Chapter 7

The Relative Importance of the Different Relationship Platforms (Physical and Virtual) in the Consumer Experience of Luxury Brands: How Has It Changed from the Company Perspective?

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ABSTRACT

Managing luxury brands nowadays is complex (Wiedmann & Hennigs, 2012). On the one hand, luxury brands built their development through a strategic use of physical relationship platforms, making the customer experience inside points of sale an indispensable element for their growth. On the other hand, over the past 10 years, we have seen leading global luxury brands embrace virtual platforms in various ways to re-imagining consumer experiences. Blending these new elements can present challenges. The purpose of this chapter is to understand the relative importance of the different relationship platforms (physical and virtual) in the consumer experience of luxury brands and how has it changed. Results are able on the one hand to expand the theory of luxury branding and on the other hand to highlight some key implications for luxury brand managers.

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INTRODUCTION

Today’s consumers, who can still spend quite a bit on luxury brands, no longer require formal attire or attitudes; immediacy and flexibility are necessary to establish links with their loved brands, but it’s difficult to offer a unique and integrated experience (offline and online) if there’s no control on the brand tone of voice and image. The challenge is how to find the right balance of awareness, engagement and purchase between the different platforms. (Marketing Manager of a Luxury Brand)

This is just one of the quotes gathered in the questionnaire that interviewed 35 marketing managers of luxury brands, based in Italy, who belonged to a sample of luxury companies identified by the Fondazione Altagamma and Pambianco. The ambition of this chapter is to look further into these challenges and answer one key research question: What is the relative importance of the different relationship platforms in the consumer experience of luxury brands, and how has it changed, from the company perspective?

1.1 Literature Review

In recent years the development of virtual platforms (online and mobile) has generated important changes among consumers, market dynamics, marketing processes and communication.

Consumers have become the real players of this era. Thanks to the Internet’s global reach and the growth of social media worldwide, consumers have much better control over access and use of information than in the past (Shankar et al, 2011). They are interconnected and they can communicate by exchanging multimedia content and opinions (Rothaermel & Sugiyama, 2001; Goldsmith & Horowitz, 2006). The Internet is now an integral part of people’s lives: through the Internet consumers communicate, compare, try, buy and express themselves; it has also become the bridge by which organizations can create a lasting, two-way and peer-to-peer relationship with customers through their brands (Martin & Todorov, 2010). This change in roles and the spread of the Internet have led to the rise of Web 2.0, which is discussed in the literature of various disciplines, especially in terms of information technology. As far as marketing is concerned, various scholars have stated that Web 2.0’s evolution is the basis for a true revolution in the discipline (Deighton, 1997; Hoffman, 2000; Kotler et al, 2010). In particular, this issue is now flanked by the concept of “consumer empowerment” (Wathieu, et al., 2002, Pires et al, 2006, Wright et al, 2006, Cova & Pace, 2006), both as regards the role and impact of conversations and e-Word of Mouth (e-WOM) on purchase intent and decisions, and on effects in terms of brand loyalty and image (Brown et al, 2007). In addition, it is useful to point out that consumers on a global scale are changing demographically and in terms of expectations and desires (United Nations, 2000) are less likely to be loyal to brands, are more affected by other consumers than by traditional media and their behaviour is less predictable (Svensson, 2002, eMarketer, 2011).

From a business perspective, these phenomena imply a swift change in the approach towards consumers, as the relationship and interaction with them turns into a highly personalized and steady message exchange (Deighton & Kornfeld, 2009; Michelsson & Heinonen, 2010) both off- and on-line (Keller, 2010) in a multichannel context (Simons et al, 2002).
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