Chapter 8

“Exclusivity Dared”: Impact of Digital Marketing on Luxury Fashion Brands

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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. Fashion luxury 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 the 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 chapter investigates how successful integration of the offline with the online environment can be achieved for such a dynamic industry.

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

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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 fulfill 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.

In the face of today’s rapidly changing environment, with the advent of a technology revolution and associated trends such as - the growth of social media, evolving customers’ needs and demands and with even the customers’ decision-making processes changing organisations need to take digital integration seriously (Retail Weeks Report, 2014). Recent studies have elicited that companies which master the process of digital integration are 2.5 times more likely to convert their customers (Bughin, 2013).

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 chapter 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. The rest of the chapter is organised under three main areas: the new marketing arena; luxury fashion in the digital era; and key strategies for luxury fashion in the digital era. The new marketing arena gives an overview of the ‘technology behind digital marketing’, looking at the impact of technology and the internet. It also introduces such concepts as e-business, e-commerce and e-marketing with a view to clarifying terminologies, as well as to help put digital marketing into context. The first section will also outline some of the popular ‘digital marketing strategies’ adopted by marketers to date. Part two on luxury fashion in the digital era reviews major events and changes that the fashion industry has
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