CYRUS CHRONICLE JOURNAL (CCJ):

Contemporary Economic and Management Studies in Asia and Africa

An imprint of the CYRUS Institute of Knowledge (CIK)

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CYRUS CHRONICLE JOURNAL (CCJ):
Contemporary Economic and Management Studies in Asia and Africa, Vol.3
An imprint of Cyrus Institute of Knowledge
http://www.cyrusik.org
May 2018

ISSN 2573-5691

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Book Proposal

Announcements:

- CIK 2019 Conference – April 17th to 21st 2019, MIT, Cambridge, USA
- CIK 2018 Conference – March 4th to 7th 2018, ESCA and UM5, Casablanca and Rabat, Morocco
- CIK 2017 Conference – April 14th to 16th 2017, MIT, Cambridge, USA
- CIK 2016 Conference – March 15th to 17th 2016, The American University in Cairo, Egypt
- Guidelines for submission to CCJ - http://www.cyrusik.org/ccj/submission-guidelines/

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The CYRUS Institute of Knowledge (CIK) Journal is a refereed interdisciplinary journal. The editorial objective is to create opportunities for scholars and practitioners to share theoretical and applied knowledge. The subject fields are management sciences, economic development, sustainable growth, and related disciplines applicable to the emerging economies in Asia, Africa, and other emerging economies. Being in transitional stages, these regions can greatly benefit from applied research relevant to their development. **CCJ** provides a platform for dissemination of high quality research about these regions. We welcome contributions from researchers in academia and practitioners in broadly defined areas of management sciences, economic development, and sustainable growth. The Journal's scope includes, but is not limited to, the following:

Business Development and Governance
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Ethics and Social Responsibility
International Business and Cultural Issues
International Economics
International Finance
Innovation and Development
Institutions and Development
Leadership and Cultural Characteristics
Natural Resources and Sustainable Development
Organization and Cultural Issues
Strategy and Development
Women and Business Development

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Editorial Advisory Board Members:

Professor Tagi Sagafi-nejad is the editor of **CCJ**. Dr. Sagafi-nejad is ex-editor of International Trade Journal, the author, in collaboration with John Dunning of The UN and Transnational Corporations: From Codes of Conduct to Global Compact, (2008) and "The Evolution of International Business Textbooks" (2014). He was the Radcliffe Killam Distinguished Professor of International Business, founding Director of the PhD Program in International Business, and Director and Center for the Study of Western Hemispheric Trade at Texas A&M International University (2003-2013). Dr. Sagafi-nejad is well-known internationally and has outstanding credentials to develop The Cyrus Chronicle into a high quality publication.

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He will be assisted by an editorial board consisting of distinguished members from world-class institutions of higher learning, practice and industry.

We invite authors to submit their papers and case studies to Editor@Cyrusik.org. We will have a quick turn-around review process of less than two months. We intend to begin with two issues per year consisting of about 5-8 papers and case studies per issue. The first issue is being planned for the fall of 2015. A selected number of papers submitted to the CIK conference will be double-blind reviewed for inclusion in **THE CCJ**. We intend to have special issues on themes that are within the scope of Journal. Also, we will have invited guest issues.

THE CCJ: An imprint of the CYRUS Institute of Knowledge (CIK)

Background:

This is a historical time for the mentioned regions, and The Cyrus Chronicle intends to offer what is most urgently needed. There is no question that organizations and businesses that are capable of analyzing and applying advanced knowledge in management sciences and development are in high demand, and especially during transitional periods. It is an unusual time in the target regions and the world, a time which requires active intellectual participation and contributions. It is the era of revolution in terms of communication, technology and minds for billions of people. It is a time for intellectuals, entrepreneurs, and philanthropists to help enlighten minds and therefore enrich the quality of life for millions. It is a time to focus intensely on the regions' historical characteristics, achievements, human and natural resources, and its significant deficit in development, management sciences, and democracy. CIK's vision, "to cultivate the discourse on human capital potentials for better living," is the appropriate response to current challenges, and the journal is a platform for sharing the perspectives of scholars and practitioner with a wider audience.

CIK associates tend to have a foot in two worlds. First, most of the associates possess a wealth of intellectual and experiential knowledge which is enhanced by their active involvement in business, consulting and scholarly research and collegiate teaching. Second, some associates are sons and daughters of the affirmation regions and possess an ethnic identity, language skills, and the insights only embraced by insiders. Third, most of the CIK board of directors' members and associates are well-known scholars, members of editorial boards of journals, and even editors. CIK possesses depth, breadth, and a competitive edge to successfully manage chronicle.

CIK is committed to developing knowledge that positively contributes to the life of the world citizens, especially, the target regions. CIK is a charitable, educational, and scientific organization that has been in operation since 2011. It is a secular and nonpartisan organization that has many scholars and practitioner as member.

Editor's Introduction

Since inception in 2012, the Cyrus Institute of Knowledge has held five annual meetings. Two years ago, we published the first volume of Cyrus Chronicle Journal (CCJ): Contemporary Economic and Management Studies in Asia and Africa in conjunction with the 2016 annual conference.

CYRUS Institute of Knowledge (CIK) has had two successful international conferences since. Between the CIK March 2016 conference at the American University of Cairo and the April 2018 at Morocco, we have accepted 54 abstracts and 10 complete papers from 12 countries and 35 institutions, organizations, and companies. Please see CIK website for detail information in this regard. For some plenary sessions we had up to 150 participants.

The acceptance rate for this issue of CCJ is less than 20% considering many papers that were submitted for review and full papers for the conference. Our aim is to publish the highest quality papers that pass through multiple review process. CIK colleagues and conference participants have proposed and suggested special issues of the journal which is based on core topics (i.e., entrepreneurship, innovation, ethics, and sustainable development) and/or country specific. Therefore, we welcome your articles which meet these characteristics. We already have several papers about Iran.

Now we welcome you to the third issue (CCJ.V3). The journal intends to cover scholarship pertaining to emerging economies in Asia, Africa, and other emerging economies. Scholarship dealing with these regions tend to be either ignored or misunderstood, and there are limited outlets for scholars who work in these countries to share their scholarly outputs. Focusing on these two continents will help researchers from both developed countries as well as these two continents - which together account for the largest portion of the world population and growth. The CCJ intends to fill these gaps. An examination of our mission may shed some light on this question. The primary purpose of the journal is four-fold:

1. To share and promote knowledge of economic, management, and development issues facing countries of Asia and Africa and other emerging markets. Focusing on assessment, evaluation, and possible solutions help advance countries in this which has the largest world habitats. Development challenges are global; virtually every country faces problems concerning economic development, sustainability, food and water, population and environmental degradation. Yet no country gains by shunning opportunities that globalization can provide, with the possible exception of a few countries whose leaders lack a full understanding of the opportunities that globalization can offer. To take advantage of such opportunities, knowledge is the primary requisite. And this journal aspires to make a contribution to this body of knowledge.
2. To encourage the generation and dissemination of knowledge by local scholars whose access to mainstream academic outlets may be limited? We know many scholars from academic, public and private sector organizations whose first-hand knowledge of problems and solutions isn't being shared for lack of an appropriate outlet for dissemination. The CCJ may provide an opportunity for spreading such knowledge.
3. To focus on countries that span the northern band of Asia – from China to Turkey – to the northern tier of Africa, areas that have not previously been the subject of much attention. In the past, these countries have tended to gain the attention of scholars and the media only in times of man-made or natural crises. But in fact, these nations have many challenges similar to those of others. They wrestle with shortages of food and water and the growth of population and pollution. Although they have educated their own citizens, especially in countries that had been under the shackles of dictatorship for decades, now they have become freer to express ideas in journals such as this.
4. Academic scholarship emanating from the region under the journal's coverage tend to get lost in the academic jungle where the pressure of "publish or perish" leaves behind the younger and less experienced members. This journal will give an opportunity to the scholars with first-hand knowledge of these areas to publish their research and thereby make important contributions to the management and development body of scholarship on which the journal will concentrate. We need to know more about these topics in countries such as Afghanistan, Kazakhstan, Morocco and Tunisia as well as other countries covered by this journal. The CCJ will provide a platform for established as well as younger scholars who might collaborate with them in their research.

In this third issue of the Cyrus Chronic Journal, we include four articles and one request for book chapters and cases. Scholarly articles, from established scholars and policymakers, cover the gamut from US-China relations and anomie and dysfunction in the Middle East to direct investment in the MENA countries, inclusive business in supply chain and, finally, barriers that Western educational entrepreneurs face in pursuit of educational initiatives. As part of our mission to advance knowledge about the region and subjects of our coverage, we will continue to include reviews of major scholarly books relevant to the Journal readers.

On the journal's operational side, we want to make the publication more accessible to a wide audience across the world, and so, consistent with the 21st -century trend toward electronic media, we will publish this journal online. To maintain rigor and originality, articles submitted to the journal will undergo the standard blind review process. Reviewers' anonymous comments are shared with authors, as appropriate. Submission guidelines and procedures are delineated on the journal's website: http://www.cyrusik.org/research/the-cyrus-chronicle

As the first editor of the journal, I am pleased and proud to accept this challenge. I bring some experience; my first editorial assignment was as an undergraduate at the then Pahlavi University in Shiraz, Iran, a top-ranking institution in the region. A few students and I founded and published Danesh-Pajouh (knowledge seeker). In those days when freedom of expression was severely limited, we managed to publish one issue in March 1965 before the censors put a stop to the enterprise.

Years later, while directing a doctoral program in international business in Texas in the early 2000's, I also was the co-editor - and eventually editor - of the International Trade Journal (ITJ) until my retirement in 2013. Under my leadership, the ITJ acceptance rate fell below 10%.

Publishing an academic journal is simply a labor of love. The rewards are many-fold and include working alongside a dedicated team of colleagues – Nader Asgary, Alf, Nancy Black Sagafi-nejad, and the entire editorial Board. In addition, of course, we thank our contributors who have trusted their work of scholarship is being published in a new but growing and promising publication. They have spent many hours working to polish and prepare for the journal for publication.

In this third issue, we have already reached a threshold of about 20% in acceptance. Still, CCJ needs your support and so I ask for your help in the following ways:

- We are interested to offer special issues based on themes and country case studies. Your support, suggestions, and contributions are welcomed;
- Contribute articles, case studies, and book reviews and commentaries;
- Encourage your colleagues to do the same;
- Spread the word, especially in countries where CCJ can be most effective;
- Cite the articles published in this journal in your own research when applicable;
- Attend the annual conferences of the CIK (http://www.Cyrusik.org), physical platforms that serve every year as spawning ground for articles that may ultimately be published in this journal;
- Give us your feedback by telling us how we can further promote and improve the journal.

Welcome and thank you.
Tagi Sagafi-nejad, Editor

Examining Trends of Online Luxury Goods Sales: A Multi-Country Study

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Abstract

This study examines how various factors, such as technology, culture, institutions, and business operations, influence the online sales of luxury goods in different regions of the world. Recent ten years have witnessed a phenomenal increase of online sales in a global scope. And we would naturally attribute such an increase to rapid accumulations of wealth in countries that have had strong economic growth as well as deep penetration of the Internet into the daily life of their citizens. However, richness and internet alone may not be sufficient to guarantee success for luxury industry to sell online. On the contrary, existence of online stores may have detrimental effects for some luxury brands on their brand equity and sales. While luxury goods are often considered as art for exclusive markets and could represent one's identity, philosophy, and lifestyle, Internet are often featured in mass and public access. Moreover, cultural perception also varies: while luxury goods in some cultures are more often acquired as a gift and consumed for personal prestige and status, individuals in other cultures mainly purchase these items for personal pleasure as a reflection of individual attitudes and tastes. To examine the trends of online luxury goods sales and capture key factors that contribute to them, we proposed a comprehensive conceptual framework, PROVI, that consists of five key factors, Penetration of the Internet, Richness of a country's customers, Operations of business, Veblen effect in culture, and Institutions of market, and evaluated this framework in four countries, China, South Korea, Turkey, and the United States, which represent different culture areas. We collected macroeconomic data for the period between 2005 and 2015 and examined the impacts of penetration of the internet and richness of a country's customers on luxury goods online sales. We also collected non-numerical evidences, including cases and literature surveys, to analyze the impacts of the other factors, Operations of business, Veblen effect in culture, and Institutions of market, on luxury goods online sales.

Our findings show that the sales of luxury goods through online distribution have been increasing, but at different rates for each country. These differences can be explained by our proposed framework, especially through the lens of cultural influences, business operations, and market institution development.

Keywords: Internet, Luxury, Online Distribution, Culture, Operations

Introduction

Luxury brand products generate significantly sustainable revenues for companies that serve this segment. Increasing magnitude of consumers' well-off makes this segment profitable in both developed and developing countries. Scholars (e.g., Dall'Olmo Riley and Lacroix, 2003; Okonkwo, 2010; Chevalier and Gutsatz, 2012) have examined methods of reaching out and serving these consumers and partially adjusting to their personal and cultural characteristics. Meanwhile, the exponential growth of online sales of goods and services provides a new channel for luxury industry to better serve customers but also a new challenge that potentially poses detrimental effects for some luxury brands on their brand equity and sales.

On one hand, online sales are significantly reducing the opportunity cost and bringing much broader awareness among potential customers. Therefore, producers of luxury goods, like others, could benefit from the reduced cost and far-reaching customer base. On the other hand, however, the "rarity principle" featured in luxury goods makes it difficult for luxury brands to incorporate the Internet as one of their distribution channels. The rarity principle refers to that customers who buy luxury goods seek to find prestige and identity from their purchases (Okonkwo, 2009). They acquire luxury goods not necessarily because they need them, but because they perhaps want to obtain a higher personal prestige and status through consumption. One of the motivations comes from a desire to differentiate themselves from

[30]Authors' acknowledge and appreciate comments and suggestions of the editor and reviewers of CCJ. An earlier draft of this paper was presented in the CIK 2016 conference at the American University in Cairo in Egypt. Authors' names are listed alphabetically. Equal contribution. All errors are those of the authors.

ISSN 2573-5691
CCJ, V. 3, May 2018

others in the community by showing that they are wealthy enough to purchase such items. This is why high brand awareness, enhanced by Internet sales, could be detrimental to a luxury fashion brand equity. Luxury goods are often consumed in public contexts such as parties and receptions. When a product is too widely used among consumers, it devalues the exclusivity that promotes the owner's social position. Therefore, luxury fashion brands try to keep a tight control over brand diffusion and maintain their prestigious image. A well-managed luxury brand is "desired by all, consumed only by the happy few" (Dall'Olmo Riley and Lacroix, 2003).

The incompatibility between luxury goods, which features in perfection, rarity, and exclusivity, and the Internet, which features in mass appealing, highly accessible and available, virtual, free, and "one-formula-fits-all" (Chevalier and Gutsatz, 2012; Okonkwo, 2010) explains why the luxury industry has long demonstrated a hostility and suspicion attitude towards accommodating the Internet as one of their distribution channels. However, the luxury industry did have moved on with online sales particularly due to economic downturn in 2008, which demanded brands to pursue more sustainable strategies, including investigating in e-retail and social media marketing (Okonkwo, 2010). The success of "Yoox.com" has been a trigger for the luxury industry to consider starting online appearances (Chevalier and Gutsatz, 2012). Since 2006, some of the luxury brands have become significantly more engaged in adopting social and interactive operations with the so called Web 2.0 technologies (Bjørn-Andersen and Hansen, 2011). As a result, pursuing successful strategies for online sales is slower for the luxury goods industry (Euromonitor International, 2015c), but did gradually become an inevitable choice in the industry. Moving forward, the online sales for women's luxury fashion goods are expected to increase from current 3 percent to 17 percent by 2018 which will be about $12 billion in the total market size. The source of growth comes both from already developed Western markets and rapidly expanding Chinese market. The annual online luxury sales in the U.S., U.K., and Germany are expected to grow 18, 17, and 12 percent respectively. And for the Chinese market it is expected to increase up to 70 percent (Schmidt, Dörner, Berg, and Schumacher, 2015). Meanwhile, the online luxury sales data reveals noticeable different patterns in different countries. For example, in the United States consumers are spending significantly more than consumers in China, even in luxury brands (Euromonitor International, 2015c).

The incompatibility between luxury goods and the Internet yet the inevitable choice of luxury industry pursuing online sales raise a series of unaddressed questions for researchers. How the luxury industry takes advantage of mass access of the Internet meanwhile maintaining the rarity image of their brands? What factors, in addition to the obvious two, richness of the customers and the penetration of Internet that could impact online sales of the luxury goods? To answer these questions, we also need to understand what kind of trends luxury good online sales have demonstrated and explore how these trends change in different times and different areas.

Our research tried to address the above questions. We employed a multidisciplinary research method, which involves both numerical and non-numerical studies. Our study started with a statistical analysis from macroeconomic data in four countries between 2005 and 2015. The dataset we collected consists of Euromonitor Passport on total and luxury goods retailing market sizes, online distribution channel usage, Internet penetration rate, GDP, and total population in the four countries. The numerical data analysis helped us characterize the trends of online luxury goods sales that were common to all countries. It also helped us examine a hypothesis whether the sales trends were mainly the results of wealth increases and Internet penetration in recent years. The results did not support some of our hypothesis. While the data did show that wealth and Internet play important roles in shaping the trends, it also suggested that other factors have equal, if not more important, impacts. Due to lack of numerical data, we resort to a non-numerical research method that surveys existing cases and literature to find those factors. Our study ended with a five-factor comprehensive model, PROVI.

The PROVI model proposes that there are five key factors, **P**enetration of the internet, **R**ichness of a country's customers, **O**perations of business, **V**eblen effect in culture, and **I**nstitutions of the market that impact online sales of luxury brands. Some of these factors, such as penetration of the internet and richness of a country's customers, have direct impacts on online sales and can be quantitatively evaluated. Others, however, have indirect and fundamental impacts but hard to quantify. Note that none of these factors are new to researchers. For example, the cultural impacts on luxury brands sales have long been noticed by researchers. It is well-known that different cultural backgrounds of consumers lead to varying behaviors toward luxury goods consumption as cultural differences significantly impact consumer behaviors. The cultural factor plays an equally important role as the income, which is often considered as the limiting factor for purchasing luxury goods, and the interaction between these two variables would better explain the propensity to purchase luxury goods (Dubois and Duquesne, 1993). Bian and Forsythe (2012) also conducted a cross-cultural examination and the effects of individual characteristics and brand-associated for luxury brands of U.S. and Chinese consumers buying intention. They used a sample of U.S. and Chinese consumers' students "positively influences social-function attitudes toward luxury brands." Similar to the above study, we have chosen four countries for this study, China, South Korea, Turkey, and the United States, which represent three important regions, Eastern Asia, Middle East, and West, and have different cultural and economical characteristics.

Overall, the main contribution of our study lies in that we are, to our best knowledge, the first that propose a comprehensive model to explain the online sales trends of luxury goods while the existing research has been only focusing on part of it. The comprehensive model brings all pieces, which were scattered in past studies, together and describes the complex interactions among different factors. The model will help practitioners in luxury industry better manage the dynamics underlying their online sales. In particular, while the incompatibility between luxury goods and the Internet might deter the online sales, actively utilizing other factors help offset the detrimental impact. Our other contribution comes from our combination of numerical and non-numerical studies. While most empirical studies have used survey questionnaires to examine brand valuation of customers, the impacts of culture and other factors on the luxury goods sales are seldom investigated using macro and aggregated national-level data. Besides, the impact from interplay among socioeconomic and cultural factors has also not yet been examined in the academic literature. This study intends to fill the gap in the literature for this important and growing segment of the market.

The paper is organized as follows. Section II reviews literature in the related areas and points out the gap in the existing literature between online luxury brand sales and the role that culture and firm strategy play in it. Section III discusses characteristics of the dataset. Sections IV and V describe the model and analyze the empirical results. Section VI concludes the paper and suggests future studies.

Literature Survey

Scholars (e.g., Dall'Olmo Riley and Lacroix, 2003; Okonkwo, 2009; Okonkwo, 2010; Chevalier and Gutsatz, 2012) have investigated personal and cultural characteristics and means of accessing consumers of luxury goods. Luxury good is defined as "a work of art designed for an exclusive market" (Nueno and Quelch, 1998). It is also an identity, philosophy and culture that can neither be ignored nor compromised (Okonkwo, 2009). The goal of luxury goods is not to provide customers with the most utilitarian values. Thus, its ratio of functionality to price is low and the ratio of intangible and situational utility to price is high (Nueno and Quelch, 1998). There are two different values associated with luxury goods, which are the psychological and the concrete. Psychological or perceptual value explains how luxury goods act as a symbol, often times as status symbol with implicit meaning and personality. The experience of high involvement in consuming luxury goods aligns with a person's subjective "self-concept". On the other hand, concrete values of luxury goods are demonstrated in excellent quality, craftsmanship, premium price, distinctiveness, and exclusivity associated with the actual product (Fionda and Moore, 2009; Nueno and Quelch, 1998; Okonkwo, 2009; Phau and Prendergast, 2000; Seringhaus, 2005). The instrumental performance of luxury goods can be identified through a mix of functionalism, experientialism, and symbolic interactionism, which are heavily related to socio-economic context in which people consume luxury goods (Vickers and Renand, 2003).

In the luxury market, status and conspicuousness are the two dimensions that can measure the prestige of a brand. The status of a brand is associated with both internal (self-satisfaction) and external (display) reasons for consumption, whereas conspicuousness is purely related to external reasons. They overlap often times, yet there are instances when discrepancies between the two constructs exist. When there are discrepancies, rather than a higher conspicuousness conducing a lower status, the lower perceived status would drag down the higher conspicuousness, eventually resulting in brand contamination. Traditional luxury brands relying on their status as a selling point with a marketing strategy of moving toward mass market could result in brand dilution (O'cass and McEwen, 2004; Truong, Simmons, McColl, and Kitchen, 2008). Therefore, marketing luxury brands should differ from general marketing. An extent of actual or virtual inaccessibility for purchase is necessary in luxury marketing because hindrance brings about greater desire (Kapferer andBastien, 2009). As launching an online store is a means to reach out to more customers, many of the luxury brand managers have thought that the high brand image of a luxury brand may be tarnished.

Although many experts believe that globalization leads to greater homogeneity in cultures, some nations and cultures tend to keep traditions that highlight identity and prestige more than others. Oftentimes, they are cultures and regions that are resistant to globalization and evolution for different reasons and find identities within their own cultures. Kluckhohn and Strodtbeck (1961) define culture as "a shared, commonly held body of beliefs and values that define the "shoulds" and "oughts" of life." Hall (1989) defines culture as "the way of life of a people, the sum of their learned behavior patterns, attitudes and material things." Cultures are models, templates, and the medium we live in, like the air we breathe. Culture is innate, but at the same time, learned because we are born with the physical necessity and capacity to specialize our bodies, brains, and hearts in line with cultural patterns. Culture is living, interlocking system that where one part is touched, the rest moves. Culture is shared, created and maintained through relationship, and used to differentiate one group from another. In other words, division into groups comes first and deliberate differentiation via cultural symbols comes second. Therefore, Hall's ideas of cultures are systems that "extend" the abilities of the human being (Hall, 1989).

Unlike the commodity goods consumers who make purchase primarily according to their needs, luxury goods consumers buy because they are more interested in the values that luxury goods bring them. On top of financial and functional values, luxury customers consider individual and social perceptions. Customers' perception about a luxury brand is related to purchasing motivation, recommendation to others, and willingness to accept premium pricing (Hennigs, Wiedmann, Klarmann, and Behrens, 2015). Motivations for purchase come from the desire to impress and to make themselves different from others through consumption. They believe that consuming luxury goods can bring them a higher personal prestige and status. This display-oriented behavior is called "Veblen effect". Bagwell and Bernheim (1996) articulated the Veblen Effects as a theory of conspicuous consumption. Interpersonal influences on luxury goods purchase intention could vary among different countries, and brand image can play the role as a moderator between normative influences (conforming to others' expectations) and purchase intentions (Shukla, 2011). According to Phau and Prendergast (2000), the trend of conspicuous consumption is more distinct in Asian countries. Types of conspicuousness observed from luxury goods consumers can be further divided into four segments: materialists, functionalists, prestige-seekers, and hedonists (Wiedmann, Hennigs, andSiebels, 2009).

As the Internet channel is widely perceived as a medium for mass distribution, it raises challenges for establishing operations and marketing strategies in globalization and democratization of the brand. Product portfolio, distribution channels, and brand image communication can be adjusted to gain higher brand awareness in the market. Lines of affordable entry-level products could be added to democratize the brand to a certain extent. Still, these opportunities come at the price of brand names, luxury brands' most import assets (Nueno and Quelch, 1998). To win competition in the luxury market, Caniato et al. (2009) identified a set of Critical Successful Factor (CSF) from the business operational and strategic perspective, such as premium quality, heritage of craftsmanship, exclusivity, marketing of emotional appeal and excellence, brand reputation; recognizable style and design, country of origin; uniqueness, superior technical performance, creation of a lifestyle. Based on an empirical investigation of Italian luxury firms, Brun et al. (2008) also emphasized the need for consistency between crucial CSFs and logistics and supply chain management in the luxury fashion retail. And Luzzini and Ronchi (2010) further categorized successful practices in purchasing and supply management adopted by various luxury firms. Above studies (i.e., Som and Blanckaert, 2015; Ortelli et al., 2013) suggest that operations of business adopted by the luxury industry would also be an important factor that impacts the sales of luxury goods in different nations. Som and Blanckaert (2015) discuss the luxury good market dynamic around the world. They offers valuable insight on where the industry is headed from the perspectives executives and their business strategy.

Experiential marketing can give marketers opportunities to incorporate unique characteristics of luxury consumption in marketing strategies (Atwal andWilliams, 2009). Online shopping may removes spontaneity of shopping along with the pleasure of feeling and touching the materials, human contact, and services. Also, being exposed to luxury brands' websites did not create a sense of relationship between customers and brands. It is plausible that the Internet could fulfill an information and communication role, but may not be utilized as a channel for customer acquisition (Dall'Olmo Riley andLacroix, 2003). E-retailers assume that convenience, better price, wider selection, cost, trust and security, and uncertainty would be the causes driving online luxury goods sales. On the other hand, enjoyment, delivery time, and financial risk would be the results of online luxury goods sales. They perceive wider selection would be the leading benefit, whereas security would be the biggest concern (Lee andWu, 2014).

Most of the recent scholarly articles related to selling luxury brands online no longer focus on questioning whether or not they should use the Internet as a channel for sales, but on studying how to communicate their brand with their customers in this process. Contrary to a common belief that online distribution of luxury goods will deteriorate brands' concept of exclusiveness, online accessibility and explicit price display are found to have no significant effect on consumer perceived scarcity. Therefore, brand desirability is not diluted by luxury goods online presence. Moreover, online accessibility enhances shopping convenience, which results in an increased willingness-to-buy (Kluge andFassnacht, 2015). Some even argue that failure to incorporate the Internet as a complement to in-store retailing would be one of the biggest threats for luxury brands these days. Online existence gives luxury brands an opportunity to become the official voice for their brands on the Internet, thus, diminishing the negative impacts on brand equity from "third party information sources" (Hennigs, Wiedmann, andKlarmann, 2012).

The Internet provides the luxury goods industry numerous opportunities to innovate through its unique features. It is a multidimensional channel with multiple functionalities and should be regarded as indispensable for the luxury goods industry as it is for other industries. Despite the preconception that the nature of luxury brands is not suitable for online environments, various opportunities facilitated by the Internet should be used in an integrated manner (Chevalier and Gutsatz, 2012; Okonkwo, 2009). Luxury brands' current uses of websites as a part of communication strategies can be grouped into four types (Traditional E-shops, Artistic E-shops, Luxury Interactive, Traditionalists) according to their e-retailing function, interactivity, and usability (Geerts, 2013). New and interactive applications of the Internet help fortify the core values of luxury brands, yet insufficient attention could result in brand dilution (Geerts andVeg-Sala, 2011). Heine and Berghaus analyzed digital customer touchpoint opportunities that are successfully utilized by luxury brands. Digital opportunities could be better adopted by luxury brands when there are holistic strategies that tie online tools to their brand image and story, and that bring customers real benefits (Heine and Berghaus, 2014).

In addition to websites and e-retailing, luxury fashion brands' social media marketing activities can enhance customer equity by offering free contents, social network activities, and customized information. Customer relationship is created through active communication via social media platforms, which positively affects value equity, relationship equity, and brand equity of a luxury brand. Solid value equity and brand equity positively influence purchase intention which relates to positive customer equity (A. J. Kim andKo, 2012). Chu and Kamal's study showed that users who are heavily engaged with social media are more likely to show positive behaviors toward social media advertisements. Also, high brand consciousness and luxury goods purchase intention levels were correlated with positive beliefs about social media advertisements, indicating that using social media to build markets for luxury brands among the younger and potential customer segment could be beneficial (Chu andKamal, 2011). For a luxury brand, having an online presence could help them build up solid relationships with customers by bring in human component of the customers, such as empathy. Nevertheless, it cannot be assumed that online presence equals to online sales channel.

Online shoppers appreciate the economic values they receive when purchasing luxury goods through the Internet. On the other hand, in-store shoppers are heavy buyers who seek product quality and conspicuousness. They enjoy the customer service and overall shopping experience they get from brick and mortar stores, and were concerned about counterfeit goods and warranty issues (Park and Kim, 2011). The factors that motivate shopping behavior of luxury customers are different for those who shop online and in-store. Online luxury shoppers value convenience, price, product availability, online shopping attitude, and online trust, whereas in-store shoppers consider aesthetic appeal, store trust, shopping experience, customer service, and sense of power to be the most important factors. Trust is an important issue in luxury shopping as a large amount of money is involved in purchasing. Shoppers online and in-store demonstrate different behavior regarding trust. Online shoppers show trust toward online customer reviews and retailers, yet in-store customer's exhibit trust toward tangible environment (Brun, Liu, C. Burns, andHou, 2013). Nevertheless, in countries such as the UAE where regional merchants are not trusted because of unguaranteed product quality, warranties, and returns (Vel andRodrigues, 2013), the types of trust that customers demonstrate could differ by cultures.

Research Questions and Data Collection

As indicated from the above literature review, while researchers and practitioners are well aware of the potential conflict between the "rarity principle" of luxury brands and the mass distribution brought by Internet, they also generally agree that adopting online sales is a strategic must; some of them even argued that failure to incorporate the Internet as a complement to in-store retailing would be one of the biggest threats for luxury brands these days. Then, after a decade's development of online sales strategies, especially after the 2008 financial crisis, how has the luxury industry been performing in the global online market? What kinds of the trends could the historical online sales data tell us on the industry? These are two questions we would like to first explore. We also collect data trying to answer another critical question that hasn't been fully addressed in literature: What factors could influence the behaviors and trends of the luxury industry's online sales? In particular, we are interested in testing a hypothesis that seems plausible: Could the pure economical and technical factors, i.e., the wealth increases and the Internet matures, be sufficient to explain the trends of the luxury industry's online sales? When the needed numerical data is absent, we resort to collect non-numerical data, i.e., case studies and existing literature review.

The numerical dataset for this study comes from "Economies and Consumers Annual Data", "Market Sizes", and "Distribution" reports on Euromonitor Passport. Information on total retailing market size, luxury goods retailing market size, online distribution channel usage in general and in luxury retailing, Internet penetration rate, Internet users, GDP, and total population in China, South Korea, Turkey, and the United States were collected. These variables were selected to investigate the trend and relationship between the Internet, wealth increases, and luxury goods sales in these countries. Farrell, Gersch, and Stephenson (2006) have shown that macroeconomics data, such as GDP, are related to individual and family spending patterns. GDP can also be a point of comparison for growth between a specific market sector and the overall economy within a country (Silverstein, Fiske, andButman, 2008).

China, South Korea, Turkey, and the United States were selected for comparison because these four countries have both similar and distinct characteristics. For instance, the levels in the Internet penetration rate and per capita GDP in these countries represent different economic development levels, and the fact that these countries are from different regions of the world with very different cultural backgrounds will help understand underlying factors of the variability in the online luxury goods distribution and sales.

Data regarding Internet usage, retailing market, luxury market, population, and economic indicators for these countries were retrieved from Euromonitor Passport database. The data for these variables will be used to study the sales trends and evaluate the relationship between these trends and other underlying factors. For comparison purposes, all currencies were converted to US dollars using year-on-year exchange rates for the period of 2005 to 2015; luxury market size and luxury distribution channel data were also collected for the period of 2005 to 2015 (Euromonitor International, 2015a, 2015b, 2015c). Therefore, our analysis is based on observations of eleven years (2005-2015). Table 1 below shows definitions of the variables used for this study.

Table 1, Definitions of Variables in the Empirical Study

Source: Euromonitor

Variable	Definition
Total Retailing Market Size	The value of goods both new and used to the public for household or personal use. The following specialist retailers are excluded: motor vehicles, motorcycles, vehicle parts, fuel, foodservice, rental and hire, and wholesale industries (in US million dollars).
% Internet Retailing Distribution	The percentage of consumer goods sales to the public on the Internet. It includes pure online sales on websites and Internet sales of store-based retailers. Sales amount is attributed to consumer's country, rather than to retailer's location. The following types of sales are excluded: consumer-to-consumer sales, motor vehicles, motorcycles, vehicle parts, events tickets, travel, delivery services, rental services, returns, unpaid invoices, and click-and-collect order payments made in-store.
Luxury Market Size	The value of the retailing market size for the luxury goods industry, defined as "the aggregation of Designer Apparel (Ready-to-Wear), Fine Wines/Champagne and Spirits, Luxury Accessories, Luxury Electronic Gadgets, Luxury Jewelry and Timepieces, Luxury Cigars, Luxury Travel Goods, Luxury Writing Instruments and Stationery and Super Premium Beauty and Personal Care" (in US million dollars).
% Internet Luxury Distribution	The percentage of Internet retailing distribution specific to luxury goods industry.
Internet User	The number of people older than five who have access to the world-wide network using Internet enabled computers at home, work, internet cafes, or cellular phones (in

ISSN 2573-5691
CCJ, V. 3, May 2018

	thousands).
% Population Using the Internet	The percentage of people older than five who have access to the world-wide network using Internet enabled computers at home, work, internet cafes, or cellular phones.
GDP	"The sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources" (in US million dollars).
Total Population	The number of individuals recorded to a specific geographical area based on the "place of residence." The number is recorded in thousands.

Stage One, Empirical Study from Numerical Data Sets

Overall Trends in Retailing and Luxury Markets

In Appendix 1, retailing market sizes show an upward trend for all countries except for Turkey, where the size is decreasing after a peak in 2008. The US has the largest retailing market size ($2.9 trillion, 2015) followed by China ($2.1 trillion), South Korea ($226.7 billion), and Turkey ($169.2 billion). South Korean retailing market size surpassed that of Turkish in 2011.

In Appendix 2, Internet retailing markets in all four countries also show an upward trend for growth. The Chinese market had the most rapidly growing; in 2015 it overtook the lead from the American market ($271.0 billion) with $293.0 billion. South Korean Internet retailing market had a drop in 2009. Besides, as shown in Appendix 3, South Korea has the highest percentage of Internet retailing distribution (15.09%), followed by China (13.82%), the US (9.27%), and Turkey (2.10%). China had the lowest percentage until 2009, but it got ahead of Turkey in 2010 and the US in 2014. Also, it shows the most rapid conversion toward online distribution.

As shown in Appendix 4, the size of American luxury goods retailing market is the largest among these countries with sales of $79.3 billion made in 2015. It is followed by China ($22.5 billion), South Korea ($10.8 billion), and Turkey ($2.2 billion). All four markets showed an upward trend for growth. In the US, sales significantly declined in 2008 and 2009, reaching the lowest point in 2009, which represent the pick of the great recession. South Korea also showed market size decrease during the same time period, yet the market size growth expedited afterwards. China showed constant market size increase and the speed of growth has been slowing down since 2013. Turkey had frequent ups and downs, alternating almost every year.

Figure 1 below (also, Appendix 6) demonstrates the patterns of the growth: The luxury goods online market size growth shows an upward trend for all four countries, yet the speed of growth differs for each country. Online sales in China and the US have been increasing much faster than those of South Korea and Turkey. The speed of market size growth accelerated in 2009 for the US, and in 2010 for China. Holding everything else constant, it seems there is a lag between recession and growth in on online luxury goods sales. This finding makes sense because during the great recession wealthy people lost as well and therefore they held back their expenditures. Besides, the size of Chinese online luxury goods market exceeded that of South Korean in 2014, and South Korean online luxury goods market showed a slower growth in 2015 compared to the previous five years as shown in Appendix 5. This is probably a joint impact of Penetration of the Internet and Richness of a Country's Customers in the two countries: As Appendices 7 and 8 indicate, China has endured fast increases regarding the two measures in recent years while the increase rates of South Korean were much slower and its Per Capital GDP was even dropped in 2015.

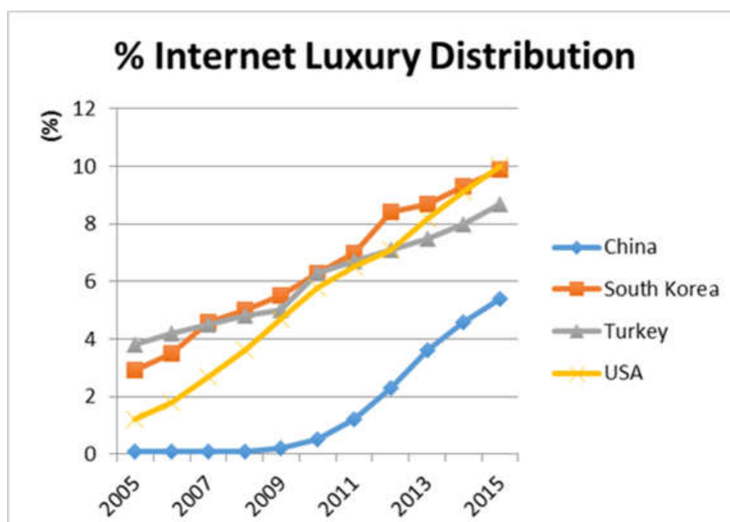

Figure 1- Percentage of Internet Luxury Distribution

Figure 1 also suggests that all four countries are positive toward incorporating the online channel as evidenced by the increase in the percentage of luxury goods distributed on the Internet. The South Korean, Turkish, and American markets show similar leading trends, whereas Chinese market is a late-mover. Turkey had been in the lead in the earlier days from 2005 (3.8%) to 2006 (4.2%). After that, South Korea was in the lead until 2014 with 9.3% of luxury goods sold online in 2014. In 2015, the US online luxury market took the lead with 10.0% of luxury goods Internet sales, slightly outperforming the South Korean market by 0.1 percentage point. China has been catching up with South Korean and the US and the speed of growth accelerated since 2010. To further verify the above findings, we then conduct a correlation analysis on the curves in Figure 1. The correlation analysis of these growth curves shows that the growth curves of the US with Korea and Turkey are highly correlated, more than 0.99 for both. Meanwhile, the curve of China is noticeably different from the curves of other counties: the correlation values between China and each of the three countries are around 0.91. This further confirms that the growth patterns of the US, South Korea, and Turkey are similar while China's growth pattern demonstrates some unique features, which could be due to the high growth rate of the population of middle and upper class in China.

We next examine two important factors, Penetration of the Internet and Richness of a country's customers, and also test their impact on online sales of the luxury markets.

Penetration of the Internet

Internet penetration rates, measured in terms of the percentage of population using the Internet, are shown in Figure 2 (also Appendix 7). In South Korea and the US, the Internet penetration is almost saturated with 84.70% and 88.70% of total population using the Internet in 2015, respectively. In the US, the percentage of Internet users had shown a noticeable drop between 2008 and 2011 and resumed its growth afterwards. This finding supports our previous assertion the great recession has been an important factor in the drop in the percentage of internet users. On the other hand, Internet penetration rates in China and Turkey are actively growing and there is still room for growth. In 2015, 52.20% of the Chinese population and 53.10% of the Turkish population used the Internet.

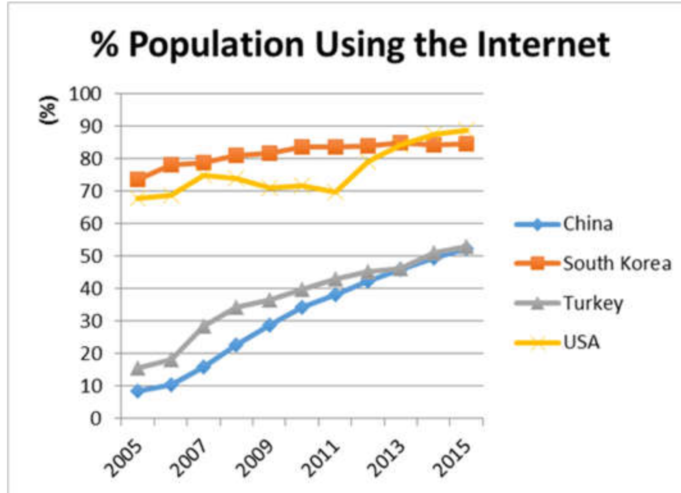

Figure 2 - Measure of Penetration of Internet

Richness of a Country's Customers

During the 2008 Financial Crisis, total sales of luxury goods fell from $62.7 billion in 2007 to $59.5 billion in 2008 and $52.5 billion in 2009 (Okonkwo, 2010). Nevertheless, the online luxury goods market size was constantly growing, and a larger percentage of the total luxury goods was distributed via the Internet channel. This trend corresponds with the finding that the economic recession impacts the way customers recognize the value in luxury goods, and thus result in increased use of the Internet for searching and purchasing luxury (Okonkwo, 2010).

For this study we calculated per capita GDP in US dollars to make it comparable for comparison; the result is shown in Figure 3 (also Appendix 8). From 2005 to 2015, per capita GDP is the highest in the US ($55,776 in 2015), followed by South Korea ($27,281), Turkey ($9,221), and China ($7,949). In the US, South Korea, and China, per capita GDP values are increasing, whereas in Turkey, it is decreasing since 2014. Decrease in per capita GDP appeared in 2009 in the US and Turkey, and between 2008 and 2009 in South Korea. However, per capita GDP in China showed constant growth.

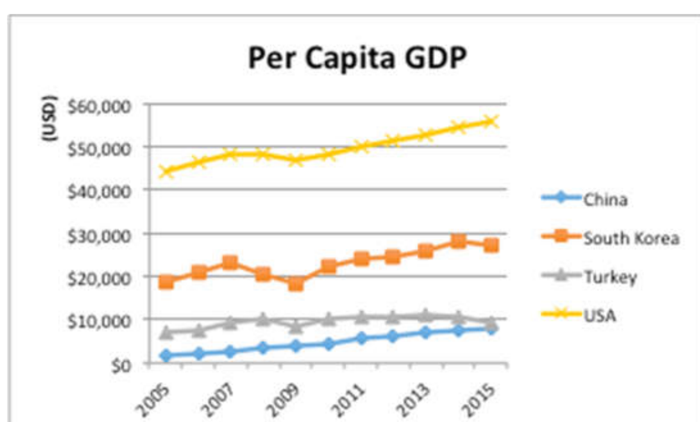

Figure 3 - Measure of Richness of a Country's Customers

Joint Impact of Penetration and Richness

We further examine the relationship between the dependent variable, Percentage of Internet Luxury Distribution, and the two contributing variables, ***P***enetration of the Internet and ***R***ichness of a country's customers, using the stepwise multiple linear regression. The detailed regression results are listed in Appendix B, Regression Analysis.

The results show that the Internet Penetration was a significant indicator of the luxury goods distributed online, whereas the Richness did not make it into the model because it wasn't adding value to the explain ability of the model. Also, Internet Penetration and Richness are highly correlated (0.753), thus, including both terms in the model would not be appropriate. The model with single independent variable, Internet Penetration, explains 61.3% of the variability in the proportion of luxury goods sold on the Internet. Moreover, while the Penetration factor is important, it alone cannot explain the trends of luxury online sales uncovered in the study. Some other factors, together with Penetration of Internet, must also play equally important roles in driving these trends. Due to lack of quantitative data, we resort to literature reviews and case studies to uncover these hidden factors.

Stage Two, Case Study from Existing Literature

We conducted a comprehensive literature review from both academic publications and industrial reports and news to indicate other non-numerical factors that, together with the numerical factors (***P***enetration of the Internet and ***R***ichness of a country's customers), could also impact the development of luxury products' online sales. Our search results in three major factors as follows:

***O*perations of Business**

The level of operations of business is a microeconomic measurement, reflecting individual company's strategies in the luxury good industry towards online sales (Som and Blanckaert, 2015; Ortelli et al., 2013). The more engaged are the operations strategies of a luxury brand's management toward online sales, the more likely the ratio of its online distribution grows faster. Take South Korea as an example. The ratio of online luxury goods distribution in this country has been highest among the four countries for most of the time between 2005 and 2015; recent slower sales in the luxury goods have triggered many brands in South Korea to take aggressive diversification strategies toward distribution. Many of the brands are opening or planning to open direct online boutiques, including Christian Dior, which already launched its first Asian e-commerce boutique in South Korea in May, 2015 (S. Kim, 2015). In China, the percentage is increasing the most rapidly among the four countries since 2010. Luxury brands in China are not only aligning price to match the global standards (Thomson and Waldmeir, 2015), but also collaborating with local e-commerce retailers to penetrate into the Chinese online market. For instance, Burberry collaborated with Chinese e-retailer giant Alibaba to launch their online mall on Tmall, where a half of online retail sales in China are done (Burkitt and Chu, 2014). Similarly, in the U. S., Burberry partnered with Amazon.com, one of the world's biggest online retailers based in the U.S., since October, 2014 to exclusively sell its fragrances online (Roberts, 2014). Yet, unlike the Chinese Burberry Tmall where a wide selection of merchandise from the famous trench coat to bags are offered, U.S. Burberry – Amazon online mall only offers limited selection of perfumes. Therefore, it may seem that when compared to the U.S., China, as a late-mover of the digital economy, is more aggressively engaging in active online operations.

Meanwhile, the operations of the US luxury brands are often featured in a trust-based long-term relationship between the brands and the customers, which lacks in China's market. Many American luxury brands have online-focused Operation strategies other than collaborating with e-retail giants. A large portion of online luxury goods are distributed through department store websites, which already has significant amount of trust established among customers in terms of making large purchases. Americans companies intend to do about a half of their luxury spending online as they find online distribution channels trustworthy sources. Based on this trust, American luxury consumers enjoy benefits of online purchases such as convenience of location and time, easy price comparisons, and absence of pressure from salespeople for making purchases (Schmidt et al., 2015).

Though Turkey was in the lead in terms of ratio of luxury goods distributed online in the earlier years of the time period we study, unstable political and economic situation in and around Turkey and volatile foreign exchange rates have been threatening the expansion of luxury brands in the country. Many brands that had been aggressively building their brand awareness are now slowing down a bit, taking a "wait-and-see" strategy. Nevertheless, Turkey is still a core strategic market for the luxury goods industry and producers are still optimistic about the future (Paton, 2015). Leading players in the luxury goods industry, such as LVMH and Armani, have started launching electronic commerce strategies and promoting new products using social media (Euromonitor, 2015).

Implementing a price alignment strategy can also affect the level of online distribution. In China, South Korea, and Turkey, heavy taxes are placed on imported luxury goods, thus, price of the goods can be significantly higher when compared to the same ones sold in Paris or Milan. Chanel, Patek Philippe, and TAG Heuer used global pricing strategy that recently lowered price in the Chinese market (Burkitt and Chu, 2014). In South Korea as well, leading luxury brands in department stores and duty-free shops are cutting price as consumers can easily find and access luxury goods sold at lower price (Choi, 2016). However, in Turkey, luxury goods are still up to 20 percent higher in price compared to those in other European countries, making the richest Turkish population go abroad to make luxury purchases (Gehaney and Bigan, 2014). Therefore, we can conclude that global pricing strategy directly impact the ratio of online luxury goods distribution.

The impact of operations of business can be traced in comparison between Figure 1 and Figure 2 from our empirical study. While the increases of Internet penetration have been flattening in South Korea and the US over the years, the two countries' online sales of luxury goods have been increasing at a high rate even during the economic downturn period of 2008. Such disproportional increases for the Internet sales are coincident with the aggressive Internet promotion strategies adopted by many luxury goods companies in recent years. Therefore, we believe that the fast increases in all the four countries must also be driven by the operations of business factor.

Veblen Effect in Culture

In the 19th century, the term conspicuous consumption was introduced by an economist and sociologist Thorstein Veblen, in the book The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions (1899). As the literature indicates, Veblen effect reflects consumers' attitudes toward conspicuous consumption and is a measurement driven by cultural characteristics. The higher the Veblen effect observed in a culture, the higher the possibility for luxury goods sales. Veblen effect, the tendency to show off one's status through consumption, is prevalent in Asian countries, such as China and South Korea (Phau & Prendergast, 2000; Shukla, 2011). China has a tradition to offer gifts which had been generating a significant portion of luxury sales through lavish spending and gift-giving. In the literature, it has been shown that gift giving is a social exchange that connects and maintains social ties. Rather than emphasizing the economic utilitarian values of gifts, social exchange explains gifts as "tokens with symbolic values"(Belk and Coon, 1993; Camerer, 1988). Presenting luxury goods as a gift to someone is also related to Veblen effect in that luxury goods can convey esteem for the recipient by delivering the message, "this fine product is appropriate for you". For the gift giver, presenting a luxury gift provides an opportunity to display his or her affluence (Wong & Ahuvia, 1998). However, the campaign against lavish spending and gift-giving by China's central government has caused luxury sales in mainland China to fall for the first time and caused revisions in the way Chinese consumers purchase luxury products. Yet, François-Henri Pinault, the head of Kering (retailing group including Gucci and Yves Saint Laurant) asserted that "The Chinese tradition to offer gifts is still there and will remain" (Thomson, 2016). Even though sales of luxury goods in the Chinese market was stagnant in 2014, the synergy between the tradition of gift-giving and the economic growth could drive luxury goods sales eventually to increase in the long-term, and potentially drive online luxury sales as well.

Figure 1 in the numerical study shows that South Korea has been the leader of luxury goods sales online for a long time. Combination of South Korean high Internet penetration rate and the Veblen Effect in Culture may be the driving factor for this outcome. Nevertheless, in South Korea, the focus of Veblen effect is shifting from traditional luxury brands to contemporary ones. Until recently, the price of high-end luxury good continued to soar as Korean consumers firmly believed that the price directly reflected prestigious social value an item holds. However, nowadays South Korean customers are seeking luxury goods that can still express symbolic values, and at the same time, better express themselves. Song's study (2014) concluded that the young fashion-savvy customers have moved onto "contemporary luxury brands" from traditional luxury brands. The change in preference for luxury brands could have notable positive impacts on the online sales of luxury goods as the younger fashion-savvy customers are the largest potential target consumers for online.

Like Asians, Turkish also pays a significant amount of attention to visible and public possessions regardless of their personal preferences. Both male and female Turkish consumers are heavily influenced by tabloid newspapers and tabloid style TV shows (Gehaney & Bigan, 2014). When local celebrities are featured in tabloid media wearing or possessing a certain product, Turkish consumers find the item a "trendy status symbol" (Gehaney & Bigan, 2014). Online luxury boutiques can especially be a suitable channel for Turkish luxury consumers because they can easily find items online for purchase as they are looking up the details for the items they have seen on tabloid media, this could lead to increased online sales for luxury goods.

However, in the case of U.S., the consumer behavior seems to be on the other end of the Veblen spectrum when compared to the other three collectivist cultures. American consumers are known to consume luxury goods because they find internal pleasure from the item rather than the social values it displays to others. Unlike in Asian cultures where luxury goods are more often acquired as a gift, in the Western cultures, individuals mainly purchase the items for him or herself for personal pleasure. Often the products they buy reflect individual attitudes and tastes (Wong & Ahuvia, 1998). The top reasons U.S. luxury consumers give for shopping online are "the ability to buy whenever it's most convenient" (80%), "the ability to compare and price items before buying" (76%), and "the absence of feeling pressured by salespeople into buying something" (63%) (Schmidt et al., 2015). Therefore, we may conclude that with a lower level of Veblen effect, the percentage of online luxury goods sales also increases in the US because consumers enjoy the convenience and independence they get from online shopping.

_I_nstitutions of Market

Institutions are defined as the rules of the game among and within members of society and organizations (i.e., Rodrik, 2008; Asgary, 2016). Lin and Neugent (1995) defined institutions as "A set of humanly devised behavioral rules that govern and shape the interaction of human beings, in part by helping them to form expectations of what other people will do." An expanded view recognizes that institutions "are systems of established and prevalent social rules that structure social interactions [including] Language, money, law, systems of weights and measures, table manners, and firms…" (Wilson, 2006). Institutions in the context of this paper measure the rights of consumers and producers, formal and informal, in the transaction process. For example, one would argue that institutions in the US are much more developed and clear than that in China in terms of customer protection and market rules, and regulations. Better institutions demonstrated by a country's market, the higher the possibility for the sales of luxury goods would be expected.

Our study confirms that among the four countries the online sales of luxury goods are higher in countries where better institutions are established in the market. Online sales are different from in-store distributions because customers cannot see and feel actual products before purchase, there is a delay between payment and receipt of products, and additional shipping process is required. Because of these characteristics online shopping has, some customers are reluctant to make purchases online especially for expensive items, such as luxury goods. However, commercial laws and regulations can help both buyers and sellers when problematic issues rise during order, shipping, and return processes. For example, the U.S. and South Korea have specific regulations and laws regarding the process of electronic commerce, such as order conditions, shipping, and refund ("16 Commercial Practices," 2014; "Electronic Commercial Law, Republic of Korea," 2012). Turkey also has Electronic Commerce Law that defines the e-commerce process and principles, but the contents are mainly the obligation to inform and privacy, and specifics in the process of online sales were not defined ("Electronic Commerce Law, Turkey," 2014), indicating a lower level of institutions. China had the lowest level of institutions because E-commerce law or regulation is yet to be developed and enforced, and only the first draft was completed in March, 2016 (China Daily, 2016).

Online retailers' refund policy is also one important issue and directly impacts the percentage of luxury goods sold online. The more generous the return policy is in a country, the more likely it is for the country's customers to buy the luxury goods online. Yoox.com, a global multi brand luxury online boutique that ships to about 100 countries around the world, has different return policies according to where the merchandise is shipped. For instance, goods shipped to the U.S. can be returned "within 20 days of the delivery" (Yoox.com (US)), which is the most generous policy among the four. For sales to South Korea and Turkey, the policy is more strict compared to that of the U.S., and refunds can be made "within 10 days, and the merchandise must arrive at the warehouse within 30 days" (Yoox.com (South Korea); Yoox.com (Turkey)). China had the strictest policy, which allowed only seven days for making refunds (Yoox.cn). Meanwhile, Chinese online malls like Tmall are also starting to offer more lenient services, such as "Seven days no reason to return service (七天无理由退换货)" (Tmall.com). Other brands, such as Prada, have similar country-specific generosity in their return policy. They allow 30 days for sales to U.S. and 14 days for sales to Europe (Turkey) (Prada; Prada).

PROVI, a Comprehensive Model

Summarizing the findings from both the numerical and non-numerical study, we present RPOVI, a comprehensive model, which we believe capable of explaining the growth patterns of luxury good online sales and providing good guides for the luxury goods industry to move forward. The PROVI model consists of the following five factors:

- **_P_**enetration of the Internet: the higher the penetration, the higher the possibility for online sales. We use the variable, % Population Using the Internet, to measure this factor.

• ***R***ichness of a country's customers: the wealthier the customers, the higher the possibility for online sales. We use per capita GDP, GDP divided by the Total Population, to measure this factor.

• ***O***perations of business: the level of operations of business is a microeconomic measurement, reflecting the luxury good industry's strategies towards online sales. The more innovative the operations are in prompting online sales, the higher the possibility is for online sales.

• ***V***eblen effect in culture: Veblen effect reflects consumers' attitudes toward conspicuous consumption and is a measurement driven by cultural characteristics. The higher the Veblen effect observed in a culture, the higher the possibility for luxury goods sales, but not necessarily higher for online sales.

• ***I***nstitutions in the market: Institutions in the context of this paper measure the rights of consumers and producers, formal and informal, in the transaction process. Better institutions demonstrated by a country's market, the higher the possibility for online sales of luxury goods.

The model is called **PROVI** because each letter representing the first letter of the five factors. We consider the first two factors, ***P***enetration of the Internet and ***R***ichness of a country's customers, as the most direct factors on the luxury goods online sales. Based on an empirical study, we reported the results for the first two factors. However, the two factors alone are insufficient to explain the patterns demonstrated by luxury goods online sales. Based on a further case study from literature surveys we identified three other factors, ***O***perations of business, ***V***eblen effect in culture, and ***I***nstitutions in the market, also significantly influence consumers online expenditures of luxury goods. Particularly, as the existing literature suggested, the cultures are systems that "extend" the abilities of the human being (Hall, 1989). We expect that the culturally relevant variable, ***V***eblen effect, influences other variables in a non-linear way.

For the four countries we examined: China, South Korea, Turkey, and the U.S., each displays different levels of the PROVI factors, which help explain the varying growth speed in the percentage of luxury goods distributed online. Based on the two stage research results, we developed a PROVI grid, shown in Table 2 that summarizes what role an individual factor plays in each country, and how it contributes to the rates of change in the online distribution and sales of luxury goods. Additionally, the table presents perspectives of other scholarly activities conducted in the field to substantiate our finding.

Table 2, PROVI Grid

	China	South Korea	Turkey	U.S.	Conclusion
Penetration of the Internet	* Rate still growing - 52.20% (Euromonitor, 2015) - 43.7pp growth in 10 years (2005-2015) - Growth rate has been decreasing compared to ???, yet still room for growth	* Rate saturated - 84.70% (Euromonitor, 2015) - 11.2pp growth in 10 years (2005-2015) - Growth pattern has reached a plateau	* Rate still growing - 53.10% (Euromonitor, 2015) - 37.6pp growth in 10 years (2005-2015) * 60% of population are under 35, tech savvy consumers (McKinsey study)	* Rate saturated - 88.70% (Euromonitor, 2015) - 20.7pp growth in 10 years (2005-2015) * Rates dropped between 2008 and 2011 - Financial crisis - Resumed growth after 2011	* Online accessibility enhances shopping convenience and willingness-to-buy (Kluge & Fassnacht, 2015) * Internet provides successful digital customer touchpoint opportunities (Heine & Berghaus, 2014)
Richness of a country's customers	* GDP: $7,949 (Euromonitor, 2015)	* GDP: $27,281 (Euromonitor, 2015)	* GDP: $9,221 (Euromonitor, 2015) * Long-term increase in disposable income is expected (Gehaney & Bigan, 2014) - Richest population shops outside the country due to high tax - Upper middle class drives the growth in luxury goods sales	* GDP: $55,776 (Euromonitor, 2015) * 2008 financial crisis - Slower growth for internet luxury sales	* % of internet luxury distribution increases with increasing GDP * Luxury consumption rises with the increase in household disposable income (Husic & Cicic, 2009) * Conspicuous consumption (Dubois & Duquesne, 1993)
Operation of business	* Collaboration with local e-retailer (Burkitt & Chu, 2014) * Price alignment (Burkitt & Chu, 2014)	* Direct online mall launching (S. Kim, 2015) * Price cut from luxury brands across department stores and duty-free stores (Choi, 2016)	* Wait-and-see approaches from many luxury brands(Paton, 2015) * Leading players started launching e-commerce strategies (Euromonitor report, 2015)	* Sales through department stores' websites (Schmidt et al., 2015) * Collaboration with local e-retailer (Roberts, 2014)	* Critical Success Factors (CSF**)** in the luxury segment, such as premium quality, brand reputation, country of origin, superior technical performance (Caniato et al., 2009) * Need for consistency between CSFs and management practices (Brun et al, 2008)

ISSN 2573-5691
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					* Key role of purchasing and supply management in innovation and new product development (Luzzini and Ronchi, 2010)
Veblen effect in culture	* Gift giving tradition	* Transition from traditional luxury goods to more accessible “contemporary luxury brands” (Song, 2014)	* High impact from VIPs and celebrities on tabloid media	* Consumption of luxury goods for self-satisfaction	* The level of Veblen effect among different countries varies (Shukla, 2011) * Conspicuous consumption is more distinct in Asian countries (Phau & Prendergast, 2000)
Institutions in the market	* E-commerce law yet to be enforced (China Daily, 2016) * 7 day return policy	* Online trust has not been set (A. Kim & Shin, 2011) * 7 day return policy * Electronic Commercial Law	* Electronic Commerce Law	* Customer perception of Internet as a trusted source for luxury purchases (Schmidt et al., 2015) * Electronic Code of Federal Regulations	* Institutions shape human interaction and set expectations within the system (Lin & Nugent, 1995; Rodrik, 2008; Asgary, 2016)

Conclusion

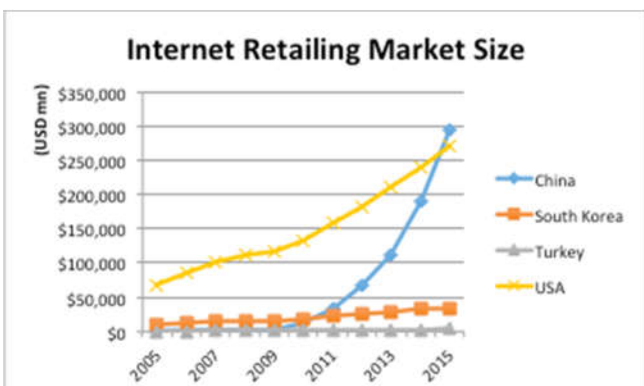
The paper aims to examine the trends of luxury goods sales on the Internet in China, South Korea, Turkey, and the United States and to find underlying economic, business, and cultural factors contributing to such trends. Based on findings from empirical and case studies, we developed a comprehensive conceptual model, PROVI, to explain five underlying factors that may contribute to luxury good online sales. From methodology perspective, this study is unique in that it employed a multidisciplinary research method, which involves both numerical and non-numerical studies. In the numerical study stage, we collected aggregated, national-level macroeconomic indicators, such as per capita GDP, Internet penetration rate, and retailing market size to explain the discrepancies in different online luxury goods markets around the world. In the case study stage, we collected business cases and supporting theories from various sources to interpret the findings from the numerical study. Using both economic data and business cases for different countries in different time periods, we are able to link the observable data with the unobservable factors that drive the data. Our study showed that the most direct measurements on Internet and wealth, the ***P***enetration of the ***I***nternet and the ***R***ichness of a country’s customers, are not sufficient to account for all the trends observed in the data, nor was it proper to use a simple linear regression model.

Other indirect factors, including ***O***perations of business, ***V***eblen effect in culture, and ***I***nstitutions of market, played equally important but nonlinear impacts.

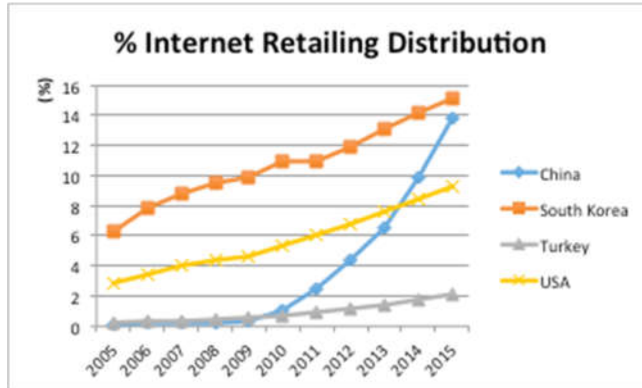
While mainly using non-numerical methods to examine the indirect factors in the RROVI model, we believe further studies could be conducted to collect numerical data that are good proxies of those indirect factors. By doing these, we can compare the impacts of these factors on a more quantitative base.

Appendix A – Graphs

Appendix 1 Total Retailing Market Size (USD mn)

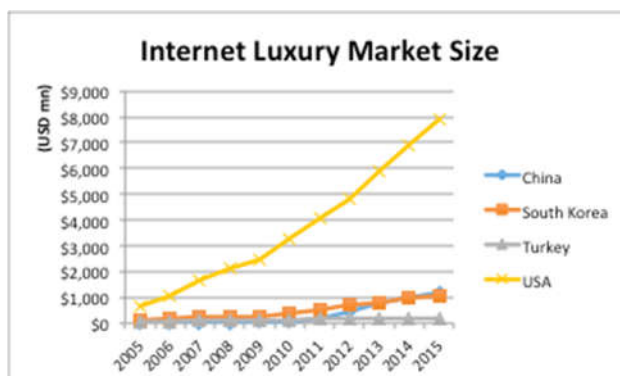


Appendix 2 Internet Retailing Market Size (USD mn)

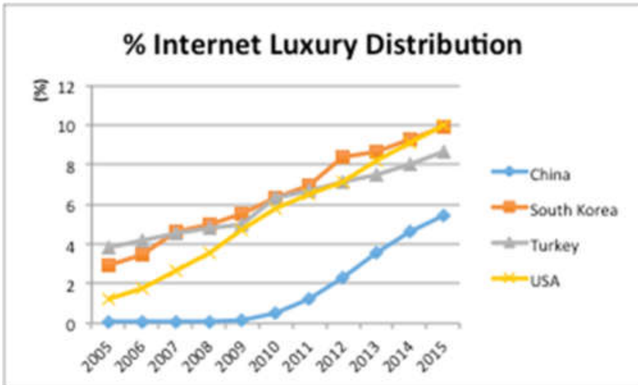


Appendix 3 Percentage of Internet Retailing Distribution

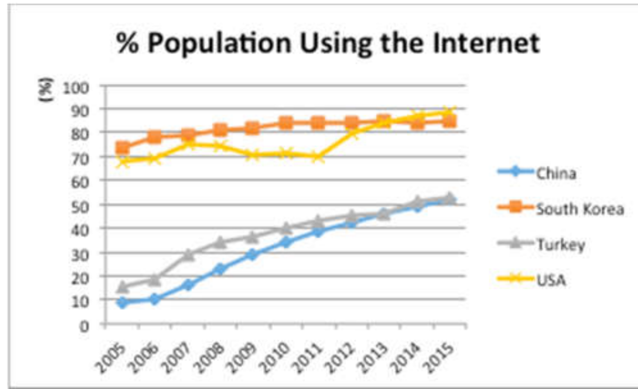
Appendix 4 Luxury Market Size (USD mn)



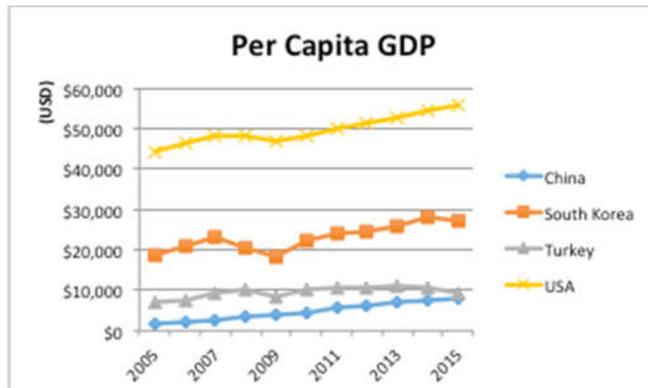
Appendix 5 Internet Luxury Market Size (USD mn)



Appendix 6 Percentage of Internet Luxury Distribution



Appendix 7 Percentage of Population Using the Internet



Appendix 8 Per Capita GDP (USD)

Appendix B – Regression Analysis

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613[a]	.376	.361	2.360
a. Predictors: (Constant), % Population Using The Internet				
b. Dependent Variable: % Luxury Internet Retailing				

ANOVA[a]					
Model	Sum of Squares	Df	Mean Square	F	Sig.

1	Regression	141.220	1	141.220	25.343	.000[b]
	Residual	234.037	42	5.572		
	Total	375.257	43			

a. Dependent Variable: % Luxury Internet Retailing

b. Predictors: (Constant), % Population Using The Internet

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.793	.894		.887	.380
	% Population Using The Internet	.073	.014	.613	5.034	.000

a. Dependent Variable: % Luxury Internet Retailing

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Per Capita GDP (USD)	-.166[b]	-.896	.376	-.139	.433

a. Dependent Variable: % Luxury Internet Retailing

b. Predictors in the Model: (Constant), % Population Using The Internet

Correlations

		% Luxury Internet Retailing	% Population Using The Internet	Per Capita GDP (USD)
% Luxury Internet Retailing	Pearson Correlation	1	.613**	.390**
	Sig. (2-tailed)		.000	.009
	N	44	44	44

% Population Using The Internet	Pearson Correlation	.613**	1	.753**
	Sig. (2-tailed)	.000		.000
	N	44	44	44
Per Capita GDP (USD)	Pearson Correlation	.390**	.753**	1
	Sig. (2-tailed)	.009	.000	
	N	44	44	44

**. Correlation is significant at the 0.01 level (2-tailed).

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