Chapter 1

The Various Models in Luxury Distribution

Luxury today no longer sells because of rarity but on a feeling of exclusivity, which depends primarily upon the selectivity of its distribution, both physical and digital.

–Jean-Noël Kapferer[1]

From the outside, observers may believe that all luxury brands are distributed in the same way – through exclusive stores owned by the brand – and that they are able to manage them from their head offices. In fact, the reality is much more complex.

[1] Kapferer (2017).

Some luxury products, such as perfumes and watches, are sold for the most part in multi-brand stores that do not belong to them. These stores generally do what they think is most efficient for their multi-brand businesses and they are never easy to motivate or mobilise.

In some countries (e.g. Thailand and Vietnam) a foreign company that imports and distributes products manufactured abroad is not allowed to be a majority owner of its local subsidiary (it is only possible in China since 2018). It has to associate with a majority-holding partner that is a national of the country. So, no luxury group can, even if it initially wanted to, become the owner of all its sales outlets in the world.

Building a global network of outlets demands an enormous amount of time and money. Indeed, for a large luxury brand, having its own store in Ulaanbaatar would be wonderful, but how can it ensure that customers will find the same service there (hospitality, advice, prices and after-sales service, for example) as they receive in Paris or Milan?

Also, although Gucci or Chanel might have the means to invest in opening a store in New York, a small brand that is already struggling to make profits in its Paris store would find it much more difficult to do so.

A discussion on the sales points of luxury brands all over the world therefore involves describing all models, physical or digital, that can or should be used to present the products to customers the world over.

Direct and Indirect Distribution

Luxury brands did not start out with exclusive stores in every city in the world. Their distribution systems grew. They often opened a single store in one city (the city of origin) and then used a network of multi-brand outlets that afforded them initial exposure and international turnover. The business environment has also evolved over the last 150 years; the main store categories have changed and found their *raison d'être* and their stability.

A Historical Perspective

Retail trade is doubtlessly one of the oldest professions in the world. From the dawn of history, when people realised that they could not obtain everything they required for their own survival by themselves, they had to turn to others who were capable of searching for and gathering together the various commodities they required, and who exchanged these items for a monetary consideration. This act of selecting and gathering various goods that would be subsequently sold to others saw the emergence of the trader and retail trade.

Later, during the Middle Ages, as trade developed, merchants from the same domain often tended to cluster together in the same street. They seemed to believe that it was better to place themselves in proximity to their competitors, assuming that customers would be more likely to enter their shops, and those of their competitors as well when they went around all the shops on the street. Those that set up shop elsewhere, resolutely isolated from their peers, found themselves away from the shopping circuits and missed out on sales opportunities. Being located far away from other shops but close to residential areas was nevertheless an advantage for everyday services such as food – in other words, as convenience stores.

This distinction between proximity purchases and others has always existed and explains the differences in localising strategy. The fact that merchants from the same sector wished to group together and concentrate their pulling power is not very different from what we see today in big cities with the concentration of luxury stores in the same neighbourhood.

The foundational event worth mentioning here is the creation in 1851 of the world's first department store, Le Bon Marché, in Paris. The idea behind it was that, for the first time, ready-to-wear clothes for men and women, shoes, kitchen utensils and suchlike would all be sold together in the same store. As always, when an idea is good, it is quickly emulated and in 1856 the first American department store, Macy's, opened in New York, where it still stands now.

As time went on, the appearance and the system of presentation of the products in department stores were strongly influenced by technical innovation. In 1869, the first elevator was installed in a Parisian store, making it easy for customers to go from one floor to another, and also making it possible to present products on four or five different levels.

Yet another innovation, which dates back to 1892, influenced the cadence in all department stores in the world: the escalator. This allowed customers to go from one floor to another at their own pace, without having to wait for a lift. Escalators have thus defined the space of almost every department store today: a central well in the middle of a hall as large and impressive as possible, sometimes crowned with a dome; the escalators moving through this well, allowing customers to go from one floor to another as and when they wish. The first escalators were installed in Harrods in London in 1895.

Mitsukoshi Nihonbashi, the first Japanese department store, was opened in Tokyo in 1915.

The year 1919 is also another very important date: the first air conditioning system was installed at Abraham & Strauss in New York. Since then, department stores no longer need windows. Air conditioning does away with the need for windows for ventilation and, in some cases, for doors that open onto the street: stores could be integrated into a gallery or mall. Boutiques therefore do not need windows anymore, except, of course, as showcases for presenting products. The appearance of department store buildings remained more or less unchanged after that, much like we know them today.

In 1922, the first shopping centre, the Country Club Plaza, was opened in Kansas City and the appearance of these centres has remained virtually unchanged for the past 95 years, with very little innovation, except for the first duty-free store that opened in 1957 in Shannon Airport, Ireland.

On another plane, we should mention the appearance of the first electronic cash register in 1970 and the first optical reading device in 1975. Before these dates, it would have been difficult to imagine that every product sold in the world would one day have its own code easily decipherable by a machine.

Today's department stores, shopping malls, shopping arcades and duty-free outlets are in fact the end products of 150 years of innovation and development in distribution.

The Various Types of Sales Outlets

Wholesale and Retail Sales There are in fact two methods to present products to the consumer: having one's own store, to fully control customer relations (retail), or selling to stores that will present the products to their customers themselves (wholesale). This distinction applies, of course, to brick-and-mortar stores. The same difference also exists in the digital domain. Celine, for example, sells its shoes through their own website (retail) but also sells them on the 'Net-a-Porter' website (wholesale). In both cases, the selling price to the consumer is the same (same retail price) but in the second case (through Net-a-Porter) Celine has to pay a retail margin to the platform.

At first glance one might think that the wholesale option (through independent multi-brand outlets or online sites other than that of the brand) is simpler, because the brand would have practically nothing to do and it would not have to tie up its capital in store ownerships and stocks. But, of course, it would have to share its margin with the respective stores.

On the contrary, one might think that it is easier to sell exclusively through directly operated stores and save the entire margin. But is the brand reputed enough to attract customers and persuade them to enter their own stores? Also, is the purchase important enough to a customer to motivate him to go and buy the product directly? An example may make the issue clear: would Hermès sell more bottles of its cologne, *Eau d'Orange Verte*, if it sold this product in all the perfumeries in Paris or by reserving it exclusively for its own boutiques in Paris?

Directly Operated Stores Directly operated or independent stores seem to have priority among many brand managers.

Of course, when a brand acquires a strong power of attraction, and it disposes of sufficient financial means, it could be tempted by this system, which enables it to determine consumer reaction to a new collection or a new product early in the game. But developing a large network of directly operated stores somewhat changes the manner of functioning of a brand that creates exceptional products: it would have to become a manager of these sales points, and the priorities of the brand, its organisation and the use of its financial resources may be affected. Selling, as we will see later, is a real profession. Most luxury brands – structured around creation – did not have 'retail' skills and acquired them over time.

Partner Stores To a customer, partner stores (or TPOS – Third-Party-Operated Stores) are outwardly similar to a directly operated store: they use the same concept, the same decor and the same layout as a directly operated store and the client would not be able to tell them apart. They display the brand's products in exactly the same way as the original store in Paris or Milan, but they are managed, financed and developed by an intermediary.

The intermediary is sometimes a 'franchisee' who is interested in a particular brand that is not found in his chosen territory (Toulouse, for example, for a French brand, or why not in Astana in Kazakhstan?). The franchisee undertakes to open a store, fully respect the concept of the brand, buy a minimum quantity of the brand's products from each collection, and pay the brand a percentage of its turnover in the form of royalties (in general, 2–5%). In exchange it will be granted territorial exclusivity for the duration of the contract.

This system is widely used by national fashion brands with a 'premium' price category. They use several franchisees in the same country, each having exclusivity over a city or part of a city.

For luxury brands, the intermediary is more often an exclusive distributor in a particular country (for example, China, Japan or Russia). It will be granted territorial exclusivity and will choose, with the brand, the cities where it will be installed in priority. The exclusive distributor invests directly in the building of a network of exclusive boutiques and will be granted a long-term contract (sometimes more than 20 or 25 years). In such cases, the distributor would have to ensure the advertising and digital media presence of the brand and its public relations in the country.

Lastly, there exists a specific type of exclusive distribution, where the luxury brand operates in a country where foreigners do not have the permission to hold majority stakes in a subsidiary. The brand's management therefore decides on an exclusive distributor who will become the *majority shareholder* of the local distribution subsidiary. This majority shareholder also has to respect the guidelines of the brand in the design and decor of sales outlets, and will ensure the logistics of the brand in a particular territory. As mentioned above, in certain countries such as Kuwait, Qatar, Thailand, Vietnam and many others, a foreign shareholder cannot hold majority shares in a distribution subsidiary.

Department Stores Traditionally, department stores were created to obtain supplies of various kinds of products, purchase them, and have the specialised staff to present them to customers at suitable counters. Department stores have therefore to accomplish a range of tasks:

- Finding and selecting products.
- Purchasing, receiving and storing of the products.
- Paying for the products, sometimes before they are received.
- Display on a counter.
- Presenting the product to customers.
- Selling and other activities by sales staff.
- Collecting the proceeds.

These, therefore, are a combination of financial, logistics, merchandising and commercial services.

Today the major luxury brands are sold in shops-in-shops. Here the department store provides the space (almost like a real estate agent), the luxury brand decorates it at its own expense, hires and trains the sales staff, provides them with a uniform and remunerates them. It selects the products that will be most suitable for that particular sales point and, in many cases, retains property rights until the day of the sale. The department store merely collects the sale proceeds, retains the retail margin and transfers the wholesale amount to its 'supplier'. Its function simply consists of:

- Providing a space
- Collecting the sales proceeds

Its role is thus relatively simpler as compared to the initial responsibility of a department store – and resembles that of a lessor of a building space.

Between these two methods of working with a department store (the new one and the traditional), there exists a third type of agreement: a 'corner' contract obtained by the brand where it disposes of a corner space, opening out to the other departments but still identifiable and convertible, with vendors paid by the brand and merchandise that is the property of the department store.

Evolution and Perspectives of the Various Types of Sales Outlets

Evolution since 1950

In Table 1.1 we show the number of outlets and the turnover of certain luxury brands over the past 18 years. The brands chosen are: Bulgari, Cartier, Van Cleef and Arpels, Gucci, Louis Vuitton and Tiffany.

The table clearly illustrates the following facts:

- The increase of direct sales points has clearly been a major occupation and strategic issue for luxury over the last 20 years.
- Among these six brands given as examples, the total number of single-label stores increased from 922 to 1995. The management, control and human resources relating to these outlets have thus become important aspects for the management of a luxury brand.

In fact, in this progression, we see both the general evolution of the market and the emergence of big brands that are becoming increasingly stronger.

Well-known brands find it quite easy to pay very high lease rights to acquire a privileged location in a big city like Tokyo or Paris and be appealing enough to attract a very large number of clients right from the outset – the break-even point is easily attained.

For a small brand, the situation is more complex. At the beginning of its development cycle, the brand usually starts with a directly operated store and distributes its products through selected retailers, in particular, multi-brand outlets. To enter a new market, it will do so through local agents or a distribution agreement. For example, Bluebell and Dickson Poon are distributors that European brands often have recourse to when they wish to enter the Asian market.

When the brand grows, it establishes its own stores and, at the same time, switches from distribution agreements to franchises or joint ventures with its local partners. In nascent markets, like the Russian market, franchises would be the solution. For example, in December 2000,

Table 1.1 Examples of the Development of New Stores for Some Brands (Estimation)

	2000	2003	2007	2012	2018
Bulgari					
Turnover	376	759	1,019	1,100	2,800 (E)
Number of stores	126	182	207	267	300
Cartier and Van Cleef & Arpels					
Turnover	1,500	1,994	2,435	5,206	6,447
Number of stores	250	250	301	400	401
Gucci					
Turnover	1,200	1,800	2,300	3,639	6,211
Number of stores	143	174	233	429	529
Louis Vuitton					
Turnover	1,500 (E)	2,200 (E)	3,700 (E)	7,000 (E)	10,500 (E)
Number of stores	284	317	390	500	450
Tiffany					
Turnover	1,334	1,600	2,342	3,035	3,682
Number of stores	119	141	184	275	315

Notes: Turnover in € millions (annual reports or estimation/number of stores shown on Internet sites). (E) indicates estimates by the authors.

Hermès opened a 250 m^2 boutique in Moscow, with the help of its intermediary, JamilCo.[2] The Russian company covered the total initial investment of the project, including the construction and decoration costs of the store, while Hermès was responsible for the interior design. The two Gucci boutiques in Moscow were also managed by an intermediary, Mercury Distribution. Another interesting example is that of

[2] In 2011, several brands announced that they were going to change their economic model and develop in Russia by themselves. Prada announced the end of its partnership with Mercury and Hermès ended its contract with JamilCo. The luxury brands operating directly in Russia are Christian Dior, Louis Vuitton, Chanel, the Swatch Group and Hugo Boss (among others).

Club 21[3] from Singapore, distributor for Armani in the UK, the US, and Asia (Singapore, Malaysia, Thailand, Hong Kong and Australia) through franchise agreements.

Eventually, when a brand considers that it is sufficiently robust and the market is mature enough, it will buy back these franchises or its distribution joint ventures and create a wholly owned subsidiary. This has been a major trend in recent years for global brands like Gucci and Hermès, as mentioned above, and Louis Vuitton and Armani. We see here an emblematic model with Gucci – the brand that had actually initiated this business model 20 years ago under the initiative of Domenico De Sole.[4]

At the end of the day, controlling distribution relies on managing five major channels:

- Directly operated stores in the major markets (in foreign countries: through subsidiaries).
- Distributors or franchises in developing and foreign countries.
- Shops-in-shops in department stores, so as to retain full control over visual merchandising, sales and customer relations. Only very well-established brands can operate in department stores exclusively with large shops-in-shops. Other brands would have to settle for counters that would be strongly influenced by the department store itself.

---

[3] Christina Ong, the wife of the Singapore oil magnate, Ong Beng Sing, can be credited for having given London a fashion capital label in the 1990s. Club 21, her business empire, had franchises from some of the most coveted fashion brands: Giorgio Armani, Emporio Armani, Prada, Donna Karan, DKNY and Guess. Not only owner of a substantial part of London's most coveted commercial real estate, Ong had been able to intelligently attract, by other means, the modern London visitor who was eager for culture and had money to spend. She owned two of the most distinguished hotels of the capital – the Halkin opened in 1991 in Belgravia, with staff dressed by Giorgio Armani, and the trendy Metropolitan Hotel on Old Park Lane, where the staff wore navy-blue uniforms created by DKNY (*International Herald Tribune*, 15 March 1997).

[4] In this context, Gucci had a far-ranging plan: July 2001: It bought back the remaining 35% of its joint-venture with FJ Benjamin Holdings Limited in Australia. February 2001: It bought back its operations in Spain (three stores) from its intermediary. May 1998: It bought back nine stores and nine tax-free sales points from its Korean intermediary Sung Joo International Limited. April 1998: It bought back 51% of Shiatos Taiwan Co. Ltd, its intermediary in Taiwan (nine stores and one tax-free sales point).

- *Travel retail* sales outlets, because even if operating costs and margins demanded by duty-free operators are high, sales volumes are significant. However, the image of the brand and the impression of exclusivity and quality of the products may deteriorate over time if the company does not maintain sufficient control over these operations. For this reason, Gucci established its first duty-free outlet outside Italy, in Heathrow in 1999 – and extended those in Rome and Milan by 100 m^2; Chanel opened its first duty-free outlets in 1999 in several terminals in Heathrow (100 m^2 each), but Prada, for example, took a longer time to open there.
- For watches, jewellery, perfumes, cosmetics and eyewear, more and more brands are selecting the top multi-brand stores, those that are compatible with their brand image.

Type of Distribution and Robustness of the Brand As explained above, there is no single made-to-measure system for the distribution of luxury goods, but opportunities resulting from the level of attractiveness of a brand and its sales volumes.

Professionals easily compare brands based on the turnover per square metre generated at their sales points. When this figure is very high (say between €50,000 to €100,000 per square metre a year), opening new stores and paying their rent is not an issue. When this figure is 10 or 20 times less, it is better to work with multi-brand outlets.

That is why there is no one optimum solution for the distribution of luxury goods. It would depend on the sales volumes that can be generated at a sales outlet:

A *relatively little known brand* could have a single, directly operated point of sale in the country of origin. For the rest, it would be wise to opt for multi-brand stores. In such cases, department stores can also offer the ideal solution. They have footfalls: customers pass through the aisles of the store and are ready to buy. The brand will be presented along with other brands that are more or less appealing or well known and this creates a favourable and prestigious setting. Also, when it is displayed on a shelf, the salesperson will be paid by the department store. Of course, if the turnover of the counter is too low, the department store will not be likely to repeat the experience and the brand would have to find another distribution system.

For an *extremely small brand*, department stores – which demand a more or less minimum turnover – are not the ideal solution. In such a case, the most suitable one may be a small store which serves as a sales point but which also serves as the official address and public relations operations centre.

The Impact of the Type of Distribution on Product Policy
Although the product's qualities may have a bearing on the ideal distribution model, conversely, a chosen distribution model imposes an appropriate product policy.

Indirect and direct distribution channels require very different marketing strategies, as we can see in Table 1.2.

For indirect distribution, it is not practical to have a range that is too extensive. It would be far better to launch a single product that will have enough impact to succeed. However, when a brand relies on single-brand stores, it has to offer a fairly wide range so that each customer entering the store can find the product that corresponds to what he or she is looking for.

The key for a given brand in a multi-brand perfumery store is to have a single flagship product that customers look for and can easily identify. In a single-brand store, however, the same product may not necessarily appeal to all customers; it risks overshadowing other products that target specific segments of the market.

Distribution channels, direct or indirect, require different kinds of advertising and promotional support. In the indirect circuit, advertising in the mass media is a priority to convince the consumer – who is faced with a wide choice of products in each store – that brand *X* is more

Table 1.2 The Differences Between Direct and Indirect Distribution Models

	Indirect distribution Non-exclusive boutiques	**Direct distribution Exclusive boutiques**
Product line	Limited	Wide
Product objective	Flagship product	Part of a larger whole
Advertising and promotion	Pull the product	Push the product
Flexibility of prices	Wide	Limited
Relationship with the client	Limited	Strong (CRM)
Logistics requirements	Limited	Imperative

desirable, more modern, more prestigious or simply more suitable than others. In the direct circuit, advertising in the mainstream media may be necessary to draw customers to the store, but the difference hinges on the efforts made by the sales team that has to use its powers of persuasion and its own sales arguments.

In the indirect circuit, the customer, faced with a multi-brand offer, uses price as a criterion of selection. In the direct circuit, the customer may not buy the product if he finds the price excessive, but this will not be the criterion for choosing from a range of products falling within a price range that he considers reasonable.

In the direct circuit, a strong personal link between the consumer and the brand should be created over time through customer relationship management (CRM). Customers will have to be identified, their names and addresses recorded, as also their preferences and purchasing patterns. It is then possible to develop a strong relationship and organise promotional offers designed specifically for them. In an indirect circuit, most customers are anonymous and unidentified, making it difficult to establish special relationships between them and a given brand, the client being only one amongst others to whom offers are presented.

The requirements in terms of logistics are also quite different from one system to the other. In the indirect circuit, the intermediary often assumes responsibility for a part of the logistics, such as storage and deliveries to each sales outlet. In the direct circuit, these tasks are the sole responsibility of the owner of the brand.

There is a tendency to consider the direct system more efficient than the indirect system.

Case Study: The Ralph Lauren Case

The example of Ralph Lauren, however, is a counter-example. His results demonstrate the strengths of the indirect system.

The company's management talks about a 'flexible integrated model' that includes direct distribution, indirect distribution and franchises. With annual sales close to €5.3 billion and a net profit of €140 million in 2018, Ralph Lauren attains a

(*continued*)

(*Continued*)

profitability comparable to that of major brands, which is really not a bad performance for a first-generation brand still headed by its founder. This business model relies on an integrated approach to advertising and marketing, but in commercial matters, each region has a combination of directly operated and franchised stores, sometimes supervised by local distributors, sometimes directly. Turnover can be broken down into 55% for indirect channel sales, 40% for direct channel sales and 5% from royalties from licences, but what is not insignificant is that only 23% of total operating profit comes from directly operated sales points.

Ralph Lauren has 8,611 indirect retail outlets in the United States and Canada. However, there are only 120 in Japan. In fact, for Ralph Lauren, the indirect segment includes 11,000 sales points. In the direct distribution segment, Ralph Lauren handles 153 stores (134 in North America and 19 in Europe) and 158 factory outlets.

Ralph Lauren has recourse to licences for perfumes (L'Oréal), eyewear (EssilorLuxottica) and watches (Richemont) as well as for custom-made menswear (Dealers), men's underwear and pyjamas (Hanes) and sportswear Chaps (both from PVH Group).

Its management relies on exclusive distributors to manage their indirect distribution in many countries such as Japan, Korea, Hong Kong, China and Singapore, as well as Colombia, Ecuador, Peru, Bolivia, and other countries in Central America and the Caribbean.

The method Ralph Lauren offers is a diversified approach to luxury. Of course, all its products end up in stores, but not necessarily in sales points directly managed by the brand. The management uses the indirect distribution channel, but also has distribution contracts with local partners and licensed operators to constantly improve the quality of their product presentations and the viability of their global growth model.

What is important is to understand that each situation corresponds to an adapted and evolving distribution policy and that each policy has its own advantages and disadvantages.

Advantages and Disadvantages of the Various Distribution Channels

Even if the most powerful brands grow strongly using integrated direct distribution, one should certainly not make this system the only variable in the luxury industry. Everything depends on the size of the company, its financial resources, and its prospects. A significant difference between the systems relates to their financial aspects.

Margins and Distribution Costs

The important difference between these systems is that in the case of integrated distribution, the brand sells at the retail price and benefits from the full margin. However, when it sells indirectly, for example through a multi-brand retailer or a department store, it has to pay a retail margin of 40% or 50% of the selling price to them. The difference between the different types of retailers and its impact on management appears in Table 1.3. For example, if a Chanel store is owned by the company and if its annual sales are €500,000 before taxes, it keeps the full amount. If, on the contrary, it generates the same turnover through a department store, it would have to pay a margin of €200,000 or €250,000 to the department store, reducing its turnover to the same extent. The computation of their different impact on the cost and price structure appears in Table 1.4.

At first glance, a directly operated store seems the most judicious model, but the store would have the responsibility of organising sales, managing unsold stocks, paying the wages of sales staff, and most importantly, paying the rent.

Fixed Costs and Variable Costs The big difference when a brand has its own network of shops is that it is responsible for paying fixed costs (rents and salaries), whereas if it worked with franchisees, it would only

Table 1.3 The Relative Advantages and Disadvantages of the Various Distribution Channels

	Advantages	**Disadvantages**
Directly operated boutiques	Enhancing of the brand's image Presentation and merchandising of the whole range	Capital invested in key money Easy profitability for flagship stores but difficult to achieve for stores in cities with limited potential
Franchises	Development of the presence and knowledge about the brand Presentation of the whole range	Loss of control over the image
Shops-in-shops in department stores	Enhancing of the brand's image Development of the presence and knowledge about the brand Presentation of the whole range	
Multi-brand boutiques	Enhancing of the brand's image	Limited presentation of the range No control over the brand image
Independent retailers	Development of the knowledge about the brand	Segmented presentation Loss of control over the brand image (except if there is a strict selection)
Corners in department stores	Development of the knowledge about the brand Increased rotation	Segmented presentation Loss of control over the brand image in certain department stores
Travel retail	High frequentation Increased rotation New customers	Loss of control over the brand image in multi-brand sales points and airport galleries

Table 1.4 Calculation of the Margin According to the Distribution System

	Directly operated store	Store belonging to a third party	Store serviced by a distributor
Retail price	€100	€100	€100
Wholesale price		€50	€50
Margin of exclusive distributor			€20
Invoicing price for the company	€100	€50	€30

have to set aside a margin for them. The impact of the different levels of fixed costs on profitability is computed in Table 1.5.

One could also elaborate on this demonstration further: for a really low turnover, the department store system, where the vendor has to be paid, can turn out to be more expensive than renting a small shop in a modest location with a very low rent, where the seller can also carry out other tasks (accounting, for example) and lighten the burden on the final results.

The message in this chapter is clear: there is no one distribution structure that is more efficient than another. Everything depends on the dimension of the brand and its prospects. Everything also depends on the products themselves. If it is easier to analyse fashion and accessories, the exercise is more complex for watches or perfumes, for example, where

Table 1.5 Impact of Fixed and Variable Costs on Profitability

	Turnover of €5,000,000 per annum			Turnover of €1,000,000 per annum		
	Directly operated store	Department store	Multi-brand store	Directly operated store	Department store	Multi-brand store
Sales figures	€5,000,000	€5,000,000	€5,000,000	€1,000,000	€1,000,000	€1,000,000
Retail margin		€2,500,000	€2,500,000	€500,000	€500,000	€500,000
Wholesale figures		€2,500,000	€2,500,000		€500,000	€500,000
Rent	– €1,000,000			– €1,000,000		
Salaries	– €200,000	– €200,000		– €100,000	– €100,000	
Margin before production costs	€3,800,000	€2,300,000	€2,500,000	– €600,000	€400,000	€500,000

customers often prefer going to a store if they wish to compare products from several different brands before making their choice.

In this first chapter, we have said very little about digital sales. It is not an oversight. Our aim, above all, is to make you, the reader, aware of the diversity and the complexity of the subject and to convince you that there are several ways of organising the distribution of luxury products. In the following pages, we will explain that even very strong brands do not limit themselves to a single system of sales outlets but know how to adapt to all systems according to the country, according to local legislation, according to traditions. In this regard, digital distribution, or the quest for perfect continuity between digital distribution and physical distribution, only makes the issue more complex.

To recap:

- *The management of luxury goods* has shifted from a phase where most of the effort was focused on creation, craftsmanship and manufacturing to a phase where physical and digital distribution and management of sales outlets are an everyday concern.
- *Product presentation to end-customers* is organised both directly and indirectly and each of these two activities contributes to the brand's vitality and development.
- *Department stores*, just like multi-brand stores, can in some cases, and during certain phases of the development of the brand, be loyal and important allies.
- *An economic analysis of the sales points* (which will be presented in Chapter 16) is always essential for evaluating the advantages and disadvantages of each of the approaches available.