Social Media Marketing in Luxury Retail

Izabella M De Souza, William Paterson University, Wayne, NJ, USA
Sharmila Pixy Ferris, Department of Communication, William Paterson University, Wayne, NJ, USA

ABSTRACT

This study examines the potentials of social media marketing for luxury retailers. Social media marketing tactics of three luxury retail brands (Barneys New York, Net-a-Porter.com, and Saks Fifth Avenue) were examined across three major social media networks (Facebook, Twitter and Instagram). All posts by the three retailers on Facebook, Twitter and Instagram were recorded over the course of a week. A content analysis revealed that different social media networks may be effectively used in different ways by luxury retailers. Facebook allows for the greatest connection with consumers (all three retailers had the most followers on Facebook) while Twitter allows for the largest volume of posts; consumer feedback was highest on Instagram. Overall, social media marketing proved an effective, low-cost tool for the three retailers, with payoff well justifying the effort. For example, all three retailers had over 1,200 shares and retweets on Facebook and Twitter.

Keywords: Facebook, Instagram, Luxury Fashion, Luxury Retail, Social Media Marketing, Social Network Sites, Twitter

INTRODUCTION

The market for all types of luxury goods has been prospering in the last few decades (Truong, 2010). In 2008, the luxury goods market was valued to reach $1 trillion by 2010- a 16% increase from its estimated value of $840 billion in 2004 (Truong, McColl, & Kitchen, 2009). In segregating the luxury fashion market, growth is also substantial with an estimated market value exceeding $130 billion in 2007 (Fionda & Moore, 2008). This kind of development in the luxury goods market, and the luxury fashion market in particular, may be attributed to factors such as improved unemployment rates, additional disposable income and the growth of the middle class in various countries (Truong, 2010) specially China. The Chinese luxury retail market is of particular note as it is one of the largest consumer markets in the world, noted by The Economist (2014) as being “one of the world’s most sophisticated consumer markets, heavily skewed towards expensive goods” and unique in that it has many online shoppers, with 689 million Internet users in China alone, according to Jones (2014).

DOI: 10.4018/IJOM.2015040102
The substantial growth in the luxury fashion market warrants a consideration of how advertisers and marketers modify their marketing strategies to promote development. As can be expected in today’s digital world, many companies are turning to social media in order to promote their products. Social media has the advantages of connecting users, and has the ability to share existing or user-generated content from such platforms as social networking sites (SNSs), podcasts, blogs and other channels (Hensel & Deis, 2010).

**LITERATURE REVIEW**

**Social Media Networks and Luxury Consumerism**

Although social media did not originally start out as such, social media sites have proved a strong marketing tool as they have the capacity to promote and build credibility for a brand or product, reach brand advocates, and track consumer feedback, as well as sell directly to consumers. Social media has proved a marketing tool with minimal financial costs when compared to a traditional media ad campaign (Hensel & Deis, 2010). Facebook, the most popular social networking site (SNS) in the world (Egilman & Druarb, 2012), has over one billion registered users, 160 million of which are in the U.S. (Lipsman, Mudd, Rich, & Bruich, 2012). Twitter, the leading microblogging SNS site (Thoring, 2011), reached 517 million registered users in July 2012, with 140 million of those users in the U.S. (Lunden, 2012). In China, the largest consumer market in the world, there are 689 million Internet users (Jones, 2014), and while Facebook and Twitter are currently banned they see strong potential in China (Jones, 2014). In fact, Facebook’s CEO says it’s use is growing strongly in China, despite the ban (Peel, 2014).

With these kinds of user statistics, social media marketing has the power to reach just as many, if not more, consumers than a traditional advertising campaign, even on a minimal budget. Additionally, social media marketing has the advantage of consistent visibility as the majority of respondents access their social media networks on a weekly basis (Hensel & Deis, 2010).

As social media grows and changes (which is happening at a lighting-fast pace) it is incorporated into mobile applications which can be accessed on-the-go by smartphones (Hauser, Urban, Librali, & Braun, 2009) and tablets. Marketers now have additional SNS forums at their disposal, like Instagram- a leading mobile photo application that was purchased by Facebook for $1 billion in 2012 (Werner, 2013).

We note that although academic studies of the luxury industry are scarce (Fionda & Moore, 2008), luxury consumerism must be explored and understood before social media marketing can effectively be undertaken. The luxury industry has evolved from a small, private and highly exclusive industry into a large, mass-produced industry, which compromises its exclusivity (Atwal & Williams, 2009). As Atwal and Williams (2009) note, luxury consumers are not just demanding quality and authenticity in their products, but they are also interested in how the overall experience of a luxury brand will contribute to their lifestyle. Since consumers purchase items based on two levels of motivation, personal and social, they are looking for brands whose image strives to fulfill both of those desires (Truong, 2010).

Understanding luxury consumerism can allow marketers to establish and prioritize goals in a social media campaign. Marketers can capitalize on both consumer equity and purchase intention. Consumer equity refers to a consumer’s lifetime values, which may increase their interest or involvement in a brand or product. Purchase intention is a variable that may predict future sales for a brand or product. Both may be increased and measured through social media (Kim & Ko, 2012). For example, Zauner, Koller and Fink (2012), found that social media marketing had an affirmative effect on consumers’ value discernment of the brands that were promoted.
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