

The Impact of digital marketing on luxury fashion brands

ABSTRACT

While the luxury goods market has been slow to embrace and capitalise on the opportunities related to the digital era that has not been the case for their customers. Luxury fashion brands are no exception to this and some have been noted for their inability to keep up with the digital revolution. In the case of fashion luxury brands, whilst some argue that the offline online integration has added value to the brands others suggest that it has eroded the panache associated with luxury brand. As luxury fashion brands play a significant role in shaping the fashion industry one cannot ignore its approach to digital integration and the impact it may have on the direction the fashion industry takes.

As noted by Michael Porter (2001) whether one should integrate internet technology as part of their business plan is no longer questionable, but rather a matter of how it may be most effectively deployed. Based on case studies this paper investigates how successful integration of the offline with online environment can be achieved for such a dynamic industry.

Keywords: Fashion Marketing, Luxury Brands, Digital Integration, Digital Marketing Strategy

INTRODUCTION

Businesses in the 21st century are hugely reliant on the internet to support the growth of their organisations. Whether one should integrate internet technology as part of their business plan is no longer questionable, but rather a matter of how it may be most effectively deployed (Michael Porter, 2001). The growth of and investment in digital marketing is astounding. For instance, an industry survey conducted by Pricewaterhouse and Cooper (PwC) and sponsored by the Interactive Advertising Bureau (IAB) has shown that in U.S alone the revenue generated for half-year 2014 totalled \$23 billion, 15% higher than the previous year (IAB, 2014). As the internet presents a unique opportunity for brands to strengthen their competitiveness as well as build on their customer's experience it is evident that most industries have changed their approach and strategy to marketing. The internet presents the ultimate interactive and integrative communications system (Schultz, 1996). It has been a game-changer and going online effectively means going global. For customers that are cash rich but time poor the internet is an alternative channel that could fulfil their desire.

One of the most significant contributions of the internet is that of value-added marketing – adding value to visitors' experience by allowing marketers to give them additional information as well as services. As stated by Husted and Whitehouse (2002, p.4) “the concept of value-added marketing creates loyalty to one or more homepage sites and consequently to the homepage sponsor. Such loyalty is the corner-stone of building lasting relationships with customers”. Historically, there was resistance from some luxury fashion brands to embark on the internet because they felt that e-commerce was not a very luxurious experience. In particular with some luxury heritage brands, there is a misconception that heritage is interchangeable with history rather than representative of the emotional response originally developed in customers (Morley and McMahon, 2011). This has inevitably led to the idea of heritage as static history inhibiting innovation to a degree. Luxury is about the experience, not just the product providing the consumer with a sense of enhanced status or identity through feelings of authenticity, exclusivity, culture and or quality. The internet has presented the industry with a valuable tool to successfully enhance consumers' relationship with the brand, by involving them in the 'experience' and 'personality' of the brand. Consumers' needs are evolving rapidly. Contemporary consumers are prepared to engage with brands in a conversation to express their evolving needs.

Luxury fashion brands who are not fully integrating digital marketing tools to engage their customers risk being left behind. More brands are exploring on how they can do it better rather than shying away from it (Ortved, 2011). Consumer behaviour and expectation in relation to fashion coupled with the level of engagement that social media is able to provide had made this area of innovation in the internet a focal point in several studies relating to fashion marketing (Ortved 2011, Kim and Ko 2012; Phan and Heine 2011). Social media is related to the concept of Web 2.0 which allows and encourages user-generated content such as creating and sharing texts, pictures or videos, and comment on existing content. As such it has empowered customers giving them the platform to engage with brands consequently enhancing their expectation and perception of their brands.

This paper intends to provide an outlook on the current role of digital marketing in luxury fashion brands and highlight the significance of integrating digital marketing as a key component to drive success. Supported by the views of industry and brand experts, the study presents initial findings from initial investigation and proposes key strategies for luxury fashion brands which include setting the right objectives, being customer focused and utilising social media. As this is the first phase of the research we chose to undertake an exploratory study supported by qualitative data gathered through a semi structured interview.

LITERATURE REVIEW

The internet has grown from strength to strength since its innovation phase 1964 – 1974 during the creation of the fundamental building blocks; through the institutionalisation phase 1975 – 1995 when large intuitions were provided funding and legitimisation; up to today's commercialisation phase 1995 – present when private corporations take over, expand the backbone of the internet and local services (Laudon & Travis, 2013). Today, the web provides a tremendous opportunity to reach customers directly. A recent survey of digital marketing spending indicated that up to 2.5% of a company's revenue is used in this area (Gartner, 2013). Advances in technology and the evolution of marketing are inseparable. The printing press, radio, television and now the internet are all examples of major breakthroughs in technology that also advanced the field of marketing. Some marketing principles never change. Companies must meet the needs of their customers; the need now is digital integration, which is further fuelled by digitally enabled social networking, more commonly known as social media.

There are several tools that have been developed or adapted by marketers in their effort to integrate digital marketing strategy into their overall business strategy. Chaffey and Chadwick's generic digital marketing strategy development process (2006, 2012); Chaffey and Smith's 'SOSTAC© Planning Framework for E-Marketing' (2012); and Strauss and Frost's 'E-Marketing Plan' (2014) being amongst such theories. The foundation of these strategies is traditional marketing with common elements, such as; assessing the marketplace; defining objectives; selecting a strategic approach; implementing actions or activities; measuring results or performance (being comparable).

When considering the formulation of a strategic plan suitable for online luxury fashion marketing, first and foremost one has to examine the unique features inherent to luxury brands. The review of generic and specific digital marketing strategies, as well as current best practice, can also support the building of an online strategy for luxury fashion brands as it will undoubtedly unveil some of the most essential elements required in order to develop a robust digital marketing strategy.

Considering luxury brands in particular, Mckinsey's 2015 report shares key findings on how the industry is affected by the digital revolution and gives insight on luxury consumers' behaviour. The report discusses five key customer touch points that luxury brands must strive to excel in digital marketing. These are the physical store (preferably located in the city); the person to person interaction option; an established online search; knowledgeable sales people and a well-developed brand website. The report further highlights three priorities required to achieve

success online – it states that luxury brands must: 1) Redefine what a truly excellent and distinctive luxury experience should be through innovation 2) Ensure their distinctiveness in the 5 key customer touch points discussed earlier and 3) Radically rethink their consumer engagement strategy. McKinsey's report also indicated the importance and prominence of social media. Luxury consumers are highly social in the digital sense with 80% using social media on monthly basis, 50% being weekly and 25% being daily users. Moreover they are not passive users, two thirds actively generate varied content on regular basis.

As with most industry's fashion retail has undergone a major change as a result of innovation which has transformed customers shopping behaviour and their engagements with brand. In light of the intense rivalry that exists in the fashion industry digital integration has given retailers and brands the platform and opportunity to differentiate their offering and gain competitive advantage.

Whilst luxury brand take up a relatively small portion of the fashion market, its impact in terms of sales, influence and leading change is quite high. The effect of innovation on fashion marketing of luxury brands in today's digitally enabled and empowered era is an area that needs further exploration. Luxury shoppers are among the most digitally connected of any consumer segment (Timms, 2015). For the average luxury shopper digital experience is a necessity. Yet some brands have shown resistance in embracing digital integration fully (Deloitte, 2016). Hindered by the belief that digital can in no way replicate the in-store exclusive experience, brands such as Chanel have been slow to adopt digital marketing. This is possibly due to the added fear of losing brand positioning by breaking with traditions (Okonkwo, 2010). On the other hand the likes of Burberry have demonstrated that harnessing digital could not only revive a declining profit but can potentially be used to reach new target.

In recognition of the importance of fashion marketing of luxury brand Ko and Megehee's (2012) seminal work in a special issue on fashion of luxury brand highlighted four key areas of interest: luxury consumer behaviour; luxury status or values; luxury brand management; and luxury brand counterfeiting. In this special issue where the authors reviewed 15 articles, the section on brand management clearly shows the importance of utilising and managing innovation, particularly the social media activities as this is an area that is gaining prominence.

With luxury consumers' being fully digital with raising and evolving expectations, the challenge for luxury fashion brands is high, though so is the opportunity for them to grow. As Mckinsey's report (2015) has pointed out currently there is a 14€bn online market which is anticipated to grow up to 70€bn by 2025. Furthermore 75% of all luxury sales today are influenced by digital and this too is expected to go up to 100% by 2025. Thus, luxury brands have no choice but to embrace the digital era and become Omni channel. This will inevitably require them to rethink how they should implement both their customer experience and their consumer engagement strategy.

METHODOLOGY

As this is the first phase of the research we chose to engage in an exploratory study to investigate how luxury fashion brands viewed digital marketing. Looking at luxury fashion brands, given the nature of engagement that customer traditionally had with luxury brands, which was predominantly in-store, the challenge is to determine the extent to which marketers were using the internet to enhance consumers experience, improve market positioning as well as keep up with evolving customer need.

This study refers to experts' views from the *fashion industry* and a recognised *luxury brand representative*, based in London, UK. Given that both industry and brand representative serve the global market and taking into account that London is one of the top fashion venues globally the findings are relevant to a wider audience.

An interview guide provided a structure for each interview. The topic areas covered included: participants' views on current trend in luxury shopping; the extent to which online can fulfil traditional luxury; embracing innovation; and strategies and impact of digital marketing. Most of the questions were open-ended with follow-up and/or probing questions being used to expand on key issues. Initial evaluation of the response elicited three key themes relating to strategies for luxury fashion in the digital era. Discussion of the initial findings in alignment with existing knowledge is presented next.

INITIAL FINDINGS

ALIGNMENT WITH OBJECTIVES

In the first instance the goal or objective desired from the digital channel needs to be clearly identified. It is important that organisations build on their overarching objectives. As such, luxury fashion brands should follow the same ethos, as it is an extension of the channel or means by which the organisation reaches existing and new customers. One challenge that luxury brands face in the advent of digital integration is maintaining exclusivity while also avoiding ubiquity. To create fitting digital marketing objectives for luxury fashion brands, the core value related to the luxury brand under consideration must be evaluated. Then one needs to consider how this can be incorporated with or achieved through digital integration.

It has been suggested that luxury brands must tell a story that either involves their own history or that they have developed to encourage emotional connection with customers (Kapferer and Bastien, 2009). One of the key values articulated by the industry expert is the level and depth of engagement that luxury brands have with their customers (excerpt to follow).

“For luxury (fashion) brands customer interaction is part of the brand promise and what elevates brands and gains loyalty and emotional connection more than a transactional one. As consumers and people still require emotional interaction, there is only so much that is delivered online. As this will become scarcer in time and as such will become a luxury experience. For luxury brands digital marketing is essential in storytelling, point of difference, individuality and selling the brand proposition that the consumer buys into.”

(Industry Expert, 2016)

In agreement with the industry expert's view above, the leading brand expert added the following:

"..the move had been towards storytelling. We've moved beyond reach and frequency it's about the experience. We've moved beyond the acquisition for joy of the luxury item. It's now about the experience of living and being places and being able to chronical a life through social media that is promoting the acquisition of luxury items. We now have to create our collections in a context. The products they are investing in are an enhancement to life."

(Brand Expert, 2016)

CUSTOMER FOCUSED STRATEGY

Consumers' behaviour is changing, in the past luxury was only available to small group of consumers but in recent year the luxury market has expanded catering for a wider target. While 'old luxury' focuses on key characteristics derived from features such as status and prestige, the new luxury consumer value the experience of luxury embodied in the goods and services they buy (Unity Marketing, 2006). Understanding these changes and the new boundaries is important to meet the challenges presented and to take advantage of the many opportunities that the digital revolution has provided the luxury market. The industry expert's observation with regards to the above point is as follows.

"Those brands that have been brave are seen as innovators in the mind of consumers, they have consumers wanting more and the sector watching and wanting to emulate. That is an advantageous position and reputation for any brand to leverage new customer from. Innovation is important as businesses move into Asian markets that are more tech savvy, gaining information and communicating almost entirely through mobile and social channels. Businesses are considering Experience, environment and emotion through both bricks and mortar and online."

(Industry Expert, 2016)

As the number of customers shopping online increases online retailers should pay even more attention on retention strategies. If retailers are able to build on loyalty by doing so this is likely to increase profit and possibly the market share. As explained by the brand expert, "the power has shifted to the consumers" thus brands must recognise the evolving nature of their customers.

"When people come to us in our own digital eco system we can source product information for one client versus another. For example e.g. more interested in sandals due to climate OR they have a large shoe size and only show them products available in their size. This makes my job much more complex. The power base has shifted so the power is in the hands of consumers, rather than retailers, print media etc."

(Brand Expert, 2016)

One strategy is to capitalise on the data collected about customers. Utilising this data the company can enable customers to create a customised homepage which can in turn allow them to enjoy an exclusive shopping experience specifically designed for them.

SOCIAL MEDIA IN PLAY - BUILDING RELATIONSHIP

The growing importance of social media is reflected by the rise of investment in this area. Brands and in particular luxury brands should have a clear understanding of the role of social media in enhancing customer experience. An investigation on the impact of social media

marketing activities on customer equity, in the case of luxury fashion brand, identifies five constructs of perceived social media activities – entertainment, interaction, trendiness, customisation and word of mouth (Kim and Ko (2011). This study also elicited that social media marketing activities positively affect value equity, relationship equity and brand equity. In support of the above Park and Youn-Kyung (2015) have also found a positive relationship between social media activity and brand loyalty. In line with discussion above, as indicated by the experts that follow, both industry and brand experts placed emphasis on the importance of social media and its role in today’s luxury fashion marketing.

“We are seeing consumers becoming more selective of the channels and the individuals they follow and being inspired, entertained or engaged in content. Also impacting is the increased competition between Facebook/Instagram and Google/Youtube.”

(Industry Expert - 2016)

“We’ve moved from communicating in simple ways e.g. print advertising campaigns which rely on third parties to convey brand message. We now have to communicate in ever more diverse ways. So much information is being filtered; we can’t rely on one single image or message, we need to create different assets to earn the customers attention.

(Brand Expert - 2016)

Investment in social media should be thought through carefully. Like any other business strategy it should be a long-term strategy integrated with the overall business strategy.

CONCLUSION

Knowledge of established generic strategies for implementing digital marketing may be useful in setting the foundation for luxury fashion brands. However, one has to be aware that specific objectives will need to be aligned with the core values sought from luxury fashion brands and driven by the changing need of the consumer. Luxury brands have historically been very cautious about digital integration. Yet, luxury e-commerce has been gaining traction, with nearly half of the consumers now shopping online for clothes and online fashion sales predicted to rise 41% by 2017 (Retail Week Report, 2014). In line with the growth anticipated in luxury fashion there is also a trading-up trend of customers prepared to spend slightly more for better-quality garments. This is inevitably generating opportunities across the value spectrum (Retail Week Reports, 2014).

With growing interest of luxury fashion brands in providing luxurious value to customers, using social media appears predominant in attracting new customers as well as retaining existing ones. There is growing interest in the use of experiential - digital marketing as a corporate communication strategy in encouraging sales and as a tool for competitive differentiation. As the role of information communication technology in the fashion industry is rapidly growing more and more retailers are now beginning to acknowledge the importance of developing a strategy that combines an online and in-store retail experience, allowing consumers to develop brand loyalty.

LIMITATIONS AND NEXT STEPS IN THIS RESEARCH

This study has some limitation. The first is the sample size. Although both industry and brand representatives serve the global market and are based in London, one of the top fashion venues globally it is important broaden the sample size to incorporate the views of a wider group. As such in the next stage of this study we aim to incorporate the views from a wider group. In addition we intend to review and modify the interview guide based on findings from the initial study. A second limitation refers to the sample type - the first stage relies on opinions from industry experts. In the next phase of the study we will consider including the perspective of customers too as ultimately the successful implementation of digital marketing need to take end users into account.

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