Chapter 37

Social Media and Customer Retention: Implications for the Luxury Beauty Industry

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ABSTRACT

Social media has become an integrated part of everyday life, but its entry into the luxury goods industry has been far from easy. The use of social media in the luxury beauty industry has caused many heated debates as it is seen as a form of interference in the exclusivity of luxury brands by limiting the physical and sensual contact between brand and customer. The purpose of this chapter is to provide some insights into how social media impacts the cosmetics industry. Further, the authors provide evidence that the effective application of social media in the luxury beauty industry could lead to wider market share and customer retention. The chapter concludes with some strategies that practitioners and researchers can adopt to develop effective marketing communication strategies using social media platforms.

INTRODUCTION

The concept of social media and its relevance to effective marketing communications has gained much attention (Bolton et al., 2013; Brennan & Croft, 2012; Hamid, Akhir & Cheng, 2013; Hanna, Rohm & Crittenden, 2011; Hoffman & Fodor, 2010; Mangold & Faulds, 2009; Ozuem & Tan, 2014). The evolution of Social Media has led to the democratisation of corporate communications, with power shifting from advertising departments towards the opinions of individuals and communities, who like or dislike, comment upon and share content (Kietzmann, Hermkens, McCarthy & Silvestre, 2011; Dann & Dann, 2011). The online social landscape has converted the standard one-to-many media monologue into many-to-many dialogue. Social Media has increasingly become a product of consumers (Berthon, Pitt, Plangger & Shapiro, 2012). Online conversations have become the new fuel and forefront of customer-
firm relationships. Practitioners of the Cluetrain Manifesto (Levine, Locke, Searle & Weinberger, 2011) even describe conversations as “new products” that are part of a marketplace of organisations that permanently pitch to each other. As the rise of Social Media offers great opportunities to connect with consumers, Mangold and Faulds (2009) have made a case for the long-term incorporation of Social Media in a company’s integral Marketing Communications strategy.

Bain and Company (2013), the leading strategy consultancy in the global luxury goods industry, expects the worldwide market of luxury goods to continue its double-digit growth, accounting for a total of £208 billion sales by 2015. In the UK specifically, the Walpole (2013), a non-profit association representing more than 180 British luxury brands such as Harrods, the Royal Opera House and Selfridges, reports an estimated growth of 12 per cent in the UK luxury industry, reaching an estimated record of £11.5 billion in the year 2017. With regard to beauty in particular, the global luxury beauty market outpaced mass-market beauty growth by 1.6 per cent in 2012 (BW Confidential). The luxury beauty industry in the UK is especially unique, as the nation’s beauty market grew by 5 per cent to £2.2bn in 2012, propelling the UK to the third biggest luxury beauty market in Europe after France and Italy (Euromonitor International, 2013). The luxury beauty market in the UK is forecasted to be the fastest growing developed market in Western Europe with a growth rate of 6 per cent over the next five years, compared with an average growth of 2 per cent in the region (Euromonitor International, 2013).

The rise in the standard of living and consumer education about products has led to a democratisation of what were originally considered the most exclusive products (Garland, 2008). Globalisation has furthermore contributed to an increased level of competition, leading companies to create more exclusive products in order to differentiate from each other (Vickers & Renand, 2003). Many companies seek to add value to their brand by simply adding the term “luxury” or by extending their product portfolio with a luxury range, whilst others have created a truly luxury-oriented brand as their core business proposition. This study focuses on the last group, luxury brands that authentically carry the original meaning of luxury.

The growing desire of consumers for exclusivity and personalisation motivates luxury retailers to strongly invest in beauty. Evidence for this can be seen in for example the new “Beauty Workshop” area in Selfridges, the recently opened “Beauty Mart” section in Harvey Nichols in London or the new Luxury Beauty store on Amazon. Nowadays luxury beauty brands increasingly use Social Media to give consumers a more actively engaging brand experience. Despite the growing popularity of online shopping, so far only one in five women purchases beauty products via the Internet and many consumers are still uncomfortable about buying beauty products online, as the preference to explore, assess and test the products prior to purchase still holds true (YouGov, 2012).

Social Media has become an integrated part of everyday life, but its entry into the luxury goods industry has been far from easy. The use of Social Media in the luxury beauty industry has caused many heated debates as it is seen as interference to the exclusivity of a luxury brand by limiting the physical and sensual contact between the customer and the luxury brand (Choo, Moon, Kim & Yoon, 2012; Dall’Olmo Riley & Lacroix, 2003; Dubois & Paternault, 1995; Khang, Ki & Ye, 2012; Okonkwo, 2010; Seung-A, 2013; Smith, 2009). However, as the number of affluent customers purchasing online increases, luxury brands face the challenge of retaining their customer base in order to create more sustainable revenue streams (Bolton, 1998; Buttle, 2009). Companies have reacted to this recent evolution in the marketing landscape and almost every luxury brand has adopted Social Media to connect with customers (Kim & Ko, 2010). A survey by the Luxury Interactive Conference’s research team reported that 78 per cent of digital marketing executives for luxury brands increased their spend on Social Media in 2012, with 73 per cent of those surveyed planning to further increase their Social Media spend in 2013 (Alston, 2012).