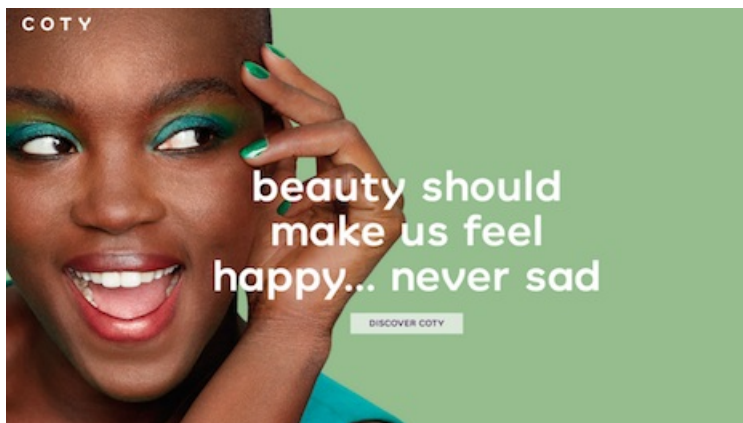


FRAGRANCE AND PERSONAL CARE

Luxury on Amazon? Coty wins battle, Amazon will win the war

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All eyes on Coty. Image credit: Coty

By [Pamela N. Danziger](#)

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Many in the luxury business cheered after [the recent ruling](#) by Europe's top court that Coty and other luxury brands could prohibit retailers and distributors from selling products on a third-party Internet platform such as Amazon and eBay.

The European Court of Justice ruling came as a result of a case referred by a German court where Coty sought to restrict one of its retailers, Parfumerie Akzente, from selling its premier brands through Amazon. Unable to reach a judgment in the regional court as to whether it breached European Union competition laws, the case was moved up the food chain.

"The CJEU ruled on Wednesday, 6th December that the restriction did not breach competition laws, as long as it did not discriminate against particular resellers," said Elizabeth Ward, principal and solicitor with [Virtuoso Legal](#), a United Kingdom-based intellectual property law firm with offices in Leeds and London.

"There is a special exemption for luxury goods under competition rules, allowing the owners of expensive brands to keep sales of these type of products limited to bricks-and-mortar shops, enabling them to maintain their high-end brand," Ms. Ward said.

"This selective distribution enables them to distinguish their products from mass-market and accordingly lower-priced products. Whilst Coty does own a number of these so-called luxury brands, the case also involved less exclusive brands that fell within the original agreements."

While this EU ruling has no legal bearing on the United States market, it does set a precedent that many industry insiders support.

Ms. Ward, at least, expects an appeal is possible.

"Despite the restriction in the distributor agreement being upheld by the Court as being broadly legitimate, a fight-back may well be in the pipeline," she said.

Luxury on Amazon? Not if, but when and how

The question is whether luxury consumers shop Amazon, to which the answer is an unqualified yes.

"Online retail, through distribution channels like Amazon and eBay, continues to drive huge sales. And due to their convenience and cheap/free delivery charges, these channels are realistically as likely to be used by individuals who also shop in high-end destination stores Coty's ideal customers as those who prefer more competitively priced items," Ms. Ward said.

The next question is whether they want to buy their luxury goods there. The answer depends largely on the brand and the category.

"Consumers recognize the fact that someone can't buy a Lamborghini on Amazon, and most wouldn't buy a Cartier watch on Amazon even if Amazon carried it," said Nate Masterson of [Maple Holistics](#), a producer of all-natural, cruelty-free personal care products that claims to be one of the leading purveyors of shampoo and conditioner on Amazon.com.

"U.S. consumers are capable of making the common-sense distinction between Amazon shopping and luxury-product shopping," he said.

Amazon may not be the place consumers go first for a big-ticket item such as a luxury watch or jewelry.

"It's the difference between buying a Rolex from a Rolex store or Tourneau where you can walk in to see the product and talk with someone who can verify and authenticate the product," said Edward Hertzman, founder/president of [Sourcing Journal](#), a Penske Media publication.

"When it comes to luxury brands, people need authenticity, confidence and trust," he said. "So what about warranties, who do I deal with if I have issue with the product? People may not feel confident unless they buy from a Rolex store or a known retailer."

But when it comes to little luxuries such as beauty, increasingly it is.

"Consumers simply feel more secure buying their products through Amazon than they do elsewhere and, if anything, they will use brand Web sites to merely learn more about products before buying them on Amazon," Maple Holistics' Mr. Masterson said.

There is an obvious difference in customer expectations when it comes to buying a \$10,000 Rolex watch and a \$100 bottle of Chlo perfume, with Amazon being a prime destination for purchases like the latter.

"Many brands even direct consumers to Amazon from their own Web site with Buy It On Amazon' buttons, knowing that their conversion rates will be higher if the consumer is aware that Amazon-buying is an option," Mr. Masterson said.

"Brands need to keep their own line of distribution open for the sake of optics and preparedness, but ultimately should recognize the fact that Amazon's appeal is not waning any time soon," he said.

That Coty wants to protect its high-end, luxury brand is understandable, according to Virtuoso Legal's Ms. Ward.

"However, the claim potentially reveals a certain short-sightedness by the business," Ms. Ward said.

"For Coty to deny its customers the opportunity to purchase its goods at the same time that they search for books, technology and clothes could well be seen as a missed opportunity," she said.

Amazon has now grown to become a trusted provider for more than 90 million Prime customers who pay an annual fee for Prime privileges. So denying those customers Amazon's convenience is a huge missed opportunity for brands such as Coty.

"There is a reason that consumers are so attracted to Amazon," Mr. Masterson said. "No one can match their convenience, familiarity, buyer protection and guaranteed shipping rates.

"As long as Amazon is fulfilling the demands of consumers in a manner in which no other distributor can, consumers will continue to flock to Amazon in droves," he said.

Can luxury brands fight against the rising tide of Amazon? Or more appropriately, should they?

If, when, and how to play with Amazon is up to the brand. But ultimately trying to hold back the rising tide of Amazon is a losing proposition.

"The bottom line is the old retail-wholesale distribution model is broken," Sourcing Journal's Mr. Hertzman said.

"Brands are trying to find new ways to distribute their products," he said. "Amazon is the largest catalyst in the world. The real question is, how to embrace it, rather than fight against it."

Brands want to control their distribution. Everyone gets that. And everyone also gets that Amazon's look and feel may not match that of a luxury brand's Web site. But its reach is immense and growing. What brand, even what luxury brand, can afford to let that opportunity slide?

"The problem is the luxury market has yet to figure out Amazon," Mr. Hertzman said. "More because of the aesthetics and pricing competition. But to simply stay away/stay out of it isn't the answer."

Mr. Hertzman cited as example the recent efforts by [Birkenstock](#), a premium comfort shoe brand, to keep its shoes off Amazon, which is ironic since a wide selection of Birkenstocks are available on Zappos.com, an Amazon company.

"Birkenstock has been vocal about this issue," Mr. Hertzman said. "It stopped selling on Amazon because of the counterfeits, driving the prices down and threatening brand authenticity, but then its shoes started showing up again coming from its dealer network.

"So, Birkenstock went back to its approved dealers saying that selling through Amazon violated their distribution policy and could cause the company to hold back their shipments," he said.

If authenticity was the issue, would a brand such as Birkenstock not have more leverage if it worked directly with Amazon to guarantee it?

"That is it exactly," Mr. Hertzman said, pointing to the recent decision by Nike to finally open on Amazon simply because it had no choice. "Embracing Amazon, rather than fighting it, can be the best policy for many brands."

For luxury brands today, there remains a stigma around selling through Amazon.

"For all its virtues and vast reach, Amazon has a unique commoditizing touch that strips the aura of the brand to price, quantity and availability," said Mickey Alam Khan, editor in chief of *Luxury Daily*, the world's leading luxury business publication.

"Luxury is a blend of tangible and intangible, quality and creativity, rarity and craftsmanship, with the brand as a strong protective covering," he said. "To sell via Amazon is the ultimate admission from a luxury brand that those values do not matter."

Maybe that is the case today, but what about tomorrow?

Mr. Hertzman, for one, sees Amazon in many luxury brands' future.

"Jeff Bezos' strategy is to create the largest marketplace in the world," Mr. Hertzman said.

"Brands like LVMH, Richemont or Coty would be better off negotiating with Amazon, rather than trying to circumvent it," he said. "Luxury brands will need to figure out how to do this so that their portfolio of brands continue[s] to grow without jeopardizing their business."

It is obvious to all I spoke to that this ruling in favor of Coty against Amazon is nothing but a speed bump in Amazon's race to world domination of consumer commerce. Right now, the ruling is playing out as a David versus Goliath battle.

But not too long ago, Jeff Bezos' Amazon was a David, too. And if you remember your Bible stories, you will know that the little shepherd boy, David, grew up to become king of Israel.

"Amazon will either persevere and crack the luxury brands market as it has every other market, or it will have to settle for being the ecommerce leader in virtually every other market," Maple Holistics' Mr. Masterson said. "Not a bad worst-case scenario for the tech giant."



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