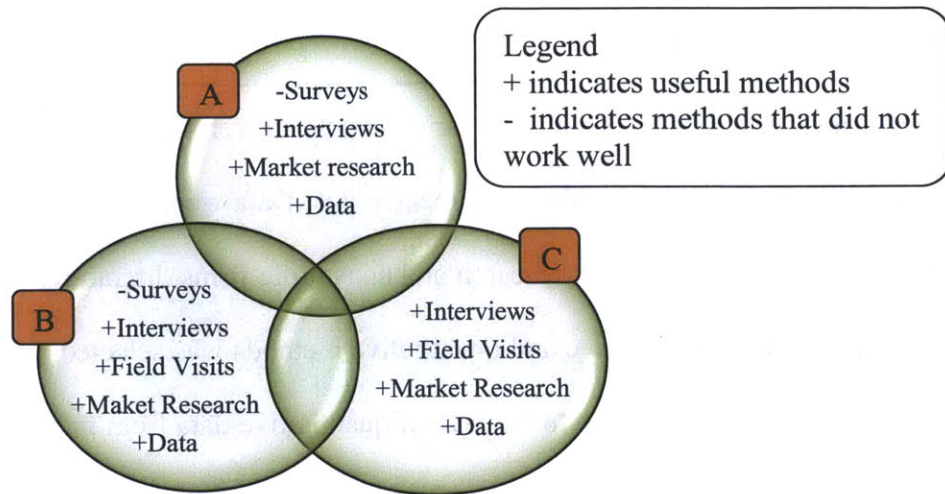
Figure 6. Matrix of Methods Used to Address the Three Segments of the Research

3.1 Interviews

We conducted interviews with various groups of people to learn about the consumers and current Ralph Lauren operations in North America and Canada. We used a qualitative interview technique that "sacrifices uniformity of questioning to achieve fuller development of information" as defined by Weiss (1994). We approached everyone we could interview with a personalized set of questions. This allowed us to learn more about the respondents' opinions.

Interviews were set up with Ralph Lauren employees from operations, strategy, marketing and customer service departments. Scheduling interviews with various groups of employees was essential in understanding the current North American e-commerce operations and the operations in Canada. Most of the experts were located in the North Carolina office, hence phone interviews were common. A sample of questions asked during various interviews can be found in Table 1 below.

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Table 1. Compilation of Sample Questions during Interviews

Overview

1. What are the main differences between the store and online experience?
2. What is the intended target market for Ralph Lauren's e-commerce website?
3. What is the potential for luxury segment sales growth in Canada?

Benchmarking

1. What are the industry trends in e-commerce for luxury goods in Canada?
2. What are competitors' strategies in the Canadian market?

B&M stores and e-commerce

1. What is the most cost efficient way of running both the B2B sales and the e-commerce platform while delivering high customer satisfaction?
2. Would the same products be sold online and in the store?
3. Would there be online only exclusives?
4. Which resources can be shared between the stores and the e-commerce platform?

Customer

1. What would the customer want to see on a luxury shopping experience online?
2. Would Canadians be willing to shop online for luxury fashion apparel?

Supply Chain

1. What is the current supply chain like for Ralph Lauren in North America and Canada?
2. Which countries are the main sources of products arriving into Canada?
3. What is Ralph Lauren's involvement in running the supply chain operations in Canada?

Contact with fashion magazine editors were also made in order to provide a different perspective

Interviews were also carried out during field visits to the stores and DCs. We learnt about the

business processes, discovered what customers are looking for and got a sense of the challenges

faced by Ralph Lauren employees. As Club Monaco (a subsidiary of Ralph Lauren) was launching their e-commerce website in the United States in March 2012, and in Canada in mid April 2012, we interviewed the team to get an idea of how the brand was positioned for the e-commerce space, and the required logistics capabilities to support it.

We had an opportunity to interview a senior management executive from FiftyOne Global Ecommerce, a specialty retail e-commerce firm, to learn more about their insights into how the e-commerce platforms are globalized. The interview helped frame ideas on the reverse logistics portion of the supply chain, and how other companies are outsourcing the operational aspect of the e-retail supply chain to third party companies.

During the street interviews in Canada, the initial plan was to approach shoppers who were exiting stores that sold Ralph Lauren products and ask them to complete the survey attached in Appendix A on an iPad. However, soon after experimenting with the approach, we realized that shoppers were apprehensive of stopping to complete a survey. Instead, we approached people on the streets with a friendly opening statement. The opening statement would then be followed by standard questions like the following:

1. Which shops do you usually buy your clothes from?
2. Do you shop online to buy apparel?
3. Do you buy luxury apparel online?

We found that this method was effective in gauging customers' feelings about shopping online as it was non-intrusive. There were various instances of lengthy conversations that led to further considerations in our research. In applying this technique, the sample was biased towards the

female gender, as there were situational constraints to approaching men to ask comparable questions. In this case, we were using a convenience sample to gather feedback from consumers. Such feedback can be unrepresentative of the population (Patton, 2002).

3.2 Surveys

Surveys were one of the initial means to gather a sense of Canadians' response to and expectations from an online luxury store. We intended to utilize surveys for investigating customers' attitudes and behaviors towards luxury goods in the market, but were unable to capture a representative sample set of the Canadian customer. Hence, we inferred from surveys conducted in other parts of the world for some insight into luxury customers, drawing parallel conclusions where similar factor conditions were apparent. Some of these statistics were presented in the previous chapter.

According to Weiss (1994), standardized surveys allow researchers to present findings with numeric basis and comparison, providing results in a systematic manner. Hence, to measure the Canadian consumer's aptitude towards buying luxury brands online, a brief online survey was carried out. The link to the survey was disseminated to Ralph Lauren employees and their contacts, as well as a limited number of Canadian citizens, and passed along online through social media platforms. The survey questions can be found in Appendix A. The objective of this survey was to get a cursory assessment of consumers' reactions towards online shopping. Although such surveys can get quick responses at low costs, Bryman and Bell (2007) state that they are limited to Internet users only. However, this disadvantage serves our research, as the population sample we would like to reach is those that shop online.

A major hurdle while implementing this research method was the "challenge of enlisting cooperation" (Fowler, 2009). As we needed a specific audience of Canadians, it was hard to find the right group of respondents. In order to reach a larger sample population, we disseminated the survey link via social media platforms such as Facebook, targeting the Canadian population of our friends, and asking friends to pass on the survey link. We also approached Ralph Lauren in Canada to pass on the link to their third party logistics companies, and anyone else who might know of someone who lives in Canada. We approached the Canadian Consulate in Boston to assist in reaching local Canadians as well. This was using the sampling technique of snowballing (Black, 1999) to reach other possible respondents based on the current target group of respondents. The disadvantage of this sampling technique is there is no way to validate if the results are representative.

Despite efforts to approach as many Canadians as possible to get their feedback through our survey, there were a lot of non-response viewings of the survey. This was likely due to our inability to reach the right audience. Out of the 80 people who viewed the survey link, only 25 completed the survey. This was insufficient for us to obtain significant results. Hence, we abandoned this approach, and modified our strategy into street interviews in Canada, which is explained in the previous section.

3.3 Field Visits

There were two types of field visits - DC visits to understand the operations and store visits to see the customers' shopping experience. Lewis-Beck, Bryman and Liao (2003) highlighted the necessity of field research that captures natural human behavior, and there is no substitute for

that. Field visits let us observe operations, and how the B&M stores were different in New York versus Toronto.

At the North Carolina e-commerce facility, first hand observations were made on how Ralph Lauren prides itself in quality and service excellence. The design of the process work flows for efficiency and the effort put in by each staff member to ensure that each package was prepared perfectly was noteworthy. The tour of the facility highlighted that the e-commerce volume was increasing, and the capacity of the location would soon become inadequate. Understanding the operations leading to the luxury touch was essential at the site visits. Our Toronto DC visit revealed that Ralph Lauren plays a minimal role in the Canadian operations, and lets the chosen 3PL run the logistics of receiving, storage and distribution. Club Monaco e-commerce facility located in Toronto DC was also explored to understand the preparations needed for the upcoming launch of the online Club Monaco store.

Visits to the flagship stores in New York, outlet stores in North Carolina and department stores in Toronto highlighted the difference in service and experience at these locations. Visiting the flagship store in Manhattan and speaking with the store manager gave a better idea of what Ralph Lauren needs to emulate to convey luxury experience online. On the other hand, the outlet store showcased the premium end of the brand, with markedly different prices and service. Whether it was a third party retailer or Ralph Lauren owned store also mattered in how the goods were displayed. During these visits, store representatives were interviewed. As the store representatives are the first to come in contact with customers, they constantly gather feedback from shoppers. Visiting the stores helped us visualize what the e-commerce shopping experience should entail.

3.4 Market Research

An effective e-commerce supply chain for Ralph Lauren should cater to the needs of the Canadian consumer. Customer aptitude for luxury goods in the Canadian market was assessed based on demographics and consumer behavior trends obtained from the Statistics Board of Canada, Retail Council of Canada, Apparel Human Resources Council and market research firms such as AC Nielsen. This assessment consisted of components including the motivation for buying luxury goods, changing consumer preferences and behavior, cultural norms, and demographic figures. Demographic figures included a detailed look into the Canadian customer base from its income distribution perspective. A preview and search of competitors using the web and online databases such as LexisNexis helped us understand the competitors' position in the market and their target customer. Exploring these brands' websites allowed successful e-commerce attributes to be noted. Using virtual ethnography, or the newly nuanced term of *netnography* (Kozinets, 2002), we scoured the online space that featured blogs and forums on customers' thoughts about the luxury scene and various brands, including the newly launched Club Monaco website. These forums provided an insight into the shoppers' expectations from the websites, and their response to new launches and sold-out products. Luxury brand sales channels like Net-a-porter and Rue La La were interesting avenues that displayed how luxury brands could rely on a common platform to attract customers.

Beyond exploring competitors, a brief examination of the luxury brand bloom in countries like Italy and China was completed through literature reviews. Research on luxury supply chain operations were hard to come by, but outsourced services were found to be provided by e-commerce firms to create international supply chains.

In exploring the supply chain networks for the apparel industry, we made use of information on websites to carry out comparison exercises. Using transportation carriers' websites, we chose an urban and rural location in Canada to find out the cost of sending a parcel from the Toronto DC to these two locations. The two locations that were selected include Winnipeg (R3H 1B2) and Bristish Columbia (V0N 1B4) respectively. The purpose of this was to find out the cost of a B2C transaction in Canada, and compare the differences in physical location that would affect the transportation rates. Only the end destination of the parcel was different, the parcel dimensions and origin were kept the same. Different delivery times were also available from the transportation carrier that would affect the final total price of the delivery.

3.5 Company Data Sets

Data was requested as the research progressed and a subset of the data requested was received. Traffic on the current Ralph Lauren website catering to the US was obtained, together with sales volume information by B2B customers in Canada and the breakdown of performance by Ralph Lauren labels. Also, some forecast figures were available. All of the data were based on a recent nine months to a year timeframe.

4 DATA COLLECTION, ANALYSIS AND KEY FINDINGS

In this section, we explore the data collection results and analyze them with reference to the methods highlighted in Section 3.

4.1 Field Visits - Store and Office Visits

Ralph Lauren stores are the interface between the customer and the company; they are where presentation and customer service set the standard for web operations. Several stores and a management office were visited to observe and experience this standard.

4.1.1 Data Collection

The Ralph Lauren stores we visited are listed below in chronological order. Some visits were only observational, whereas other visits included interviews with store managers.

1. Rugby, Boston, Massachusetts

2. Ralph Lauren, Boston, Massachusetts

3. Ralph Lauren Factory Store, Smithfield, North Carolina

4. RRL, New York, New York

5. Mansions, Ralph Lauren Flagship Stores for men and women, New York, New York

6. Major Department Store, RRL and Ralph Lauren Black Label sections inside the store, Toronto, Ontario

7. Club Monaco, Toronto, Ontario

8. Ralph Lauren Office in Toronto, Ontario

4.1.2 Data Analysis

Local store visits (1, 2) in Boston and to the Ralph Lauren Factory Store in North Carolina (3) were unguided and observational. The presentation of different labels in a store setting was observed. It was noted in the Ralph Lauren Boston store that items such as paintings and historical objects were used in the store setup. The visits to RRL and Mansions in New York City (4, 5) were guided by store managers. Further details are provided below. The Department store and Club Monaco visits (6, 7) were unguided; however, information was obtained from an employee at the department store.

RRL, New York City. It was noted in the store that historical objects were displayed, such as motorcycles from World War II, genuine craftsman tools, genuine leather vintage boots sold alongside new clothing items, and vintage jewelry. Store personnel were very knowledgeable about the fabrics, items, history of the store (repurposed from a historical storage facility), which all contributed to the heritage component of luxury positioning.

iPads were available in the store as an alternative way of viewing items, and ordering when the desired item was not available in the store. The physical store and the e-commerce channel for RRL did not share inventory. When asked for feedback on the brand's web store, managers commented that displaying items against a white background without a context was taking away from the allure of the item and they added that more details on the product and history of the brand should be available online.

Mansions, New York City. The Mansions, located across from each other on Madison Avenue, one dedicated to men and one to women and home lines, were the epitome of Ralph Lauren

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elegance, with items displayed in a setting that conveyed Ralph Lauren lifestyle. Each clothing line is displayed alongside vintage and/or custom made items that are related to the label's identity in both of the Mansions. Customer satisfaction is very important, and efforts extend from providing refreshments and snacks via butlers dressed up in suits to sending a selection of items to a customer's residence for him/her to choose from.

Major Department Store, Toronto. The display of products for RRL and Ralph Lauren Black Label was observed in dedicated sections for these labels. Black Label was displayed in an area called "White Room" that housed many other luxury brands. A store employee mentioned during our conversation that the products for the Black Label were received directly from New York City, as opposed to through the distribution center in Toronto, where the other Ralph Lauren products in the store came from.

Ralph Lauren Office, Toronto. This downtown office acts as a liaison between department stores and Ralph Lauren operations. It ensures that the goods are displayed according to specifications, the stores are stocked appropriately and inventory flows properly to maintain appropriate stock levels.

4.1.3 Key Findings

It became evident following the store visits that attention to detail - as demonstrated by employees' deep knowledge about each product, personalized service to customers, and artistic presentation of historical and vintage items - helped create the luxury feel. These elements were not commonly found in department store settings; however, products were displayed in sections dedicated to the label. Also Black Label was being shipped directly from New York City because

the volume handled of this label was lower than the volume handled of premium labels, coupled with higher value per item.

4.2 Field Visits - Distribution Center (DC) Visits

Two of the DCs handling Ralph Lauren operations were visited: one dedicated to B2C and the other to B2B operations.

4.2.1 Data Collection

The following distribution centers were visited:

1. High Point Direct (HPD), High Point, North Carolina (B2C)

2. YYZ Distribution Center[3], Toronto, Ontario (B2B)

     The managers of the distribution centers mentioned above provided generous information about the operations that coupled with our observations.

4.2.2 Data Analysis

The effective handling of the B2C operation at the North Carolina facility, based on observations and information provided by the management, served as a baseline for evaluating future possibilities for the Toronto DC regarding an e-commerce channel.

High Point Direct (HPD), North Carolina. This facility is dedicated to B2C operations, handling the e-commerce load for the United States. It was observed that the pick and pack

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[3] Name of the DC has been disguised for confidentiality purposes. It was referred to as the Toronto DC.

operations were carried out using automated material handling equipment, conveyor belts and other supplementary systems. Due to the rapidly growing volume, expansion efforts and re-arrangements on existing systems to optimize the utilization of space were being planned. The facility housed a personalization section, where equipment was present for applying custom designs and initials. Gift packages were also carefully prepared by hand.

YYZ Distribution Center, Toronto. This DC is operated by a third party service provider that manages other brands besides Ralph Lauren in the facility. Ralph Lauren employees are present in the facility to collaborate and work closely with the service provider to ensure a seamless handling of operations. Substantial capacity in this DC is dedicated to Ralph Lauren, and there is potential for higher volume storage and processing. Current operations are designed to fulfill B2B bulk orders. The Club Monaco operations have also moved into this facility for ease of operations. Employees were being trained to handle the upcoming Club Monaco online business during the visit. Material handling is not fully automated yet.

4.2.3 Key Findings

The space limitation due to exponential growth of the online business was identified as an area of major concern at the North Carolina facility, and the involvement of knowledgeable personnel over the course of many years has led to expansion decisions that are very well thought out. This highlights the importance of retaining knowledge as well as personnel that are familiar with the historical demand and growth patterns as the operations expand. It was also noted that the personalization and gift wrapping procedures, which are geared towards providing a luxury experience for the customer, required manual labor, whereas the majority of the e-commerce load was handled through automated material handling equipment. B2C operations involve a

significantly higher number of orders to be processed, but fewer items per order compared to B2B operation. Therefore, it is likely that the Toronto facility will require similar capabilities to handle an expanding e-commerce volume.

4.3 Data Sets Provided by Ralph Lauren

The previous data collection from field visits and interviews led to questions that could be answered only by quantitative data from Ralph Lauren. Information on volumetric sales figures, distribution of sales among labels and e-commerce forecasts were obtained.

4.3.1 Data Collection

We received confidential data from Ralph Lauren that included sales volumes from current retailers carrying Ralph Lauren products in Canada. The data was segregated by labels under the Ralph Lauren umbrella. Canadian traffic flow on the Ralph Lauren e-commerce website was obtained. The data were based on a recent period of nine months to one year. We obtained an inventory snapshot of the items stocked at the Toronto DC to get an idea of the current amounts of safety stock that are carried at the DC.

4.3.2 Data Analysis and Key Findings

Based on the given data, we were able to get a better picture of the current market in Canada, and the potential of luxury segment growth in Canada. The research was done at a finer level of granularity. However, due to confidentiality reasons, the results are discussed in general in this section.

The data revealed that a high percentage of products shipped out of the Toronto DC currently go to one business customer. This major retailer has frequent regular orders across all the main

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premium labels, and only has occasional spikes in order patterns. The second largest customer is interestingly the official liquidator for Ralph Lauren in Canada. All the other remaining firms make up the remaining volume (< 5%) of shipments out of the DC. Many of these firms are boutiques and specialty stores that offer only select Ralph Lauren labels.

Particular labels and segments within the Ralph Lauren brand were examined, to find out the driving segment for the Canadian market. Our analysis revealed that three of the main categories are the volume drivers in Canada, making up almost 90% of the sales volumes for Ralph Lauren products. A more detailed breakdown of these three main categories was not available for further analysis due to differences in operating systems' parameters.

The number of new Canadian visitors to the Ralph Lauren US website has been increasing. Based on the past year's data, it appears that online traffic increases significantly during the holiday months, and the patronage of site visits are increasing each month at a steady rate. Based on estimates by the company, these numbers are expected to increase in the coming year. The e-commerce data obtained via the current US Ralph Lauren site showed that order volumes from Canada are small, coming in at less than 1% compared to the total revenues from online sales. We were unable to verify where these purchases were delivered to. However, we speculate that the orders originating from Canada were likely being sent to relatives and friends who are in the US, based on interviews conducted with consumers.

4.4 Market Research

Additional data was obtained from the following sources:

- Websites: Ralph Lauren, AllSaints, Armani Exchange, Burberry, Chanel, Emporio Armani, Gucci, Louis Vuitton, Net-a-porter, Prada, Rue La La, Tommy Hilfiger, Yoox, transportation carriers, FiftyOne Global e-Commerce

- Social Media Platforms

- Entities: AC Nielsen, Conference Board of Canada, eMarketer, Retail Council of Canada, Statistics Board of Canada

4.4.1 Websites - Data Collection and Analysis

Ralph Lauren's corporate growth strategy, publicly available on the web, was examined to ensure alignment of supply chain recommendations with the strategy. It was found online under the "Investor relations" section of the Ralph Lauren website. It is displayed in Figure 7 below, without any alterations to prevent misinterpretation.

The corporate growth strategy on the Web was compared with the strategy described by various levels of Ralph Lauren management, located in Hong Kong, New York City and the DCs. An analysis of whether the current direction taken by various business functions is in line with corporate goals was performed based on interviews with managers. Examination of strategy is important in shaping supply chain network recommendations that align with corporate objectives, as found in the literature in Chapter 2.

Websites of brands offering e-retail services were viewed to take note of key features offered online. These websites were not specific to any one country. The user-friendliness of the websites was assessed, and the shopping experience was simulated by browsing the online store catalogue and adding the items to the shopping cart.

Growth Strategies

Ralph Lauren Corporation's design excellence works in concert with its disciplined business approach. We have a flexible integrated business model, which encompasses retail, wholesale and licensing. While staying true to our luxury lifestyle sensibilities and executing our global vision, we will seek to expand the Ralph Lauren brand into new markets, countries and shopping environments. The key elements of our strategy are to:

Continue to Build and Extend the Brand: Ralph Lauren Corporation is one of the world's premier brands, universally recognized and associated with distinct design, luxury and quality. Our integrated approach to advertising and marketing uniquely showcases the world of Ralph Lauren. Our retail stores continue to be an important physical extension of our global brand. And our success with our own specialty retail business has given us the confidence to apply our expertise to our wholesale business, including merchandise mix, visual presentation and excellent customer service. There is more to come as we expand and extend the Ralph Lauren lifestyle through new products, in new categories and in new parts of the world.

Focus on Specialty Retail: Our retail strategy starts with product and Ralph Lauren continues to design the best and most sought-after products in the marketplace. We continue to increase the amount of exclusive or limited-distribution product in our Ralph Lauren stores. By adding experience and strength to the leadership of our specialty retail group and coupling it with the right merchandise and marketing support, we are making significant advances in how we operate our retail stores. Additionally, we have developed a strong real estate and store strategy including the opening of new stores and concession shops in the United States, Europe and throughout Asia. Our retail focus is extended by our global e-commerce initiatives.

Expand International Presence: International expansion presents a wealth of opportunity for Ralph Lauren Corporation. Our approach to each world region is specific to its business climate and structure, while our common goal is to broaden our reach through increasing direct brand ownership and control with new specialty retail store openings. Our strong, flexible infrastructure allows us to capitalize on opportunities and grow our businesses around the world.

Figure 7. Ralph Lauren Corporate Growth Strategy, 2012

In addition to the shopping experience, other features, such as the returns policy and the availability of customer service representatives for inquiries were examined. The findings are presented in Table 2 below.

Table 2. Comparison of Competitors' E-commerce Platforms

Brand	Key features of website	Return policy	Customer Service
Burberry	-Video of the stitching of clothes and the fine touch is shown on the homepage -Each of the displayed images has zoom feature -Videos to showcase different parts of the product -Mouse over of models wearing product triggers movements and videos -Recommendations on accessories and other complementary components are available on the side-bar	Free returns within 30 days (with exceptions)	-Email, -Live Help, -Telephone by country (24/7)
Gucci	-Each of the displayed images has zoom feature -Six other perspectives of the product displayed on sidebar, with details of intricacies of the product from multiple angles -Personalization details and the brand's exclusive world is highlighted in videos -New seasons' styles and classics are made into a video, and shoppers can watch the video and 'add to cart' the items they liked in the video using a side-bar	Free returns for a limited time for certain locations within 30 days (Return to store accepted)	-Email, -Telephone contact (M-F: 8am-8pm ; S:9am-6pm)
Net-a-porter	-Exclusive return policy for premier members - Contact available for fashion advice -Link with online shoppers globally to learn about their wish-list, top picks and products that are being talked about and shared with friends in various formats (map view, product view and through a live feed) -Latest styles and fashion trends from magazines and fashion shows are highlighted	Return within 14 days with shipping charge	-Email, -Telephone contact (24/7)
Prada	-Advertising campaign for new season	Return within 30	-Fill up a form

	immediately plays upon entry to homepage -Customers forced to go a particular link to learn more (may be an advantage or disadvantage) -Prices of products are not shown until the shopper hovers the mouse over the product	days with shipping charge (Return to store accepted)	to contact client service
Ralph Lauren	-Style guide for latest fashion trends and recommendations for the season -Quick response of color change of product with mouse over of the icon - Two levels of zoom available, opens in a separate window	Return within 60 days with flat fee charge of US$5	-Email, -Telephone contact (M-F:9am-12am; S-S:10am-10pm)
Yoox	-Display of products on models without showing their face/entire body – not very appealing to the eye -Recommended products on the side-bar, not easy to use for the shopper, the bar had to be clicked instead of a rolling screen to view selection	Return fee of US$6 + sales tax within 20 days	-Email, -Telephone contact (M-F:9am-11pm)
Multiple brands	-Video of the flagship store in nostalgic feel at the homepage -Downloading bar at the top of the screen, to indicate download progress for videos -Choose style of display of the products (i.e. number of items per row) -Samples given out with online purchase -Mouse-over for zoom features -Background music for the website		

We also attempted to understand the logistics behind other fashion brands. The options competitors provide for customers in Canada are presented in Table 3 below. The presence of B&M stores and the respective shipping rates charged for online purchases were documented.

two locations – Winnipeg and British Columbia from the Toronto DC. The results are presented

in Figure 8 and Table 4 below.

Figure 8. Postal Rates Comparison in Urban Winnipeg versus Rural British Columbia Locations
Source: Canada Post

Table 4. Postal Rates Comparison in Urban Winnipeg versus Rural British Columbia Locations
Source: UPS

Rates by Service					
Toronto - Winnipeg			Toronto - British Columbia		
Service	Delivery Time	Total	Service	Delivery Time	Total
UPS Express Early A.M.	1 business day -early morning	83.25CAD	-	-	-
UPS Express	1 business day	66.79CAD	UPS Express	1 business day	72.45CAD
UPS Express Saver	1 business day	55.64CAD	UPS Express Saver	1 business day	66.43CAD
UPS Expedited	2 business days	52.75CAD	UPS Expedited	2 business days	62.60CAD
UPS Standard	2 business days	35.48CAD	UPS Standard	2 business days	39.91CAD

two locations – Winnipeg and British Columbia from the Toronto DC. The results are presented

in Figure 8 and Table 4 below.

Priority™ Next A.M. Next business day AM (Guaranteed) $47.86

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	Incl.
Unpackaged	$10.00

Rate Summary	
Base Price	$40.34
Coverage* $0	$0.00
Fuel Surcharge	$5.24
Options	$0.00
Tax	$2.28
Total	$47.86

*Coverage Details Up to $100.00 Included Maximum $5,000.00 @ $1.80 per $100.00

Priority™ Next A.M. 2 business days (Guaranteed) $73.35

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	Incl.
Unpackaged	$10.00

Rate Summary	
Base Price	$57.96
Coverage* $0	$0.00
Fuel Surcharge	$7.53
Options	$0.00
Tax	$7.86
Total	$73.35

*Coverage Details Up to $100.00 Included Maximum $5,000.00 @ $1.80 per $100.00

Xpresspost™ 2 business days (Guaranteed) $29.75

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	$1.50
Unpackaged	$10.00

Rate Summary	
Base Price	$25.07
Coverage* $0	$0.00
Fuel Surcharge	$3.26
Options	$0.00
Tax	$1.42
Total	$29.75

*Coverage Details Up to $100.00 Included Maximum $5,000.00 @ $1.80 per $100.00

Xpresspost™ 3 business days (Guaranteed) $53.60

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	$1.50
Unpackaged	$10.00

Rate Summary	
Base Price	$42.35
Coverage* $0	$0.00
Fuel Surcharge	$5.51
Options	$0.00
Tax	$5.74
Total	$53.60

*Coverage Details Up to $100.00 Included Maximum $5,000.00 @ $1.80 per $100.00

Regular Parcel™ 4 business days $14.66

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	$1.50
Unpackaged	$10.00

Rate Summary	
Base Price	$12.93
Coverage* $0	$0.00
Fuel Surcharge	$1.03
Options	$0.00
Tax	$0.70
Total	$14.66

*Coverage Details $0.00 Included Maximum $5,000.00 @ $1.80 per $100.00

Regular Parcel™ 8 business days $22.51

Options	
Collection on Delivery	$7.25
Mailing Tube	$1.50
Delivery Confirmation	Incl.
Signature Option	$1.50
Unpackaged	$10.00

Rate Summary	
Base Price	$18.44
Coverage* $0	$0.00
Fuel Surcharge	$1.48
Options	$0.00
Tax	$2.59
Total	$22.51

*Coverage Details $0.00 Included Maximum $5,000.00 @ $1.80 per $100.00
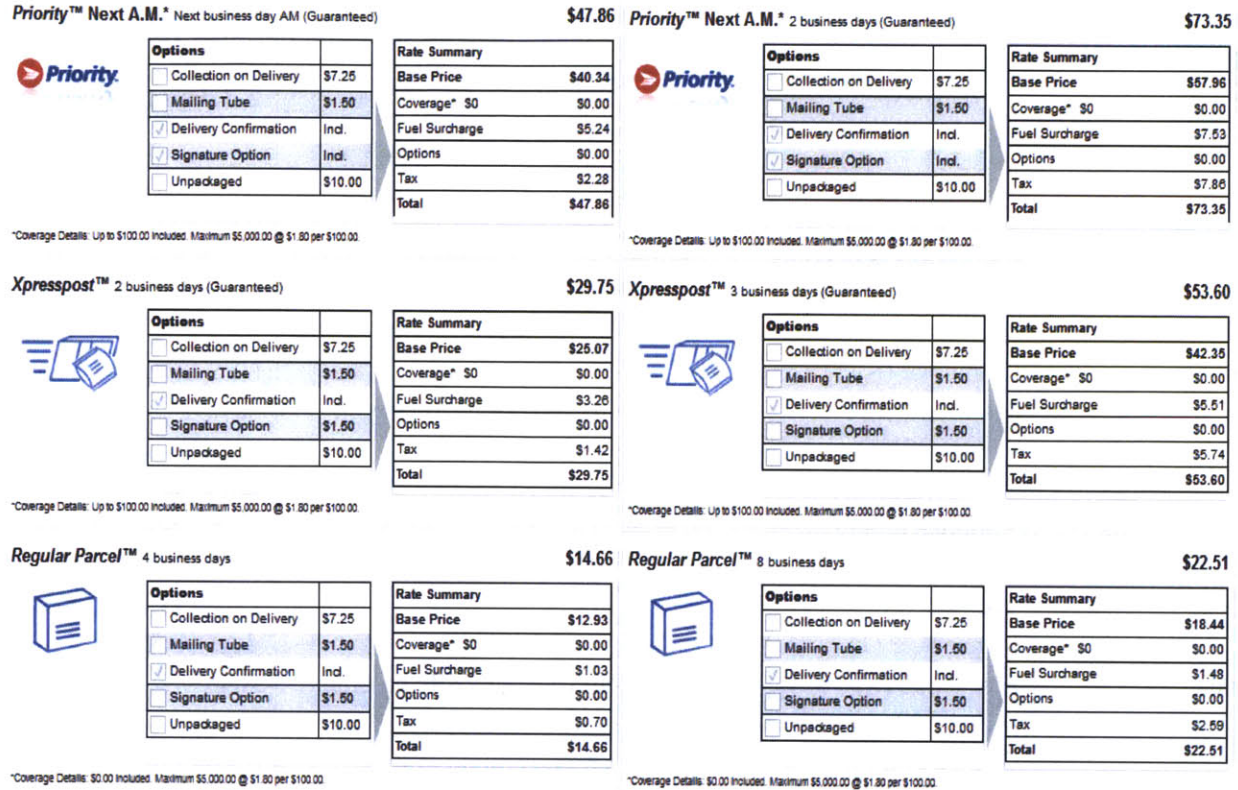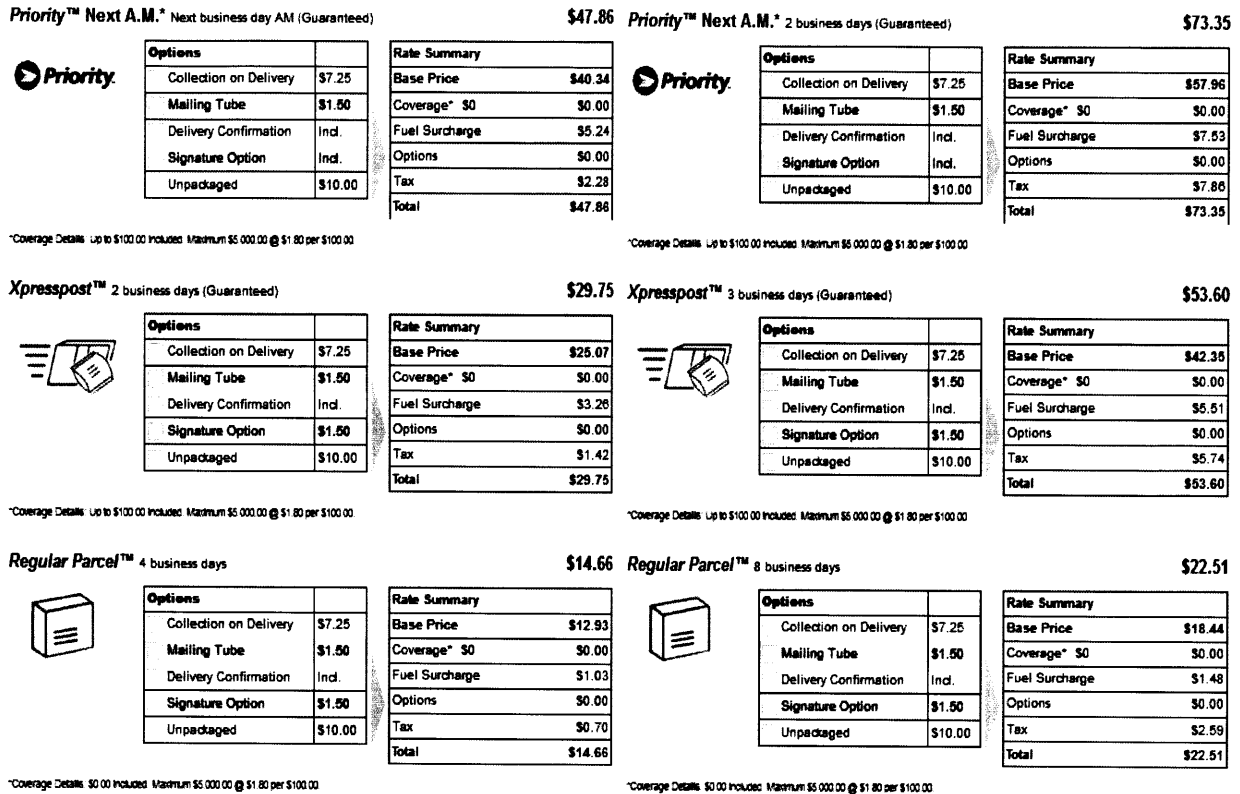
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UPS Express Saver	1 business day	55.64CAD	UPS Express Saver	1 business day	66.43CAD
UPS Expedited	2 business days	52.75CAD	UPS Expedited	2 business days	62.60CAD
UPS Standard	2 business days	35.48CAD	UPS Standard	2 business days	39.91CAD

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Based on the information above, Canada Post's value preposition is better from a B2C perspective, with a wider selection of options for delivery. However, a large volume contract with the transportation carrier for e-commerce may lead to more competitive B2C rates. However, online shoppers would likely be less willing to pay additional fees to get their deliveries faster, unless it is an emergency. Hence, standard ground shipping times that are between 5-7 days may not be a disadvantage.

4.4.2 Websites - Key Findings

The longevity of a business is closely related to its strategy and applications of strategy. This is true for B&M businesses as well as e-commerce. During the creation and development of a business, investment decisions need to be made, as well as decisions to discontinue some technologies/services. Focus and alignment on the strategy determine how effective the company will be (Byrnes, 2010). Therefore it is important to provide clear definitions of strategy for Ralph Lauren as well as the Ralph Lauren Canada e-commerce operations. During interviews with various levels of Ralph Lauren management residing in different cities and countries, it was observed that certain aspects of strategy were very clear, as well as the focus and alignment around these elements. They are highlighted below, along with comments that stem from the literature research and some recommendations.

Ralph Lauren would like to elevate the brand towards the luxury segment. As mentioned previously, the appropriate marketing strategies for premium brands and luxury brands differ drastically and there is not a gradual and straightforward path from premium product positioning to being perceived as a luxury brand (Kapferer & Bastien, 2009). Therefore, Ralph Lauren should align its marketing objectives across labels and divisions to ensure a successful transition

into the luxury segment. Since luxury strategies will be different than those used for premium products, operations will also have to change to accommodate these differences. Ralph Lauren brands that continue to be marketed as premium goods should also align their marketing and operations to support luxury segments, for example, having free returns, extended warranty policies, free gift wrap, and giveaways for top customers.

For the e-commerce channel, for instance, it is important to provide examples of lifestyle elements online even if doing so is costly. These elements are provided in the stores through sight, sound and smell: rooms have a distinct décor, and salespeople provide personal attention to customers by offering refreshments, snacks, and the story behind the brand and particular items. The website must include these elements as it serves as a marketing platform for the brand. Hence the qualities Ralph Lauren aims to project must be incorporated in the site design, alongside detailed, accurate information about the vintage items as well as the products displayed for sale, reinforcing a luxury image. For example, the vintage motorcycles seen in the RRL store could be portrayed through movie clips and photographs. The relationship between the website and the stores serve to complement each other: Customers who have been to a Ralph Lauren store will be able to align the online brand with the in-store brand, increasing traffic in both channels.

Ralph Lauren managing the brand image directly through e-commerce would ensure consistent brand management globally. Moreover, centralized decision making will lead to operational efficiency in planning and related functions. As the control of the brand image and operations is essential, a successful e-commerce proposition should ensure that steps are taken to remain consistent with this element of the strategy, even if it can be costly and not generating profit at

times. For instance, carrying additional inventory to ensure that there would be no stock-out situations in-store and online might increase operational costs, but translate to excellent customer satisfaction.

To summarize, luxury brands should have features that allow the customer to interact with the brand and the website. Products should be displayed with a sophisticated look, and not with just a plain background. Browsing items with such a background made the online experience less exciting. Many of the luxury products are seen on brands' websites with models and particular themes to suggest occasions for buying those products. There are videos and interactive activities where consumers can learn more about the process of the apparel making process, and details of its components. Some interesting features such as a video of vintage stores, and the option to switch on the brand radio channel on other brands' websites contributed pleasantly to the online shopping experience. These features highlight the uniqueness, product complexity and quality of the products as CSFs, aligning with Caniato's (2009) observations. By offering contact interactivity, customization, choice, character and care with these website characteristics, Ralph Lauren would be able to achieve 5Cs as supported by Srinivasan et al. (2002).

Examining what competitors were doing in Canada, we found that most luxury brands operated through luxury specialty stores and a few had stand-alone mono brand B&M stores. These stores were found in the major cities Toronto and Vancouver, and there was usually just one per brand. This is in contrast to such luxury stores in the US, where there are many luxury stores in each city. Luxury brands that had online shops mostly charged for local shipping of products, at an average rate of CAD25 for delivery within 3-7 days. They depended on third party carriers to deliver orders to customers. For the online shopper, cost would be a major driver of their choice.

If free standard shipping of 5-7 days is offered, and a fee has to be paid for expedited shipping, many shoppers would be encouraged to take the free standard shipping rate if they can afford the time.

4.4.3 Social Media Platforms - Data Collection and Analysis

Various social media platforms – blogs, retail forums, Facebook and Twitter -- were used in the *netnography* method as described in Chapter 3. Blogs like The Retail Blogger[4], and forums such as RetailMeNot[5] and RedFlagDeals[6] had discussions on many areas. Threads included discussions about website unfriendliness, shipping concerns and clarifying of costs for shipping across the US-Canadian border, online shopping and how stores should keep stock similar to what is available online. Discussions about the highly coveted Net-a-Porter gift box were also found on retail forums and personal blogs, where customers bragged about the luxury experience of having 'the black box' delivered to their doorstep. Quoting one blogger, it is 'almost addictive, like sending yourself a present'. As we scoured the online space, a lot of feedback and opinions could be found, with customers talking about products, spreading the word, and posting pictures of themselves with the products. Shoppers tweeted about their experiences, especially when they had bad experiences, and such complaints went viral while gaining support with their 'followers'.

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[4] Blog URL: *www.theretailblogger.com/*.
[5] Website URL: *www.retailmenot.com/*.
[6] Website URL: *www.redflagdeals.com/*.

The recent Club Monaco launch in US and Canada also sparked a lot of discussion and talk about the brand. Customers expressed their anticipation for the online launch, how they have followed the brand, and their thoughts about new product launches. The social media traffic for Club Monaco's pre-launch and post launch demonstrated that there is a lot of attention being paid to e-commerce platforms. Questions about when other sites were being launched, sold out Tommy Ton bags and inaccessible sites were posted on Facebook and Twitter. Customers use such platforms to voice their unhappiness and frustration as well.

4.4.4 Social Media Platforms - Key Findings

From the online discussions and opinions from bloggers and shoppers, the main finding is that online shopping is a growing trend with many people seeking out others' opinions before purchasing products online. Customers like to have the option of shopping online, and the multi-channel experience is something that many shoppers look forward to. Besides, many use the internet to read reviews of items to purchase. Prices seem to be a major concern for customers. With the Internet, it is easy for customers to search online for products and compare prices, or find the product in a store location that has stock if they want to get a look and feel of the product. The Internet has taken shopping to a whole new level. Customers are very involved in the process; providing feedback to retailers, implicitly marketing products online via social media platforms, and the shopping experience itself. On all levels, customers use the Internet and many forums to share knowledge about products and to provide reviews of their experience. This is a powerful marketing tool that should not be underestimated. Frequent attention to the online space would allow retailers to understand the customers better, and be quick to adapt and respond to them.

4.4.5 Research Groups - Data Collection and Analysis

To obtain statistical data about Canada, we turned to sources such as the Conference Board of Canada, Retail Council of Canada, Statistics Board of Canada, AC Nielsen and eMarketer.

We approached the regulatory authorities and sought permission to use some of the data and statistics that have been compiled based on Census information about the general population as well as retailers. The statistics reveal that in general, retail sales are highest in the Ontario region, followed by Quebec and Alberta. Together, these three regions contributed to 72.1% of sales in November 2011. Year to date figures follow a similar trend pattern. A breakdown of sales by commodity revealed that in general, the major segments of menswear, women's' wear and children's wear are increasing year on year from 2-3.5% for the period of 2006-2010.

From The Conference Board of Canada, we found out that 39.2% of the national income is earned by 20% of the Canadian population, based on July 2011 statistics. This number is shown as the 'richest quintile,' as seen in Figure 9 below.
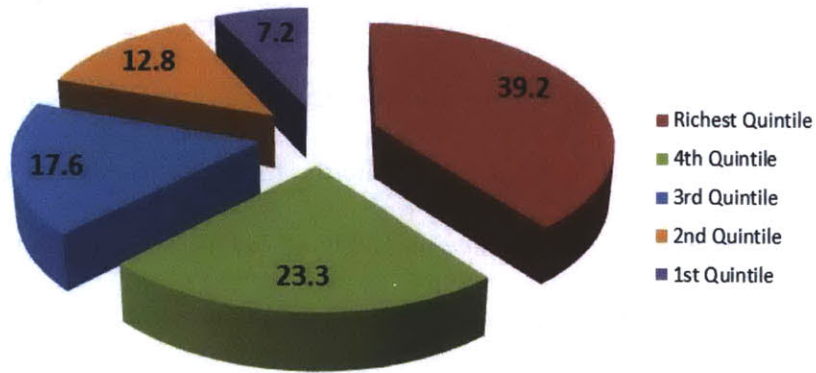

Figure 9. Shares of National Income by Income Quintile in Canada
Source: The Conference Board of Canada, How Canada Performs, July 2011

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The population income distribution obtained from Statistics Canada in a 2006 Census study revealed that most people with high incomes lived mainly on the East Coast. The pictorial distribution is highlighted in Figure 10 below. Hence, should a Ralph Lauren B&M store be considered to complement the e-commerce channel, a good location to set up store would be on the East Coast, in the Ontario region.
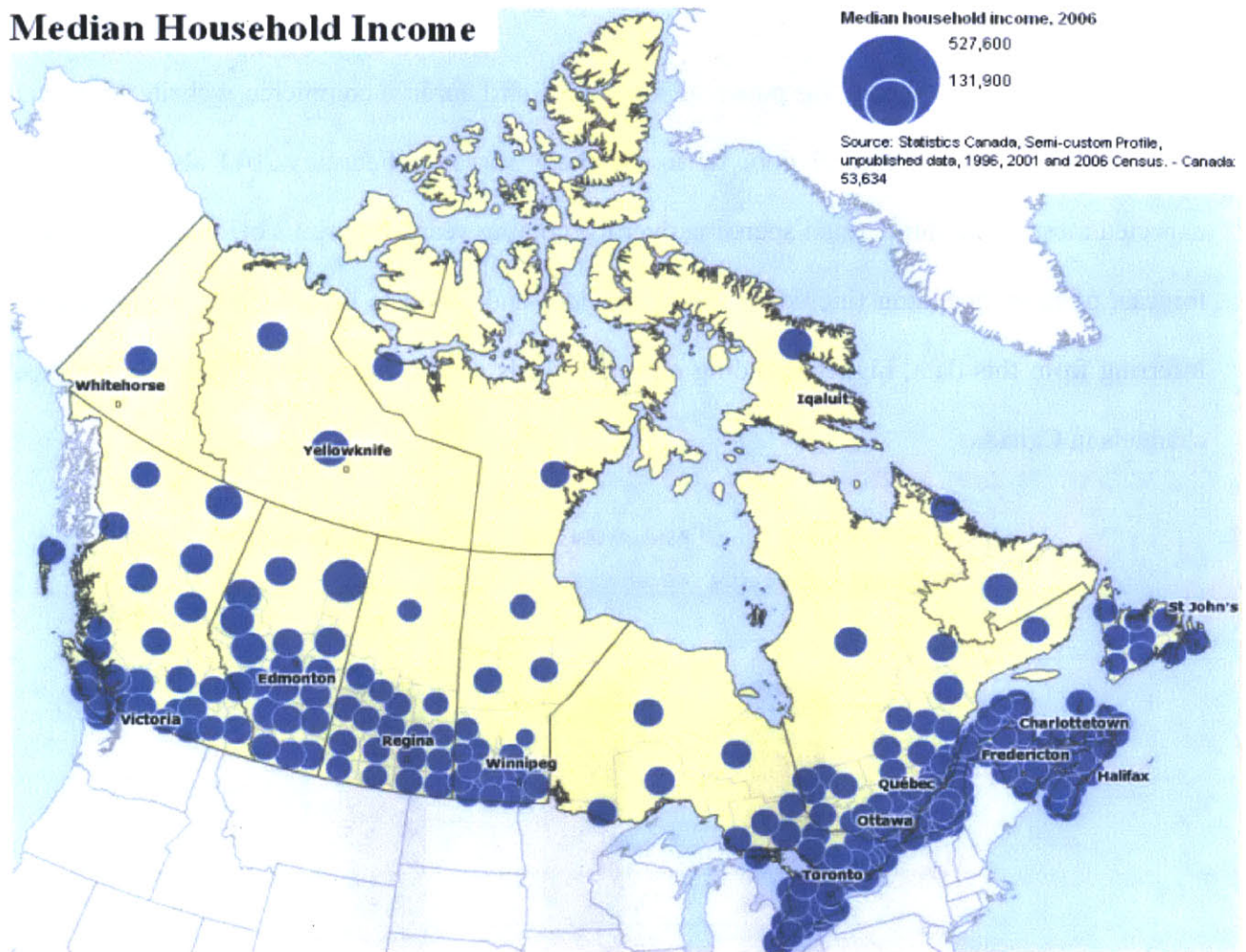

Figure 10. Income Distribution map in Canada
Source: Statistics Canada, 2006 census

To get a good grasp of the online traffic growth and the usage of the Internet for personal businesses and pleasure activities, we sought resources from AC Nielsen and eMarketer to get statistics. According to *Global Trends in Online Shopping*, the proportion of Canadians who have never shopped online is larger compared to that of North Americans. Out of the population who shops online in Canada, it is noticeable that many Canadians directly visit the brand websites compared to cross-buying sites, as seen in Figure 11 below.

This finding points to the strong potential for the Ralph Lauren e-commerce website to attract many shoppers. Further research done by an eMarketer survey in February 2011 also showed an expected increase in online retail spending over the coming years. Figure 12 below illustrates the forecast of retail spending (including travel, services and products bought from foreign sites). Inferring from this data, higher spending on retail goods can be expected through e-commerce channels in Canada.
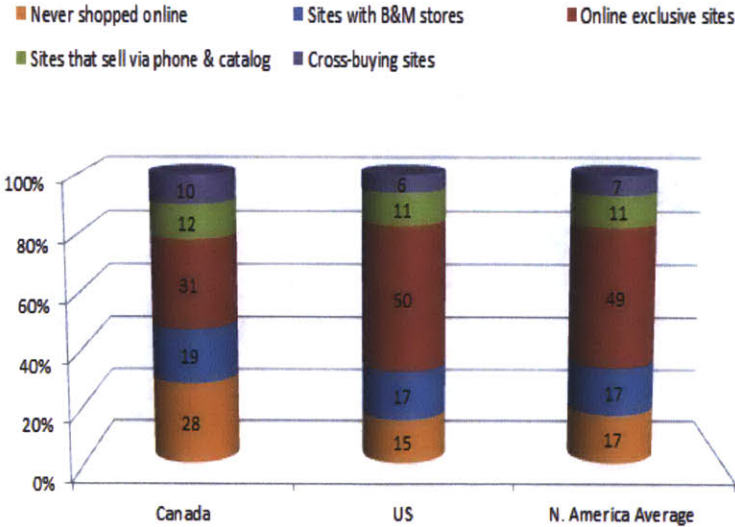

Figure 11: Online Shopping Trends by Types of Websites Visited
Source: Global Trends in Online Shopping, A Neilsen Global Consumer Report, June 2010

Retail Ecommerce Spending in Canada, 2010-2015
billions of CA$ and % change

CA$16.5 — 9.5%
CA$18.5 — 12.0%
CA$21.1 — 14.3%
CA$24.1 — 14.2%
CA$27.4 — 13.6%
CA$30.9 — 12.6%

2010 2011 2012 2013 2014 2015

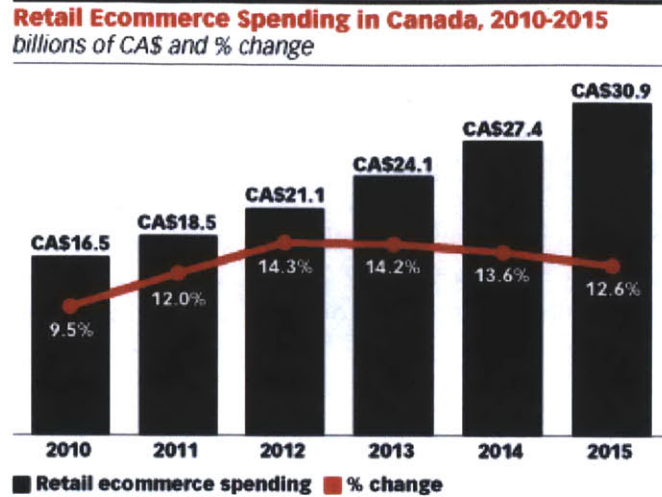■ Retail ecommerce spending ■ % change

Figure 12: Retail E-commerce Spending in Canada from 2010 to 2015
Note: Includes travel, digital downloads, event tickets and spending on foreign sites
Source: eMarketer, February 2011

4.4.6 Research Groups - Key Findings

The research studies signal that Canadian retailers are keen on increasing their utilization of the online channel. The Retail Council of Canada has highlighted that an 'online strategy that fully integrates into the business' is crucial for retailers to be competitive and keep customers coming back. From the statistics, we conclude that Canadians have the spending power that can potentially be channeled for spending on luxury goods. Also, it has been shown that Canadians have been spending increasing amounts of time and money on online shopping and choosing brand websites over cross-buying websites.

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4.5 Interviews

We conducted a series of phone interviews with groups of people who were hard to reach geographically but critical to broadening our research. Here, we also capture our observations from interviewing Canadian consumers. As there were multiple interviews with different executives from some companies, we grouped our analysis of the interviews into the following sub-sections:

- Ralph Lauren management

- Club Monaco management

- FiftyOne Global Ecommerce management

- Interviews with Canadian consumers

4.5.1 Ralph Lauren Management - Data Collection and Analysis

Interviews with people from the different business functions of Ralph Lauren allowed us to gain facts about the business process and operations. From the interviews, we learned about operations in Canada. Ralph Lauren uses a third party service provider to handle all of Canada's shipments. Currently, only the Ralph Lauren wholesale business is present in Canada, and there are no Ralph Lauren owned B&M stores in the country. Products are sold in Canada through retailers and specialty stores. The sales volume in comparison with that in the US is small, within the range of 2-15%[7]. As mentioned above, the Toronto DC is owned by the third party provider.

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[7] Numbers have been modified for confidentiality purposes.

As Ralph Lauren is a major customer for the provider, there is the potential to expand the current capacity of the facility to accommodate the e-commerce business. Currently, there has also been a tie-up with the Canadian Retail Shippers' Association (CRSA) and other companies to leverage lower freight rates and handling of goods that arrive at Vancouver. A facility in Vancouver is currently used to trans-load containers that arrive from China. The flow of goods from the rest of the world to Canada is shown in Figure 13 below.
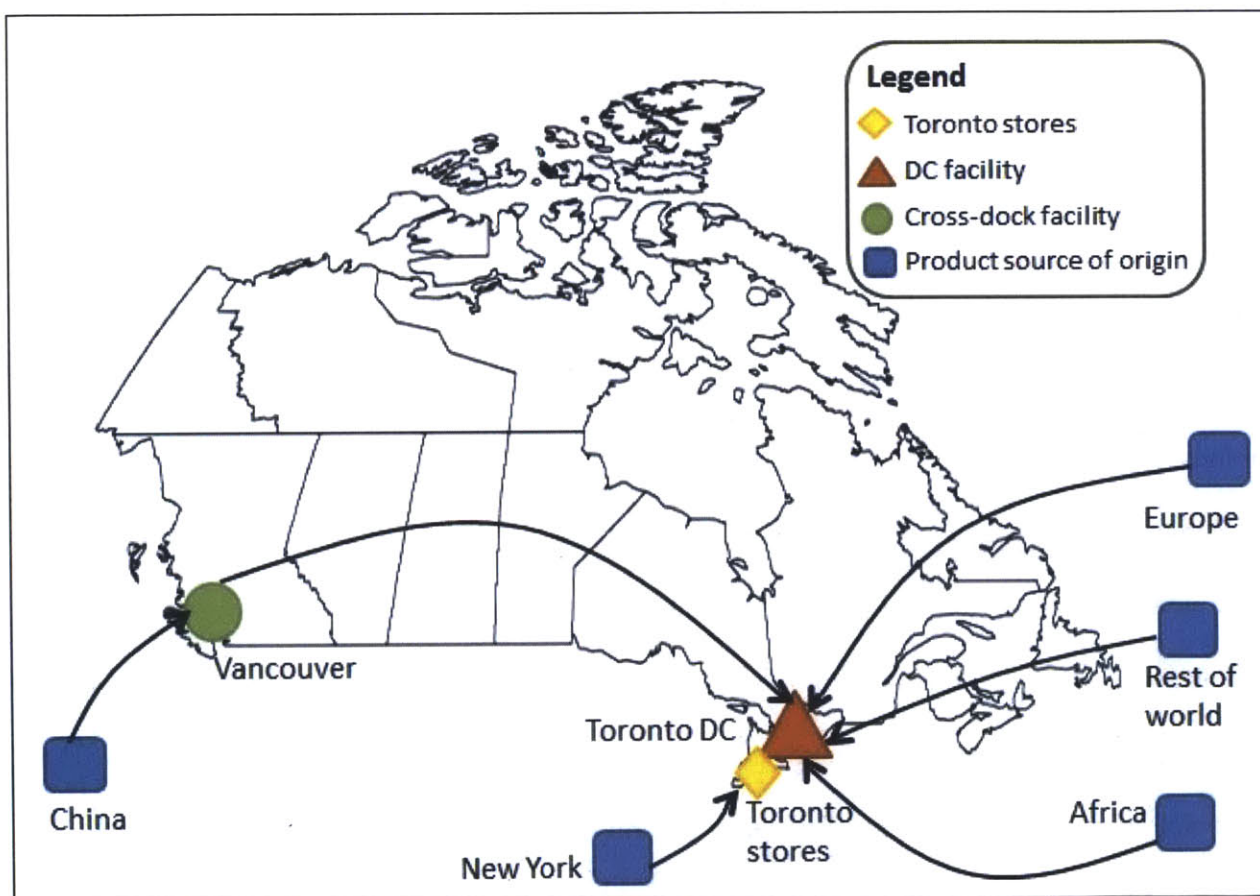

Figure 13. Flow of Goods from Supplier to Retail Store in Canada.
Source of map outline: Worldatlas

The interviews revealed that demand for Ralph Lauren products is increasing. The online traffic is expected to increase with more advertising and marketing done by Ralph Lauren Media, and more labels such as Club Monaco and Rugby that are operating in multi-channels. Interviews with various management executives also revealed that Ralph Lauren is very focused on customer service excellence. One of their driving strategies is to please the customer and differentiate the brand to the customer. We ranked customer service and the shopping experience as a crucial piece of our research to be aligned with the company's strategic vision.

We learned that 70% of the Canadian's buying power is concentrated around the Ontario region, which has 25% of Canada's population. These numbers were backed up by our data research. Interviews with people from different business functions revealed that different functions viewed the competition differently. Although the marketing and strategy teams felt that high end luxury brands were major competitors of Ralph Lauren, the operations team felt that the premium brands gave Ralph Lauren fiercer competition. There seemed to be some incongruence in perception of Ralph Lauren's positioning in the market and the related competitors based on the interviews. Although Ralph Lauren has removed the 'pony' from their marketing material and the brand, it is still very strongly associated with Ralph Lauren for Canadian shoppers. Canadians relate to the 'pony' and still refer to Ralph Lauren as Polo Ralph Lauren. This observation raised by the Canadian team is similar to the academic concept of tough brand association change management. Research shows that once consumers have formed associations and developed their own perception of the brand, it is hard to disassociate that image from the brand, simply because people resist change (Dawson, 2011). Before investing in equipment for customization of products, the management team wanted to find out the market for

personalization in Canada. The embroidery and personalization demand in the US has been increasing in the North America facility. This indicates a trend of individualism and standing out. Based on our observations of clothing worn by Canadians, and interviews conducted with consumers (section 4.5.7), the potential for personalization in Canada can be inferred as high.

From interviews with the operations team, we learned that products are picked, packed and shipped in bulk at the Toronto DC to Ralph Lauren's major retail customer. This major retailer sends its own transportation carrier to the Toronto DC to pick up orders. For the remaining customers, the third party service provider handles the transportation to the customers' stores directly. Ralph Lauren currently has system integration capabilities with one major transportation carrier, which enhances the efficiency of operations. All customer service related matters are handled by the contact center in North Carolina. E-commerce queries are directed to the contact center where the respective brands would handle the inquiries.

4.5.2 Ralph Lauren Management - Key Findings

Ralph Lauren's strategy rests on the fact that they would like to deliver a *legendary* customer experience. This theme resonates across the different groups of people we spoke with. As Ralph Lauren is a large organization, the perception of competitor brands might differ depending on the team's role in the company. It would be challenging for all parts of the company to move ahead and be aligned at each point in time. There would be a lag in perception and implementation because elevating a brand would not be one global move across 30 countries and a range of a dozen labels. We noted that the perception of Ralph Lauren in various countries differs in the exclusivity and luxury aspect. However, each function should be taking steps to look ahead and make necessary changes within the business function to be aligned with the rest of the company.

From the various interviews, we obtained a better understanding of the current US and Canada operations. It seems that the current challenges Ralph Lauren has are found in three main areas. Firstly, there needs to be more integration of IT systems between service providers and the various channels of the supply chain. To stay ahead of competition, Ralph Lauren has to constantly innovate in marketing and operations to improve the *legendary* customer experience. Finally, the company's different business functions have to be aligned to establish a global objective of the perception of a luxury brand.

4.5.3 Club Monaco - Data Collection and Analysis

We spoke to the Club Monaco team to learn about the preparations for the launch of the e-commerce platform, and to understand current challenges faced by the team. From the interview, we found that several challenges they faced were the integration of various systems between the US and Canada websites and the handling of dual currencies. Key concerns that the team had included ensuring that customer service levels in-store and online were not affected with the launch of the e-commerce platform. Here, we learnt that certain transportation carriers that provide B2C services would leave parcels at neighborhood drug-stores if home delivery was a challenge. Due to the government's regulations on French being a required language of the Quebec region, Club Monaco has to adapt their e-commerce platform to cater to this requirement. Club Monaco is a design driven brand that tries to perfect each style in season. To operate and integrate the e-commerce system in the warehouse with the fulfillment plans to the stores would require different management of the inventory – pick to pack in bulk versus individual small picks. Club Monaco currently uses a transportation carrier for the delivery services that has their IT systems integrated with Ralph Lauren.

4.5.4 Club Monaco - Key Findings

From the discussion, we took into account language and governmental constraints in a full e-commerce launch in Canada. In planning the Ralph Lauren e-commerce launch, an online platform that hosts both English and French at the onset would be ideal. This would allow customers from Quebec to enjoy the same experience as English speaking Canadians at the same time. Systems integration and the technology at the warehouse would have to be looked into and tests run to ensure that products in the warehouse can be tracked separately in both channels, and at the same time, there should be the capability to move products between the two channels.

4.5.5 FiftyOne Management - Data Collection and Analysis

We had the opportunity for a short interview with a senior management executive from FiftyOne, one of the most well-known firms specializing in international e-commerce. The company helps retailers showcase their products globally without them having to manage the fulfillment of orders to customers outside of the US. The model involves streamlining the process of maintaining and managing separate e-commerce platforms for different countries, and utilizes the home country's e-commerce platform as the base for extension. The model takes out the hassle of administrative costs and the risks involved in delivering last mile service to the end customer. Customers would be able to order their items online from the US in their own local currency. Payment and financial matters are managed by FiftyOne, which handles fraud assessment and allows international customers to view products online in their own currency with total landed cost charges. FiftyOne bears the risk by checking unknown addresses and approving purchases they access as legitimate. At times, in less urban areas, FiftyOne has

dedicated teams who use different methods such as Google maps to certify that addresses given in the purchase order are genuine, and can be traced back to the owner.

FiftyOne takes pride in managing the logistics and operations for retailers in many countries, with the capability to assist retailers internationalize. Reverse logistics are also managed by the company. To save the environment, return labels are not included in parcels like most US retailers. When a customer would like to return a product, they would have to login online to get a return code label printed. This way, FiftyOne is able to contain their returns. According to the statistics, FiftyOne has one of the lowest rates of returns in the industry at 5% of all merchandize sold between April 2009 and March 2011 (FiftyOne, 2011). Major US retailers such as Barneys New York, Gilt, Macys and Sears are using the FiftyOne model to run their international e-commerce sites.

4.5.6 FiftyOne Management - Key Findings

The service provided by FiftyOne seems to be an excellent option to run international e-commerce. The company does all the services that are not core competencies of most retailers. The need for such services would increase in the coming years, due to internationalization, and more apparel firms seeking to go global without investing in setting up B&M stores. FiftyOne's operations and strategy is an excellent one, and could be a major consideration for the Ralph Lauren operations in Canada. Ralph Lauren's expertise is in product design and elevating their brand. Adopting the FiftyOne model could be a great way to handle the extension of the brand into the Canadian market without stressing the supply chain.

4.5.7 Canadian Consumers – Data Collection and Analysis

As highlighted in Section 3.2, due to the spontaneous nature of the street interviews, some of the respondents answered the three questions point-blank. On the other hand, others stopped to elaborate and give more detailed explanation of their answers and opinions on the topic, which turned out to be very interesting information. 60% of the respondents who were approached mentioned that they shopped online for clothes. However, many of the companies they shopped online at did not have physical store locations in Canada, hence most of them would pay for additional shipping charges to have items shipped from US, or have them sent to a relative/friend's place near the border of Canada. They would then make regular trips to their relative/friend's place to pick up bought items. Some of the respondents highlighted that they are also not able to find the right sizes in B&M stores in Toronto. According to two ladies, it is hard for petite ladies to find appropriate sized apparel on the east coast, although the west coast had smaller sizes for apparel in general. Comments were also made about the intricacy of clothing design, along the lines that products sold in stores on the west coast had more detailed designs than the east coast.

A few respondents indicated that Canadians like to express their individual styles, hence they would shop online from Europe, UK and US stores and have items shipped to their homes. Few explore local online brand stores for everyday clothes. However, when probed with the question on being able to purchase luxury products online, all the 12 respondents were favorable towards the idea. It would allow them to browse the online catalogue and shop locally without worrying about the additional cost of shipping products across countries. Finally, two respondents also mentioned that they would drive across to the US border to shop for products in the US while

visiting friends or family. They cited more variety and the cheaper prices as main reasons for purchasing apparel in the US, with many of their friends shopping in similar manner.

4.5.8 Canadian Consumers - Key Findings

From our interaction with the shoppers on the streets of Toronto, it seemed like the general sentiment is that there are not many options for clothing choices in stores or online in Canada. Hence, shopping online to source for products outside of Canada is fashionable. Having unique apparel allows them to express their individuality and creativity. There also seems to be a contention on price points with goods sold in Canada and US, even though both countries are next to each other, and many people stay within 100 miles from the border. With e-commerce being made available, it could affect sales of the US stores that border the US-Canadian border as people find it more convenient with an online option that provides fair prices. Finally, although people shop online at overseas sites, they would choose to shop with brands that have a presence in Canada.

5 DISCUSSION

This section aims to provide a discussion on supply chain network considerations resulting from the analysis of literature and data as described in the previous sections. Our discussion focuses on the following key topics: the Canadian market, e-retail of luxury goods and supply chain operations.

5.1 Canadian Market

Section 2.3 highlighted the unique population dynamics for Canada. Here, some additional literature findings are introduced to help lead us to the discussion of the matter.

Statements on the social media and interviews with Canadians indicate that online platforms serving Canada are well received. With no standalone or flagship Ralph Lauren store in Canada, having an e-commerce platform would allow Canadians to browse and purchase Ralph Lauren products easily. In the field of Consumer Behavior research, it has been found that people were more likely to purchase after their intention to purchase an item was measured. This is termed the mere-measurement effect (Morwitz, Johnson & Schmittlein, 1993). The mere-measurement effect can increase purchase by about 40% in 6 months, if customers have a positive attitude towards the brand (Morwitz et al., 1993; Chandon, Morwitz, Reinartz, 2003). This attitude may be created by an effective online presence.

The information presented in section 4.3 show that the Ralph Lauren US website already has customers based in Canada. Ralph Lauren can leverage this fact by creating a website that will appeal to these customers and attract new ones in Canada, expanding the target market. Since

elevating the brand is one of the company objectives, there are certain factors to consider when creating this website that will be discussed in the following section.

5.2 E-retail of Luxury Goods

The concept of selling luxury goods online is one that became reality around the beginning of the 2000's. Many luxury houses were reluctant to design websites that were capable of e-retail (Okonkwo, 2010), either because luxury goods were viewed as not suitable for online sales, or because managers failed to realize the online sales potential for luxury items.

Luxury goods present unique challenges when it comes to online marketing. Since the concept of luxury is based on appealing to the five senses, it is particularly hard to create this experience using a website. For example, cashmere sweaters may look the same as woolen sweaters in a picture, but, the softness and luxurious feel of high quality cashmere can only be experienced by touching it. Likewise, pictures of a particular item may fall short, as in the case of jewelry and art, in reflecting the grandeur of an item that is apparent to the naked eye. Sound is also employed in the creation of an atmosphere around objects or concepts, as seen in the Ralph Lauren Mansion in New York City, in a home goods display set resembling a summer house, complemented with the sound of the sea and the waves. Sound is easy to integrate into a website design for a visitor to experience particular feelings. Smell may be important for genuine leather objects, as in new bags or shoes. Taste applies to gourmet food as a luxury offering. Taste and smell present a challenge in online marketing; however, both are important sensory components in the perception of luxury.

Limited literature is available on online strategies for e-retail of luxury goods. However, the vast size of the luxury market, seen via the volumes carried by Louis Vuitton, Burberry, Prada, Gucci and similar brands, reflects the need for such strategies to be developed. Current research agrees on the common characteristics that would potentially increase the success of a luxury e-retail website. Moreover, a look into the websites that have proven successful, as shown in the previous chapter, highlights the importance of certain attributes that would help achieve the appropriate positioning of luxury.

Visual attributes are key in website design. In luxury websites, it is important that an item can be seen from all angles. If possible, 360° rotating views should be provided. Also, the customer should be able to zoom very closely into the details of the product. This will appropriately display material quality and craftsmanship. However, these additional features will result in additional operational costs. It is known that H&M, a fashion retailer, started using Photoshopped images of the same model wearing different clothing items on their website, resulting in cost savings. However, since attention to detail is one of the defining characteristics of luxury, it is likely that a streamlined approach based on the use of certain software may not be a possibility. Craftsmanship is extremely important in luxury. Luxury houses known for particular items produced by high skilled labor are located where this labor is available. Luxury leather goods manufacturing facilities that are located in Italy are an example of that. Gucci displays a video of a craftsman carefully stamping initials on a leather item to attract attention to the manual process.

Luxury brands also have stories to tell as cited before. Most high-end stores display vintage or antique items alongside clothing to help tell their story (RRL, Club Monaco). Translating this

experience onto the online domain may be possible via the use of specially prepared visual materials, such as videos and photo galleries, as well as the use of narratives, music and sounds that are crafted to create the store feel on the website.

A website should be thought of as a standalone source of information that the customers will go to, that will create the same feel as the store, and deliver a similar customer experience to what one feels after having interacted with the salespeople in the store and having purchased an item in the store. There are no Ralph Lauren flagship stores in Canada, therefore, the task of the website acting as the brand ambassador becomes especially important. The Ralph Lauren Black Label section in department stores, where luxury merchandise is being sold are the only B&M sources customers can currently refer to. Although much attention is being paid to the proper display of merchandise in these sections, the third party involvement can still lead to late product displays or a non-optimum selection being present on the floor, as described by the Toronto office of Ralph Lauren. Admittedly, the service and feel at "The Mansion," in New York was very different than that of a Ralph Lauren section of a retailer. The main differences of the former are: personalized service, full product and brand spectrum, available under the same roof adding to the lifestyle element; this reinforces the luxury positioning. The Ralph Lauren employees at "The Mansion" can better identify with the brand compared to department store employees. In an environment where a flagship store is not available, the brand's website should singlehandedly be able to create the flagship store feel.

Some challenges for e-retail in the luxury area would encompass the following:

1. Recreating the luxury experience online (environment and service)

2. Maintaining rarity and exclusivity

3. Reflecting quality of the material

4. Reflecting superior craftsmanship

5. Telling the story to create and recreate the brand image

6. Forming strategic alliances for marketing and operations (Rolex/ powered by Yoox)

However, these are crucial factors in the luxury market, as seen in studies by Caniato et al. (2009) and Srinivasan et al. (2002). The luxury segment is a lower volume, higher margin segment compared to the premium segment; it is also one that is managed in fundamentally different ways. Since craftsmanship and personal touch are very important, it could be expected that the involvement of manual labor will be higher throughout a luxury supply chain.

5.3 Supply Chain Operations

The right supply chains are needed for the right products (Lee, 2004). Therefore, operations is a crucial component to be analyzed as Ralph Lauren adds B2C operations to its B2B platform. We analyze the flow of the e-commerce operations as illustrated in Figure 14 below.
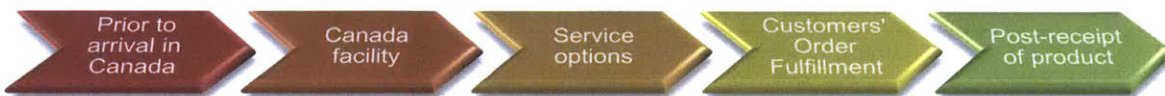
Figure 14: E-commerce Operation Process Flow

5.3.1 Prior to arrival in Canada

The current supply chain network for Ralph Lauren products follows three main routes, namely:
A. from China via the Vancouver facility to the Toronto DC, **B.** from the rest of world to the
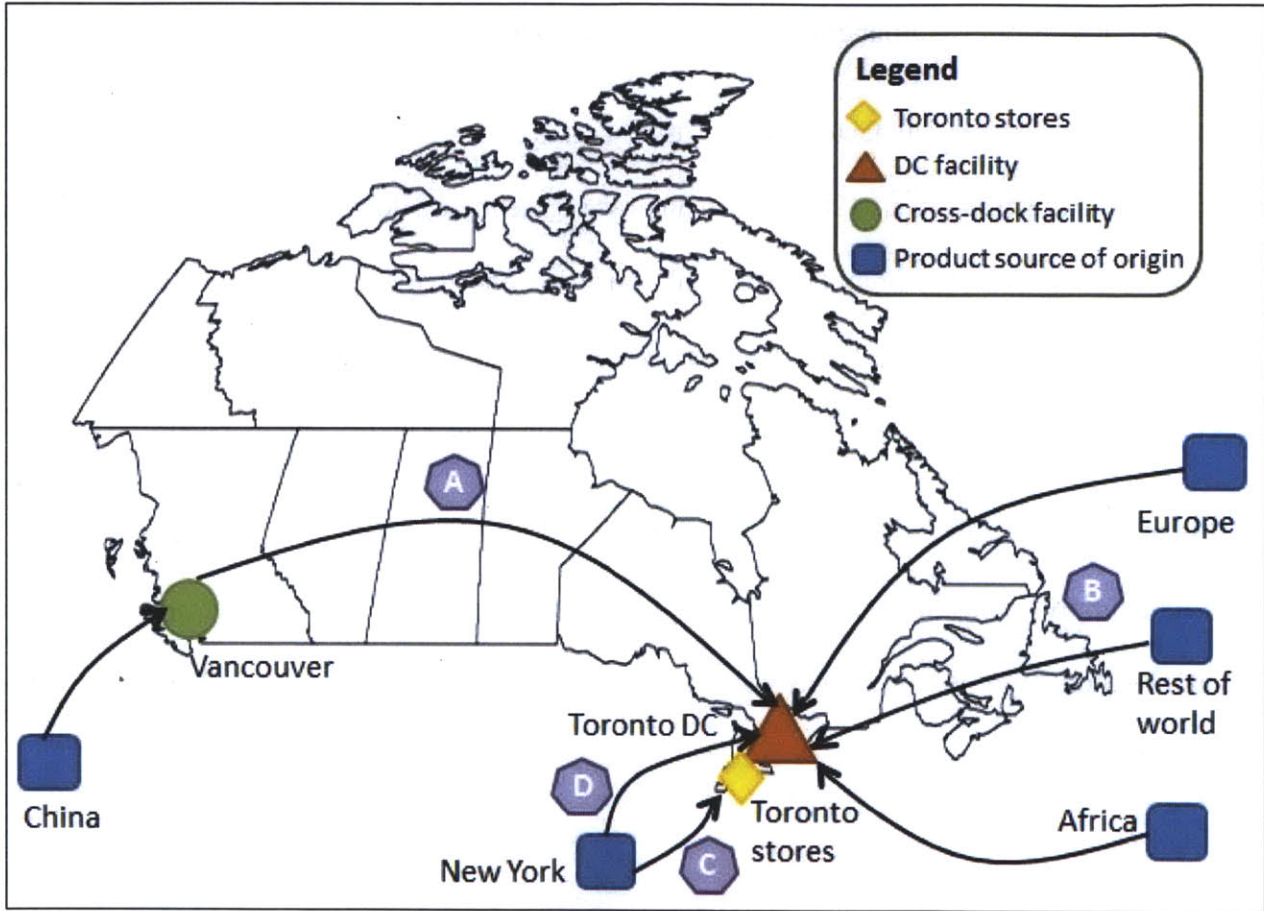Toronto DC and **C.** from New York to Toronto stores, as seen in Figure 15.

Figure 15. Supply Chain Network Map

With continued expectations of high volumes, premium products would likely continue to take
routes A and B, provided that the countries of origin of products remain the same. If the volume
of premium products increases significantly, and more supplies arrive from China, there should
be consideration of expanding the Vancouver facility. The current cross-docking function of the

Vancouver facility could then be developed to accommodate breaking bulk and sending products to stores on Canada's west coast. This proposal would have to be evaluated from the financial standpoint. If the transportation costs, lead time, handling and administrative costs from the Toronto DC can be reduced by having the Vancouver facility provide such service and value without incurring high fixed asset costs, this may be one viable option to consider in the future.

Luxury products are currently served by route C, which does not use the Toronto DC facilities. Presently, few retail stores carry Ralph Lauren's luxury labels. Due to the small volumes, product movements are managed outside of the warehouse systems in Toronto, and the DC operations are not involved in this route. However, when the online store features the entire luxury range, B2C supply chain for these products would have to be incorporated into Canada. Products would have to be sent via route B or from New York to the Toronto DC (new route **D**) as more optimal solutions. Route C would not be a feasible supply chain option for e-commerce since products cannot be sent to the individual customer via Ralph Lauren's retailers. With a larger market for luxury products made available online, the luxury business in Canada would be positioned to increase.

Retailers would also be happy to avoid managing inventory of the high end luxury products outside the regular system. With the adoption of route B or D for these products, the supply chain for luxury products in the retail stores would also be optimized by leveraging the volumes from the e-commerce channel. As the literature research in Chapter 2 shows, the online stores would likely increase sales at retail stores. Hence, although counter-intuitive, Ralph Lauren's retail customers would also benefit from the launch of Ralph Lauren's e-commerce platform.

5.3.2 Canada Facility

The Toronto DC facility was geared towards B2B operations as explained in the previous chapter. Since the requirements for B2C are different due to the characteristics of this kind of operation, it is advised that the DC be equipped with material handling equipment and also the IT infrastructure that can keep track of a larger number of customers and a high volume of small orders. The IT systems needed would also have to accommodate functions of transferring inventory from the B&M stockpile to the e-commerce channel. This will help normalize the risk of inventory holding for separate channels by spreading the safety stock across both channels.

5.3.3 Service Options

The customer blogs highlighted that the black gift boxes Net-a-porter uses when shipping goods are highly sought after by customers. Our observations on various threads showed it was a craze, highlighting the importance of packaging. Therefore, Ralph Lauren can explore creating similar signature packaging options, or cultivate the same feeling via the use of other marketing materials. From a luxury standpoint, free shipping is encouraged. However, the transportation costs in relation to order size and repeat customers can be evaluated to determine the financial impact on company operations' spending of this free option to customers. The option to send gifts to multiple locations would also help in providing convenience to customers.

Having unique customer accounts on the e-commerce website would allow customers to easily track the history of their purchases. Also, Ralph Lauren can determine which customers account for the largest percentage of purchases, making custom tailored offerings possible. Recommendations similar to styles purchased previously can be automatically triggered when the customer logs in to their account. Additionally, there can be fashion experts online to provide

quick tips for the busy luxury consumer. The idea of having models blog about their lifestyle and the different types of apparel worn for different occasions can appeal to the online shopper.

5.3.4 Customers' Order Fulfillment

Due to the sparse distribution of homes in most parts of the country, (with the exception of major cities like Toronto and Vancouver) a wide and flexible transportation network is required to deliver to the more rural areas with the launch of the online store. People living in less accessible areas are usually indifferent to quick deliveries, as they are aware of the physical infrastructure constraints. However, from the company's customer service and cost perspective, products should reach customers in a reasonable delivery window at competitive costs. Customers can opt to pay for different service delivery times, like what most transportation carriers charge, depending on their need for the product.

The simulation comparison in Chapter 4 showed that transportation costs can vary widely between carriers. The cost of shipping products within Canada should be kept to a minimum. To achieve that, the transportation carriers' value-added service has to be evaluated as a whole. A comparison of the current transportation carrier with a similar local carrier shows that, Ralph Lauren would be able to have a wider outreach of the transport network with the latter. However, the costs of integrating the IT systems between the company's warehouse system and the carrier's system, coupled with expected sales volumes, would have to be cost effective to justify a switch of service provider.

With some homes located far apart, an additional service that the carrier can provide to Ralph Lauren would be to indicate suitable drop-off times. This information can be obtained either

from the customer during their check-out stage of the ordering process or from a call by the carrier to minimize late or non-deliveries due to the customer being unavailable to receive the package. This is crucial, as the luxury products being delivered are of high value, and there should be a sign-off on the product by an authorized party. Having no one to sign-off on the package would require a doubling back and additional cost for the carrier to do a re-delivery, conflicting with the luxury experience Ralph Lauren seeks to create.

5.3.5 Post receipt of Product

After-sales service is important in the fashion luxury sector. Here we discuss three main areas of service after the customers' receipt of the product, namely:

- Feedback and inquiries

- Returns and exchange

- Follow-up service

Feedback and inquiries. Customers should have the easy option of contacting Ralph Lauren on any queries or feedback that they have about the product or service. Based on other brands' customer service help options as observed from Table 2, and our involvement in testing out websites as customers, we believe that Ralph Lauren should have the standard options of email and telephone contact available. Additionally, a live chat option would be helpful for the technology savvy customers. It would allow customer service representatives to multi-task with various customers at the same time, reducing operational costs by half, compared with the phone help service. The live chat option also contributes to engaging the online customer, and can assist in monitoring traffic on the web.

The cultural diversity in Canada has to be taken into account when planning for customer service functions. A significant portion of Canadians in the Quebec region mainly speak French. Just as the local government has instituted that websites launched in Quebec should have content available in French, the contact center in Ralph Lauren should cater to the French-speaking customer through its service representatives. This will ensure that there would be no language challenges when a customer calls in or writes to seek help.

Returns and exchange. In shopping for apparel online, since the customer does not often get to see, feel, touch or try on the item, there would be cases where customers would seek an exchange or return the product. Introducing an online channel into the supply chain would mean that reverse logistics would now play a very important role in catering to this sector. The warehouse systems would need to be able to handle returns from customers that can be sent out again with new orders. The integration of the carrier's transportation network with the warehouse system to provide seamless transfers between them is important. Due to the same system that is being used by the North America e-commerce facility, it is great that there is an existing IT infrastructure and the knowledge of using such a system. Operationally, a portion of the warehouse has to be set aside for sorting of the returns and exchanges, so that these items would not be left hanging on the racks. Frequent checks and updates on the incoming and outgoing returns products should be monitored closely.

Canadians have a generally higher rate of return for products compared to residents of other countries, as highlighted in section 4.5.5. Counter to most beliefs, high returns might not always be bad. (Petersen & Kumar, 2010) Viewing this from a macro perspective, allowing customers to return products can build up trust and loyalty to the company, as customers will feel comfortable

shopping online. This would generate increased sales in the long run. According to Petersen & Kumar, zero returns is not the best strategy for retailers. Ralph Lauren has to establish the costs and benefits of returns in order to optimize the resources spent on them, and generate future returns by satisfying customers. Hence, we would recommend a nominal flat rate shipping fee of $5 for returns, that would not encourage flippant returns, and at the same time not exorbitant.

Follow-up service. Ralph Lauren has to differentiate their customers when targeting products. For regular luxury product customers, the concept of exclusivity and uniqueness can be established by having a luxury club. This would make customers feel special, and through the club, Ralph Lauren can cater to this group of customers by providing them with the finest customer experience. Such customers can receive a sneak peek of the season's latest styles and trends. A product catalogue that includes sample materials of new products in the line-up can be sent to customers' homes. This catalogue would serve to bring the sensory experience closer to the customer, as it cannot be fully achieved on the website. Limited editions of such catalogues should be made to the customer group that Ralph Lauren defines. They could be frequent shoppers, shoppers whose shopping baskets exceed certain amounts each time, and aspiring luxury customers. Occasionally, these customers can also be invited to a private closed door event, where fashion shows of the new luxury products will be showcased. The idea behind the follow-up service would be to create a close connection with the customer and to let them experience the full range of Ralph Lauren products which cannot often be met online.

Analytics and monitoring programs can be utilized to follow-up with customers in a non-intrusive manner. Rather than flood customers' inboxes with standard advertisements and general mailers, personalized messages would delight the customer more. For example, a short

message can be texted to the customer after two months if she would like to send her Calfskin Ricky 40 for professional cleaning. A voucher can be redeemed at particular stores. This service could be further enhanced if there is a Ralph Lauren B&M store nearby in the surrounding vicinity. Such services can be provided by the store. Customers would be thrilled at such quality follow-up service, that their loyalty could be ensured.

Having such follow-up services would cost Ralph Lauren. However, the investment in customers, and wanting to understand them and exceed their expectations would definitely be a growth driver and a competitive advantage for them in the future.

6 CONCLUSION

This thesis summarizes research conducted to provide supply chain network considerations for the prospective Canadian e-commerce website for Ralph Lauren. The website will be designed to meet the company's strategic objective of elevating the brand towards the luxury category, while maintaining profitable operations. Supply chain recommendations were developed after careful examination of current literature relevant to the research question, competitors' offerings online, Canadian demographics, data analysis and interviews.

The website. Based on this research, we propose that Ralph Lauren consider including the following features to create the online luxury proposition: Improve zoom features to display the finest detail in fabric, add 360° rotating views and videos of models wearing garments, incorporate videos reflecting the craftsmanship and material quality of the items, display items in a luxury lifestyle context, provide visual and reading material regarding brand heritage, include sound effects and music designed to create the desired feelings as well as verbal descriptions of sensations associated with touching the items (for example, cashmere), employ signature wallpaper on the site background, use signature packaging, and easily accessible customer service including live chat. While these additional features may result in higher operational expenses, they will highlight the distinction between luxury and premium items, providing the customer with the experience that drives sales in the luxury segment. Also, the customer will perceive a higher brand value that may translate into higher margins in all categories.

The supply chain. Ralph Lauren's supply chain operations would have to change and adapt in various ways. The addition of the B2C channel would mean direct fulfillment to many customers in small quantities, resulting in significantly different operations compared to bulk volumes that

are shipped to few customers. For the luxury component of the supply chain, more manual labor intensive work would be required in the gift wrap and personalization options to be offered. Therefore, the placement of advanced material handling equipment in the Toronto DC is recommended, along with IT infrastructure for customer tracking purposes. Product personalization equipment should be acquired, along with trained personnel at the Toronto DC, since customization creates the feeling of exclusivity, one of the pillars of perception of luxury.

Consideration of the supply chain operations to include receipt of luxury products from their source of origin is an additional change in the network design. With an increase in volume of luxury products, it would be more efficient to include them into the current route B as indicated in Figure 15. With an additional B2C network to support, besides the bulk B2B business, the right transportation / logistics provider would have to selected that exudes quality services that match the customer experience Ralph Lauren would like to showcase. Additionally, more customer-service representatives who are fluent in both French and English have to be hired in the Contact Service center to cater to French-speaking customers who may have inquires.

Segmenting the target customer as suggested in the literature is a good way to keep the company's business objectives aligned, even with the diverse line of products that Ralph Lauren offers. We recommend creating a special club that caters to regular luxury and aspiring customers, to have more personal touch and the feeling of exclusiveness. To understand the market better, more in-depth research is needed to learn more about the Canadian consumers' behavior, and to explore more into improving the supply chain landscape of luxury products.

In conclusion, the difference in the successful brand management policies for premium and luxury goods requires special care in managing the luxury offerings, especially online. We attempted to provide supply chain network considerations as shaped by a successful luxury e-commerce website. With further research on the subject of luxury retail supply chains and the maturation of the online luxury concept, improved recommendations would be possible.

APPENDIX A

My Preferences

1. How frequently (if at all) do you shop online for apparel?

- ⊙ Never
- ⊙ Once or more a week
- ⊙ Once a month
- ⊙ Once every 3 months
- ⊙ Once every 6 months
- ⊙ Once a year

2. How important would you rate the following factors when you shop online for apparel?

	Not important	Moderately important	Neutral	Slightly important	Very important
Getting a bargain	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Product customization	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Variety of products	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Online only deals	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Live customer service	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Fast delivery	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Option of sending the item as a gift	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5
Option for gift wrap	⊙ 1	⊙ 2	⊙ 3	⊙ 4	⊙ 5

3. If you liked a piece of apparel online, what would you do?

- ⊙ Buy it online immediately
- ⊙ Go to store to buy it

⌒ Go to store to see it, go back online to look for deals

4. How quickly would you expect your order to arrive?

⌒ Within a day

⌒ 2-3 days

⌒ 4-7 days

⌒ More than 7 days later

5. If you would like to return/exchange items purchased online, how important are the following factors?

	Not important	Moderately important	Neutral	Slightly important	Very important
Free shipping for return/exchange	⌒ 1	⌒ 2	⌒ 3	⌒ 4	⌒ 5
Fast exchange	⌒ 1	⌒ 2	⌒ 3	⌒ 4	⌒ 5
Full cash/credit refund	⌒ 1	⌒ 2	⌒ 3	⌒ 4	⌒ 5
Online store credit	⌒ 1	⌒ 2	⌒ 3	⌒ 4	⌒ 5
Customer service availability	⌒ 1	⌒ 2	⌒ 3	⌒ 4	⌒ 5

6. If you have any inquiries, what is your preferred method of contacting customer service?
⌒ Email

⌒ Phone call

⌒ Online chat

7. Have you purchased any of the following brands online before: Burberry, Coach, Gucci, Louis Vuitton, Ralph Lauren, Prada and the like?
⌒ Yes

⌒ No

General Profile

The next questions are for classification purposes only. They will only be used to group your answers with others like yourself.

8. Please indicate your gender.

○ Male

○ Female

9. Please select the category that includes your age.

10. Which one of the following ranges includes your total yearly household income before taxes?

11. Please select the city in Canada you live nearest to.

12. If you have any questions/comments, or would like to receive more information on the results, please leave them or your contact information here. Thank you!

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