

A Brief Analysis into E-commerce Website Mode of the Domestic Luxury

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Abstract

With the current prosperity of the luxury market, this paper focuses on e-commerce market situation of China's luxury, disintegrates all the parts during the process of the luxury's e-commerce online shopping, analyzes the three targets and three links of the current e-commerce websites at the material level and finds out its appearing relevant problems. This paper also delves deeper and puts forward the online shopping mode at the spiritual level in order to bring some benefit to Chinese e-commerce businesses.

Keywords: luxury, e-commerce, mode, analysis

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1. Introduction

China's consumers have an indissoluble bond with the luxury from the Pierre Cardin in the eighties and nineties to the current Louis Vuitton in their minds.

According to the statistics of WLA, the annual total consumption amounts of China's luxury market has reached 12.6 trillion (without private planes, yachts and limousines), accounting for 28 percent of the global shares in 2011, and is still increasing year by year [1].

Consistent with the prosperous luxury market in China, the domestic luxury e-commerce websites have been online successively in the two past years and have entered public view in a high-profile way. In particular, nearly ten websites including VIPStore, Fclubcn, XIU, Vipshop and so on have won VC's favor and gained more than 500 million investment capital.

However, not for long, the luxury website Vipshop encountered a break during its listing in the NYSE on March, 2012. The former chairman as well as CEO of VIPKU was being dismissed; the pay back gate of Wooha was reported; the redundancy news of Shangpin and XIU was coming out successively. The luxury businesses that flourished in 2011 are suffering asperity at present [2].

In addition, the global famous luxury websites that enjoy high market shares in developed countries such as Europe and America rolled out Chinese web pages in quick succession. For example, the yoox in Italy rolled out www.thecorner.com.cn; the net-a-porter in Britain detrued www.theoutnet.cn to grab Chinese luxury businesses' markets.

With the domestic strife and foreign aggression, how to promote the domestic e-commerce market development healthily is a great problem for luxury business enterprises now.

2. The Analysis into Luxury E-commerce Website's Problems

The VIPStore's banner ad in the baidu search engine is "the VIPStore is a discount website for top-level luxury; the international brands has started from 90 percent off; fashionable watches, brands clothing, brand-name bags and top-level cosmetics and so on have captured the fashion and led the luxurious fashion in the year of 2012" [3].

The Shangpin's banner ad in the baidu search engine is "the Shangpin luxury website is licensed exclusively by international bands; 100 percent of quality goods; try first, pay later; free home delivery; creative commercial mode and excellent service experience has won the trust of medium and high customers" [4].

After so many years' penetration into the industries and the relevant analysis on the market research of the current domestic luxury e-commerce websites including Vipshop, Shangpin, ihaveu and VIPStore etc, the front-line writers who have been working in the luxury e-commerce enable to disintegrate the space structural forms of various parts and links in the current luxury e-commerce websites and decomposed it into material level and spiritual level. The first level, material level, is the basic structural form of the current most luxury e-commerce websites (see Figure 1). There are three targets in the space including websites, things (luxury), and people (buyers) in this level. Three targets link and connect each other through payment, logistics and after-sales service. The buyers pay to the websites through the online payment platform; the front-line of website inform the warehouse to deliver the luxury to buyer by logistics facility; the buyer can solve the problems through the after-sales link on the website to complete the procedure of online luxury purchasing.

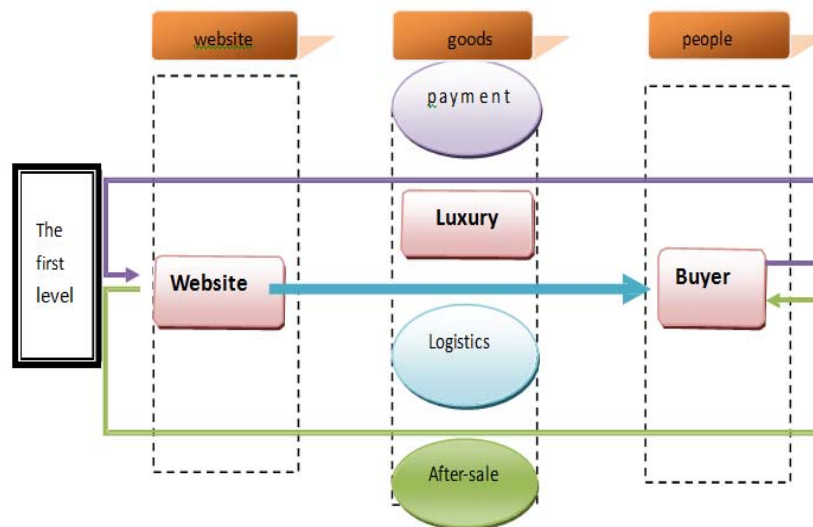


Figure 1. The First Level: The Architectural Pattern of Luxury Online Shopping Material Level

During this level, we found the following relevant problems through the analysis on the three targets and three links.

2.1. Website Problems

The differentiation among websites is not obvious enough. When you open lots of luxury websites, you may have the similar feelings. For example, the websites' home pages of the Fifth Avenue, Vipshop and Meici have a larger similarity. They are almost the same things. What's more, Vipshop and Shangpin both detruded the discount promotion.

2.2. Commodity Problems

(1) Commodity supply

Commodity supply is always the damage of domestic luxury e-commerce, which has hinder the e-commerce website development. Up to now, domestic e-commerce websites mainly have three types of commodity supplies. At first, buy out and purchase the commodity from the brands' domestic factor and franchiser. Secondary, purchase the commodity during the overseas discount period or purchase the out-of-season ones from the overseas discount stores and OUTLET. At last, purchase parts of them in the overseas exclusive stores. The above three methods do not purchase commodity from the brands, so all the websites encounter a common authorization problem.

Due to the authorization problems, the China's e-commerce websites including Jing Dong Mall received the "roll call" of the international renowned luxury brands on March, 2012. According to the claim of "crystal" luxury brands Swarovski, they have not authorized

any websites in China regions to sell Swarovski products. After that, luxury brands such as LV, GUCCI, Coach, PRADA come forward to claim that they have not authorized any websites in China to sell their products too [5].

(2) Price difference

The commodity appreciation accredits to the brands while the brand appreciation accredits to consumer's feeling for brands. We find that the luxury never participates in the discount activity and its price is increasing year by year; however, the consumer's enthusiasm will not decrease with the higher price of luxury. Therefore, the pricing of luxury brand businesses becomes more confident and firm about the price. Generally speaking, luxury brand businesses have strict pricing system. But the luxury businesses' "attracting" price will definitely shock the brand owners to cause the increasing conflict between the businesses and brand owners. At the same time, the recent euro's weakness leads a large price difference between the domestic exclusive shops' price and businesses' price, which delights the fashionable buyers and the businesses' sellers but depresses the luxury brand businesses and domestic agents.

(3) Quality assurance

The luxury may inevitably carry some flaws, because parts of the commodity sources of luxury e-commerce websites are out-of-season ones or discount ones. Though the buyers bought it at a preferential price, they can not experience the luxurious feelings or it may ruin the nice brand image in buyer's minds. Meanwhile, buyers can not obtain the maintenance from the domestic brand luxury exclusive shops for those commodities.

2.3. Buyer's Problems

The buyers who purchase luxury from e-commerce websites are usually white collars or gold collar workers. They are familiar with the online resources and have certain cognition for internet. Meanwhile, they have a fabulous income. However, according to the actual survey, it is found that those customers do not have high viscosity and seldom have repeated purchases. By the statistics, the annual times of a stable luxury consumer's online shopping will not surpass ten times, and ten times are being divided up by a series of professional luxury e-commerce websites such as Shangpin, Vipstore, XIU and Fifth Avenue etc [6].

2.4. Online Payment Problems

At present, the sales of luxury businesses websites almost connect with the third party payment platform through its own system. The third party payment platforms include Unionpay, Cyberbanking, alipay, Tenpay, lakala, fast money etc.

Fclubcn brought about a slow refund and unsound user experience due to the website system problems recently, which caused buyers' extreme dissatisfaction. So the buyer safeguarded rights of online shopping, which also had a negative impact on the websites.

2.5. Logistics problem

Network sales have to face buyers from all over the world. Currently, luxury e-commerce has three main logistics modes: first, it depends on external Logistics Distribution Company or so-called the Third Party Logistics [7]; second, logistics channel cooperates with express company; third, extremely few of e-commerce with relatively sufficient capital creates logistics on their own. Presently, most of websites are by means of external Logistics Distribution Company.

Support value. Security is the first problem during process of luxury logistics. And what the express company launches is the security of support value. But as to support value, problems usually happen during logistics process: first, express company is not willing to receive orders of commodity with excessive amount of money; second, breakage of package as well as quality problems happens in uninsured commodity. Therefore, luxury support value is beneficial to both luxury e-commerce and express company. If the luxury with high value is to be insured, commodity's invaluable luxury property will naturally show, which is also likely to suffer taking the wrong one; on the other hand, it is natural that the support value of commodity with high value is many times higher than express fee. Take the fifty-thousand RMB bag for example, if it is delivered by sf-express, the express fee is within 30

RMB including that of bag. However, if express fee is 0.5 percent of commodity value, then, the support value is 250 RMB. It can be seen that the logistics cost is not low. So luxury e-commerce should take the high cost of natural logistics chain into consideration.

2.6. After-sales Problems

Luxury e-commerce websites' supply of goods is relatively special and its channels are diverse. Most of commodity hasn't been authorized by brand owners; besides, some merchants may purchase goods from foreign OUTLET or the goods on sale. Some goods have defects and have not brand authorization certification. Thus, whether the luxury shopped online is authentic or false could not be inspected. Consequently, purchasers can not experience after-sale service, like maintenance, in domestic brand exclusive shops.

3. New Model Study on Luxury E-commerce Website

Based on years' investigation and researches, the author has analyzed each part of three links of above three targets. There are diverse problems and situations in the sales mode in the first level of luxury e-commerce. If they are solved one-on-one, the problems can not be settled down fundamentally. It is just like that treat the head when the head aches and treat the feet when the feet ache.

3.1. Brand License, Honest Sales

The soul of luxury is brand; authorized brand is the premise of luxury e-commerce. Only that can eliminate customers' worry to buy the fake and enable them to buy things safely. Consequently, the credit problems are solved and e-commerce sales will become bigger and stronger. Because of its special charm, each luxury item plays a role in spreading brand cultural deposits and delivering brand value, which makes luxury have so many followers. The authorized e-commerce website builds a bridge between brand and buyers by means of luxury.

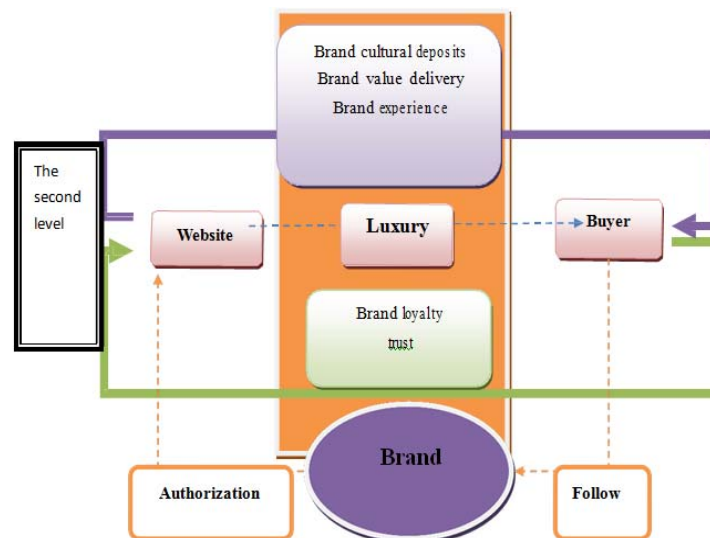


Figure 2. The Second Level: Architectural Pattern of Luxury Online Shopping's Spiritual Level

As it is shown in the mode of second level in Figure 2, there is not only the luxury between websites and buyers. In turn, websites convey the brand culture and brand values to buyers through luxury, bringing buyers remarkable brand experience; once buyers have enjoyed the "special treatment", they will be closely around brand with their special feelings. No matter whether it is a new product or a discount activity, buyers trust brand and follow the brand. Thus, websites can interact with buyers to form a big circle. In this big

circle, they continuously contact with each other and communicate with each other. At the very start, there are interactions between them, then, they benefit from each other, creating the maximum value in this circulation.

3.2. Spreading Brand Culture, Delivering Brand Value and Increasing Brand Experience through Websites

Luxury e-commerce merchants have to survive healthily. Particularly, they need to be authorized via brand owners which have already registered in China. But their “attractive” price must destroy the price system of luxury brand owners. As merchants, it is important for them to know how to cooperate with brand owners delightfully and manage their own “base” respectively. Rather than damage the markets that brand owners possess. E-commerce merchants need acting as disseminators of luxury brand and being the protectors of brand owners. In a word, merchants will obtain win-win when they are favored by brand owners [8].

With regards to luxury which has not yet entered into Chinese inland market, new brand can be known and recognized by domestic masses by means of “brand story” and “brand introduction”. Promoting by aiming at the fixed user group is time saving and has a significant effect. It is a new channel of promoting new brand and the beginning of cooperation between e-commerce merchants and brand owners.

With the spread of brand by e-commerce on the website and implantation of new culture, brand owners build a good strategic relationship with e-commerce, which can ensure the true or false of commodity. With the help of brand owners, users’ attention and customer experience can be finished through brand platform. Meanwhile, customers enjoy after-sale service, like return or replacement of goods and maintenance, equal to the service in exclusive shops [9].

3.3. Buyer’s Trust and Loyalty to Brand

A shopping experience is the basic motivation of repeat purchase. How to attract a new buyer to the website, look through it and make purchasing behavior is a better reason for e-commerce merchants to survive after they obtain brand owners’ authorization. When experience luxury shopping online, they have enjoyed the following processes: brand introduction, cultural influence, preferential price, three-dimensional or even video display products, one-on-one trend, specific introduction of use and maintenance, sincere after-sale problems solving and door-to-door service by Smart. Buyers have already realized influence from brand. Such heart to heart communication enables buyers to be around brand. Naturally, it is also recognition of e-commerce websites. Buyers’ trust produces the website bonding. It is obvious that the enthusiasm has been inspired. Both e-commerce merchants and brand owners look forward to seeing the rise of websites’ popularity and increase of volume.

Starting from 2010, luxury e-commerce websites reluctantly maintain the likelihood through several venture capitals. After several shuffle from 2011 to 2012, if luxury e-commerce websites want to live in a truly healthy and ecological way, they need to digout the connotation of luxury, a special good. Besides, they need to treat spiritual level of luxury shopping online as their way of life. Due to cultural heritage and influential spread, luxury markets make commodity as links to closely connect brand, websites and buyers with each other. E-commerce merchants obtain large sales; meanwhile, buyers enjoy first-rate service and have the sense of belonging of equivalent values. So more buyers are willing to accept them, trust them and be loyal to them; with the increase of new buyers, the circulation consisting of buyers, websites and brand can be magnified all the way. As a result, buyers, websites and brand can benefit from each other. Current e-commerce merchants need to find their own breakthrough to stand out in the present fierce fighting.

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