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SYLVAIN JEAN-CLAUDE MARLIOT

THE ONLINE DISTRIBUTION STRATEGY OF LUXURY PRODUCTS AND THEIR VERTICAL EXTENSIONS

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

Knowledge Field: Marketing

Advisor: Prof. Dr. Luís Henrique Pereira

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RESUMO

Uma importante tendência do mercado de luxo é a extensão de marca em um novo segmento de mercado por meio da chamada extensão vertical, que pode ser para cima ou para baixo. Em outras palavras, significa que a organização passa a atuar em um novo segmento dentro de uma mesma categoria de produtos, mas com diferente público-alvo que sua marca original. Nesse processo, a empresa inicia atividade em um novo segmento com diferente nível de luxo.

A distribuição é um aspecto fundamental do composto de Marketing e a importância da internet como canal de distribuição dessa indústria tem aumentado expressivamente nos últimos anos. Dessa forma, faz-se necessário compreender como as marcas de luxo gerenciam suas estratégias de distribuição online quando desenvolvem processos de extensão de marca e penetração em novos segmentos. Com o objetivo de analisar a estratégia de distribuição da indústria de luxo, um estudo exploratório foi desenvolvido focando bens de luxo pessoal (em categorias como costura, relógios & jóias, couro e sapatos). Uma amostra significativa constituída de marcas originais e suas extensões foi analisada para constituir um modelo comparativo entre duas variáveis: o nível de diferenciação entre os canais de distribuição da marca original e suas extensões; e a distância entre as próprias marcas no que concerne ao seus posicionamentos. Esse estudo contribui para o entendimento da dinâmica de distribuição do mercado e colabora com a compreensão do comportamento das empresas que atuam nele, dependendo do tipo de extensões que elas desenvolvem e da forma como elas são conduzidas.

Palavras-chave: extensão de marca, extensão vertical, distribuição online, mercado de luxo, distribuição de portfólio.

ABSTRACT

An important trend on the luxury market is the extension of a brand into a new market segment through a vertical extension, be it upscale or downscale. This means the company introduces a new product segment inside a product category that targets a different market base than the one the brand was marketing before. Thus, the company enters a segment that has a different level of luxury.

Distribution is a fundamental aspect of the marketing-mix and the importance of the Internet is increasing for luxury brands, especially concerning the distribution of their items. Then, it is of upmost importance to understand the way luxury brands manage their online distribution strategy channels when they extend their brands and penetrate a different market segment.

In order to analyze their distribution strategy, an exploratory study was performed, focusing on personal luxury goods (that is to say on items from the following categories: fashion, watches & jewelry, leather goods, shoes). A sample of pairs constituted of original brands and second ones was analyzed and a framework was constructed. It is composed of two sets of variables concerning the difference in distribution between the original segment and the extension one, and the distance between the brands *per se*. This framework contributes to the understanding of the market and helps understand the behavior of the companies actuating in the market, depending on the type of extensions they perform and the way they are implemented.

Key words: brand extensions, vertical extensions, online distribution, luxury market, portfolio distribution.

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1. INTRODUCTION

Jean Paul Gaultier surprisingly announced in September 2014 that he had decided to stop his ready-to-wear collection in order to focus on haute-couture and fragrances. He started in the ready-to-wear clothing industry in 1976 and is arguably one of the most famous French designers of the 20th century. He extended his brand upwards through the introduction of an haute-couture line in 1997 and diversified his activities through, especially, world famous fragrances such as *Le Mâle*. The fact he renounced to ready-to-wear was unexpected and is quite uncommon in the industry. It illustrates the importance extensions can have over core and historic activities in the luxury sector.

Luxury is a concept that can be difficult to define. One of the easiest ways to define the word is to refer to the literature. Various authors have described luxury in different ways. One of Kapferer's definition (2012) explains that, besides the hedonistic behavior it evokes, luxury is a way to create social stratification nowadays. Luxury's aim is to distinguish oneself from others by renouncing to productive resources by buying non-productive ones (Bataille and Hurley, quoted in Kapferer, 2012). The use of expensive products helps to expose one's social standing and status (Hanslin and Rindell, 2013). Even though designer brands can be distinguished from luxury brands by the fact a designer establishes its style (Jackson and Shaw, quoted in Hanslin and Rindell, 2013), both luxury (such as Prada) and designer brands (such as Vivienne Westwood) will be considered when referring to "luxury brands" or "luxury companies". These companies develop and sell expensive and rare products that belong to a powerful brand and have an image of exclusivity. They have meaning and embody a symbol. Luxury brands usually have strong names that are globally well-known. An Ipsos study from 2011 quoted in Kapferer (2012) shows that some brands are mentioned independently of the country of origin of the interviewee and thus have a strong name. These brands belong to various activities since Louis Vuitton, Chanel and Dior are mentioned, as well as Rolex or Ferrari. Independently of their core activity, luxury brands have to implement original strategies that should respect unusual marketing recommendations (Kapferer, 2012; Kapferer and Bastien, 2009). These recommendations deal with various aspects such as communication, pricing, or distribution.

Due to the importance of their brand names, luxury companies tend to craft brand extensions in order to get more consumers. This means they develop new products that do not correspond to either their core competency or their traditional degree of luxury in order to increase their consumer base. Bulgari for instance started as a jewelry company and has now developed cosmetics (Seringhaus, 2005). The company Giorgio Armani has developed various brands, from the haute-couture Armani Privé to more accessible brands (like Armani Exchange) to address a wider consumer base. However, despite their apparent advantages and easiness, brand extensions are not always successful. The most famous example found in the literature is Pierre Cardin. This brand was originally an haute-couture brand that then extended into several categories, from cosmetics to more uncommon items, such as baseball caps or cigarettes. This strategy contributed to the dilution of the image of the brand (Reddy, Terblanche, Pitt, and Parent, 2009). Then, brand extensions are not without risk for the brand image and, as a consequence, for the brand as a whole. They should thus be managed carefully.

Distribution is one of the four pillars of the marketing-mix (with the product *per se*, its pricing and promotion). It is fundamental: it is possible to have a wonderful product addressing a specific market need that does not succeed because of a distribution issue. Without distribution, it is impossible to buy and this is why luxury companies should be very careful when they implement their distribution strategy (Kapferer, 2012). The Internet is increasingly important in every aspect of contemporary life and luxury brands are usually reluctant to use it to distribute their products. The Internet is usually associated to the consumption of mass products and this could be one of the reasons why luxury brands are slow in the development of online resources (Solca, Bertini and Fan for Exane BNP Paribas, 2014). Yet, despite this apparent low amount of e-friendly luxury brands, online sales of luxury items grow fast since they represented a growth of 28% in 2012 (D'Arpizio for Bain & Company, 2013).

Luxury brands are then facing two major issues: the management of both their brand extensions and their online distribution strategy. Literature usually deals with distribution strategies of luxury brands, or brand extensions. The online distribution of brand extensions and its importance is a subject that has not been tackled yet.

1.1. Research question

How do luxury brands crafting vertical extensions implement their online distribution strategy?

1.2. Objectives

1.2.1. Main objective

The main objective of this study is to understand how luxury brands that vertically extend their brands manage their online distribution strategy. The goal is to understand how companies differentiate the distribution of their original products and the distribution of their extension products.

1.2.2. Specific objectives

This main objective was coupled with other more specific objectives that contributed to this study as well.

- Understand the way luxury companies behave in a very specific sector: personal luxury goods. Indeed, in order to constitute the sample, various companies were analyzed regarding the category they actuate in, their country of origin or the type of extension they performed.
- Analyze an array of variables relating to the digital presence of companies. Data like the online presence or the feature of an e-commerce option contributed to the understanding of this dissertation's question and completed the framework that has been developed in the final parts of the study.
- Understand the way companies communicate around their products online, especially since some companies or categories were featured online but did not have any distribution option.. This specific objective does not directly answer to the research question but enriches this study's final model.
- Create a scale to understand the distance a luxury company can implement between its original product line and its extension products. The comprehension of the distance between the products *per se* has been put into perspective with the difference in distribution between original and extension products and is a keystone to this study.

This research question and the objectives it implies are justified by the current trends of the luxury market, both concerning the online distribution and the importance of brand extensions.

Luxury companies are usually reluctant to use the Internet not only as a medium but also as a distribution channel (Solca, Bertini and Fan for Exane BNP Paribas, 2014). The Internet is indeed usually a synonym for mass. Only one third of the 77 brands belonging to the Colbert

Committee actually sell online (Geerts, 2013) – the Colbert Committee being an organization gathering the most important French luxury houses. Kansara, in an article (October, 9th 2014) for Business of Fashion, quoted Luca Solca, head of luxury goods research at Exane BNP Paribas, that explained luxury companies would prefer to get the consumers into their physical stores rather than online "in the ideal world", but the latter does not exist. Luca Solca even quotes a major CEO that said the reluctance of luxury brands to embrace online distribution reminded him/her of the reluctance luxury companies displayed in the 1970s to open stores abroad, thinking consumers "can always come to Paris and buy our brand there". Luxury brands are indeed slow in their online development, with a few notable exceptions (Solca et al. for Exane BNP Paribas, 2014). Yet, sales online are expected to keep on developing: a report written by Solca et al. (2014) for Exane BNP Paribas expected that from 2013 to 2020, online distribution would even represent 40% of the growth of the luxury market. The online development of luxury companies is then a reality.

On the other hand, the development of second brands is another phenomenon characterizing the luxury market. Silverstein and Fiske (2003) estimated that despite the economic crisis, the new luxury market was increasing. This market can be defined as composed of low-end luxury goods targeted to middle-class consumers. The authors explained this market was increasing from more than 10% annually, representing around 20% of the total luxury market in the United States at the time the article was published. One of the possibilities to get into this market is to develop less-exclusive second brands. Then, vertical extensions are a trend on the luxury market that also needs to be analyzed.

In order to understand those two trends happening on the global luxury market, the literature will be reviewed in a first time: after an understanding of the market and its particularities, extensions will be analyzed in order to know how they can be managed. The importance of distribution, especially online, will also be tackled. The methodology of this exploratory research will then be presented. After a careful study of the data and a discussion to link them to the theory, a conclusive framework will be presented.

2. LITERATURE REVIEW

2.1. The luxury market: categorizations and trends

Despite the global economic slow-down, D'Arpizio coordinated a study for Bain & Company that has forecasted in fall 2013 that the spending of luxury goods was estimated to grow by 2% over the year 2013. The market would then represent €217 billion worldwide. Solca et al. (2014) estimated that by 2020 it would represent €305 billion.

In order to better understand this increasing global market, it might be helpful to distinguish different levels of luxury. Indeed, the level of price, status and exclusivity of the products belonging to this industry is very wide. Allérès (as cited in Olorenshaw, 2011) developed a framework to categorize different levels of luxury. She used a pyramidal model with, at the top of it, inaccessible luxury. Besides their very high price (relatively to other goods belonging to the same product category), the rarity of these luxury goods is immense. They are rare objects that represent absolute distinction (Perera, de Souza Bido, and Kimura, 2010). French haute-couture is an example of this category: there are less than 500 customers worldwide (Olorenshaw, 2011). Each hand-made piece requires hours of work, comes with exclusive services and is priced accordingly: according to an article written by Bizet C. in *Le Monde*'s edition of February 1st, 2013, a Chanel Suit requires around 200 hours of careful hand-labor and is priced around 30,000€. Embroideries on a Dior haute-couture dress can require 600 hours.

In the middle of the pyramid, the intermediate category can be found, whose goods are accessible to a wider customer base. The price and the exclusivity of these items are lower, but they are still considered luxurious. Ready-to-wear clothes from luxury and designer brands can enter into this category.

Accessible luxury is the last category, at the base of the luxury pyramid. This category includes manufactured objects that are mass-produced (Perera et al., 2010) like a Chanel N°5 fragrance bottle or an Yves Saint-Laurent lipstick bought in a cosmetics store like Sephora. The items from this category are bought by an even larger amount of customers. Olorenshaw (2011) includes designer ready-to-wear labels into this category. Yet, as "luxury companies" in general have been defined as both luxury and designer brands, they will not be included into this category, following the acceptation found in other articles and especially in Hanslin and Rindell (2013).

Luxury has been democratizing recently. Hanslin and Rindell (2013) define the democratization phenomenon as the fact that luxury goods are getting accessible to a wider consumer base. Quoting various authors from the literature, they explained that the democratization of luxury goods can take various forms, such as the emergence of mass premium brands and second lines. Democratization has also been studied by Silverstein and Fiske (2003) who define what they call “new-luxury goods”. They refer to goods that, even though targeting mass consumers, share some characteristics with traditional luxury goods. The authors categorize new-luxury goods into three types. Accessible super premium goods – called mass premium brands by Hanslin and Rindell (2013) – are priced close to the top of their category but are still accessible to a wide customer base since the items are not really expensive. Belvedere Vodka is an example of this category.

Old-luxury brand extensions are the second type of new-luxury goods. Those second-line products are lower-priced versions of luxury items. They are accessible to a wide base and are going down the pyramid already presented, even though those goods are still appealing.

Finally, “masstige” (portmanteau of the two words mass and prestige) is a mix of mass and distinction. The items belonging to this category are premium compared to conventional goods but are priced below the other two new-luxury types. Victoria’s Secret lingerie products are *masstige* goods for instance (Granot, Russell, and Brashear-Alejandro, 2013), contrary to La Perla lingerie garments that belong to old luxury or Maidenform, belonging to the middle market (Silverstein and Fiske, 2003). Please refer to appendix 1 to have a representation of the pyramid.

This democratization of luxury has various causes. Lipovetsky and Roux, quoted in Perera et al. (2010), affirm that mechanization contributes to the appearance of what they call half-luxury, that is to say a cheaper luxury targeting middle-class. The “constantly growing aspirational consumer segment” (Granot et al., 2013, p. 32) willing to consume luxury goods belongs to this population.

Psychological and sociological explanations can also be found to explain the democratization of luxury. In the introduction, one of luxury’s main characteristics has been described: it acts as a symbol for social status and standing. Hanslin and Rindell (2013) confirm this idea, explaining that the importance of showing one’s status has constantly increased, including among young people. Since one’s social standing can be expressed through the possession of luxury goods, demand for luxury and new-luxury goods is growing. Overall, the luxury global market was expected to grow 2% in 2013 (D'Arpizio for Bain & Company, 2013). In some developing markets such as the Brazilian one, accessible luxury is the most important segment of luxury (Perera et al., 2010): this can contribute to the growing importance of new-luxury worldwide.

Besides, Granot et al. (2013) explain that the demand for new-luxury is high even in times of economic downturn because those goods provide "a strong emotional experience" (p. 32). A strong demand for low-price luxury items is a well-known phenomenon called the lipstick effect. It was coined after a surprisingly high demand for luxury lipsticks during the Great Depression of the late 1920's. Kapferer (2012) explains that in troubled periods, consumers substitute their usual buying of expensive luxury items with more accessible ones. Nevertheless, for those purchases to have such an effect, they need to represent a financial sacrifice and, more importantly, they have to be from famous luxury brands (Kapferer, 2012). Indeed, brand names are fundamental assets for luxury companies. When a company sells products belonging to different categories and/or luxury levels but that all have the same brand, the products should share the same values. They should have an identity in common. The brand carries symbols and meanings in its whole range of products. Dubois and Paternault (1995) give the example of Porsche. This German brand originally produces luxury sports cars but has diversified into accessories (i.e. sunglasses, belts or watches). According to them, most consumers buying a Porsche accessory might do so because of the brand name and the symbols it carries, rather than the intrinsic design or performance of the item.

Then, different products belonging to a same luxury brand are supposed to share values, even though they do not belong to the same category or segment. This is one of the foundations of the extensions on the luxury market.

2.2. Extensions on the luxury market: definitions

In order to penetrate new markets, luxury companies have the possibility of crafting extensions. An extension is, as defined by Aaker and Keller (1990), the use of an established brand name and image either to enter a new product category or to enter new markets. This term of extension then encompasses two distinct realities, although both mean launching a new product (or a set of new products). A luxury firm can first enter a new product category of products or launch products that have a different function by performing a category extension. The second possibility for the company is to enter a new market segment within its product category, then launching products that have a different quality level within the product category.

Those two kinds of extension can also be called respectively horizontal and vertical extensions (Seringhaus, 2005). This appellation will be preferred in this dissertation. A horizontal extension corresponds to a category extension. This was performed by companies like Mont Blanc whose core activity was originally fine writing and has extended to new categories such as fragrances, sunglasses or watches. Vertical diversification is the equivalent of a line extension. Dall'Olmo Riley, Pina, and Bravo (2013) explain that line extensions are used by companies that want to satisfy consumers that demand either a basic or a premium version of an existing product – charged accordingly. Luxury clothing company Versace has for instance created in 2004 the Versus Versace brand to address a younger market. The items from this brand are designed differently, are cheaper and thus accessible to a wider audience than original Versace goods. They use the name and symbols of their famous luxury clothing brand to enter a different segment within the clothing category.

Vertical (or line) extensions can be made upscale or downscale. An upscale extension means launching more exclusive products, whose quality and price would be higher. Versace launched in 1991 their most luxurious clothing activity through the upscale brand Atelier Versace, whose clothes have the very selective appellation of French haute-couture. Upscale extensions are considered as a way to revitalize a brand (Munthree, Bick, and Abratt, 2006). On the other hand, downscale extensions can refer to what Silverstein and Fiske (2003) call "old-luxury brand extensions" in their categorization of new-luxury goods, and correspond to the introduction of less exclusive products. These types of extensions also contribute to the democratization of luxury brands. Downscale strategies participate in the widening of the consumer base and, thus, to the launch of products that are positioned in a lower ladder in the pyramid Allérès developed (quoted in Olorenshaw, 2011). This is for example what Versace did with Versus Versace. As this company, lots of luxury brands have introduced downscale extensions, independently of their countries of origin: Marc Jacobs (U.S.A.) launched Marc by Marc Jacobs in 2001, Kenzo Paris (France) addressed younger customers through the 60% cheaper Kenzo Jungle brand (Michel and Salha, 2005) that is now discontinued. Prada (Italy), on the other hand, launched a downscale brand with a different name, Miu Miu, in 1993.

Citing Pambianco, Seringhaus (2005) emphasizes that those horizontal and vertical (both upscale and downscale) diversification strategies have been particularly used by French and Italian luxury brands. Those two countries are, also, the main countries of origin of luxury products (Som, 2011), accounting for almost half of the luxury sales taken into consideration in the study led by D'Arpizio for Bain & Company (2013).

2.3. Definition of brand equity and justifications of extensions

Before exposing some of the reasons why extensions are used by luxury companies, it is useful to define brand equity since it is at the core of the notion of extension. One of the definitions that is recognized by the literature is the one Keller (1993) developed. Brand equity is defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand" (p. 8). Then, when consumers react favorably to an element of the marketing-mix of a brand A rather than the same element from another brand B, brand A's equity is positive. Brand equity mobilizes brand knowledge – composed of both brand awareness and brand image – because brand knowledge itself appeals to the consumers' brand associations that, in turn, generate the differential effect (Keller, 1993). Pitta and Katsanis (1995) simplify the concept of brand equity, defining it as "something extra" (p. 56), as the positive status of a brand for a consumer. Then, brand equity happens when a consumer knows a brand and that he/she has a strong and positive image of it.

A firm can take advantage of its positive image and its awareness to craft a brand extension. An extension strategy is used in order to take advantage of a brand's equity when launching a new product and entering a new market segment (be it a new product category or a different line within a category). It is extremely risky and costly to launch a new brand: this investment could cost above US$ 50 million in the 1990s in the US, according to Pitta and Katsanis (1995). Introducing a product using a well-known name can be less risky than launching a product without any (Aaker and Keller, 1990). The objective is to take advantage of the known brand, of its brand equity, so that consumers react more favorably to the marketing-mix of the new product(s) than they would if it was launched with another brand name (Keller, as quoted in Pitta and Katsanis, 1995). Brand extensions are considered as effective strategies by marketing managers according to Munthree et al. (2006) who quote a Brandgym study from 2003: 83% of the interviewed marketing directors consider extensions as a fundamental way to launch new products in the short to medium term. Only 3% of the interviewed considered the creation of a new brand a better way. This means that the chances of success of extensions are considered higher than the launch of a new product to penetrate new markets.

Brand extensions are crafted to expand into new markets through the launch of new products. One of the reasons of these extensions is financial. The intrinsic goal of a horizontal extension is the prospect to penetrate a new product category. The goal for the firm is to use the associations of the core brand to launch a new product, attract new consumers and increase its revenue. This is what Diane von Furstenberg did, using her fashion name to launch products from different categories with high margins, increasing the profits and revenues of her company – in a first time (Reddy et al., 2009). Vertical extensions are also financially motivated. When crafting an upscale extension, a luxury company penetrates a market with higher margins (Michel and Salha, 2005), that should lead to higher profits. The market composed of middle-class consumers ready to pay more for a premium version of an everyday product is a trend that is getting importance (Silverstein and Fiske, 2003) and companies might want to take advantage of it. On the other hand, downscale line extensions' goal is to attract more price-sensitive customers and to increase market shares (Magnoni and Roux used in Hennigs, Wiedmann, Behrens, Klarmann, and Carduck, 2013), through the volume they can generate. Silverstein and Fiske (2003) introduced the expression "death in the middle" (p. 50) to express the fact that consumers tend to buy premium version of products belonging to categories they value and consume more basic version of products in the categories they do not consider as meaningful. Then, needs and desires tend to polarize and companies might want to address them through upscale or downscale vertical extensions.

Besides the financial advantages and the potential of the market, brand extensions have psychological implications on consumers. One of the justifications of vertical extensions consists in associations consumers can make.
These associations can be inferred from the brand and transferred to the newly launched product. Horizontal extensions use a famous and positive brand name operating in one category to penetrate another in an attempt to use the positive associations from the core brand to the extensions. For example, Louis Vuitton started as a luxury house specialized in handbags and luggage, later extended to clothing, jewelry, perfumes (now discontinued) and accessories. Reddy et al. (2009) affirm that the equity from the core category transferred to the new ones because of an important notion of fit between the categories (this notion will be developed in another part: 3.5.). One of the key articles in the literature about brand

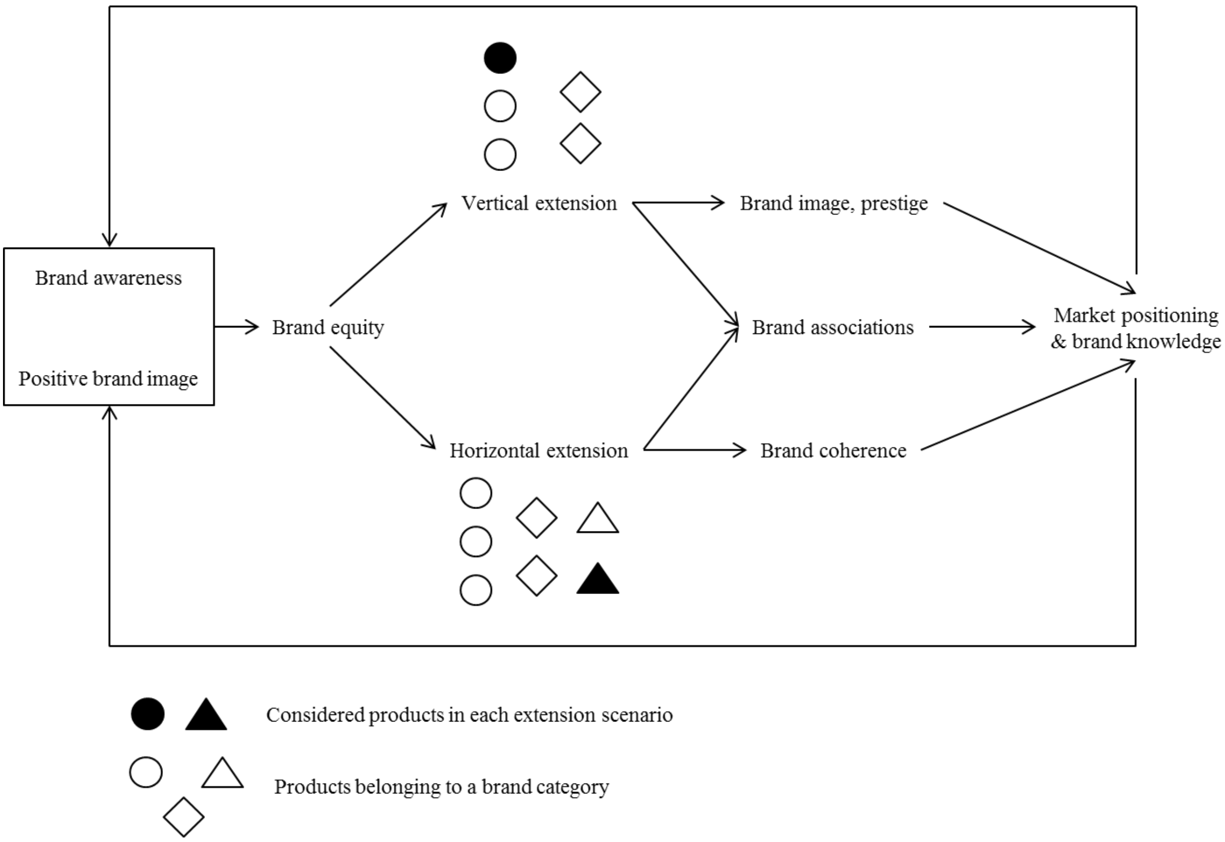
extensions, that of Aaker and Keller (1990), explains that the success of an extension relies on the notion of fit, so that (positive) brand associations from the parent brand to the extension can be effective. They also found in their study that positive associations from the original brand to the extension especially transfer when abstract attributes are concerned. Those abstract attributes include style, which is an important feature of luxury products. It is thus believed that prestige and luxury brands can stretch more than functional brands (Whan Park, Milberg, and Lawson, 1991). Then, horizontal brand extensions seem to make even more sense on this market.

Vertical extensions as well use and generate brand associations. Downscale extensions, especially, leverage the image of a luxury brand to get a prestigious image since consumers infer positive characteristics from the prestigious brand that they transfer to the lower-end products (Randall, Ulrich, and Reibstein, 1998; Kapferer and Bastien, 2009). When it introduced its C-Class model in the USA, Mercedes benefited from the prestigious image of quality and design it already had in consumers' minds (Randall et al., 1998). Vertical extensions then have an influence on a brand's prestige.

This phenomenon also happens in the case of luxury brands taking advantage of their brand equity to introduce masstige products that "have an allure of luxury but are not luxury" (Kapferer and Bastien, 2009, p.312). In the same idea, Phau and Cheong, quoted in Hanslin and Rindell (2013), explain that downscale extensions are supposed to carry the same meaning as the original brand. They should represent the same values, contrary to a product launched with a different brand that would not benefit from this transfer, would not be considered substitute of the parent brand by the consumers. Extensions can be an effective strategy to enter new markets. As already mentioned, Perera et al. (2010) argue that in some promising countries regarding luxury, such as Brazil, more accessible luxury items are fundamental. Crafting downscale extensions might be a way to leverage the brand and access consumers from this market. The luxury company would then enter different market twice: a new consumer segment in a new geographic market.

Associations can also be brought from the extension products to the whole brand. Randall et al. (1998) indeed explain that the level of quality and prestige of some products in a brand's product line brings associations for the whole brand. They once again mention the example of Mercedes: this brand is considered prestigious on the American market because some of the brand's products occupy the high-end of the automotive market. The presence of these prestigious models in the brand's portfolio brings prestige to the brand as a whole, even though it also has models addressing middle-range consumers. Some managers from the mountain-bike industry even affirmed that some higher-end products in their lines were developed to raise brand equity, rather than being sold (Randall et al., 1998). They were used as flagship products (Magne, Oivind and Leif, quoted in Michel and Salha, 2005). The contrary can also happen: a brand whose line is composed of some low-end products can have less prestige. The logic these authors develop can be used for vertical extensions: launching upscale (downscale) brand extensions can upgrade (harm) the image of the whole brand through brand associations made by the consumers (Randall et al., 1998), thus changing its market positioning and affecting brand equity. Vertical extensions, once again, have an influence on a brand's prestige. Horizontal extensions, as well, influence the brand perception of consumers. According to Reddy et al. (2009), when a brand extends into close categories, then the brand's profitability increases. The opposite is also verified: when a brand is extending into dissimilar categories, profits tend to decline. This simple relationship demonstrates that horizontal extensions seem to influence the overall success of a brand and, supposedly, the equity associated to it. A summary of the theories presented in this part can be found in figure 1. This figure is inspired from the conceptual model of the influences of the structure of the brand product family on the consumer decision process developed by Randall et al. (1998).

Figure 1 – Model of the influences of the introduction of vertical and horizontal extensions on brand equity



Eventually, launching an extension (be it vertical or horizontal) is not that easy for a luxury brand. It certainly has some advantages, but it is not riskless…

2.4. The risks with extensions

One of the first risks of brand extensions is cannibalization. This phenomenon is defined by Hanslin and Rindell (2013) quoting articles by Njissen and by Kirmani, Sool, and Bridges: cannibalization describes the negative effect the introduction of extension products can have on sales and market share of the original products. This effect can be caused by both types of vertical extensions. Even though not from the luxury market, the Kodak example, quoted in Michel and Salha (2005), is meaningful. The company introduced a premium version of film reels, Kodak Elite Chrome, but it was considered very similar to their regular product line, Kodak Kodachrome. Products thus cannibalized themselves. Nevertheless, cannibalization can also be seen as an opportunity than as a risk in the case of an upscale extension: the transfer of sales from the original product towards a more premium one is a way to get higher margins from the consumers that transfer their consumption upmarket (Michel and Salha, 2005). Furthermore, Reddy, Holak, and Bath, quoted in Kim and Chhajed (2001) consider both upscale and downscale extensions generate additional sales that compensate the cannibalization effect.

The effect of cannibalization will be considered to be limited with horizontal extensions since the original product and the extension belong to different markets and, then, do not really compete with each other.

Vertical extensions can also have an impact on the consumer evaluation of original products and dilute the image of the core brand. This is especially studied by Kim and Chhajed (2001) who quote a set of theories to support their arguments. They first quote the bookkeeping model (Weber and Crocker, as well as Loken and Roadder John) according to which the beliefs of consumers change every time they receive new information. Besides, the attitude theory states that consumers' beliefs can be weakened by the introduction of inconsistent information (Fishbein and Ajzen, as cited in Kim and Chahhjed, 2001). Besides, Kim and Chhajed (2001) develop the categorization theory: every brand line has different characteristics in the minds of consumers so an original product family and a newly-introduced one can have different sets of characteristics. Then, keeping in mind that new information can be inconsistent with the one that consumers originally had, the authors use this theory to deal with core brand dilution: when the core of a brand is originally considered prestigious and at a high level of luxury, the introduction of lower-market brand extensions is considered as inconsistent by the market. This inconsistency then weakens the positive belief about the core brand (e.g. the prestigious image). Eventually, consumers would evaluate the core brand less favorably than before. Kim and Chhajed (2001) affirm this phenomenon can happen with upscale extensions as well. This effect is reinforced when the original product line and the extension line have identical features since it will increase the consumers' perception of similarity between the lines (Kim and Chhajed, 2001).

This idea of original products image dilution was also developed by Randall et al. (1998) in the last part. They write that the level of prestige of some products in a brand's line brings associations not only for the original products, but also for the brand as a whole. Michel and Salha (2005) also note that vertical extensions can dilute the image of a brand as a whole especially when the original products and the new ones are not very differentiated, even though they are positioned differently. Dall'Olmo Riley et al. (2013) agrees with the fact that the higher the fit, the higher the transference of values will be.

The Cadillac Cimarron car is quoted by Pitta and Katsanis (1995) and Randall et al. (1998) to illustrate a case of brand dilution after a vertical extension. This model was a low-end luxury product launched by Cadillac. Owners of high-market Cadillac cars (the original products) felt they lost the prestige they got through the ownership of their luxurious car and valued their cars less than what they used to. The value of the parent products and of the brand as a whole decreased because of the introduction of a down-market product. It tarnished the brand image and contributed to a certain dilution of the brand. In addition, when a company crafts an upscale extension, the reaction of the consumers can be skeptical, if not negative. Dall'olmo Riley et al. (2013) take the example of a brand that was specialized in relatively inexpensive products, with a brand image ranked low on the pyramid that has already been explained (Allérès, cited in Olorenshaw, 2011). This company launched premium products (and so more expensive ones). Consumers might be suspicious about such an upgrade and the positive brand association effect that the brand was hoping to benefit from might not be successful. Brand dilution can even be one of the consequences.

As for horizontal extensions, they can also contribute to the dilution of a luxury brand, especially when a company launches products belonging to categories that are very dissimilar to the core ones. Then, associations tend not to travel from the core brand to the extension (Randall et al., 1998). The firm then stretches beyond its perceived areas of competences and this can lead, according to Aaker and Keller (1990), to skepticism, laughter and negative associations. Just like Pierre Cardin, Diane von Furstenberg, quoted in Reddy et al. (2009), first extended from clothing to cosmetics and, following the positive results of these first extensions, extended beyond, in non-adjacent categories (jeans, books…) After a few years of profits, these extensions diluted the image of the brand. It is then fundamental to understand how much a luxury brand can stretch (Munthree et al., 2006), that is to say, how many categories it can launch before the image starts to dilute.

Eventually, some argue that brand dilution is a higher risk for prestige and luxury brands than for more functional brands (Sharp quoted in Kim, Lavack, and Smith, 2001; Kirmani, Sood, and Bridges quoted in Dall'olmo Riley et al., 2013) while others consider that luxury brands are more resilient to brand dilution than less luxurious ones (Dall'olmo Riley et al., 2013). Then, it cannot be concluded if being a luxury brand or not is a factor that hinders or helps brand dilution. Yet, what can be emphasized is that dilution of brand equity is a real risk for luxury brands since the image of exclusivity and prestige of the brand is in its essence and has to be sacred (Kapferer and Bastien, 2009). Indeed, losing prestige in the eyes of the market can be strategically and financially harmful in the long run. As Hennigs, Wiedmann, Behrens, Klarmann, and Carduck (2013) note, the demand for the original brand might decrease. Since extensions are not without risks for the luxury brand as a whole, it is fundamental to manage them wisely in order to reduce this uncertainty.

2.5. Managing extensions

Just like every move into a new market, an extension is not always successful. According to Munthree et al. (2006), around 27% of vertical extensions fail (data from the Association of National Advertisers). Since extensions are not always successful, they need to be carefully managed, especially in the luxury sector where, as already mentioned, the brand identity must be worshiped (Kapferer and Bastien, 2009). This means that brand equity is an important asset for the luxury company – if not the most – and has to be managed wisely.

One of the first ways to successfully manage extensions is to control the fit between the parent brand and the extension. This is especially the case for horizontal extensions. This idea is quite established in the literature and is even considered one of the most important drivers of success (Völckner and Sattler, 2006). Even though these authors do not mention they focus on horizontal extensions, the orientation of their article is on this particular kind of extension. Other authors have also worked on the idea of fit. Reddy et al. (2009) for instance developed the concept of brand adjacency, defined as "the extent to which a particular brand extension is consistent with the values embodied by the core brand" (p. 191). According to the authors, a brand like Louis Vuitton is an example of a brand with a high premium perception and a strong adjacency between their product categories. They have extended from their core competencies (luxury luggage – and clothing to a certain extent) to high-jewelry through a joint-venture with an established name (De Beers). These categories fit since both are "discretionary purchase" (Reddy et al., 2009, p.193); the extension makes sense.

Repetto, a French company that started in 1974 as a dance ballerina producer, extended to leather goods and shoes (2011), and then to ready-to-wear (2012) and fragrances (2013). These extensions make sense as well since they address the same kind of consumers and mobilize a similar know-how. Pierre Cardin is an opposite example that has already been quoted, but Gucci in the 1980s is another interesting example. The company used licensing to expand to non-adjacent categories that embodied dissonant values, which contributed to the dilution of the brand (Reddy et al., 2009). Aaker and Keller (1990) already worked on this idea of fit, explaining that when the fit between two categories was big, the image of the original brand was better transferred to the extension: a luxury company with a brand having a positive image can extend to adjacent category and transfer this quality image.

Following this line of arguments about the importance of fit between categories to preserve brand equity, Reddy et al. (2009) develop the “island-hopping strategy” (p. 194). The authors advise luxury brand managers to penetrate adjacent categories, one at a time, in order for the brand to become strong in the new category. This theory emphasizes the fact that establishing a luxury brand into a category line without damaging brand equity takes time and should be done prudently.

This research is about vertical extensions; but understanding the arguments of the literature about horizontal extensions is also important. Fit is also fundamental for vertical extensions. Indeed, what is especially necessary after a vertical extension is to keep brand essence (Silverstein and Fiske, 2003). Munthree et al. (2006) developed some criteria needed for an upscale line extension strategy to be successful on the luxury market. They for instance explain that the company should be an early entrant (neither a first-mover, nor the last-mover). Yet, what is most important is the importance of fit between the core brand and the extension: the new product needs to be strongly linked to the core brand, should have the same values (Munthree et al., 2006). Consumers tend not to let different levels of prices influence their perception on the quality of the products when they are closely related (Taylor and Bearden, 2002). Moreover, in order for the extension and the parent brand to be considered similar by the consumers, the products should also share the same physical characteristics. This idea was developed by Kim and Chhajed (2001) on a study about vertical extension of mountain bikes brands.

Downscale extensions can be more problematic and probably do not require that much notion of fit. It has been mentioned before (point 3.4.) that a brand that launches downscale extensions risks being considered less prestigious and damaging its brand equity, especially when they fit together. Fit enhances the transfer of image from the extension towards the original brand. When an extension and the core brand are closely related and when there is an inconsistency between them, the inconsistency is considered important by the consumers

(Kim et al., 2001). Then, an extension that does not fit with the core brand might lead to brand dilution.

According to what has been developed, extensions have to fit with the original brand. Yet, some distancing techniques might as well be useful, especially since in some cases, extensions can damage brand equity.
Horizontal extensions do not really need to use distancing techniques. Indeed, the concept of horizontal extension is to take advantage of a brand's core image to launch a new category. The idea is to use the parent brand and remain close to it (Kim et al., 2001; Reddy et al., 2009).

On the other hand, Kim et al. (2001) consider that both types of vertical extensions can be damaging to a brand. In order for a luxury company to decrease the dilution of brand equity, these authors thus require that the company increases the distance between the original brand and an extension. However, Kim et al. (2001) remind that, in doing so, step-down extensions will probably benefit less from the core brands' values, be evaluated less favorably than they would have been without the distancing techniques and that it can, eventually, reduce the number of consumers the company capture through the extension process.

- A first means to distance an extension from the core brand is to graphically represent them differently, to use a different visual identity (Kim et al., 2001). This kind of distancing techniques was for example used by Alexander Wang or Armani. Both launched second lines: T by Alexander Wang and Armani Exchange. The logos of the extension brands contain the name of the parent brand but it appears smaller than the rest of the name of the extension brand. The "T" is bigger than "Alexander Wang"; "Armani Exchange" is presented under a bigger "A | X" inscription.
- In order to reduce the negative association with less exclusive products and keep their brand image, some companies also created second brand names for their downscale extensions. This linguistic detachment strategy (Michel and Salha, 2005) was used by Prada for instance who launched more accessible items under the Miu Miu brand. Distance can also be shown not through a different name but through the use of a "by" like Alexander Wang did with T by Alexander Wang or by Marc Jacobs with its second brand Marc by Marc Jacobs.

- As for Kim and Chhajed (2001), they consider that, in order to reduce the perceived similarity between the extension and the core brand, a solution can be to differentiate some of their features, of their aspects.

Eventually, successfully managing brand extensions requires two techniques that apparently seem opposite: the core brand and the extension product should fit together, yet at a respectable distance from each other. The apparent opposition is especially true for vertical extensions. Dall'Olmo Riley et al. (2013) simply synthesizes the tension between both recommendations by explaining the extension product should have a new identity, yet remaining coherent with the core brand.
Since distribution is an element of the marketing-mix of a brand, it is then interesting to wonder how this element can be used in the management of brand extensions…

2.6.The importance of distribution, especially for luxury market

2.6.1. Distribution is a fundamental variable

The marketing-mix of a product defines its positioning and, as a consequence, the positioning of a brand's products and of the brand in general. Distribution is an important factor of the "marketing-mix". This term was coined by McCarthy in 1960 (McTier Anderson and Lesher Taylor, 1995) and can be defined as "the controllable variables that an organization can co-ordinate to satisfy its target market" (McCarthy and Perreault quoted in Khan, 2014, p. 96). Far from being a scientific tool, the marketing mix framework however provides a straightforward way to think about marketing and helps identifying the main variables that need to be thought about when referring to marketing strategy (McTier Anderson and Lesher Taylor, 1995). It refers to four variables: product, price, promotion and place, the latter defining the place where a product is distributed, but also the easiness of getting the product (Khan, 2014). The term of "place" then corresponds to distribution that is, as a consequence, a central element of the marketing mix. "Place" is, besides, of upmost importance because it is in the distribution situation that the consumer is both facing the product and put in a place dedicated to consumption.

Distribution is a fundamental element because it is the way a brand reaches its consumers. It is a part of the experience of the customer. As Shang, Pinar Yildirim, Tadikamalla, Mittal and Brown (2009) wrote in an article, the satisfaction of the customer is a key aspect of the marketing strategy and distribution is one of the elements that affect it. Distribution is, itself,

influenced by aspects such as convenience or location, the latter even being considered a competitive advantage (Ghosh and Craig, quoted in Shang et al., 2009).
However, more than an element affecting marketing, distribution is relevant at a corporate level too since it establishes the contact between the production of a product and the customers that might buy the product. Distribution has to be taken into account in the strategy of the firm so that it can be optimized and be cost-efficient (Shang et al., 2009). Chun, Rhee, Park and Kim (2011) for instance developed a model to optimize the strategy of companies that have both an online channel and indirect physical channels. This example shows that distribution is a complex aspect, that it affects marketing and the corporate strategy as a whole. It is, consequently, fundamental to firms.

2.6.2. Distribution is especially important for luxury companies

As for every aspect of the marketing-mix, luxury companies need to pay particular attention to the distribution of their products. Kapferer and Bastien (2009) explain that distribution should reflect the luxury products exclusivity and that the client should have difficulties in buying a luxury product to increase his/her desire. The marketing-mix and the brand's positioning (or desired positioning) should be aligned. Distribution reflects the brand's positioning since luxury companies want to have control over it. As Brun et al. (2008) analyze, when a luxury company controls distribution, it also controls the way it gets in touch with the consumer, it controls its relationship with the consumers. This explains why some luxury brands, such as Louis Vuitton, choose to distribute their product exclusively in stores they control (Brun et al., 2008).

Even when a brand does not choose this type of strategy, distribution is part of the luxury experience and has to be fully controlled by the brand. Like the product, the buying experience (and thus distribution) has to be exclusive (Kapferer, 2012). Olorenshaw (2011) gives the example of the Chanel Camelia brooch: despite an advertising campaign on this product, only six Chanel shops in France proposed the item. Distribution remained exclusive for this luxury item intentionally, in order for the product to remain relatively inaccessible, exclusive and, thus, prestigious.

One of luxury's characteristics is that it has a hedonistic appeal, that it is emotional (cf. introduction). Thus, the need for a differentiated experience is high for consumers. They are prone to value the purchase experience, aggregate it to the intrinsic value of the item: they will then be ready to pay a high price for the product. Dion and Arnould (2011) explain this idea by writing luxury has a “high ratio of intangible value to price” (p. 503) and that it requires experience. Furthermore, Liu, Burns and Hou (2013) explain, quoting Tauber, that consumers get satisfaction not only from the product they buy, but also from the shopping activity in itself. The way a luxury item is distributed influences the way the consumers can access it and contributes to their satisfaction and, thus, to their perception of the brand. Distribution then contributes to the constitution of the equity of a luxury brand.

Consequently, the distribution of luxury brands has to be managed carefully. Dubois and Paternault (1995) noted that managing luxury brand can be paradoxical regarding distribution: on the one hand it is tempting to want to diffuse the brand in order to capture volume, but on the other hand some exclusivity, and thus an aura of prestige, has to be preserved. According to the pyramid that has been presented, the wider the consumer base, the more accessible the products should be, including in their distribution. The more accessible the luxury items, the less exclusive the distribution: distribution should then be adapted to the level of luxury the product belongs to and the market segment it is targeting.

Eventually, when a brand crafts a vertical extension, it penetrates a different segment that should, according to the literature, require a different distribution strategy. The brand is supposed to adapt its distribution strategy to its extensions. This is true for luxury brands that have an online presence as well.

2.7. Online distribution of luxury products

Since distribution is an important feature of a luxury brand’s marketing mix, it should be managed carefully. Indeed, distribution reflects and contributes to the definition of a brand’s desirability. The latter is positively affected by the awareness consumers have about the brand and negatively correlated to the brand diffusion (Dubois and Paternault, 1995). Brand awareness is one of the components of brand knowledge contributing to a brand’s equity and desirability (cf. 3.3). The authors explain that when an item is largely diffused, its dream potential disappears, as well as its luxury dimension. Luxury items should provoke the consumers’ desires. Clients should look for the luxury product according to Simonson, Huber and Payne quoted in Keller (1993), as in the case of the Chanel brooch (Olorenshaw, 2011).

Then, the Internet does not seem to be a perfectly adapted distribution channel for luxury goods since it is particularly adapted to distribute and communicate mass consumption products (Okonkwo cited by Geerts, 2013). A luxury brand distributing its products through a mass consumption channel would quickly loose its image of exclusivity and its brand would dilute. Dion and Arnould (2011) explain that mass distribution of luxury products reduces the brand's distinction and singularity and that the brand legitimacy of the brand in itself would be questioned. The Internet indeed brings comparison to the luxury market (Seringhaus, 2005), whereas this market should not allow comparison: luxury is "superlative, never comparative" (Kapferer and Bastien, 2009, p. 316). Then, distributing luxury items on the Internet seems inappropriate or at least raises various questions.

Yet, despite this apparent theoretical reticence, the importance of the Internet on the luxury industry is increasing, as noted by D'Arpizio for Bain & Company (2013): online sales grow faster than the rest of the luxury market and represent a growth of 28% in 2012. The total amount of sales of luxury items on the Internet now accounts for 5% of the total of sales. This represents more than the luxury market of a developed country like Germany. Geerts (2013) adds that more than 30% of the Colbert Committee members offer an e-commerce service on their websites. Indeed, luxury companies need not only to be present on the Internet, but also to embrace it and translate this presence into economic value (Seringhaus, 2005), which means doing more than communicating on this medium. Seringhaus (2005) adds that one sixth of the luxury brands he studied offered an e-commerce service at the time the study was conducted. The figure is most probably much higher by now. Offering an e-shop mainly depends on the category according to the authors: whereas three quarters of luxury retailers offered an online store at the time the research was performed, less than one in five companies actuating in fashion and leather goods did so (Seringhaus, 2005).

In addition, Geerts (2013) has studied the online strategy of different luxury brands and came up with a useful typology. Each company is classified within one out of four categories. The criteria used to classify the companies include, for instance, the presence of an e-shop or not. This typology shows that brands have different approaches towards Internet: some companies embrace it while others are reluctant to use it. For instance, until recently, Prada's website was mainly informational and used for public relations. It shows that each luxury company addresses e-commerce and the Internet, in their particular way.

Besides, selling online does not mean selling online under any condition for luxury brands. This is rather the contrary: they want to protect their online brand identity and keep some control on their operations. Lutz (2012) took the example of brands that tried to control their online selling presence: the Hugo Boss company explained that the products wearing their names on Amazon were not credentialed by the brand and that they were trying to find a way to control this kind of online presence. Physically, Louis Vuitton only distribute through their own stores and they apply the same strategy online. Late Yves Carcelle, former CEO, said that Louis Vuitton's model of direct control over all the online and offline operations is "the direction that most luxury e-commerce will take" (Lutz, 2012). This trend is confirmed by Brun et al. (2008) who considered luxury companies enjoyed having short downstream supply chains to have larger control over their operations, and that some firms were pursuing downstream integration in order to do so.

Eventually, it has been seen that luxury companies are entering new markets through vertical and horizontal extensions. Most of the time, the products they introduce to the market have different specificities than the core objects and cannot be classified inside the same luxury level (according to the categorizations that have been developed). This is especially the case for upscale and downscale extensions. For luxury companies to remain coherent, new products should then be distributed in a consistent way, for instance regarding their "level" of luxury. The way the companies distribute their products depends on their corporate strategy, and also on the market segments and the customers they target. Companies can choose to distribute their products online or not, knowing that they would target more consumers and risk to be perceived as less exclusive.

This risk is also present when luxury brands craft brand extensions, and especially downscale ones. Extensions are difficult to manage; they can contribute to the dilution of a brand. This has to be put into perspective with the recent democratization of luxury. Understanding how luxury companies manage their online distribution when they craft vertical brand extensions corresponds to the understanding of two kind of risks luxury brands face. Online distribution of brand extensions has been neglected by the literature and it is hoped this research will contribute to the subject.

3. METHODOLOGY

3.1.Choice of research design

In order to pursue the objectives of this study, a qualitative research was performed. More precisely, an exploratory research using secondary data was achieved.

According to Robson and Foster, quoted in Catterall (1998), a qualitative research is simply defined as a research that is not quantitative, that is to say that is not a measurement research. This definition, yet simple and incomplete, provides an important idea: the fact that quantitative and qualitative studies are the two main methods used to conduct researches and that they have to be distinguished. This definition has been completed by De Ruyter and Scholl (1998) that wrote qualitative researches offer insights and do not try to be representative of a population, to precisely measure, contrary to quantitative research. This is the goal of this study: provide insights about the personal luxury goods market. Besides, qualitative researches are particularly adapted to questions like this research's since it provides with results that are concrete and describe a reality (De Ruyter and Scholl, 1998).

This research is exploratory in its essence. Exploratory studies are indeed adapted for questions that concern a new topic, or a topic that has never been addressed in an innovative way (Creswell, 2003). This dissertation combines a relatively new topic in the literature (online distribution) and a topic that has already been tackled in the literature (vertical brand extensions), yet not from a distribution perspective. An exploratory methodology then corresponds to the topic of this dissertation. Moreover, no quantitative study has been found in the literature about this particular subject, and exploratory studies are considered to be a first-step in the understanding of a topic (Catterall, 1998).

Creswell (2003) indeed incorporated an important feature to qualitative research in general: the fact it is "largely inductive, with the inquirer generating meaning from the data collected in the field" (p.9, using Crotty). This quotation means that qualitative studies aim at reasoning through the collection of observations and data in order to form a final insight. Data collection is then a fundamental part of the research process and needs to be done adequately. In this research, secondary data was used: every data was found on the Internet, mainly directly on the institutional websites of the concerned brands. Giving the number of brands and visited websites, it has been decided not to put them in the references. The websites of the group the brands belong too was also used, when applicable (available in the references). Websites were visited either in French (France) or in English (from the UK or the US). Those websites were most of the time sufficient to get the information we looked at. Yet, a few brands required the use of additional sources. In that case, encyclopedias of websites specialized in fashion and luxury, such as Vogue or The New York Magazine, were used. Information was also considered relevant since these online magazines are considered as references in the luxury industry.

A sample was built and data was collected and organized following a scientifically developed framework, as required for every qualitative research (De Ruyter and Scholl, 1998). Indeed, qualitative studies are scientific and need method. This is required not to represent a whole population like in quantitative researches, but to get meaningful insights on a subject (De Ruyter and Scholl, 1998).

3.2.Design

3.2.1. Constitution of the sample

The first step was the constitution of the sample. As explained before, luxury can define a wide area of products. Then, the focus of this research is on personal luxury goods. This choice helps reduce potential biases based on products specificities. Each product category has its particularities, especially when it concerns distribution. Selling a capital-intensive good such as a yacht or an aircraft is different than selling a "mass"-produced pair of luxury shoes. Like Geerts (2013), it has been understood that the personal goods fraction of the luxury market includes clothing & fashion (ready-to-wear and haute-couture), leather goods (shoes and other accessories such as bags or small leather goods) and jewelry/watches.

In order to constitute the original sample of luxury brands, a mix of methods found in the literature was mobilized. Firstly, the sampling methodology used by Geerts (2013) has been adapted. The methodology he uses to constitute his sample is as followed: he included to his sample brands pertaining to the Colbert Committee and luxury brands belonging to the most recent Interbrand evaluation of the "best companies in the world". In the case of this research, this top-100 is from 2013. Finally, he added brands from the famous luxury groups LVMH and Kering (former PPR). This methodology will be replicated in this study, yet incremented. Even though brands from the Richemont group are not included in his sample, they were taken into account in the sample used in this dissertation. Indeed, personal luxury goods include companies from the jewelry/watches sector and Richemont is one of the global leaders (the third luxury leader worldwide according to Garnier's article from *La Tribune* published in May 5th 2012) and its particular focus is watches and jewelry.

In order to complete the brand list, brands from the personal luxury goods sector found in the sample Reddy et al. (2009) used were taken into account. This sampling method has been chosen because it combines the sampling methodology from two recent articles in the literature dealing with this research. One studies extensions on the luxury market (Reddy et al., 2009), the other one focuses on luxury brands on the Internet (Geerts, 2013). The list of brands from these articles is then wide and gives a good overview of the global luxury market with an online perspective.

Yet, it has been decided to add a few brands that were recurrently found in articles about fashion luxury such as in Hanslin and Rindell (2013). These brands seemed to be interesting cases that would contribute to the understanding of the subject. The total number of brands of the original sample is 142. The list of the brands and the sector they belong to can be found in appendix 2.

However, this sample has to be refined since the research performed in this dissertation focuses on extensions. The list that can be found in appendix 3 only constitutes a first step in the constitution of a sample about extensions. A categorization of this first sample has been made: only brands that have performed vertical extensions through a second brand were taken into account. From this refined sample of brands, second brand names were associated to the original brand in order to create pairs. The literature has developed the example of some brands that have performed various vertical extensions. Versace has been already quoted: it has launched an upscale (Atelier Versace) and a downscale extension (Versus Versace). Then the Versace brand will be taken into account twice through two Versace pairs (Versace-Atelier Versace and Versace-Versus Versace). Both extensions have to be analyzed so that this research can be the most representative of the trends on the personal luxury goods market, so that the overview of the market can be comprehensive. Some brands also have developed extensions that can be understood as both horizontal and vertical, such as "sports" extension in the clothing sector: brands sell clothing apparel that address a different market (in terms of horizontal extension) but that also display a different level of prestige (vertical extensions). These extensions will be considered as vertical extensions in the sample. Finally, when a luxury brand developed various activities, the activity the brand emphasizes in its corporate culture and image will define the pair. It has to be noted that this was usually the case for historic activities. The list of the 73 pairs can be found in appendix 3.

3.2.2. Understanding the vertical extensions of luxury brands

3.2.2.1. Different product categories

The focus of this research has been put on vertical extensions (upscale or downscale). The companies selected would be selling an original product (called A) and an extension (called B), the latter having a different level of exclusivity than product A. It has been decided not to study horizontal extensions because the original product category and the extension one might require different distribution strategy *per se*. In his article understanding how luxury brands are distributed online, Seringhaus (2005) noted that the category a product belongs to plays a fundamental role: while categories such as yachts and watches/jewelry are mainly not distributed online according to his study, other categories are more present (i.e. retail or hotels). Then, the comparison between the characteristics of the online distribution of an original product and that of an extension belonging to a different category might lead to inconclusive or wrong results. Since categories might help understand a brand’s strategy, each pair of brands was also associated to the category it actuates in, but also its nationality. The categorization made in Reddy et al.’s article (2009) will be refined. Their article classifies each brand according to its industry (i.e. watches or fashion). Yet, as this research focuses on personal luxury items, in order to get more pertinent insights, their “fashion” section was divided between “clothing”, “leather goods” and “shoes”. The final classification then includes clothing (C), leather goods (L), shoes (S) and watches/jewelry (W).

3.2.2.2. Two types of vertical extensions

Focusing on vertical extensions, products A and B will correspond to different levels of luxury, from inaccessible to “new-luxury” (appendix 1; Allérès, in Olorenshaw, 2011). Even though some luxury companies launch products that have a different level of prestige than the one of their core products under the same brand name, only companies that launched second-brands or labels will be taken into account. This choice has been made in order to have a clear distinction between the original and the second segments. It might indeed be debatable to evaluate if the launch of a slightly different line of product can be considered a vertical extension when it shares the brand name of original products. For instance, Louis Vuitton is a luxury company whose historic activity is luxury luggage and leather goods. The fact this company also sells less exclusive canvas bags can be considered a downscale extension to a certain extent: these bags are priced far lower than other Louis Vuitton leather bags, the material is less prestigious and they display ostentatious logos. However, considering this product range as an extension can be discussed. In order to avoid confusions of that kind, this research will not focus on this kind of “extensions”. Besides, each pair of brands from the sample will be associated with the type of vertical extension the company has crafted (upscale or downscale).

3.2.2.3.Different distancing techniques

Even though all the companies of the sample vertically extended their brands, their strategies might be different. This is why the evaluation grid includes a part about the characteristics of the vertical extensions. A way to understand the differences between the pairs is to study the distance between the original and the extension brands. Indeed, as mentioned in the literature review, distancing techniques are fundamental features of extensions and a way to manage them: they are effective ways to reduce risks of damaging a brand’s equity. This idea is especially developed by Kim et al. (2001). Since the understanding of the distribution strategy of brands will be made through the study of the differences in distribution between both brands, the comprehension of the differences between the brands is an adequate methodology. In order to measure the distance between two elements of a pair, three types of distance were studied, following the literature review. The first two elements were coded through a binary system that attests of either the absence (0) or the presence (1) of a distancing technique. This method has been chosen because it allows objective and reliable comparisons (Gavard-Perret et al. quoted in Geerts, 2013).

- The first element to be studied was graphic or visual distance (Kim et al., 2001). Table 1 displays a few examples that explain the way the scores were attributed to each pair. When the original and the extension brand logos were very close visually, it was understood the logos were not differentiated and a score of 0 was attributed. It was the case for Jil Sander-Jil Sander Navy or Hugo Boss-Boss Orange. The logos are indeed really close, the extension one using the original brand logo in a very slightly different way. The use of different colors (especially in the case of the Hugo Boss extensions for instance) was considered insufficient to grant a score of 1 because the original logo was used in the extension one almost identically. This criterion was considered more important than the use of different colors. Marc Jacobs-Marc by Marc Jacobs as well uses different colors and the original logo. The pair is more visually differentiated than it was the case for the other two brands mentioned in table 1, but since the original logo occupies a significant part of the extension brand logo, it was considered both logos were visually close.

On the contrary, a score of 1 was attributed to pairs whose logos were more different. This was the case for a pair like Alexander Wang-T by Alexander Wang. Even though it uses the Alexander Wang logo in both types of extensions, it is used in a smaller way in the extension logo and is not an important visual part of it (contrary to Marc by Marc Jacobs). Finally, a score of 1 was also attributed when the logos were completely different too.

Table 1

Graphic or visual distance – a few examples

Example of scores of graphic or visual distance

Couple	Original brand logo	Extension brand logo	Distance	Reason
Jil Sander Jil Sander Navy	JIL SANDER	JIL SANDER NAVY	0	Close logos
Hugo Boss Boss Orange	BOSS HUGO BOSS	BOSS HUGO BOSS	0	Visually close logos, despite use of different colors
Marc Jacobs Marc by Marc Jacobs	MARC JACOBS	MARC BY MARC JACOBS	0	Original logo a bit smaller (a)
Alexander Wang T by Alexander Wang	ALEXANDER WANG	ALEXANDER WANG T	1	Original logo significantly smaller (b)
Pomellato Dodo	Pomellato	DoDo	1	Different logo

The difference between a and b lies in the significantly different sizes used by the extension brand logos

- The second distancing element that was analyzed concerned the distance between the products of the two brands, that is to say the technical characteristics of the two brands (Kim and Chhajed, 2001).

  When they seemed different in their conception, a score of one was attributed (see table 2). In clothing for example, the presence of different designers for each brand was considered as a distancing technique (Versace-Versus Versace for instance), as well as most "jeans" or "sports" labels (such as Giorgio Armani-Armani Jeans, that can be considered both a vertical and a horizontal extension).

Table 2

Product feature distance – a few examples

Pairs	Original brand characteristics	Extension brand distinctive characteristics	Distance
Comme des Garçons – Comme des Garçons Play	Conceptual ready-to-wear clothing brand	Accessible ready-to-wear line, mainly featuring distinctive ostentatious heart-shaped logo	1
Giorgio Armani – Armani Jeans	Upscale clothing line	Clothing brand specialized in jeans (considered both horizontal and vertical extension)	1
Versace – Versus Versace	Designer: Donatella Versace	Designers: Donatella Versace and Anthony Vaccarello. It was considered the creative idea at the origin of the products was different enough to be considered a distancing technique	1
Chloé – See by Chloé	Ready-to-wear brand	More accessible line	0
Vivienne Westwood – Vivienne Westwood Red Label	Ready-to-wear brand	More accessible line	0

- The last distancing element was linguistic (Michel and Salha, 2005) and, contrary to the two elements that have just been presented, was rated using a different technique. It was rated on a scale from two (high distance) to zero (low distance), as presented in table 3.

When no connection could be established between the original and the extension brand names, a high score of two was attributed. This was the case for Prada and Miu Miu. When small connections could be made, when only initials of the original designer were used for instance, the same score was attributed. This was the case for brands like McQ or DKNY Jeans.

An intermediary score (one) was given for intermediate cases. When the name of the original brand was used in the end of the extension brand name, it was considered as an intermediate distancing technique (Pleats Please Issey Miyake). This was also considered for extension brands whose name contains the original brand name after a coma or a “by” (i.e. Michael by Michael Kors), or when the name of the original brand was used after initials (CH Carolina Herrera). It was believed these elements were distancing techniques but that they were weak enough to be intermediate.

A score of zero was given to other brands that did not use distancing techniques according to these criteria.

Table 3

Linguistic distance – a few examples

Original brand name	Extension brand name	Distance	Reasons
Prada	Miu Miu	2	No linguistic connection between both brand names
Alexander McQueen	McQ	2	Small connections between both brand names, mostly use of initials of the original brand name
Donna Karan	DKNY; DKNY Jeans	2	Small connections between both brand names, mostly use of initials of the original brand name
Issey Miyake	Pleats Please Issey Miyake	1	Use of the original brand name at the end of the extension brand name
Versace	Atelier Versace	1	Original brand name at the end of the extension brand name
Michael Kors	Michael by Michael Kors	1	Use of "by"
Victoria Beckham	Victoria, Victoria Beckham	1	Use of a coma
Carolina Herrera	CH Carolina Herrera	1	Use of initials of the original brand name **and** the original brand name in the extension brand name
Moncler	Moncler Gamme Rouge	0	Original brand name at the beginning of the extension brand name
Giorgio Armani	Armani Exchange	0	Extension brand name features the most important part (i.e. the surname of the designer) of the original brand name in the beginning

3.2.3. Measurement of luxury brands' online distribution strategy

The next step – and the heart – of the methodology is to understand how luxury brands performing vertical extensions implement their distribution strategy. In order to do so, the strategy those brands implement for the original and the extension brands was analyzed, focusing on the online part. Only the brands' websites were considered. Online retailers were not taken into account since brands websites are in the direct control of the brands. They thus are an illustration of the corporate strategy, which might not be the case for retailers' websites (see 2.7.). Besides, Solca et al. (2014) wrote a report for Exane BNP Paribas explaining that from the 40% of the luxury market growth that will be explained by online sales, half of it (20%) will be attributed to mono-brand websites (which means the brands websites). Their importance on the future of the market is then of prime interest. The online distribution channel has been chosen because of its increasing importance in the luxury sector (as mentioned beforehand).

Furthermore, since the Internet is not considered the main distribution channel for most luxury companies, physical stores prevail. Then, the great majority of items of most luxury brands are available offline, contrary to what happens on the Internet. Differences about distribution would be clearer online than offline. In order to understand the differences, an analysis grid was created. It was created after a careful study of the literature. Some variables were tested for each segment using a binary code, a reliable and reproducible method according to Gavard-Perret et al. (used by Geerts, 2013). The variables tested included the presence (1) or absence (0) of a website, of an e-commerce option or of communication elements around the products (such as non-buying catalogues or lookbooks).
This binary method was also be used to evaluate the presence (1) or absence (0) of common resources between the original brand and the extension (common website and common e-commerce platform).

Eventually, another coding method has been chosen for a more complex variable: the array of products customers can buy. The way this data was collected has been inspired from a three-point scale developed by Seringhaus (2005) who classifies the online presence of luxury brands by scoring them: one point is given to a brand that does not feature any product online, two to a brand that features a selection of products and three to a brand that features every one if its items online. Since the variable that will be tested focuses on distribution (i.e. the ability for a customer to buy a product) and not on the presence of the products, this scale had to be adapted. Instead of scoring based on the presence of the products, points were attributed depending on the availability of the featured products (that is to say on the possibility to buy them). An additional level has also been added.

- Four points have been given to a segment where every item that is featured on the website is available online. This means that it is possible to buy every item presented on the website, be it in the e-commerce category or not.
- Three points have been granted to a segment that presents items that can be bought online *and* products that cannot on its website, independently of the product category.
- A score equal to two has been attributed to a segment selling items from selected categories. A brand that does not display or offer products from its whole category range will be granted this score. A brand that does not offer one of its categories online has also been granted a score of two. It is indeed considered the company is selling "less" online since it does not offer a whole category to its consumers. This additional level has been added since it has been noted during the constitution of the sample that most companies had a very wide array of available categories and that it was possible for them to have different distribution strategies regarding them.
- One point has been given to a segment whose products cannot be bought online.

Then, the more point a brand has, the more available it is online. It is then less exclusive concerning distribution. This part of the methodology aims at understanding the distribution of each of the segments and the differences between them.

3.2.4. The elaboration of an extension-distribution typology

The last part of the methodology was to interpret all these results. These results were first analyzed and then put in perspective with the characteristics of the extensions that the brand has implemented. The idea was to classify brands in order to get a categorization that could resemble the ones Geerts (2013) or Reddy et al. (2009) developed, where each brand they studied belongs to one category, each category sharing common points. As these authors, the main categories were explained and significant examples were delivered in order to illustrate the categories and better understand the market, which is the goal of this research.

3.3.Data collection and analysis

The first step of this research was, after the confection of the final sample, the categorization of the brands: the product category they actuate in and their nationality. This categorization might be useful in the second part of the interpretation of the results since some brands in the same categories might behave in the same way. As already explained and especially shown by Seringhaus (2005), product categories and online distribution are deeply connected. Category might be a relevant factor to understand the distribution strategy of extensions. For the same reason, each brand will be associated with its country of origin. Indeed, Pambianco (quoted in Seringhaus, 2005) explains that vertical extensions are particularly used by French and Italian luxury firms. This means that luxury brands that share a country of origin tend to share commonalities. This might also be the case in this research.

The subject of this research is the distribution strategy of brands once they implement extensions. The goal is to understand how luxury companies implement online distribution strategies according to the level of luxury of the products they sell and, especially, how differences in distribution and differences in brand extensions behave together. The comparison between the original brand and the extension one is fundamental regarding distribution and the positioning *per se*.

The constitution of the sample and the collection of the data have been performed during the last week of September 2014. Since both the Internet and luxury/fashion are fast-moving industries, data found in this research could have suffered slight alterations since the beginning of the collection.

4. RESEARCH FINDINGS

4.1. Understanding the sample

4.1.1. Presentation of the brands

As mentioned before, 142 brands have been studied. These brands were predominantly from five countries (France, Italy, Switzerland, United Kingdom, and United States), representing 128 brands or 90.1% of the brands that were studied. This result is coherent with the literature that regularly identifies these countries as the home to most brands belonging to the personal luxury goods sector. French companies were the most represented with 31.7% of the sample. Table 4 summarizes the geographic repartition of the studied brands.

Clothing and watches/jewelry constituted the great majority of the brands that were studied. Indeed, as shown in table 5, 77 brands (54.2%) belong to the clothing industry, 43 (30.3%) to the watches/jewelry sector, whereas only 22 (15.5%) brands belong to the leather goods and shoes sectors, both being equally represented. Yet, as explained in the methodology part, only the historic core competency of a brand was taken into account. Since some brands have extended the scope of their competencies beyond their historic savoir-faire, a brand that specialized in clothing can also sell leather goods/shoes and vice versa. The categorization that has been made can then illustrate a wider reality.

Table 4

Repartition of sample brands according to their country of origin

Country of origin	Number of brands	Repartition
France	45	31,7%
Italy	28	19,7%
Switzerland	21	14,8%
UK	19	13,4%
USA	15	10,6%
Germany	4	2,8%
Austria	2	1,4%
Japan	2	1,4%
Belgium	1	0,7%
France/Italy*	1	0,7%
Ireland	1	0,7%
Netherlands	1	0,7%
Spain	1	0,7%
Turkey	1	0,7%
Total	142	100,0%

90,1%

*Created in France, this brand (Moncler) has been transferred to Italy and could not be identified by either of its countries of origin

Table 5

Repartition of sample brands according to their category

Category	Number of brands	Repartition
Clothing	77	54,2%
Watches & jewelry	43	30,3%
Leather goods	11	7,7%
Shoes	11	7,7%
Total	142	100,0%

Yet, it has to be noted that not all these brands crafted vertical brand extensions. Out of the 142 brands, 99 (69.7%) did not perform any brand extension, as shown in table 6. Then, almost one third of the brands that have been studied performed at least one brand extension. The strategies developed by brands that crafted an extension were very different: whereas some brands performed a unique extension, others developed more than one. In the sample, 2 brands even crafted 5 vertical brand extensions. This explains that out of the 142 brands that have been studied, 43 performed at least one extension and that 73 pairs of historic brand associated with their extension (listed in appendix 3) were collected.

Table 6

Number of vertical extensions per luxury brand

Number of vertical extensions	Number of brands	Percentage
0	99	69,7%
1	25	17,6%
2	10	7,0%
3	6	4,2%
4	0	0,0%
5	2	1,4%
Total	142	100,0%

4.1.2. Extensions

The great majority of the extensions from the sample have been performed downscale since 60 extensions can be qualified as such. This represents 82.2% of the total, as shown in table 7. Downscale extensions especially concern the clothing industry since 54 extensions are clothing downscale extensions. This represents almost three quarters (74.0%) of the total of the identified extensions. Downscale extensions have also been identified for shoes and watches & jewelry, even though their number is insignificant compared to the clothing sector. It has to be noted that even though watches & jewelry represented almost one third of the studied brands (30.3%), only 2 extensions have been identified in this sector. Surprisingly, leather goods are absent of both types of extensions. Finally, upscale extensions only concern the clothing industry. Table 7 summarizes the repartition of extensions relating to the category the brands historically actuate in.

Table 7
Repartition of vertical extensions according to their product category

Type of extension	Category	Number of extensions	Downscale-upscale repartition
Downscale	Clothing	54	
	Shoes	4	
	Watches & jewelry	2	
Total downscale		60	82,2%
Upscale	Clothing	13	
Total upscale		13	17,8%
TOTAL		**73**	**100,0%**

Brands from various countries have crafted brand extensions, as shown in table 8. Italy, the United Kingdom, the United States and France represent the countries that have performed more extensions. This is coherent with the countries of origin of most luxury brands that have been identified in 4.1.1. Nevertheless, the great exception concerns Switzerland. From the brands coming from this country, only one crafted a unique downscale brand extension. Yet, this low representation makes sense since every Swiss brand from the sample actuates in the watches & jewelry segment, where extensions do not seem to be common.

Another interesting fact concerns France whose luxury brands were well represented in the brand sample: it has been overpassed in terms of numbers of vertical extensions by Italy and two Anglo-Saxon countries. As already explained, one brand can perform more than one extension and this can partly explain this disequilibrium. As an example, Giorgio Armani (Italy) and Paul Smith (U.K.) crafted five extensions each. This can contribute to the difference between both rankings.

Table 8
Repartition of vertical extensions according to their country of origin

Type of extension	Country of origin	Number of extensions	Downscale-upscale repartition
Downscale	Italy	18	
	UK	13	
	USA	11	
	France	6	
	Germany	5	
	Japan	4	
	France/Italy	1	
	Ireland	1	
	Switzerland	1	
Total downscale		60	82,2%
Upscale	Italy	5	
	USA	4	
	France	2	
	France/Italy	2	
Total upscale		13	17,8%
TOTAL		**73**	**100,0%**

Finally, out of the 142 brands belonging to the personal luxury goods sector, only 43 crafted extensions, giving a final sample of 73 vertical brand extensions, mostly downscale ones. Whereas most luxury brands come from five countries, they seem to behave differently regarding their vertical extension strategy. Yet, more significant than the country of origin, the category a brand belongs to might better explain luxury brands' strategy.

4.2.Understanding brand distance of the sample: a three-level pattern

In order to understand the distance between an original brand and its associated second-brand, points were attributed depending on the distance existing between them regarding three different distancing techniques: graphic, linguistic and feature distances (see 3.2.2.). A simple sum was made to get the overall distance between original and extension brands. The weight between each of these variables was not distinguished because the literature is not clear about it. The higher the score, the greater the gap is between the two elements of the pairs. The highest possible score (5) was attributed to three pairs because at least one of the three distancing techniques could not be evaluated because of a lack of data. It was then considered the distance between the brands was high.

A wide spectrum was then identified, as shown in tables 9 and 10, and in graph 1. While some companies choose not to significantly differentiate their brands, others decide to clearly do so. Strategies regarding downscale extensions show more variety than in the case of upscale extensions. Indeed, more than half of the upscale extensions of the sample did not use any distancing technique, compared to less than one quarter for downscale extensions. Yet, when brand distance is equal to 0, more than one quarter of the pairs in the sample (28.8%) is represented (considering both type of extensions).

The repartition of downscale extensions along the brand distance spectrum is more equally distributed than that of upscale extensions. These tend to be more concentrated in the extreme parts. When scores equal to 1 and 2 are taken into account, the majority of the sample is composed of downscale extensions with 50.0% of the downscale extensions composing this "small brand distance" category. Yet, 23.1% of the upscale extensions of the sample are composing this category, which is still significant. Around three quarters of both upscale and downscale extensions compose the smaller distance techniques category (when scores going from 0 to 2 are taken into account). Then, it seems that independently of the type of extensions crafted by luxury firms, small distancing techniques are usually applied.
Since the scoring method that has been used for brand distance was composed of three dimensions, it has been considered that a score superior or equal to 3 represent a high distancing technique strategy. Around one quarter of each type of extension compose this category. Although, as already mentioned, upscale extensions tend to occupy the more extreme part of this segment with 15.4% of upscale extension pairs having a score of 5.

Brands then seem not to adopt distancing techniques when upscale extensions are concerned or, on the other hand, to adopt extreme distancing techniques. Companies crafting downscale extensions seem to adopt more diversified strategies, occupying more areas of the spectrum, yet being mainly small or inexistent.

Then, different patterns have been identified. While some personal luxury goods companies decide not to differentiate their original and extension brands, others decide to make a small distinction between them while others use high distancing techniques. Furthermore, the distinction between upscale and downscale extensions seems to have its importance in the strategy adopted by a luxury company.

Since the research question focuses on distribution of vertical extensions, it needs to be further investigated and put into perspective with the data that has just been analyzed.

Table 9

Brand distance distribution of the brands, according to performed type of extension

Brand distance	Downscale extensions		Upscale extensions		Total	
	Number	Part	Number	Part	Number	Part
0	14	23,3%	7	53,8%	21	28,8%
1	18	30,0%	2	15,4%	20	27,4%
2	12	20,0%	1	7,7%	13	17,8%
3	9	15,0%	1	7,7%	10	13,7%
4	6	10,0%	0	0,0%	6	8,2%
5	1	1,7%	2	15,4%	3	4,1%
TOTAL	**60**	**100,0%**	**13**	**100,0%**	**73**	**100,0%**

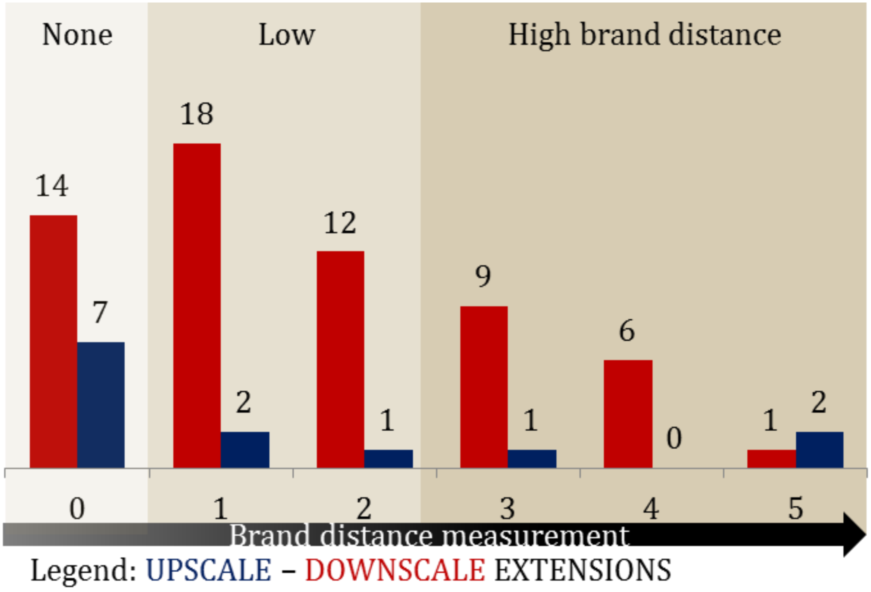
Table 10

Brand distance distribution of the brands, according to performed type of extension

Brand distancing technique level		Downscale extensions		Upscale extensions		Total	
Category	Score	Number	Part	Number	Part	Number	Part
None	0	14	23,3%	7	53,8%	21	28,8%
Small	1, 2	30	50,0%	3	23,1%	33	45,2%
High	3, 4, 5	16	26,7%	3	23,1%	19	26,0%
TOTAL		**60**	**100,0%**	**13**	**100,0%**	**73**	**100,0%**

75,0%

Graph 1 – Summary of brand distance distribution, according to performed type of extension



4.3.Online distribution

The way distribution between original and extension brands has been measured has already been evoked (see 3.2.3.). Each brand was first associated to a score. The higher the score, the more distributed it is online. Then, the difference between the two was studied. The following operation has been made: score associated with the extension – score associated with original products. The array of results went from 1 to -3:

- A positive score means the extension is more distributed online than the original brand.
- A difference that equals to zero implies that both brand display the same online distribution strategy.
- A negative score suggests the online distribution of the original products is higher than the online distribution strategy of the associated extension. Then, the extension brand is less distributed online than the original brand. The lower the score, the less distributed the extension is.

Some uncommon results have been found, though. Some pairs (11) did not correspond to the categorization that was made in the methodology part. They reflected situations where products from the extension brand were not even presented online. After the collection of the data, it has been decided to associate these pairs to an extreme negative score since they reflect a tremendous gap in distribution, where the extension is less distributed online than the original products (since the products are not even presented online). Pairs were then associated with a score of -4.

Table 11 shows the repartition of pairs according to their differences in distribution. Vertical extensions tend to concentrate on extreme values in terms of differences in distribution (-4, 0, and 1). The largest category has a score of 0 with 43 pairs (58.9% of the total sample). This reflects a common strategy adopted by the original and the extension brands. The great majority of downscale extensions are included in this category (39 pairs or 65.0% of this type of extensions).

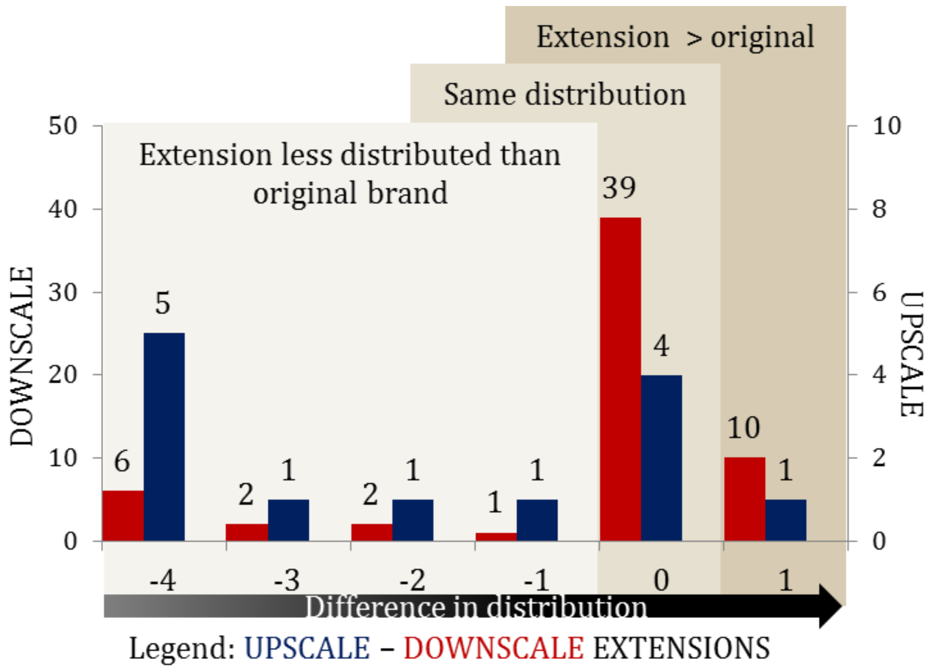
Extremities of the distribution spectrum as well contain a large amount of pairs. The -4 category is the largest category for upscale extensions, with 38.5% of the upscale extension sample labelled as such. Even though the -4 category corresponds to 10.0% of the downscale extensions, the second biggest category of this kind of extension is the positive one regrouping 10 pairs (16.7% of the downscale extensions). Then, four distinct strategies seem to occur, as shown in graph 2:

- An extreme negative difference (corresponding to a score of -4), especially important when upscale extensions are considered;
- A range of negative differences (from -3 to -1), regrouping firms that chose to restrict the online distribution of their extension products compared to their original ones;
- Companies that adopt the same strategy regarding both lines (score of 0). This category is the largest one and concerns upscale as well as downscale extensions;
- Companies that distribute their extension brand more than their historic one (positive score), more important for downscale extensions than for upscale ones.

Table 11
Repartition of pairs according to their difference in online distribution

Distr. Difference	Downscale extensions Pairs	Downscale extensions Part	Upscale extensions Pairs	Upscale extensions Part	TOTAL Pairs	TOTAL Part
-4	6	10,0%	5	38,5%	11	15,1%
-3	2	3,3%	1	7,7%	3	4,1%
-2	2 } 5	3,3% } 8,3%	1 } 3	7,7% } 23,1%	3 } 8	4,1% } 11,0%
-1	1	1,7%	1	7,7%	2	2,7%
0	39	65,0%	4	30,8%	43	58,9%
1	10	16,7%	1	7,7%	11	15,1%
TOTAL	**60**	**100,0%**	**13**	**100,0%**	**73**	**100,0%** **100,0%**

Graph 2 – Summary of the repartition of pairs according to their difference in online distribution



Finally, two different perspectives have been understood regarding the sample: the way luxury companies distinguish their brands when they craft a vertical extension (through the study of brand distance) and the way companies distinguish their online distribution strategy. These two different perspectives have been put together in the next part to constitute a framework…

4.4. A two-dimensional brand distance-online distribution framework

4.4.1. Presentation of the framework

The two main perspectives that have been studied in this research have been put together to constitute a model helping to understand the way luxury brands implement their online distribution strategy when they craft a vertical extension (see table 12). Then, each pair of brands has been associated with the brand distance it expresses and the online distribution strategy it displays. Brand distancing can be high, small or inexistent and extension can be much less distributed, less, equally or more distributed than their original counterpart.

It can be seen that some categories contain lots of pairs while others do not. In order not to have categories composed of a sole pair, it has been decided to regroup the negative distribution scores together, as shown in table 13. However, it is important to keep in mind that the distribution strategy within the category can be very wide. Indeed, -4 is an extreme score that have been created in order to depict a precise reality.

The most important type of extension strategy that can be found in the sample is a situation where companies decide not to differentiate their online distribution strategy and implement a small brand distance strategy. Indeed, 21 brands can be found in that category, which represents 28.8% of the total sample. The second most important category in terms of size concerns pairs that display the same online distribution strategy but that are strongly differentiated in terms of brand positioning. It contains the same number of pairs (11, or 15.1% of the total sample) as another category composed of pairs that display a similar online distribution strategy and an inexistent brand distance strategy that do not differentiate their brands (table 13).

Table 12

Repartition of pairs regarding brand distance and online distribution strategy

Brand distance	Extension much less distributed (-4)		Extension less distributed (-3, -2, -1)		Same distribution strategy (0)		Extension more distributed (1)		TOTAL	
High (3, 4, 5)	4	5,5%	1	1,4%	11	15,1%	3	4,1%	19	26,0%
Small (1, 2)	3	4,1%	4	5,5%	21	28,8%	5	6,8%	33	45,2%
None (0)	4	5,5%	3	4,1%	11	15,1%	3	4,1%	21	28,8%
TOTAL	11	15,1%	8	11,0%	43	58,9%	11	15,1%	73	100,0%

Table 13

Repartition of pairs regarding brand distance and online distribution strategy 2

Brand distance	Extension less distributed (-4 to -1)		Same distribution strategy (0)		Extension more distributed (1)		TOTAL	
High (3, 4, 5)	5	6,8%	11	15,1%	3	4,1%	19	26,0%
Small (1, 2)	7	9,6%	21	28,8%	5	6,8%	33	45,2%
None (0)	7	9,6%	11	15,1%	3	4,1%	21	28,8%
TOTAL	19	26,0%	43	58,9%	11	15,1%	73	100,0%

In the previous conclusions, it has been found that some categories share characteristics. These still apply when data is crossed. It has been shown that pairs that have the same online distribution strategy for their extension and their original brands or that distribute their extension products more than their online counterparts share the presence of an e-commerce platform. This characteristic still applies and is interpreted in the next part (5).

4.4.2. Investigating the framework

4.4.2.1. Distinction between upscale and downscale extensions

The nine different categories that have been identified share some characteristics, as shown in tables 11 and 12. Figure 2 is a graphic representation of table 14 that helps understand the importance of each category of the framework, for each type of extension.

According to the data present in this table, the great majority of downscale extensions are contained in the categories that display the same distribution strategy (total of 39 pairs), as well as in the category in which extensions are less distributed than original products when a small brand distance strategy has been adopted (6 pairs). These four categories account for 75.0% of the total of downscale extensions, or 45 brands.

As for upscale extensions, most of them are characterized either by an absence of brand distance strategy or by a negative distribution score.

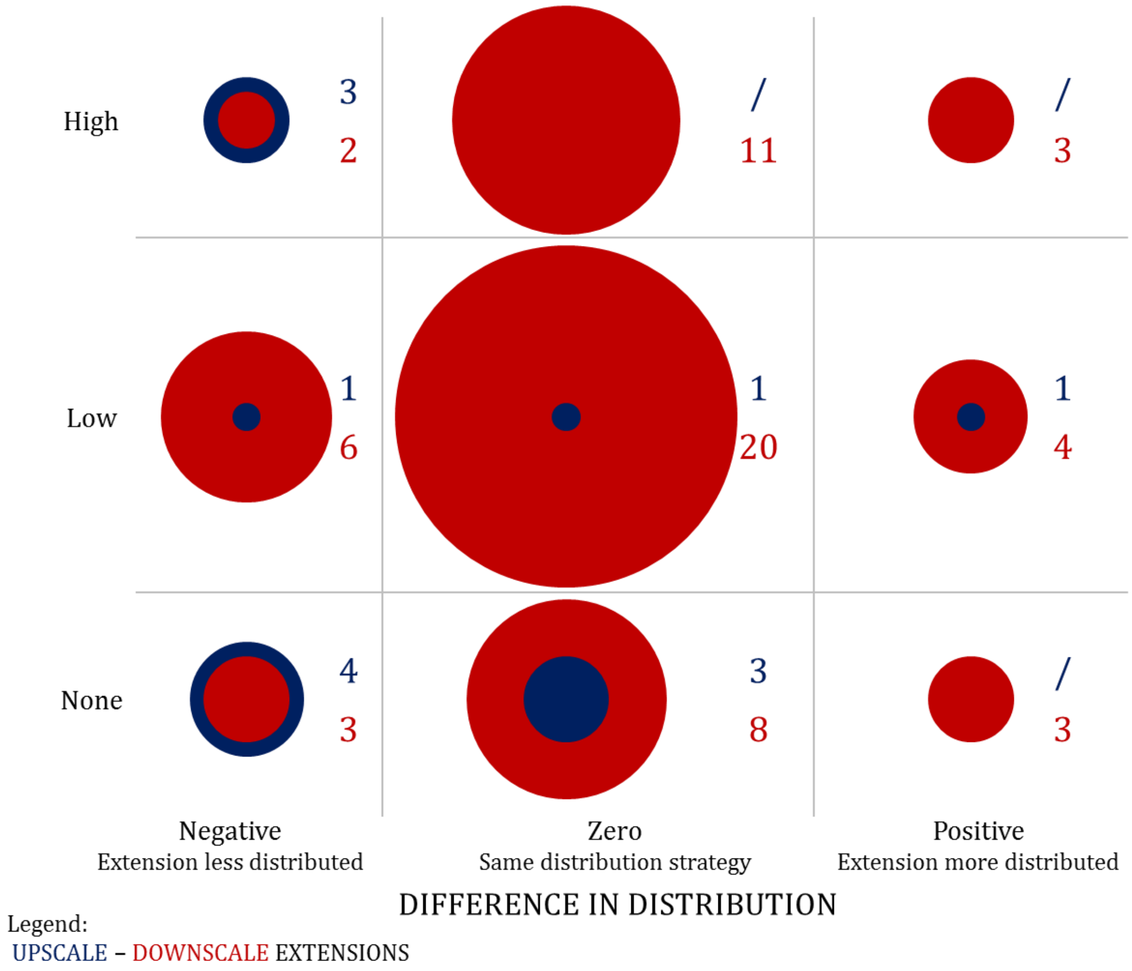
Table 14

Repartition of pairs regarding brand distance and online distribution strategy – Distinction between upscale and downscale extensions

Downscale extensions				
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total downscale extensions
High	2	11	3	16
Small	6	20	4	30
None	3	8	3	14
TOTAL	**11**	**39**	**10**	**60**

Upscale extensions				
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total upscale extensions
High	3	-	-	3
Small	1	1	1	3
None	4	3	-	7
TOTAL	**8**	**4**	**1**	**13**

Figure 2 – Graphic representation of the brand distance-online distribution framework; distinction between upscale and downscale extensions



4.4.2.2. An insignificant study by category

Studying the differences in categories is difficult since the number of pairs in the shoes and watches & jewelry sectors is low. Yet, it can be noted that pairs belonging to the watches & jewelry industry display a high brand distance strategy, contrary to shoes. These conclusions can be drawn from table 15. Please note that pairs corresponding to both the shoes and watches/jewelry sectors have been put in the same table. Watches & jewelry pairs are highlighted in grey. No generalization about those categories can be drawn from these data – suppositions at most – but it is worth mentioning it.

Table 15

Repartition of pairs regarding brand distance and online distribution strategy - Distinction between categories*

Clothing				
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total
High brand distance	4	11	2	17
Small brand distance	6	19	5	30
No brand distance	6	11	3	20
TOTAL	**16**	**41**	**10**	**67**
Shoes + watches/jewelry				
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total
High brand distance	1	-	1	2
Small brand distance	1	2	-	3
No brand distance	1	-	-	1
TOTAL	**2 + 1**	**2**	**1**	**6**

*Watches/jewelry in grey

Finally, lots of conclusions can be drawn from the brand distance-online distribution framework that has just been developed. The framework has been simplified in order to create a typology on the market. This framework can be put into perspective with other data that have been collected along this research. The main conclusions and some examples that characterize the most important categories are presented in the discussion part.

5. DISCUSSION

This research provides a framework that helps understand the organization of the luxury market regarding online distribution, when brands launch a vertical brand extension. The model is presented at the beginning of the conclusive part and represents the trends that were identified in this research. Nine different categories have been identified, which are not equally represented. The great majority of pairs from the sample adopt a common distribution strategy for both of their brands, and use small distancing techniques between the original and the extension brand.

Yet, even though this cluster is the largest one, others are important as well to understand the organization of the market, especially the category in which brands use the same distribution strategy and do not differentiate their brands.

5.1.A fundamental difference: upscale and downscale extensions

A typology including nine different categories has been created to classify each pairs regarding the vertical extension that was developed by each brand. As the literature mentions, the distribution behavior regarding an upscale or a downscale extension should be different in order for the company to take advantage and keep its brand equity (see especially Silverstein and Fiske, 2003). Whereas it has been understood that proposing products that fit together a lot seems fundamental for an upscale extension, downscale extensions seem not to require that much of a fit. A prestigious company launching a downscale extension that shares lots of characteristics with its original brand might damage its brand equity, as mentioned in the literature review.

5.1.1. Upscale extensions

As shown in table 14 and figure 2, the majority of upscale extensions of the sample have been developed without any brand distance. The amount of upscale extensions of these categories is 53.8% (76.9% when the small and no brand distance categories are added). It confirms the arguments developed by the literature review. Keeping brand distance low between the original brand and the extension one might contribute to positive associations in the consumers' minds, as far as upscale extensions are concerned. Indeed, since distance between the brands is low, consumers associate both brands together, consider them as similar. The level of prestige of the extension is higher than the original brand's and, according to the bookkeeping model (Weber and Crocker, and Loken and Roadder John, both quoted in Kim and Chhajed, 2001), consumers' beliefs change when they are given new information. New information in that case is a higher level of luxury of the extension brand that reverberates on the original one. In that case then, when a company launches an upscale extension, it uses the positive brand equity associated to its original brand to launch another brand that contributes to the improvement of the image of the original brand.

Ralph Lauren illustrates this strategy. Originally specialized in men's clothing and accessories, the company expanded into various categories and segments. It launched two upscale extensions (Ralph Lauren Collection and Ralph Lauren Purple Label, respectively feminine and masculine higher-end labels) that can arguably act as flagship brands for the various brands the group has developed over the years. It can be argued that Ralph Lauren Collection especially acts as so since it is the only line of the company that has its own runway show during New York Fashion Week. Consumers associate the prestige of this line to the original brand since the distance between this brand and the others is especially low.

However, an important part of upscale extensions (23.1%) belongs to a high brand distance category, which contradicts what has just been developed and seems surprising. Yet, a closer look at the pairs that are concerned shows that all are clothing brand that launched an haute-couture activity (Atelier Versace, already evoked, belongs to this category for example). Haute-couture is a strictly regulated category in luxury clothing, defined by a French authority called *Chambre syndicale de la haute couture*. Only a few brands can have access to this appellation and standards to launch such an activity are extremely restrictive and brands need to comply with highly prestigious standards. The *Chambre syndicale de la haute couture*, responsible for the attribution of the appellation, opened it to non-French brands recently, such as Versace (Italy) or Viktor & Rolf (Dutch). Then, the fact that some pairs developed extensions with a high brand distance is not surprising.

Besides, the majority of upscale extensions that have been launched display a more exclusive distribution strategy for the extension brands (61.5%). This result confirms the arguments found in the literature that explain that the more prestigious a product is, the more exclusive it should be in terms of distribution as well (see appendix 1). Eventually, the results found from the upscale extensions in the sample are legitimate and confirm the literature.

5.1.2. Downscale extensions

According to the literature, downscale extensions do not require an extremely close fit with their parent brands. Indeed, it might be negative for the original brand to be associated with a less prestigious brand. Surprisingly, 73.3% of the downscale extension pairs display no or a small brand distance with their parent brand. This means that the extension and the parent brand are relatively close. For example, Vivienne Westwood diversified its activities by launching a more accessible label called Vivienne Westwood Red Label. The graphic, linguistic and product distance between the two brands is extremely low (inexistent according to this research): both use the same name, a close logo and the same designer works for both brands.

Other pairs, belonging to the clothing industry, such as Chloé-See by Chloé or Missoni-M Missoni display a small brand distance. Original and extension brands are still related though. The literature explains that downscale extensions should be related to their original brands. This is logical since the essence of brand extensions is to leverage brand equity (of the original brand) to launch products conquering a new market. Then, consumers need to understand that the extension is related to a more prestigious brand in order to transfer the positive image from the original to the extension brand. This strategy has been adopted by a large amount of luxury brands, such as the ones quoted in this paragraph. Interestingly enough, pairs from the shoe industry displayed either an inexistent or a low brand distance strategy.

However, some brands clearly distinguish their downscale extensions from their historic brand. 26.7% of the sample composed of downscale extension pairs did so. This strategy can also be justified by the literature that recommends to distinguish between an original brand and a downscale extension, in order to reduce the potential transfer of less prestigious image (and thus negative as far as the luxury industry is concerned) from the extension to the original brand. Diesel then launched a downscale extension called 55DSL. The logos of these brands are really different, their names are distant, and the products they offer are distinct (different designers). The idea behind the creation of such a brand is to reduce the probability of a potential transfer of a "mass" image from 55DSL to the original brand. Other pairs have adopted this strategy such as Prada-Miu Miu, or Donna Karan-DKNY Jeans. Original and extension brands are really distinct and address different markets. It can be supposed that the companies that own the brands that launched extensions with high distance did not count on having associations from the original brand to the extension one. It is also probable that the firms could not risk damaging their brands after a downscale extension that could be too close from the original products. A transfer of image from the downscale products to the original upscale ones probably could not be risked by the companies.

Interestingly enough, the only two watches & jewelry extensions present in the sample are downscale extensions and can be found in the high brand distance category. Even though the quantity of brands from this sector in the sample is too low to generalize, it is interesting to note that the two pairs (Rolex-Tudor, Pomellato-Dodo) belong to this category. Watches & jewelry use a savoir-faire that is extremely technical and, to a certain extent, more specialized than the other industries that were considered in the sample. Then, the launch of an extension brand can rather be the transfer of savoir-faire from the original brand to the extension one and a way to diversify a company's portfolio, rather than a way to establish a real link between both brands addressing two different markets. The Rolex know-how in making watches was partially transferred to Tudor, their more accessible brand. Yet, the two brands are really distant.

Finally, downscale extensions cover a larger array of brand distance situations than upscale extensions, which seem to concentrate more. Downscale extensions can be close to their original brands or not, depending on the strategy of each firm. In both cases, an arbitrage has to be found between two opposite strategy:

- Staying close to the original brand in order to get positive associations from it (but risking brand dilution through negative associations from the extension to the original brand);
- Clearly differentiating between the original and the extension brand in order to reduce those potential positive associations.

Dall'Olmo Riley et al. (2013) summarize those two apparently opposite strategies explaining that extensions should have their own identity, even though they should remain coherent with the original brand.

The way downscale extension deal with distribution is coherent with what has been found in the literature. As shown in table 14 and figure 2, the great majority of extensions of that kind are either distributed in the same way as their original brand, or more accessible than their original counterparts. Those two categories account for 81.7% of the total quantity of downscale extensions of the sample. This result confirms the fact that online brand distribution and brand prestige are closely linked and that the less prestigious, the more accessible online. Since online distribution is a relatively new aspect on the luxury industry, it seems logical that luxury companies adopt the same online distribution strategy for their whole range of products and brands. Probably fearing brand dilution, it seems legitimate not to differentiate their strategy in a first time. A report published by Solca et al. (2014) confirmed that luxury companies are usually slow in implementing engaging digital strategies.

Yet, a worthwhile part of the downscale extension pairs shows a surprising result since 18.3% of the downscale extensions from the sample are less distributed online than their original products. This distribution strategy seems to contradict the literature that associates online distribution with distribution of lower-end products (such as downscale extensions). Yet, only official websites of the brands have been studied. Specialized online retailers (net à porter or farfetch) and general websites (such as ebay or amazon) were not investigated. It is possible that a company chooses to adopt a different online distribution strategy for two of its lines: one being distributed on its official website, the other one being distributed through other online channels. A firm can then distribute its main line on its website and let other websites distribute their less exclusive extension products. The luxury company then focuses on the distribution of their more prestigious items while it outsources the distribution of their mass products. These items require a less prestigious strategy and can therefore be tackled by a generalized firm. The prestigious online shopping experience is less needed than for an upper-hand product.

It is also possible that the luxury company does not distribute its less exclusive items online and focuses on offline channels, either through its own stores or through offline retailers. Moncler Grenoble is a downscale extension of Moncler, a French and Italian luxury clothing firm that cannot be bought online, contrary to the other Moncler brands. Their distribution strategy concerning this particular brand can be one of those. Please refer to the model.

The framework that has been developed is especially useful to localize upscale ad downscale extensions that tend to behave in the same way. Other information can also be added to the framework.

5.2.The role of the product categories

As already noted, the study of the repartition of the different categories within the framework might not be meaningful. Indeed, the great majority of the original brand-extension brand pairs that were used in the sample are constituted of clothing brands. No leather company conducted a vertical extension strategy. Furthermore, vertical extensions seem to be a marginal strategy within the watches & jewelry sector and the shoe industry. Despite the low amount of pairs from these sectors, their repartition on the framework can give some insights (that have already been developed in the last parts).

During the collection of the data, it has been noted that the watches & jewelry industry – and the shoe one to a certain extent – are marked by the presence of “collections” that distinguish them from leather goods companies and, especially, fashion luxury clothing brands. Watches & jewelry firms have the possibility to display a large array of products under the same brand name yet organized by collection, contrary to clothing firms for instance. Those collections can have different level of prestige. Then, companies belonging to this industry have the possibility to widen their consumer base through the introduction of new models, without having to launch another brand or label. The example of Cartier illustrates this trend: this company offers different jewelry collections. One is called “exceptional creations” and regroups the most exclusive products the company develops. The regular jewelry section includes 21 collections. Each collection displays different products that share certain characteristics such as the inspiration behind the creation process (i.e. animals, symbols, colors). Yet, it might also seem possible for a watches & jewelry company to introduce a different collection that would display a different level of prestige. The items from this collection could then be understood as a vertical extension that has not been taken into account in the methodology. This particularity of the watches & jewelry sector is not shared by the seasonal clothing industry for instance in which novelties are constant and coherence of the collection is temporary. The extensions concerning the shoe sector and the watches & jewelry industry have been added to the model as additional information.

5.3.Variables related to the presence on the Internet

During the collection of the data, additional information has been withdrawn from the websites. These data contribute to the understanding of the research question and add certain features to the categories of the framework.

5.3.1. Presence of a common e-commerce website

Firstly, the additional characteristics that can be added to the framework can simply concern the presence or the absence of a common e-commerce platform for either the extension products or the original brand (or both). Table 16 distinguishes the brands regarding the presence of a common e-commerce service or not.

The majority of the pairs from the sample treat their brands in the same way regarding distribution, either they use the same e-commerce website or not. It is however interesting to note that the proportion of pairs sharing an e-commerce platform is almost as important as the proportion of pairs that use a different website: whereas 47.9% of the pairs (35 pairs) share their e-commerce website, 52.1% (38 pairs) do not.

Yet, they are not divided in the same way: almost every pair characterized by an extension brand that is more distributed online than their original counterpart uses the same e-commerce website. This means that when a company distributes its extension products more than its original ones, it is done through a common e-commerce website. This can be a strategy used by the brands to emphasize the fact that the original products are the *original* ones, that they are the historic ones. It can be a way to show to the consumers that their original products are less available online than the extension products. It can be a means used by the luxury firm to increase the consumers' desire on the historic product while offering an extension brand for buying. Since luxury companies usually value their heritage and history, this can be a mean to segregate their different lines and easily show it to the consumers. This might be especially true when downscale extensions are concerned.

For instance, Giorgio Armani launched a downscale extension targeted at the young, creating Armani Exchange and Armani Jeans. Those two extensions are more distributed online through a common platform while the historic brand, Giorgio Armani, is not available. As explained, it may be a way for the company to offer an array of its brands and products and increase the consumers' desire for the unavailable and historic products. It is also possible to think about it the other way around: it might also be a way for the company to distribute its downscale products while enjoying the aura of the upscale original brand, Giorgio Armani. Nevertheless, pairs that share the same distribution strategy mainly compose the same e-commerce website category. It means that luxury companies do not make distinctions neither about their distribution strategy nor about the channel. Besides, 9 pairs in this situation display an inexistent brand distance.

On the other end of the spectrum, when an extension is less distributed, extension brands and original brands tend to not share the same e-commerce platform (18 pairs). This can simply be explained by the way data was collected. Indeed, having a different e-commerce website can mean that one of both brands does not have an e-commerce service.
Then, the only characteristic that can be added to the research through the study of this data is that even though an extension is more distributed online (or equally) than its original brand, both brands tend to share the same e-commerce platform. The distinction in distribution that seemed to emerge is then not translated into the choice of platforms.

Table 16

Repartition of pairs regarding the presence of a common e-commerce platform

Same e-commerce website					GENERAL TOTAL
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High brand distance	-	2	1	3	19
Small brand distance	-	14	5	19	33
No brand distance	1	9	3	13	21
TOTAL	**1**	**25**	**9**	**35**	**73**
Different e-commerce website					GENERAL TOTAL
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High brand distance	5	9	2	16	19
Small brand distance	7	7	-	14	33
No brand distance	6	2	-	8	21
TOTAL	**18**	**18**	**2**	**38**	**73**

5.3.2. The presence of a common website

Since some of the brands that have been studied are not distributed online and thus do not offer any e-commerce service, it might be useful to put the pairs that have been studied in perspective with the fact they share (or not) a common website. More than a way to distribute online, a website is also a communication tool that presents the brands (see upcoming part 5.3.3.).

The great majority of the pairs from the sample share a common website. This represents 50 brands, or 68.5% of the total sample. This is especially the case for pairs that present a small distance between their brands and/or that adopt the same distribution strategy.

Pairs that tend to have different websites for their extension and original brands are the pairs that offer less their extension products online compared to original brands. Indeed, 12 brands belong to that category. This represents 52.2% of the total of pairs that have different websites, or 16.4% of the total amount of pairs represented in the sample.

Eventually, what can be withdrawn from these two points is the following: when an extension is less distributed online, it usually does not share its website or e-commerce platform with its original brand and vice-versa (cf. framework at the beginning of the conclusion). Contrary to what can be thought, the two are not *that* closely linked. It is possible to have two different websites about the brand and the same e-commerce website and vice-versa since the technology used to treat e-commerce payments and platforms is very different from usual websites.

Table 17

Repartition of pairs regarding the presence of a common website

Same website					GENERAL TOTAL
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High brand distance	1	6	1	8	19
Small brand distance	1	20	3	24	33
No brand distance	5	10	3	18	21
TOTAL	**7**	**36**	**7**	**50**	**73**

Different website					GENERAL TOTAL
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High brand distance	4	5	2	11	19
Small brand distance	6	1	2	9	33
No brand distance	2	1	-	3	21
TOTAL	**12**	**7**	**4**	**23**	**73**

Yet, the great majority of brands tend to share a website *and* an e-commerce platform, especially when they distribute in the same way. Then, those pairs are composed of extension brands that share a website and/or an e-commerce with their original brands. What can be noted is that the great majority of them display a small brand distance. This is for instance the case for Lacoste and its two downscale extensions (Lacoste Live and Lacoste Sport): the three brands share the same website, the same e-commerce platform. In addition, brand distance between Lacoste and both Lacoste Sport and Lacoste Live is low (equal to one).

5.3.3. The online communication strategy of the brands

The last variable that has been collected and could add some input to the research is about the displayed communication strategy, regarding both of the companies' brands. This information was coded according to the binary code, already used for other sets of data: when the brand only presented its products in a stylized way (without offering an e-commerce option), the brand gained one point. When products were only presented in an "e-commerce manner", a score of zero was appointed. A zero means that the brand only focuses on e-commerce; a point means that the brand offers more than an e-shop, tries to give a more complex experience to its consumers. The difference between the two was then studied to come up with table 18, distinguishing each category according to the communication strategy it has displayed.

The great majority of pairs from the sample display the same communication strategy and the same distribution strategy, as shown in the model as well. Taking into account 38 downscale extensions and 4 upscale extensions, it makes exactly 70.0% of the total sample. This means that companies replicate exactly the distribution strategy and the communication strategy they use for one of their lines to their extensions. This is especially the case when the extension is a downscale one. For example, Marc Jacobs and Marc by Marc Jacobs are distributed in the same way, and communication about the product is close. Distinction between the original brand and its downscale extension is low regarding this aspect.

Actually, a really low amount of pairs adopt a different communication strategy. This emphasizes the fact that companies tend to replicate their communication strategy from the original brand to the extension one.

Table 18

Repartition of pairs regarding the presence of a common communication strategy - Upscale and downscale extensions

Upscale extensions					
	Same communication strategy				TOTAL UPSCALE
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High	1	-	-	1	3
Small	-	1	-	1	3
None	3	3	-	6	7
TOTAL	4	4	-	8	13
	Different communication strategy				TOTAL UPSCALE
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High	2	-	-	2	3
Small	1	-	1	2	1
None	1	-	-	1	9
TOTAL	4	-	1	5	13

Downscale extensions					
	Same communication strategy				TOTAL DOWNSCALE
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High	1	10	-	11	16
Small	5	20	4	29	30
None	1	8	1	10	14
TOTAL	7	38	5	50	60
	Different communication strategy				TOTAL DOWNSCALE
Brand distance	Extension less distributed	Same distribution strategy	Extension more distributed	Total	
High	1	1	3	5	16
Small	1	-	-	1	30
None	2	-	2	4	14
TOTAL	4	1	5	10	60

6. CONCLUSION AND AREAS FOR FUTURE RESEARCH

6.1.Conclusion

This research can be summarized into the model that has been developed, represented in figure 3. The objective of this research was to understand the way luxury companies manage their online distribution strategy when they implement vertical brand extensions. The model then presents those two sets of variables: the extent to which extension products are less, equally or more distributed than their original products on the horizontal axis; and the brand distance (from low to high) between the different lines on the vertical axes. Pairs belonging to a same category tend to share commonalities regarding various aspects.

Depending on the type of extensions, companies seem to adopt the same strategies. When upscale extensions are implemented, pairs tend to form an "L" that means that extensions are less distributed than the original products (that is to say the distribution strategy is more exclusive) and/or no brand distance is displayed. This is partially coherent with the arguments of the literature review about upscale extensions: the lower the brand distance, the greater the positive associations (such as the image of prestige) transfer from the extension to the original brand. Upscale extensions also tend to be less distributed online than the original products of the original brand. This is coherent regarding the literature as well. Indeed, according to it, the more prestigious an item, the more exclusive its distribution should be. Finally, the higher brand distance/less distributed extension situation is a surprising result. Indeed, a high brand distance hinders (positive) brand associations from the more prestigious items (the extension) to the original brand. Yet, as this result applies to haute-couture extensions, it is eventually not surprising.

On the other hand, when a company crafts a downscale extension, it is more likely to adopt a strategy forming a "lay down T". It means that extensions tend to be equally or less distributed than the original line, and that a low brand distance is displayed. Two categories (same distribution/no brand distance and negative distribution/low brand distance) concern both upscale and downscale extensions. Regarding distribution of downscale extensions, this result is a bit surprising as far as literature is concerned. The authors indeed recommend distributing downscale extensions more than the original products since the extensions have a lower level of prestige. However, the great majority of the brands display the same distribution strategy regarding the original and the extension products. The fact e-commerce is relatively new and that luxury brands are traditionally reluctant to embrace it can explain the

importance of the same distribution category: brands probably need to understand e-commerce better before differentiating their strategies according to the level of luxury of their lines. The fact some downscale lines are less distributed online than their original brands can also be explained by the way data was collected: downscale extensions can be exclusively distributed offline or through online retailers. Both were not considered in this research.
Regarding brand distance, the main results of this study are quite surprising: brands tend to differentiate their original and extension products, but not much, through a low brand distance strategy. The literature would recommend higher distancing techniques in order to limit the transfer of image from the downscale extensions to the original prestigious products and the luxury brand as a whole, in order to limit the negative associations inferred from the downscale extension. A high brand distance strategy would finally limit the risk of brand dilution. Yet, high distancing techniques could also reduce the transfer of positive image from the original brand to the downscale extension, which is the essence of brand extension. The strategy the brands display in this study is then a middle term that is understandable. It means that downscale extensions still use the equity of the original brand name, yet differentiating their lower-end products.

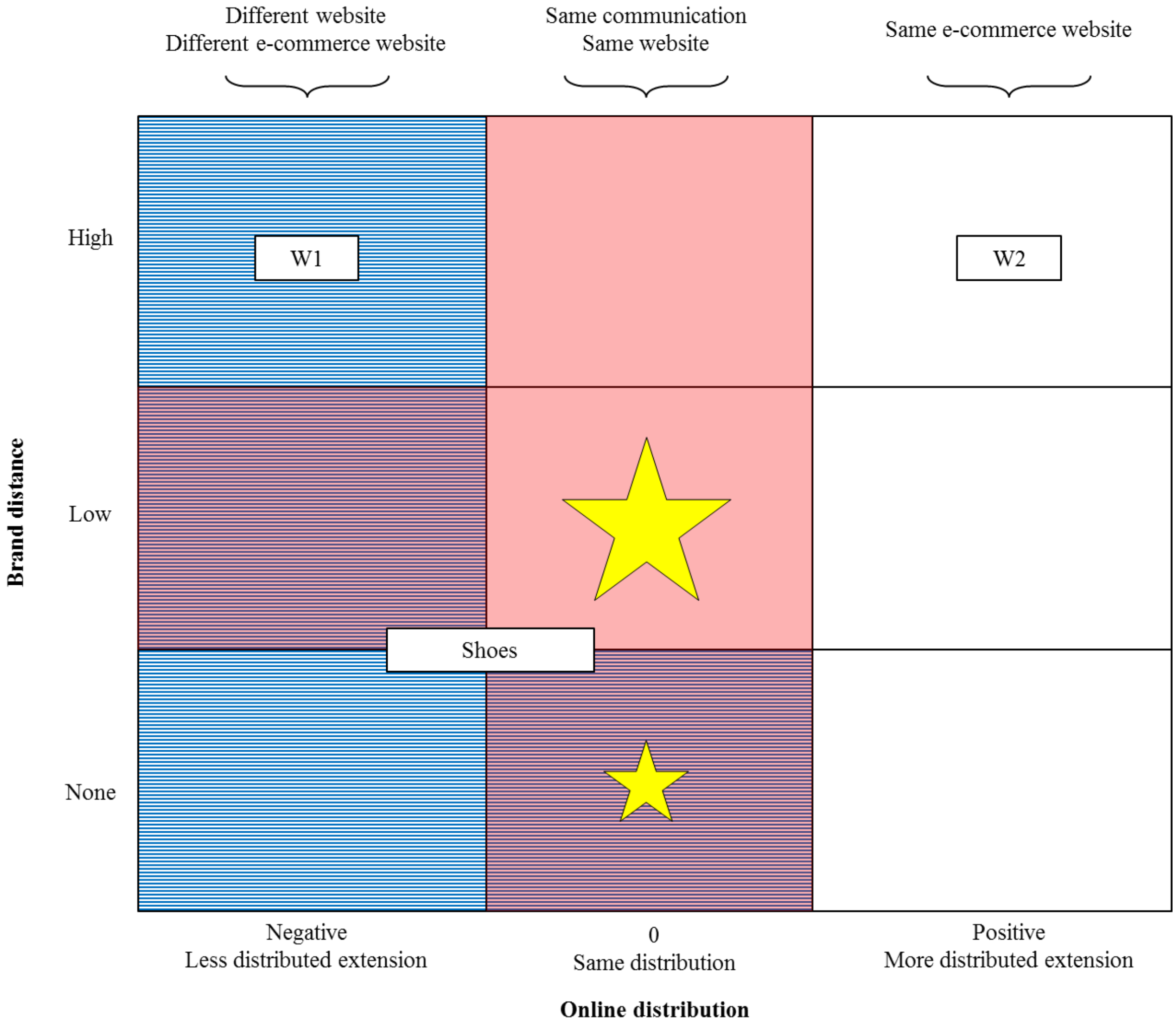
As for product categories, their role in the model is not really significant. The fact watches and jewelry items can be presented under the same brand name but belonging to different collection has to be noted and might explain the low representation of this type of extension in the sample. A deeper research concerning this aspect might bring meaningful insights.
The great majority of the brands in the framework belong to the clothing category. It is then important to note that the model that has been developed in this research mostly applies to this category.

Finally, other data have been collected and tend to characterize some situations of the model. Some assumptions have been made regarding this array of data to try to explain them.
When extensions are less distributed than their original counterparts, brands tend to have different e-commerce website, whereas brands tend to share it when extensions are more distributed. The second situation might be a part of a company's strategy to emphasize the prestige of the original products, especially since it tends to characterize downscale extensions. When extensions are less distributed online, pairs tend to have a different website. Finally, when pairs display the same distribution strategy, they tend to share their websites and their communication strategy.

Even though nine different situations have been created, the great majority of pairs are located in the categories represented by stars in figure 3. Most brands then tend to adopt the same distribution strategy when they implement an extension. Most of them also tend to slightly differentiate their extensions from their original products (bigger star). This situation mostly concerns downscale extensions. The second star, smaller, is the second biggest category (no difference in distribution/no brand distance) and can apply for both types of extensions.

Eventually, the model that has been created helps classifying luxury brands and understanding their strategy. It has been created after a careful study of both the literature and the behavior of various companies belonging to the personal luxury goods sector (and especially the fashion/clothing sector). It contributes to the understanding of the firms on the market: it helps categorize the brands depending on the type of extension they perform or the way the extension is implemented.

Figure 3 – A two-dimensional model: brand distance vs. online distribution



Legend*:

Situations that contain the largest amount of pairs

Position of most downscale extension

Position of most upscale extension

6.2.Future research and limitations

This research helps understand the behavior of luxury brands regarding distribution and the way their extensions are crafted. Nevertheless, it is not boundless and generalizing these results has to be done carefully. Indeed, the difference in the amount of upscale and downscale extensions that have been collected might bias the study. The number of downscale extensions was more important than the number of upscale ones. Then, results concerning upscale extensions have to be understood carefully.

Another limitation about this study might concern the categories that have been studied. Whereas the goal of the research was to understand personal luxury goods as a whole, it seems that extensions especially concern the clothing industry. Rather than applying to the whole sector, the results from this study seem to apply more easily to the fashion clothing sector. Yet, the few pairs that have been studied in the other industries and the insights coming from their examination provide a first step for further research focusing on those activities.

This research constitutes a first step in the understanding of luxury brands' online distribution strategy when they implement vertical brand extensions. Researchers are invited to continue the research focusing especially on the implication of the brands' strategy on brand equity. It might be interesting to study consumers' reaction and interpretation of the brands' position on the framework. Psychological consequences of a higher (lower) online distribution strategy on consumer perception of the original and extension brands probably is significant and has to be linked with brand distance (either as a cause, a consequence or two interdependent variables). Another step might be to understand the brands strategy as a whole and to put it into perspective with the framework from this research. Studying charismatic brands from different profiles along the framework with managers might also be interesting. This study might be especially interesting since, as noted, digital considerations are gaining importance.

Finally, this research is a first step that helps understand the different behaviors that can be found on the market. It is a first step towards other studies that will precise those behaviors and make additional links between variables that could, eventually, be useful for luxury brand managers.

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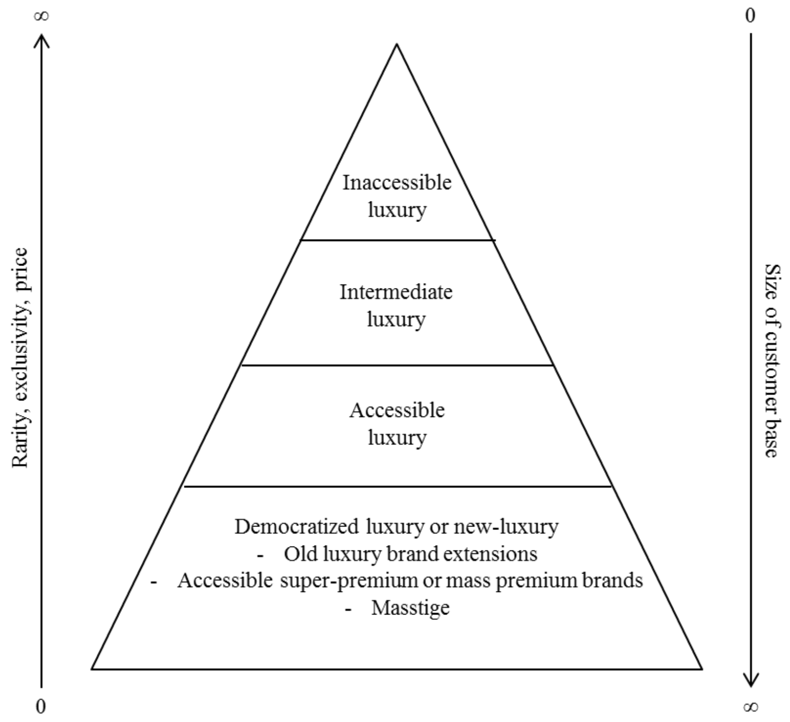
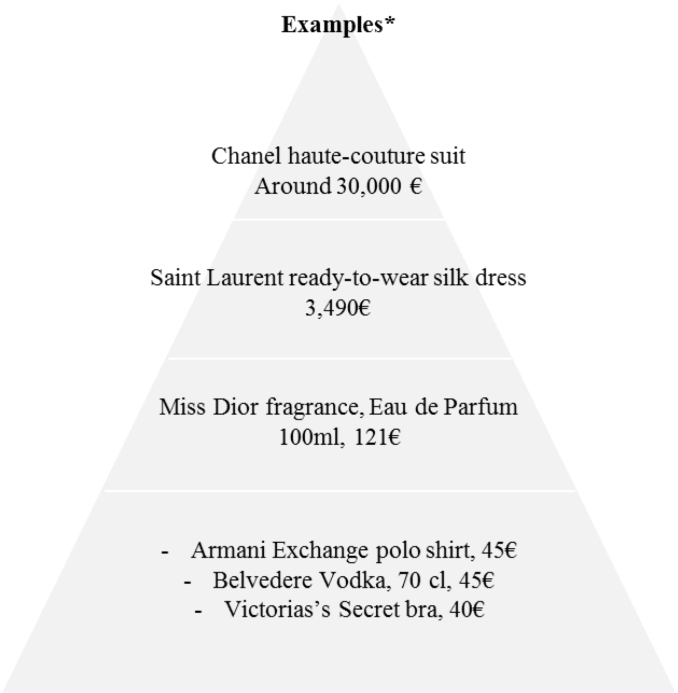
8. APPENDICES

Appendix 1

Hierarchy of luxury goods according to the literature review





*Prices are only indicative and should be put in perspective within the product category they refer to
Sources: Le Monde, ysl.com, sephora.fr, armaniexchange.com, nicolas.com, victoriassecret.com

Appendix 2

List of brands used to constitute the sample with their core and/or historic activity and country of origin

3.1. Phillip Lim	C	US	Dolce & Gabbana	C	IT	Kenneth Cole New York	S	US	Piaget	W	CH
Alexander McQueen	C	UK	Donna Karan	C	US	Kenzo	C	FR	Pierre Balmain	C	FR
Alexander Wang	C	US	Dries Van Noten	C	BE	Kiton	C	IT	Pierre Hardy	S	FR
Alfred Dunhill	C	UK	Edun	C	IE	Kurt Geiger	S	UK	Pomellato	W	IT
Aquascutum	C	UK	Emilio Pucci	C	IT	La Perla	C	IT	Prada	C	IT
Azzedine Alaia	C	FR	Emporio Armani	C	IT	Lacoste	C	FR	Qeelin	W	FR
Baccarat	W	FR	Eres	C	FR	Lancel	L	FR	Rado	W	CH
Balenciaga	C	FR	Ermenegildo Zegna	C	IT	Lange & Söhne	W	DE	Ralph Lauren	C	US
Baume et Mercier	W	CH	Escada	C	DE	Leonard	C	FR	Richard James Savile Row	C	UK
Bedat & Co.	W	CH	Fabergé	W	FR	Loewe	L	ES	Roberto Cavalli	C	IT
Berluti	S	FR	Fendi	L	IT	Longchamp	L	FR	Rochas	C	FR
Bonpoint	C	FR	FRED	W	FR	Longines	W	CH	Roger Dubuis	W	CH
Bottega Veneta	L	IT	Giampiero Bodino	W	IT	Lorenz Bäumer Joaillier	W	FR	Rolex	W	CH
Boucheron	W	FR	Gianfranco Lotti	L	IT	Loris Azzaro	C	FR	S. T. Dupont	L	FR
Breguet	W	FR	Gilan	W	TU	Loro Piana	C	IT	Saint-Laurent	C	FR
Breitling	W	CH	Giorgio Armani	C	IT	Louis Vuitton	L	FR	Salvatore Ferragamo	S	IT
Brioni	C	IT	Girard-Perregaux	W	CH	Maison Martin Margiela	C	FR	Sergio Rossi	S	IT
Bulgari	W	IT	Givenchy	C	FR	Manolo Blahnik	S	UK	Sonia Rykiel	C	FR
Burberry	C	UK	Gucci	L	IT	Marc Jacobs	C	US	Stella McCartney	C	UK
Calvin Klein	C	US	Helmut Lang	C	AT	Maurice Lacroix	W	CH	Swarovski	W	AU
Canali	C	IT	Hermès	L	FR	Mellerio dits Meller	W	FR	TAG Heuer	W	CH
Carolina Herrera	C	US	Hublot	W	CH	Michael Kors	C	US	Thomas Pink	C	UK
Cartier	W	FR	Hugo Boss	C	DE	Michel Herbelin	W	FR	Tiffany	W	US
Céline	L	FR	Isabel Marant	C	FR	Missoni	C	IT	Tissot	W	CH
Cerruti	C	FR	Issey Miyake	C	JP	Moncler	C	FR	Tods	S	IT
Chanel	C	FR	IWC	W	CH	Moschino	C	IT	Tom Ford	C	US
Chaumet	W	FR	Jaeger-LeCoultre	W	CH	Movado	W	CH	Tommy Hilfiger	C	US
Chloé	C	FR	Jean Patou	C	FR	Nicholas Kirkwood	S	UK	Turnbull & Asser	C	UK
Christian Dior	C	FR	Jean Paul Gaultier	C	FR	Nina Ricci	C	FR	Vacheron Constantin	W	CH
Christofle	W	FR	Jeanne Lanvin	C	FR	Officine Panerai	W	IT	Valentino	C	IT
Christopher Kane	C	UK	Jeanrichard	W	CH	Omega	W	CH	Van Cleef & Arpels	W	FR
Comme des Garçons	C	JP	Jil Sander	C	DE	Oscar de la Renta	C	US	Versace	C	IT
De Beers Jewellery	W	UK	Jimmy Choo	S	UK	Paco Rabanne	C	FR	Victoria Beckham	C	UK
Diane Von Furstenberg	C	US	John Lobb	S	UK	Patek Philippe	W	CH	Viktor & Rolf	C	NE
Diesel	C	IT	Josie Natori	C	US	Paul Smith	C	UK	Vivienne Westwood	C	UK
						Peter Pilotto	C	UK	Zenith	W	CH

C: clothing; W: watches/jewelry; L: leather; S: shoes

Appendix 3

List of pairs of original brands and extensions

Alexander McQueen-McQ	C	UK	D
Alexander Wang-T by Alexander Wang	C	US	D
Balenciaga-BALENCIAGA.EDITION	C	FR	U
Burberry-Burberry Brit	C	UK	D
Burberry-Burberry London	C	UK	D
Calvin Klein-Calvin Klein Platinum	C	US	D
Calvin Klein-Calvin Klein Collection	C	US	D
Calvin Klein-Calvin Klein Jeans	C	US	D
Carolina Herrera-CH Carolina Herrera	C	US	D
Cerruti 1881-18CRR81 Cerruti	C	FR	D
Cerruti 1881-Cerruti 1881 Paris	C	FR	D
Chloé-See by Chloé	C	FR	D
Comme des Garçons-Comme des Garçons Play	C	JP	D
Diesel-55DSL	C	IT	D
Diesel-Diesel Black Gold	C	IT	U
Donna Karan-DKNY	C	US	D
Donna Karan-DKNY Jeans	C	US	D
Edun-Edun Live	C	IE	D
Emporio Armani-EA7	C	IT	D
Ermenegildo Zegna-Z Zegna	C	IT	D
Ermenegildo Zegna-Zegna Sport	C	IT	D
Ermenegildo Zegna-Ermenegildo Zegna Couture	C	IT	U
Escada-Escada Sport	C	DE	D
Giorgio Armani-Emporio Armani	C	IT	D
Giorgio Armani-Armani Collezioni	C	IT	D
Giorgio Armani-Armani Jeans	C	IT	D
Giorgio Armani-Armani Exchange	C	IT	D
Giorgio Armani-Armani Privé	C	IT	U
Hugo Boss-Boss Orange	C	DE	D
Hugo Boss-Boss Green	C	DE	D
Hugo Boss-Hugo	C	DE	D
Isabel Marant-Isabel Marant Etoile	C	FR	D
Issey Miyake-Homme Plissé Issey Miyake	C	JP	D
Issey Miyake-Pleats Please Issey Miyake	C	JP	D
Issey Miyake-Cauliflower	C	JP	D
Jil Sander-Jil Sander Navy	C	DE	D
Kenneth Cole New York-Kenneth Cole Reaction	S	US	D
Kenneth Cole New York-Kenneth Cole Unlisted	S	US	D
Kurt Geiger-KG Kurt Geiger	S	UK	D
La Perla-La Perla Studio	C	IT	D
Lacoste-Lacoste Live	C	FR	D
Lacoste-Lacoste Sport	C	FR	D
Marc Jacobs-Marc by Marc Jacobs	C	US	D
Michael Kors-Michael by Michael Kors	C	US	D
Missoni-M Missoni	C	IT	D
Moncler-Moncler Gamme Rouge	C	FR	U
Moncler-Moncler Gamme Bleu	C	FR	U
Moncler-Moncler Grenoble	C	FR	D
Moschino-Moschino Cheap & Chic	C	IT	D
Moschino-Love Moschino	C	IT	D
Paul Smith-Paul Smith London	C	UK	D
Paul Smith-PS Paul Smith	C	UK	D
Paul Smith-Paul Smith Jeans	C	UK	D
Paul Smith-Paul Smith Black	C	UK	D
Paul Smith-Paul by Paul Smith	C	UK	D
Pomellato-Dodo	W	IT	D
Prada-Miu Miu	C	IT	D
Ralph Lauren-Ralph Lauren Purple Label	C	US	U
Ralph Lauren-Ralph Lauren Collection	C	US	U
Ralph Lauren-Polo Ralph Lauren	C	US	D
Richard James Savile Row-Richard James Mayfair	C	UK	D
Roberto Cavalli-Just Cavalli	C	IT	D
Rolex-Tudor	W	CH	D
Salvatore Ferragamo-My Ferragamo	S	IT	D
Sonia Rykiel-Sonia by Sonia Rykiel	C	FR	D
Tommy Hilfiger-Hilfiger Denim	C	US	D
Valentino-Valentino Haute Couture	C	IT	U
Valentino-REDValentino	C	IT	D
Versace-Atelier Versace	C	IT	U
Versace-Versus Versace	C	IT	D
Victoria Beckham-Victoria, Victoria Beckham	C	UK	D
Vivienne Westwood-Vivienne Westwood Red Label	C	UK	D
Vivienne Westwood-Anglomania	C	UK	D

C: clothing; W: watches/jewelry; L: leather; S: shoes

U: upscale extension; D: downscale extension