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MASTERING THE DIGITAL TRANSFORMATION AS A HERITAGE LUXURY FASHION BRAND

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ABSTRACT

Digital transformation presents the world of fashion and luxury with new challenges. Especially the relationship between luxury brands, digital technology and the Internet is an intricate one. Disruptive innovations driven by information technology are forcing luxury fashion brands to adapt and future-proof business models must make use of digital technologies and e-business concepts in order to adapt to changing consumer behavior. However, what might be seen as obvious for large, multinational companies or for recent start-ups does come with various challenges in the case of small and medium-sized heritage luxury brands with decades, or, in some cases, centuries of history and a culture as well as a reputation tied to it. The present case study examines how a traditional Swiss heritage luxury fashion brand chose to react to the digital transformation and derives insights and recommendations for similar companies.

Keywords: business model transformation, digital transformation; luxury fashion; luxury fashion management; customer orientation; cross-channel strategy; omnichannel strategy; heritage luxury brand management
JEL codes: M30, M31

INTRODUCTION

The fashion industry is a major driver of the global economy. Luxury companies or groups represent a significant portion of the 20 « super winners » of the industry and combine around 24% of total economic profit in the fashion industry in 2017 (BoF & Mc Kinsey, 2018, p. 96). Although the majority of labels have stationary distribution channels, a growing percentage of luxury purchases is made via online channels (Deloitte, 2017, p. 8). A study by Bain & Company states that seven out of ten customer transactions are already influenced by at least one digital interaction with the company before a product is purchased in the physical store (D'Arpizio & Levato, 2017, p. 1).

The digital transformation presents the luxury and fashion world with new challenges (Laudon, Laudon & Schoder, 2016, p. 73). Disruptive innovations driven by information technology are forcing companies to further develop their business models. Isolated retail solutions and distribution and communication channels are at odds with customer expectations. The consumers obtain information via a large number of touchpoints and actively participate in shaping their customer journey (i.e. their information and purchasing process) (Lay, 2018). For luxury fashion companies, this means that they must adapt their corporate strategies, visions and resources to the changing environmental and competitive conditions (Remy et al., 2015, p. 5). While this might be an obvious move for newer and/or larger brands, the digital transformation confronts small and medium-sized luxury heritage companies with many challenges. They not only have to change strategies, processes and resources, but also the mindset of owners and employees and a company culture that has often evolved over decades, if not centuries.

In general, the relationship between luxury brands and digital technology has long been complicated for various reasons. Kapferer describes the relationship of the luxury industry to the World Wide Web as rather reserved and conservative (2015, p. 113). The Internet represents almost the exact opposite of what the concept of luxury stands for or used to stand for. By definition, the digital sphere is accessible to all and detached from social hierarchies. It changes rapidly and stimulates only two sensory perceptions: seeing and hearing. In contrast, luxury is

multisensory. It is about social differentiation and exclusivity (cf. e.g. Vigneron & Johnson, 1999). Luxury in its traditional sense embodies longevity in the form of exceptional quality and craftsmanship (Okonkwo, 2009, p. 304). And moreover, luxury is more than just a product, a service or a lifestyle. Rather, as Okonkwo further explains, it is a philosophy and a culture (2009, p. 302), based on a series of values and convictions that set it apart from the premium and mass markets. In all cultures, luxury has always been there to help a few people stand out from others, and it still is today. Thus for a long time it was believed not to be suitable for the digital domain (Okonkwo, 2009, p. 303).

However, as evidenced by changing consumer habits, luxury companies can no longer ignore the massive change and ever-growing power of the online universe. The holistic experience, which usually goes hand in hand with a luxury object or a luxury service, has been staged and controlled solely by the luxury brand for a very long time. In other words, the brand dominated its customers (Kapferer, 2012). In a world where the masses have the power to influence the marketing communication and messages of companies (Okonkwo, 2009, p. 306), this is no longer possible.

Against this background, it is not surprising that independent, privately owned SMEs, who have been nurturing their heritage luxury brand for decades and with their often limited resources, face major challenges in this age of rapidly advancing digitalization and changing customer behavior. Even though there is no long-term data on successful digital strategies for luxury brands yet, there are balanced approaches that take into account the nature and uniqueness of a luxury brand while at the same time exploiting the enormous potential of e-business. In view of the fact that every industry and every company has to undergo a different type of digital transformation, the aim of the study was to identify approaches that are suitable for and promise sustainable success to small and medium-sized companies (SMEs) with a heritage brand in the luxury fashion sector. In the literature, respective scientific and at the same time practice-oriented contributions are still rather hard to find, hence the case study followed an exploratory approach and examined a traditional Swiss heritage luxury fashion house that is internationally renowned and, despite its over a century old history, has pioneered digital transformation.

In the following section, the applied methodology is briefly described and the theoretical foundations of the case study are then explained, whereby the topic of digital transformation in the luxury context is illuminated from different perspectives. The empirical part describes the case mentioned above and concludes with recommendations on the digital transformation of small and medium-sized heritage luxury companies.

METHODOLOGY

The case study has been chosen as a suitable research design in order to illustrate the challenges and possibilities of the digital transformation with regards to the change of a business model in the context of the heritage luxury fashion sector. In a case study, one or more cases are examined, using suitable methods and data (Punch, 2014, p. 120; Flick, 2014, p. 121). The empirical data included in the present case study are publicly available on the website of the chosen company, as well as internal information shared by company executives in semi-structured expert interviews. It is part of the classic approach within qualitative social research at an early stage to talk with representatives who have experience with the research problem under study (Rubin & Rubin, 2012, p. 3; Kubicek, 1977, p. 23). Qualitative interviews are particularly suitable if the research project aims at a detailed description of the researched subject, at the integration of different perspectives into a holistic overall picture, and at process descriptions (Weiss, 1994, p. 9 ff.; Seidman, 2006, p. 10; Schostak, 2006, p. 9 ff.).

The research question in the present case is: How can an SME with a heritage brand in the luxury fashion sector successfully meet the challenges associated with the digital transformation of the business model? The aim of the case study is therefore to develop a deeper understanding of the case under study, taking into account the specific complexity and context in which the company operates. A case study has a holistic focus; it aims to capture and understand the case in its entirety. Although, by definition, the findings of a case study are not generalizable, it is important to bear in mind that while each case is unique, it can be compared with other cases in many ways (Punch, 2014, p. 123). In deriving conclusions from the following case study, the authors have therefore not only described the approach of the specific Swiss heritage luxury fashion brand to digital transformation, but have also looked at possible common elements of companies of similar size and positioning in the fashion industry.

THEORETICAL BACKGROUND

The theoretical framework is based on three pillars, which are intended to describe the core of the concept of luxury, as well as the use of the Internet and digital technology, and to generate an understanding of the peculiarities of the relationship between luxury brand and digital technology:

- The first pillar is the existing literature on luxury management in general, the peculiarities of luxury branding and, related to this, the challenges for luxury brands in dealing with the digital space and new customers;

- The second pillar encompasses the existing knowledge on the success factors of digitalization and digital transformation; and
- The third pillar combines the first two and places the state of knowledge in the context of digital transformation in the luxury fashion segment.

These pillars were chosen to bridge the still existing gap between the luxury world and the fast-changing world of new technologies or what Kapferer calls the "double myopia" (2015), double short-sightedness: luxury managers lack insight and the courage to act, while "techies" do not understand the essence of luxury. According to Kapferer, this situation can pose a real threat to a luxury company (p. 115).

LUXURY BRAND & LUXURY STRATEGY: A BALANCE OF TRADITION & INNOVATION

"Luxury begins where necessity ends", as simple as Coco Chanel's (in Wiedmann & Hennings, 2017, p. 163) quote may sound, the countless definitions of luxury are multifaceted, dynamic and context-dependent (Kapferer & Bastien, 2012, p. 45). The term luxury originally stems from the Latin word "lux" and means as much as light or brightness. "Luxuria", on the other hand, stands for prosperity, opulence or splendour. Despite its partly negative connotations, luxury as a social phenomenon has been inspiring mankind for thousands of years (Duma, Hallier-Willi & Steinmann, 2015, p. 10). Luxury is often associated with wealth, exclusivity and individuality. People define their personal status and social belonging to a particular social group through their possessions (Duma et al., 2015, p. 5). Kemp (1998), on the other hand, states that luxury is characterized, above all, by its relative and subjective character. Perceptions and sensations are dynamic, differ from individual to individual and are decisively influenced by the context and social environment of a person (p. 604).

Duma et al. (2015) summarize numerous luxury definitions and describe luxury with the following core attributes: social differentiation, limited availability, exclusivity, rarity, exceptional quality, high price, embodiment of a status symbol as well as relativity (p. 12). Kapferer and Bastien, on the other hand, describe luxury with the following core attributes: origin, culture, unique know-how and price that exceeds functional value, quality, hedonistic experience as well as restrictive, controlled distribution and finally personalized service and social privileges (2012, p. 47). Finally, Wiedmann and Hennings define luxury with aesthetics, history, exclusivity, perceived price, excellent quality, selective availability, brand awareness and non-essentiality (2017, p. 165). What becomes clear is, that there is no general definition that can conclusively grasp the concept of luxury with all its cultural, economic, social and historical functions. Rarity and exclusivity can, however, be

classified as two of the core characteristics of luxury goods, as are the high price range and excellent product quality. A luxury brand is therefore a brand that is charged with the corresponding attributes (internally defined brand identity) or described by the target groups or the general public with these characteristics (brand image or reputation perceived from the outside).

Kapferer & Bastien (2012) have pointed out that luxury is not an absolute category; it is a relative concept and depends on the social, economic, and political structure of the time in question. Hence, as luxury consumption changes over time, the definition of a luxury strategy may change as well. Kapferer & Bastien define a luxury strategy as “a very specific business model”, one different from fashion or premium business models, due to its “strict rules of use”.

To clarify this initially vague definition, they identify six qualities that constitute luxury today:

- A hedonistic experience or a product made to last
- A price that far exceeds what the mere functional value would command
- A brand tied to a heritage, unique know-how, and culture
- A product available in purposefully restricted and controlled distribution
- A good offered with personalized accompanying services
- An object that represents a social marker, making the owner or beneficiary feel special, with a sense of privilege.

These qualities are all necessary, but may be weighted differently depending on the type of luxury good. The management of a luxury brand always moves in the positioning cross between accessibility and exclusivity as well as between tradition and innovation (cf. Kapferer & Bastien, 2012). Any imbalance in this respect endangers the value of the luxury brand in the perception of the target groups in the medium- to longterm. Especially at a time when technology and online channels are increasingly dominating all spheres of life, careful consideration must be given here without missing the signs for change.

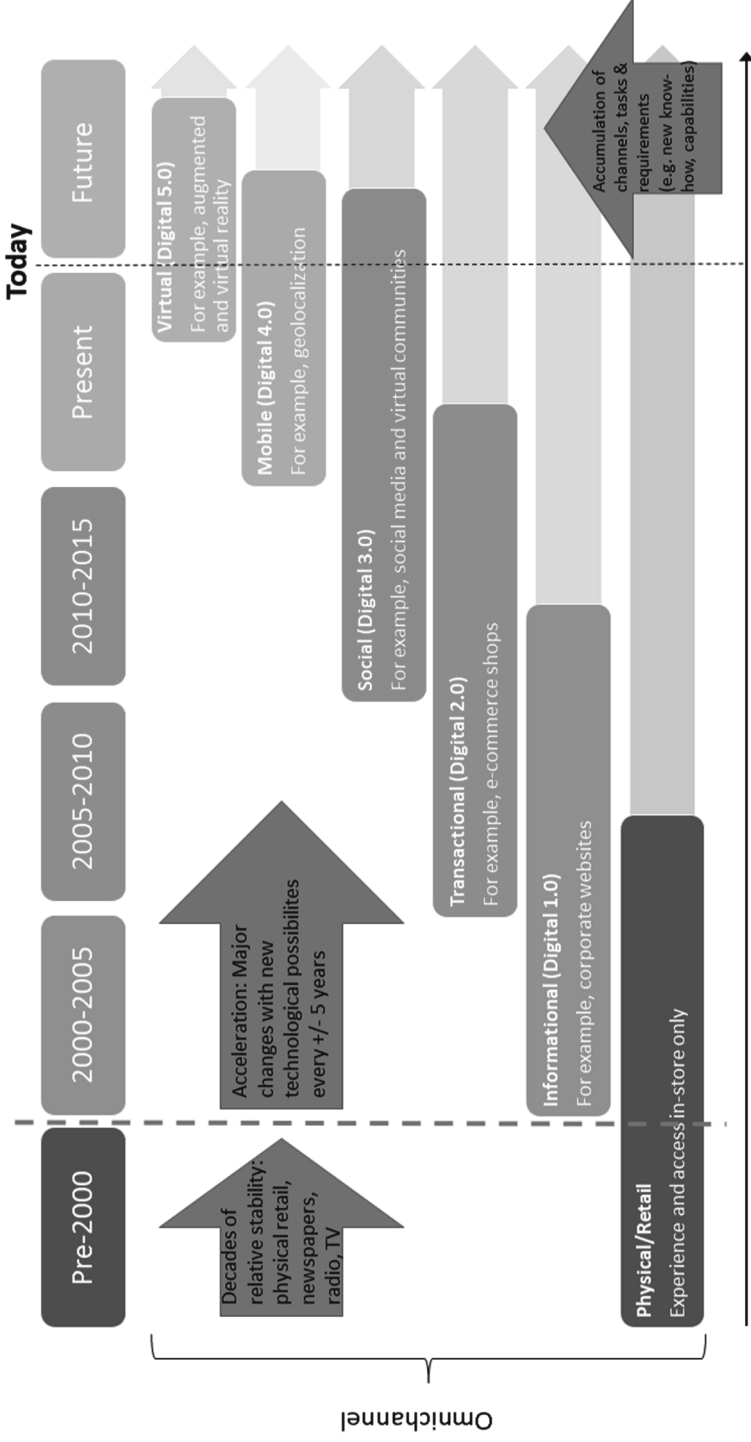
While for many large international luxury brands many of the above mentioned aspects of a classic luxury strategy might have become relative, especially when taking into account their premium and entry level luxury offerings and the increasing pace at which the business is moving, for heritage luxury firms operating in market niches these defining attributes are still of value. However, their business models too have to be adapted to the new expectations and behavior of luxury customers around the world, who are to an increasing extent getting their information, sharing their opinions and even purchasing their products online. Heritage and tradition need to be balanced with innovation and creativity.

DIGITALIZATION & DIGITAL TRANSFORMATION OF BUSINESS MODELS

In contrast to the phenomenon of luxury, digitalization is a phenomenon of modern times. From a technical point of view, it is understood as the transformation of analogue data into digital data so that they can be managed and stored electronically (Loebbecke, 2006, p. 360). This definition, however, falls short in many respects. Rather, digitalization stands for a continuous process of change that links both the economy and society by means of information technologies (Laudon et al., 2016, p. 73). The intelligent networking and automation of systems, processes and people creates new business models. Digital value creation processes generate new sources of income for companies, promote interaction with customers and also offer the opportunity to achieve competitive advantages through data know-how (BMW, 2015, p. 3). Digitalization can be summarized as often with disruptive change, driven by technological innovations and forcing traditional organizations, structures and cultures to adapt (BMW, 2015, p. 3).

The graph below shows not only the accumulation of channels and forms of interaction with customers, but also the increasing speed at which companies have to adapt to new challenges. (Abtan et al., 2016, p. 5).

Figure 1: Accumulation of Technological Opportunities and Challenges (illustration based on Abtan, et al., 2016)



Technology is only one part in the equation, the necessary changes also influence the way in which to interact with customers, the control of the company over the brand and the culture of the company that is increasingly forced to transform from a closed entity mode to an ecosystem and network mode, in which the company plays a role, but has to rely on external partners in order to keep up with the accelerating speed at which its surroundings change (Achille et al., (2013).

TWO WORLDS, ONE FUTURE: DIGITAL TRANSFORMATION IN LUXURY AND LUXURY FASHION

Luxury is a relative and dynamic phenomenon, subject to gradual change as a result of the cultural and social evolution in history and the values of people that may shift over the course of their lives. Luxury companies have always been among the most innovative in their field, while at the forefront of their respective industries, they cultivate a culture of excellence and perfection. Dramatic changes, however, have so far not been part of the evolution of the luxury segment. The balance between innovation and tradition has always been a priority. It is therefore not surprising that many luxury companies show difficulty with the disruptive nature of digital technology and the Internet. Especially for smaller, traditional family businesses, which rely on the outstanding quality of their products and services and uphold craftsmanship and heritage, entering the digital world can lead to major distortions. The company may, for example, be interacting directly with end customers for the first time in its history; their products might be strongly defined by their haptics, and therefore must be advertised differently, made "tangible" and emotionally charged; and finally the interface to the Internet requires new skills and ways of thinking on the part of employees, which – taken together – creates many challenges the management has to overcome and in an ever increasing speed.

With digitalization and luxury fashion (to distinguish clearly from fast fashion which almost by definition goes hand in hand with technology), two at first sight opposing worlds meet. Being digital stands for omnipresence, availability and dynamism. Luxury, on the other hand, embodies long-term principles based on tradition, culture and timelessness, at least in the classical sense (Kapferer & Bastien, 2012, p. 247). Although the concepts differ fundamentally, the interface between the two topics is now more in focus than ever (HavasLuxHub, 2015a). Digital technologies and smartphones are increasingly becoming an integral part of our society. The consumption of luxury fashion is partly shifting from the boutique to the Internet. Networked consumers are increasingly exchanging information via mobile devices and obtaining information online. The newly created communication channels are

making customers an increasingly powerful market player (Remy et al., 2015, p. 7).

As differing the nature of luxury might be, the Internet offers the luxury fashion industry the opportunity to create a 360 degree experience for its customers and to present the brand universe using the vast possibilities and reach of the digital sphere. Nonetheless, luxury fashion companies explicitly refrained from premature imitation of mass strategies (Kapferer & Bastien, 2012, p. 247). Due to the above-mentioned contrasts, digital strategies were often delayed and implemented only if there was clear added value and insignificant risk of brand dilution. Own websites and the presence in the social media are regarded as first steps into a digital future. However, the technological possibilities are far greater, as technologies can be used in almost all stages of the value chain. These range from automated procurement systems through product development to the point of sale (Okonkwo, 2010, p. 291). The use of artificial intelligence as well as virtual and augmented reality can also redesign the entire shopping experience (Deloitte, 2017, p. 8).

In recent times, we have seen brands (often subsidiaries of large luxury groups) that are expanding worldwide and have made significant digital progress. On the other hand, there are as well some smaller niche luxury brands that have recognized the enormous potential of technology, the Internet and social media, either because they can source and produce more efficiently, reach a global audience via new channels or because they can cultivate personal interaction with their customers much more intensively. The luxury industry has definitely opened up and realized that new technologies, platforms and channels are not the enemy, but rather offer countless opportunities - if they are implemented appropriately. It is not a question - as Kapferer (2015) criticises - of embracing the Web unconditionally. As always, the right approach for luxury brands lies in the balance. The question that naturally arises is: Where is the right balance for an individual heritage luxury fashion brand? Kapferer (2015) notes, that although the Internet has led to a major paradigm shift, the organizational structure of luxury companies has not changed significantly and it is therefore time for luxury brands to carry this revolution into their organizations and take it into account when recruiting junior staff (p. 115).

Just as there are few examples of small or medium-sized heritage luxury fashion companies that have already gone through a digital transformation, there is hardly any literature that deals with the question of how such a luxury brand can take advantage of the opportunities offered by new technologies, the Internet and social media without putting its perceived exclusivity at stake.

The next section is devoted to the description of the theoretical framework underlying the analysis of the case study. Its aim is to identify key aspects and potential success factors of the digital transformation process for luxury fashion SMEs with a heritage brand.

DIGITAL TRANSFORMATION IN LUXURY FASHION: A THEORETICAL FRAME OF REFERENCE

The theoretical framework described below (Figure 2, The Luxury Temple) summarizes the most important elements of a digital transformation while taking into account the specific challenges faced by managers in the luxury segment. The theoretical aspects mentioned above as well as the authors' practical experiences with the digital transformation of fashion companies form the basis of the framework.

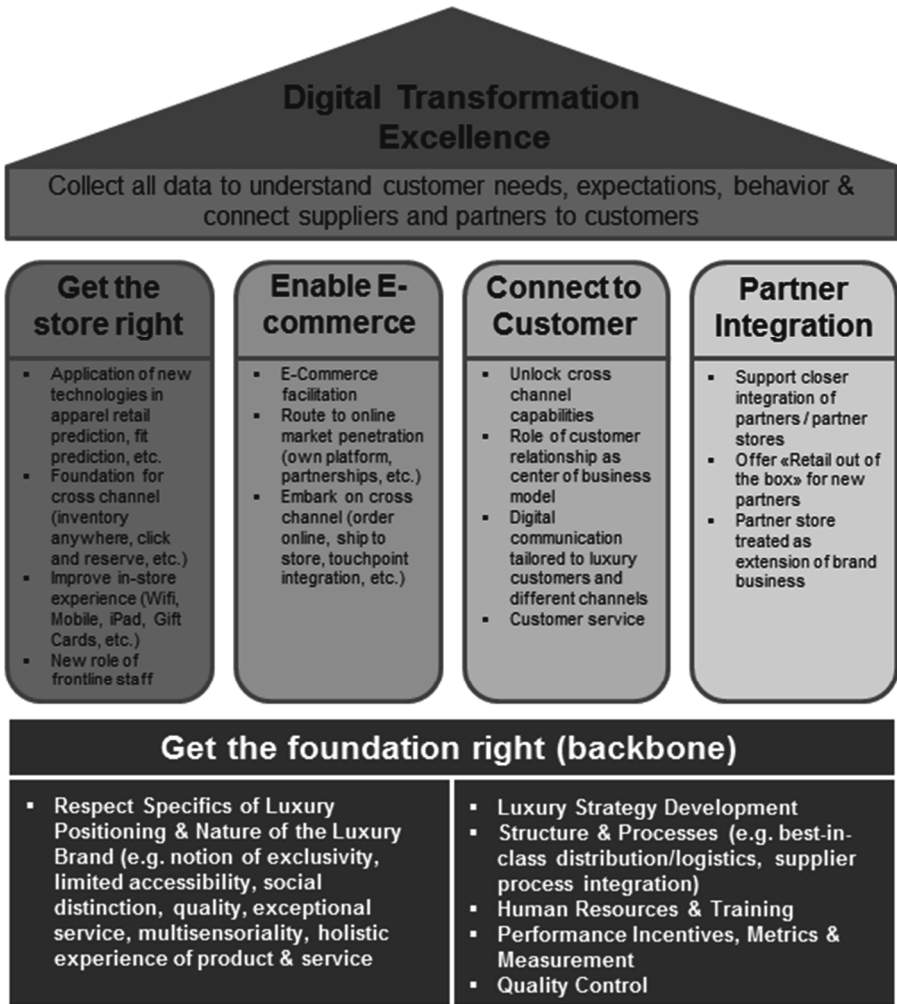
Figure 1 below shows the framework that combines strategic management issues in the luxury context with structural aspects and operational processes (marketing, logistics, IT, accounting and HR). The challenge in the digital transformation of a luxury company is clearly to integrate the digital strategy into the existing structures (some of which have grown organically over decades, if not centuries) and also into the often still analogue processes.

However, a successful digital transformation also affects the company's employees with their attitudes, skills and habits; corporate culture as well as relationships with suppliers and, last but not least, with customers. This last point is crucial for a heritage luxury fashion company. While the company should adapt to the changing expectations and behavior of its customers to stay relevant, it should at the same time be careful not to lose the source of its mystique and social cachet. Finally, an important aspect of its mission is to provide customers with exceptional experiences and to create lasting emotional impressions that go beyond the mere purchase of the product.

The goal is therefore a structured approach that integrates the various pillars of digitalization. The four pillars of the model are the stationary retail trade, the online business, the relationship with the customer and the relationship with the partners. The roof of the temple is another crucial point: data consolidation. Customer relationship management as well as surveys and analysis of "big data" provide the opportunity to identify and understand customers, adapt to changing needs, expectations and behaviours and improve the overall process involving all key partners and suppliers.

It should also not be overlooked that a digital transformation is almost always preceded by consistent legacy data cleansing and an inventory of existing processes in order to create the basis for a careful and structured integration of new digital processes.

Figure 2: The Luxury Temple - Digital Transformation of Luxury Fashion Companies (own illustration, 2017)



Last but not least, everything described above must have a solid foundation to support the adequate and successful digital transformation of the heritage luxury brand. Among other things - always assuming that the company wants to maintain its luxury positioning and not expand into the premium or mass segment - it is important to understand and respect the special features of the luxury positioning. These include concepts such as perceived exclusivity and limited offerings, social differentiation, the exceptional quality of the overall customer experience and the consistency

of communication and touchpoints, i.e. all points of contact with customers.

These special features must be taken into account in the corporate strategy, in the design of structures and processes, in the human resource policy, in the performance management and in the quality control, supply chain management as well as in the customer orientation. Only in this way can the luxury company ensure that its most important asset, the luxury brand with its image and reputation, is not diluted or even damaged.

CASE STUDY: DIGITAL TRANSFORMATION OF A SWISS HERITAGE LUXURY FASHION COMPANY

Company History & Background Information

The history of Zimmerli of Switzerland is a history of entrepreneurship, of commitment to quality and perfection in craftsmanship, design and choice of materials, but also a history of innovation. The claim of the traditional Swiss company, which produces "the finest underwear in the world since 1871", illustrates its claims. These claims are still being pursued just as purposefully today as they have been in the last 100 years.

A history of tradition through innovation

The history of the brand began as early as 1866, when Isaac William Lambs invented the hand-operated single needle knitting machine, for which he received a gold medal at the 1867 World Fair in Paris. When Johann Jakob Zimmerli's dye works went bankrupt in 1871, he reads an article in the newspaper about the new knitting machine. He sends his wife, Pauline Zimmerli, to Basel, where she is trained by Lamb's agents and is soon able to knit the finest stockings and men's socks. Pauline quickly became a competent businesswoman and sold her products far beyond regional borders. As a result of her success, new employees had to be hired as early as 1874. And not enough: Inspired by the success and the desire for new products, Pauline invented a new knitting machine and sent her plans and ideas to the USA. In the same year, the first twin needle knitting machine was delivered to Switzerland and Pauline began manufacturing ribbed fabric and underwear. This not only laid the foundation for a successful company, but for an entire industry.

This was followed by a success story and international expansion. Until today, highly qualified seamstresses in Ticino, the southern part of Switzerland, produce some of the most prestigious undergarments in the world under the name Zimmerli of Switzerland S.A.. Zimmerli pursues a development strategy from a premium to an international luxury brand. As part of this strategy, the first flagship store in Rue St. Honoré in Paris and a shop-in-shop in KaDeWe Berlin opened in 2012 with the aim of

further promoting brand awareness and prestige in the best locations in the world. Then in 2013 Zimmerli gave a further boost to its growth and repositioning strategy. This also included a redesign of the visual brand identity, which should reflect the established values of the brand today. In the same year Zimmerli achieved the highest turnover in its history. At the same time, the new store concept was implemented in new monobrand spaces at the Jelmoli department store in Zurich and in brand boutiques in Moscow and Taipei. In 2014, the brand further increased its international presence by opening a second boutique in Moscow, one in Interlaken, one of Switzerland's major tourist centers, as well as in Salzburg, Macau and Basel. In 2016, the subsidiary Zimmerli Shanghai Trading Co Ltd. was founded in Shanghai, China, and shortly afterwards the first boutique was opened in Plaza 66 in Shanghai. Further boutiques were opened in Mendrisio, Berlin and Geneva, as well as a shop-in-shop in the Harrods department store in London.

To increase productivity, Zimmerli merged the two previously separate cutting and sewing departments in Mendrisio, Switzerland. With its focus on the highest quality and craftsmanship "Made in Switzerland" as well as re-branding and a greater presence in the international retail market, Zimmerli wants to be able to offer its customers the best possible service. The next paragraphs show the role of Zimmerli's digital transformation in reaching this goal.

Analysis of the digital transformation approach

The analysis of the approach to digital challenges is, based on our case study, divided into four main aspects, all of which are related to the temple model (Figure 2) presented above: Digital Awareness, Digital Project Management Approach, Team Competencies, Results of the Company.

Digital Awareness

Only in 2013, the Swiss heritage luxury fashion brand decided to invest in digital transformation in order to reach new international target groups. At the same time, the brand was positioned as contemporary and could benefit from the possibilities of storytelling that were previously not available in traditional business (e.g. videos, looking behind the scenes, etc.). However, as haptics are very important for understanding these kind of products, the company continued to open new businesses in parallel with its digital efforts, eg. testing a new physical store concept, the so-called Touchpoint. Customers were able to view, touch and try on the entire collection, although not all styles, colours and sizes. They could order the products on a screen. It turned out that 50% of the customers (average male, 50-52 years old) would have preferred to shop directly in the store, while the other half appreciated being able to have the goods delivered anywhere.

"We are aware that we cannot tell customers that they need to go to a store. They decide for themselves where to buy their underwear. Many still go to a shop and want to be advised by a salesperson. But once they have found their preferred quality and material, they order online in the future. That's why we offer them all sales channels." (Baumann, personal communication, 2018).

In addition to winning new customers, management wanted them to perceive the brand not only as traditional, but also as innovative and contemporary. With the external help of consultants and agencies in the field of digital transformation, the company went online with its own web shop in autumn 2014. Further steps followed, which were carefully evaluated before new processes and touchpoints were integrated into the corporate structure.

The company describes itself as small and agile, which is also reflected in its pragmatic but thoughtful way of digitizing. While they had previously strategically focused on selective distribution in order to secure their luxury image, they now had to adapt their approach to the new environment, online distribution. This decision went hand in hand with a clear policy to ensure that the company's online presence as a whole is consistent with the positioning of the brand as a luxury product and continues to be perceived as such worldwide.

Digital Project Management Approach

In order to create digital awareness and ensure the necessary know-how, the company invested in an internal team with extensive experience (including in content management and digital storytelling) and in a selected external team of various experts. The digitization team was led by a dedicated external project manager who was able to motivate, coach and guide the team members. In addition to external support, specific skills in logistics, design, Google advertising and other "new" activities related to digital transformation were integrated into the team.

Communication and the availability of information were considered important: all activities, plans, resource integration and project status were available online for the project team, regardless of whether they concerned the internal or external team. This fostered the cultural development of the internal team and the company as a whole. With each change, the employees concerned were involved from the outset enabling them to contribute their know-how and avoid conflicts and resistance.

In addition, great efforts were made to inform the entire workforce of the company's plans and upcoming changes and to give them the opportunity to voice concerns, exchange ideas or participate in the evaluation of solutions. It was made clear that the employees and their input are crucial for an SME in the digital transformation process, that the knowledge and experience of all is needed and that every contribution counts. This was also necessary because quality and excellence are key

aspects of a luxury brand that depend heavily on the right workforce. The company was not afraid to take courageous steps and also to get help from outside.

Team Competencies

The company made sure that all employees of the company could actively participate in the digital transformation project right from the start. A blog was set up to integrate the individual employees into the brand and enable them to engage with the brand. Employees were able to present their favorite piece from the collection and thus became part of the process. At the beginning of the digital transformation, all employees were given a « digital identity » that enabled them to receive all the company's news and information online, while at the same time making it easier for them to access private data such as salary information or holiday requests.

In addition to involving the existing workforce and internal skills development, the company decided to create a new job and hire a digital technical specialist.

Results of the Company

The e-boutique, which was set up as a first step, enabled the company to establish more direct contact with end customers and thus better understand their needs. This digitalization exercise showed to what extent the end users are using the online opportunities both directly in the B2C business and in the B2B business. However, it also turned out how important haptics are and that around 50% of existing customers still prefer physical touch points where they can touch the products and buy them directly.

The company has seen a significant ROI (return on investment) from the process of digital transformation. The increased digital presence has measurably increased brand awareness, a key goal. The e-commerce business continues to grow and the company continues to invest in online communication and distribution as well as in the offline presence of its touchpoints.

The various channels of digital transformation open up exciting opportunities and initiatives not only for the regular offering, but also for new forms of sales (shop-in-shop, corner or touchpoints), some of which have already been implemented and others are well on their way. The physical sales concepts are linked to the digital processes on both the customer and company sides. The company not only digitized the interface to the customers, but also internal processes (e.g. from design to production) in order to increase efficiency and accelerate time-to-market.

SUMMARY AND CONCLUSION

Zimmerli of Switzerland showed a high level of digital awareness and the company's vision for its digital future is strong and clear. The brand has a solid credibility in the market. The company's customers are loyal and choose the brand for its high quality and elegance. But thanks to digitization, customers are becoming more knowledgeable and sophisticated. The online channels, combined with a growing number of physical touchpoints, enable the company to tell its story convincingly and appealing to all the senses. In addition, the company can present its product range or a selection of it to customers wherever they prefer to shop.

What becomes clear from the analysis of the digital transformation approach at Zimmerli of Switzerland is a set of implementation principles and of facilitators leading to its success in the digital sphere.

The following implementation principles have been identified at Zimmerli:

- Customer Centricity
- Operational Efficiency
- Channel Integration
- Consistent & Adequate Design

Firstly, the customer is the main protagonist in the digital transformation approach of the company (e.g. physical pop-up touchpoint at Zurich mainstation). Secondly, the company practices the integration of technology in all business fields from manufacturing, communication and administration, to supply chain management and customer relationship management (CRM) in order to boost operational efficiency. Thirdly, at Zimmerli « high tech » is balanced with « high touch » and thus online and offline channels are integrated for a consistent omnichannel experience speaking and including the important role of haptics in the case of the Zimmerli products. And last, but not least the company translated its heritage & values into all channels to ensure one consistent «design language» across the channels and distribution partners.

The facilitators of the successful digital transformation process were the following:

- Proactive Management
- Change Management
- External Knowledge Transfer

The Zimmerli management saw changes in consumer behavior etc. early and moved quickly and in a pragmatic way. This is, as mentioned earlier, not always the case in traditional, privately owned companies of the same size. Additionally, the Zimmerli workforce has been involved from the beginning. This, and the open communication and close collaboration with existing distribution partners, minimized resistance,

maximized agency and commitment and fostered a culture mutation based on old Zimmerli values. And finally, additional support and new know-how came from an external project manager who accompanied the digital transformation where needed. Moreover, Zimmerli established a couple of new functions and hired people with know-how in the digital communication field, that was previously not to be found in the company. Looking at the organizational changes at the company, what becomes evident is, that no «digital silo» has been created. Existing employees, new hires and external experts work together and learn from each other.

In the below section, key findings are mentioned which can be of relevance for any luxury fashion brand, especially those with a heritage brand and small- to medium size:

- **No exclusive focus on the technical side of the digital transformation:** Particular attention should be paid to cultural development within the company in order to give impetus, avoid or reduce fears and resistance. The employees concerned should be involved in the project from day one.

- **The power of the luxury brand** (e.g. its tradition, its history, etc.) must be reconciled with the power of the customer/market. The exclusivity of the brand and how its particular history is perceived must be taken into account. The effects of the digital transformation of the business model or parts thereof on brand image and reputation should be carefully weighed and considered. The brand is an important value in the material and immaterial sense, especially in the luxury segment.

- **E-commerce** is growing rapidly and, if properly used and embedded in a professional communication strategy that links online and offline, can be a great opportunity for a SME in the luxury fashion industry to update its image, gain worldwide recognition and reach new audiences where they are most likely to shop. For SMEs, the art lies in the creative and sometimes unconventional use of available channels and platforms (e.g. social media) in order to compensate for the existing resource disadvantage compared to larger competitors and to gain awareness among the relevant target groups or to advertise the digitally available offer.

- **A proactive approach pays off:** No waiting until business partners and customers demand a stronger digital presence. Identification of the key drivers of change and adaptation to the dynamic environment in good time is key.

- **Combine external support and internal skill development:** One should not be afraid to request external support for specific questions of digital transformation. However, it is advisable to make sure that the necessary knowledge and new skills also flow into the internal team in order to guarantee long-term success.

And finally it is important not to see digital transformation as just another project, but an ongoing process. The digital development and the

adaptation of the corporate culture are essentially ongoing and never completed as new channels and better technology keep emerging and changing the competitive landscape and customer behavior and expectations. The art of leading a heritage luxury fashion brand through these uncharted and, at times, unpredictable waters, seem to lie in the ability to maintain the balance between tradition and innovation. By re-defining and re-conciling company heritage and the specific values and culture that come with the changing circumstances, a small- or medium sized company like Zimmerli of Switzerland seems to have a fair chance of success even in uncertain and volatile times like these.

LIMITATIONS & FURTHER RESEARCH

The present study is based on one single case study and, while based on additional literature on the topic under research, the insights gained are not intended to be generalized. However, a transferability is given in the case of similar companies and when the individual context is adequately taken into consideration.

Research in the field of digital transformation of luxury brands has been fairly general and often focused on large, international brands. Furthermore, it often fails to consider the interdependence of the technical, the strategic, the operational and last, but not least also the cultural or human consequences of digitalization in a company. Given the opportunities, but on the other hand also the major challenges that arise from the digitalization of luxury and luxury fashion, we however suggest more research directed towards small and medium-sized, privately owned or family owned luxury companies in general and specifically those with a long standing tradition, a company culture grown over decades or centuries and thus a heritage brand of high value. Such brands and their organizations need to be carefully transformed for success in the digital era, while at the same time not losing touch with their fascinating roots. Challenges to be addressed are can be found in the fields of cultural change, internal and external know how transfer, customer orientation, process re-engineering or supply chain management to name just a few.

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LIST OF FIGURES

Figure 1: Accumulation of Technological Opportunities and Challenges (illustration based on Abtan, O., Barton, C., Bonelli, F., Gurski, H., Mei-Pochtler, A., Pianon, N., and Tsusaka, M. (2016, September). *Digital or die: The choice for luxury brands*. [White Paper]. The Boston Consulting Group, Page 5.

Figure 2: The Luxury Temple - Digital Transformation of Luxury Fashion Companies, elaborated by the authors, 2017.