



Strengths and Weaknesses of the Luxury Flash Sale Websites' Customer Service

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The online luxury flash sale businesses such as Gilt, Belle & Clive, and Rue La La contribute to the second largest market share in the online “deal of the day” business (Guisto, 2013). However, despite the potential and hype, there has been a downward trend of thriving online luxury flash sale businesses since 2011 (CNN, 2016). For example, Gilt Groupe, the pioneer of online flash sales of luxury goods had a net value of \$1 billion in 2011 and projected to be worth \$3 billion by 2015. However, it was recently sold for \$250 million (CNN, 2016), reducing its worth to only 8% of its projected value. One of the main reasons for the decline of the luxury flash sale sites is due to the customer’s dissatisfaction in their experience with the service (O’Brien, 2016). To contribute in how luxury flash sale websites can improve their customer service in order to turn their businesses around, the study attempts to explore the strong and weak aspects of the luxury flash sale websites’ current customer service, and how those aspects have influenced the consumer’s luxury values.

Two theoretical models, namely the Service Quality (RATER) model (Parasuraman et. al, 1988) and Luxury Value Dimensions model (Kapferer and Bastien 2009) were used in the study. The Service Quality model was used to evaluate which dimensions of quality service were strong and weak for the luxury flash sale websites. The dimensions include reliability, assurance, tangibles, empathy and responsiveness. The Luxury Value Dimensions model was also used to understand how the service quality dimensions (not) provided by the luxury flash sale websites directly met/did not meet their values of luxury. These luxury values include financial value, functional value, individual value and social value.

To evaluate which dimensions of quality service were strong and weak for the luxury flash sale websites, a textual and content analysis of customers’ reviews of the top two American luxury flash sale websites, Gilt and Belle & Clive, were conducted. Customer reviews from the past five years (January 2011 – December 2015) were collected from the top two online consumer forums: SiteJabber and ResellerRatings. From a total of 429 available reviews, the study focused on 318 usable positive (4 & 5 star ratings) and negative (1 & 2 star ratings) reviews, to understand the strengths (positive reviews) and weaknesses (negative reviews) of the dimensions of quality service and how they met/did not meet the consumer’s luxury values to acquire goods.

Three dimensions of these luxury flash sale websites’ quality service were evaluated as major strengths: 1) their *responsiveness* of providing services and answers to customers, 2) the staff’s *empathy* towards the concerns of the customers, and 3) the *tangibles* (i.e. look and feel) of the websites’ design. The dimension, *responsiveness*, mostly met the *individual* luxury value. For example, a customer mentions that he/she “needed to cancel an order but was afraid [of missing

the window]..., sent e-mail...And got the issue resolved.” The dimension, *empathy* also met the *individual* luxury value. For example, a customer mentions “Agent was superb...when [he/she] ordered the wrong product, [agent] explained how [to] return it and order the correct product.” The dimension, *tangibles* mostly met the *financial* luxury value. For example, a foreign customer mentioned that “they don't stupidly overcharge Canadian shoppers... [and they have] very reasonable shipping charges.”

On the other hand, the dimensions of these luxury flash sale websites' quality service that were evaluated as major weaknesses were: 1) the *reliability* in the timeliness of the delivery, 2) the *assurance* in the quality of offered products and 3) the *assurance* in terms of the rare supply of branded luxury goods when the site was based on luxury brands. The dimension, *reliability* mostly failed to meet the *social and financial* luxury values. For example, customers have mentioned “dress didn't arrive on time. Due to this, my daughter and [her] had to miss events... and was only offered store credit.” The dimension, *assurance* mostly failed to meet the *financial* luxury value. For example, customers mention that “prices are much higher than in regular/other online stores.” Given that the website was based on discounted luxury goods, the customers were discontent.

The research offers important implications for luxury flash sale websites to improve their customer service. While the websites need to continue to perform on maintaining their strength areas in service quality (*responsiveness, empathy* and *tangibles* of the website design), they need to put significant efforts to improve other service quality dimensions. For example, *assurance* can be improved by diminishing the gap of perceived luxury product quality and their actual offering. To achieve this, websites should clearly position themselves as a non-luxury flash sale website if it is difficult to have a steady supply of branded luxury merchandise. To improve *reliability*, luxury flash sale websites should also offer more customer-centric solutions through partnership with reliable shipping companies to avoid delays and loss. Finally, to further improve *assurance*, the websites should implement strict quality compliances on merchandise and offer clear communication. Further research opportunities include the study conducted through other research methods, like focus groups, interviews and surveys to validate this study, since the study was limited to thematic representation based on comments.

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