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Digital Marketing Strategy Used By Luxury Brands

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Abstract

In the luxury market, the existing paradox between exclusivity and rarity, the characteristics of this sector and the digital world, has gained greater strength over the last years. This dissertation aims to understand the strategies used by luxury brands at the level of digital marketing, keeping respect for the brand principles.

The importance of sales through digital channels and applications has grown over the years in luxury brands, accentuated by the pandemic, these brands started to be more and more careful in understanding the best strategy to provide their consumers the ease of the digital world, without ever compromising their values, especially concerning what makes these brands so exclusive. To understand the strategies used by some of these brands, an analysis was carried out on the first four luxury brands, according to the Statista database, within the luxury fashion brands with more value in the world in 2021. The goal was to understand what differentiates them from each other and what strategy each one of them uses both on their website and on social networks, focusing on the Instagram accounts of the respective four brands.

The theoretical matters related to the subsequent analysis are widely discussed throughout this thesis in order to understand the importance and weight of digital strategies in luxury brands.

Through the research, it was understood that the consumer nowadays is younger and younger, which makes the brands' development regarding digital more and more critical.

Keywords: Luxury Brands, Digital Marketing, Digital Marketing Strategy Used By Luxury Brands

Journal of Economic Literature (JEL) Codes: M1 Business Administration, M3 Marketing and Advertising

Resumo

No mercado do luxo, o paradoxo existente entre a exclusividade e raridade, características deste setor e o mundo digital, tem ao longo dos últimos anos ganho uma maior força. Assim, a presente dissertação pretende compreender as estratégias usadas pelas marcas de luxo ao nível do marketing digital, respeitando pelos princípios da marca.

Dado que a importância das vendas através de canais e aplicações digitais tem crescido ao longo dos anos nas marcas de luxo, acentuada pela pandemia, estas marcas passaram a ter um cuidado crescente em perceber qual a melhor estratégia para conseguirem proporcionar aos seus consumidores a facilidade do mundo digital, sem comprometer os seus valores, o que torna estas marcas exclusivas. Para perceber a estratégias usadas no setor, realizou-se uma análise nas quatro primeiras marcas de luxo, de acordo com a base de dados Statista, dentro das marcas de moda de luxo com mais valor no mundo em 2021, por forma a compreender o que as diferencia e qual a estratégia que cada uma destas usa tanto no seu website como nas redes sociais, focando nas contas de Instagram das respetivas marcas.

Os temas teóricos relacionados com a análise posterior são amplamente discutidos nesta tese de forma a compreender a importância que as estratégias digitais têm nas marcas de luxo.

Através da investigação percebemos que o consumidor hoje em dia é cada vez mais jovem, o que leva a que o desenvolvimento por parte das marcas relativamente ao digital tenha um importância cada vez mais notória.

Palavras-chave: Marcas de Luxo, Marketing Digital, Estratégia de Marketing Digital Utilizada por Marcas de Luxo

Códigos do Journal of Economic Literature (JEL): M1 Administração de Empresas, M3 Marketing e Publicidade

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1. Introduction

The luxury market is one of the most attractive and profitable markets worldwide. However, this market has always worked differently. In the case of luxury fashion, it is characterized by providing its consumers with a feeling of exclusivity and rarity when they use its products.

The entry of this kind of brand in the digital world ended up suffering a delay since these brands have always shown some rigidity towards this subject because the digital world ends up passing the image of greater accessibility and less exclusivity, which led these brands to maintain the fears about this subject. The emergence of new technologies has changed the daily life of luxury consumers. E-commerce has been around for over 20 years, and nowadays, shopping online has become a habit, a fact that is also driven by the pandemic, which led many to realize the ease online shopping provides.

Due to the digital platforms that brands have been joining, consumers are now always connected, increasing the level of interest and demand. Today, before buying these articles, customers can check the available offers and much of the information related to the articles and become more informed.

1.1. Research objectives

The main goal of this research is to analyze the strategies used by each of the four luxury brands with more value, chosen based on data provided by Statista, within the Top 10 most valuable luxury fashion brands in the world.

In general terms, understanding which strategies each uses through their websites and social networks, in focus on Instagram, will be central in this research. The approaches that each of these brands has with their consumers to communicate what is happening with the brand through the digital world.

This general research objectives, may be translated into three key research objectives: 1) understand what the websites of each of the brands in analysis provide to their consumers; 2) explore how often and consistently brands use their Instagram accounts and; 3) understand which brand receives more interaction from their followers/consumers.

1.2. Dissertation structure

This dissertation consists of five chapters, the first and the last consisting of the introduction and the conclusion, in which the objectives are explicit, as well as the adversities encountered during the research.

The first chapter, related to the introduction, is composed of the exposition of the subject under investigation, the objectives, and its structure. The literature review, the dissertation's second chapter, contains the most relevant themes to the inquiry, such as communication, marketing communication, digital marketing, brand, luxury fashion brands, and luxury brand in digital.

In the third chapter, the methodology adopted supports the present dissertation composition, explaining how the research is materialized and how the necessary data was obtained. Then the fourth chapter exposes the results obtained according to the methodology adopted and the analysis of these. Finally, the fifth and last chapter summaries the conclusion and the discussion of the results. The references are also included in this dissertation.

2. Literature review

2.1. Communication

Communication is considered a bidirectional process, but only when there is feedback about the transmitted information, and it is possible to understand if the message was correctly received.

In other words, communication is sharing information between individuals or groups. The information may be shared through various means, either face-to-face or with communication devices. It requires a sender, who transmits his ideas and thoughts, a means of communication, and a receiver. The receiver, in turn, receives the message and decodes/interprets it (Hall & Torrington, 2006).

For communication to be successful, it requires appropriate language for both parties, leading to an understanding of the shared concepts. There is always the possibility that the receiver does not interpret the message as the sender intended. However, it is not so likely if both share the same culture and language, two essential elements in communication.

The communication process is divided into three phases, thinking, encoding, and decoding. Thinking and encoding are related to the sender, and the way thoughts are expressed through verbal or written expression. Decoding is the interpretation of the information received by the receiver (Indeed Editorial Team, 2022).

Communication is a human activity that connects people and creates relationships. It is present in various activities in different areas, such as political, social, economic, psychological, and marketing. It supports the organization, as it functions as a sharing mechanism that leads to the development and decoding of knowledge (Duncan & Moriarty, 1998).

The emergence of new communication trends has also affected how companies communicate since they have modified the fundamental aspects and attitudes of companies and consumers (Gáti & Markos-Kujbus, 2012).

The communication companies use nowadays is made mainly through social networks, allowing companies to maintain the traditional one-way communication flow with the consumers. This communication flow allows more excellent proximity with the customers allowing business agents to receive highly-valued first-hand feedback.

In sum, according to Gáti & Markos-Kujbus (2012), communication is sharing or exchanging information from one entity to another via various means to do so. Communication is then concretized between two parties, and it becomes incomplete when one of the parties is absent.

2.1.1. Marketing communication

Marketing communication is the medium companies use to communicate and express their message, whether about the products and/or services or brands they sell, directly and indirectly with their customers and potential customers, to persuade them to buy.

In short, marketing communication is the medium companies use to exchange information about their products and brands with their customers (Gáti & Markos-Kujbus, 2012a).

Traditional marketing communication is controlled by the organizations, the content, the timing, the frequency and the medium, and the tools that ensure the control of promotion are advertising, personal selling, public relations, direct marketing, and sales promotion (Mayzlin, 2006).

In 2004, with the creation of Facebook, the media changed dramatically, leading to a change in traditional marketing communication.

That said, with the increased use of social networks by many companies and consumers, the media are integrating new information and communication tools, such as mobile connectivity, blogs, and photo/ video sharing, allowing more excellent proximity between the brand and the customer.

Social media allows the development of marketing communication opportunities, thus representing a recent trend for companies. However, this strategy must be planned similarly to traditional marketing communication (Cohen, 2009).

The integrated marketing communication strategy (IMC) must be based on three principles: brand alignment, the chosen marketing channel must have the same brand perception, and customer alignment, considering the target market positioning and positioning itself accordingly. And lastly, budget alignment selecting a marketing channel that is in line with the budget spent by the company for that campaign (Dragilev, 2022).

2.1.2. Digital Marketing

Traditional marketing is considered the oldest and most common form of marketing. Traditional marketing helps companies reach their consumers through offline advertising and promotional methods (Dwivedi & Nath, 2020).

However, in recent years the way marketing is done has undergone a rapid change, and it has shifted into an increasingly digital role.

According to Dahiya & Gayatri (2018), the emergence of technologies and how they have led to changes in human interaction and how business is conducted is due to the digital age, especially the emergence of the Internet. This shift led to changes in the way people communicate and how business is carried out. For communication between people and companies, namely in marketing, digital platforms and tools became essential (Yasmin et al., 2015). The excellent use of such digital devices and platforms became a critical success factor for companies and businesses to thrive in such an evolving paradigm (Yasmin et al., 2015).

Digital marketing is considered a sub-branch of traditional marketing. Its primary objective is to reach the most significant number of people and capture their attention to the products, services, and brands (Yasmin et al., 2015).

According to Kannan & Li (2016), the definition of digital marketing has evolved over the years. It is then used to describe how digital technologies are used to reach and retain new customers. It covers more excellent geographical dimensions and promotes brands, products, and services to increase sales. The same principle is also the basis of the so-called traditional marketing.

Dwivedi & Nath (2020) stated that the digital era began in 1993. However, 2006 was the year in which digital marketing was mainly felt. Since the emergence of search engines, digital marketing has reached about 6.4 billion users in a single month. With the appearance of social networks and the launch of Facebook, companies' marketing teams started to realize that they were at the beginning of a new cycle. This cycle implied using digital media and channels to reach their audience, so the way of promoting their product and brand had to change (Dwivedi & Nath, 2020).

Technological and digital evolution and rapid globalization were crucial for companies and businesses as they were forced to adapt their marketing strategies to the new demands of society and consumers (Kannan & Li, 2016).

Digital marketing is the type of marketing that reaches consumers through digital channels to promote products and services, according to (Yasmin et al., 2015). It is the type of marketing that can get a more significant number of consumers faster and is therefore considered the broadest marketing (Dwivedi & Nath, 2020).

Digital marketing is mainly based on web strategies, mostly related to specific processes to achieve clear business objectives through various digital tools and platforms, for example, social media (Saura et al., 2017).

The digital medium makes consumers increasingly informed and oriented as they seek to trust the brand, its products, and its services. It has also changed how consumers understand companies' strategies. In fact, over the past few years, this shift and evolution in the use of technologies and digital channels have altered the way consumers think and act (Ghotbifar et al., 2017).

The emergence of digital tools and platforms allowed companies to interact with their consumers more directly and closely, having as great a benefit as the possibility to receive and act on the real and honest feedback.

The tools that digital marketing uses allow companies to have more excellent proximity to their customers. They can communicate with the consumers themselves and thus gain insights through their behaviors. With the help of these tools, it is also possible to ensure, more effectively, a business model that allows growth and sustainability in the long term (Dumitriu et al., 2019).

The digital era and this close relationship between companies and their audience also brought greater responsibility to companies. Now, their audience and consumers expect them to act according to their wishes and feedback (Dumitriu et al., 2019). This leads to companies being more likely to increase their volume of sales since now it becomes easier to access customer feedback and to understand better what consumers are looking for, most of the time, and this information can be found with a couple of clicks online (Dumitriu et al., 2019).

Reinforcing what was previously stated, the key objective of digital marketing is to promote brands' products and services through various online channels, thus leading companies to reach more significant numbers of customers (Dwivedi & Nath, 2020).

The emergence of digital marketing changed the way marketing is practiced and led to changes in consumer behavior. The daily use and influence of the Internet have made consumers more informed and selective.

The ease of access to technologies allows consumers to access much more information than ever before and exposes them to a greater and wider variety of products and services at more competitive prices (Tiago & Veríssimo, 2014).

According to Dumitriu et al. (2019), electronic word of mouth (eWOM), as well as word of mouth (WOM) alone, comprises informal communications made between consumers about products and services. However, the former is done via digital channels and reaches many individuals simultaneously and from various geographies.

According to Castronovo & Huang (2012), digital marketing should be thought of according to the message the company wants to transmit, taking into account the market and thereby adopting an appropriate strategy.

Digital marketing is also considered the process of carrying out promotional activities on the Internet and developed by marketing professionals, using various digital platforms to sell their products and services. This new type of marketing allows its professionals to interact with its consumers 24 hours a day (Ramesh & Vidhya, 2019).

According to Fulgoni & Lipsman (2014), there are characteristic benefits of using this type of marketing: I) flexibility- the possibility to adapt the messages taking into account the target audience, personalizing them so that the consumer feels special; II) measurable results- realize the impact of a specific campaign through the number of people who clicked or visited a specific website; III) greater availability - all companies regardless of their size have the possibility to use digital marketing to reach their consumers; IV) increase in the number of conversions - consumers don’t necessarily have to go to physical shops to consume the brand’s products; V) access to a more significant number of consumers - once the Internet leads brands to reach a larger geographical area.

According to (Ramesh & Vidhya, 2019), through digital marketing, it is possible to have a more realistic idea of the impact of marketing on consumer behavior, something that with traditional marketing was not guaranteed. With the help of the tools used by digital marketing professionals can promote their brand globally faster and cheaper.

The disadvantage associated with this type of marketing is that customers can not touch/feel the products, which can sometimes lead consumers to give up buying online. To overcome this disadvantage, companies should provide as much information as possible about their products and services, the supply, and feedback from previous customers, and clarify any doubts, which in turn helps to stimulate the growth of a relationship of trust between consumers and the brand.

2.2. Brand

"A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (American Marketing Association).

Brands are perceptions since they are the idea that stays in everyone's mind, such as employees, investors, the media, and customers (Brian Lischer, 2021).

According to Marion (2022), we can consider a brand as the idea or image people get when they think of a specific product, service, or company activity. A brand is a way a product, company, or individual is seen by those who try them, and beyond the logo and the name, the feeling that brands often provoke in their consumers remains. For example, emotionally, "the shoe made me feel powerful", or practically, "the shoe is light", are two feelings that customers may have about the identical shoe (Brian Lischer, 2021).

The product can be easily copied in the market, but the brand will always keep its unique characteristics, leading to differentiation. For example, in the case of Coca-Cola and Pepsi, where the product of both is very similar, the taste is very similar. Still, some people prefer Coca-Cola, and others prefer Pepsi (Marion, 2022).

Therefore, a brand is built by combining physical and emotional factors, such as the name, logo, visual identity, and message communicated. The brand is then the intuitive feeling of a person about the product, so each person creates their version, which makes brands increase or decrease their popularity depending on how their consumers see them (Brian Lischer, 2021).

2.2.1. Luxury Fashion Brands

What is luxury?

"The best things in life are free. The second best are very expensive." – Coco Chanel

Luxury is a concept that is complex and difficult to be precisely defined. The word luxury derives from the Latin words "luxus" and "Luxuria", meaning excess, ostentation, and abundance. It may also be related to "lux", meaning light and elegance (Chantal, 2014). According to Coco Chanel, luxury is then an extravagance that satisfies a greater necessity.

Many investors refer to luxury as something beyond what is necessary or unnecessary and superficial (de Barnier et al., 2012). However, considering society's evolution, what was considered to be luxury yesterday, is not necessarily luxury today and will possibly not be luxury tomorrow (Bastien & Kapferer, 2012), as there are shifts in society's desires and wants, as well as people's purchasing power also fluctuates throughout time.

According to Deloitte's report, "Global Powers of Luxury Goods 2021", the top 100 global luxury goods companies generated FY2020 (financial years ending within the 12 months from January 1 to December 31, 2020) revenues of $252 billion, while in the previous year it generated $281 billion, registering a reduction in payments between FY2019 and FY2020 of $29 billion (Deloitte, 2021).

2.2.1.1. Fashion Luxury

As stated, luxury is not always easy to conceptualize and may apply to many markets. The following paragraphs focus on a specific market within the luxury market, the fashion luxury market.

The fashion sector presents a greater complexity than other industries due to the rapid changes that fashion undergoes and the number of marketed items (Fionda & Moore, 2009).

This sector is defined by exclusivity, authenticity, quality, current design, and best materials (Fionda & Moore, 2009). According to Miller & Mills (2012), what leads to the success of a luxury fashion brand is the extent to which it is fashionable updated, and visionary rather than original, unique, or expensive.

The luxury fashion market is dominated by clothing and footwear companies, with the most significant number of companies within this sector. It may also be interesting to add that footwear and jewelry are the two fastest-growing product categories, followed by handbags and beauty products (Arpizio et al., 2019).

The luxury fashion market is considered the sector that can create a great emotional connection with its consumers. The desire, in turn, increases proportionally to the increase in price (Okonkwo, 2007).

In the fashion sector, luxury brands are characterized by matching specific characteristics, such the high price, heritage and history, exclusivity, product integrity (quality, innovation, seasonality), design, brand identity (marketing strategies, values, DNA), culture, and marketing communication. Another critical factor in luxury fashion brands is the consistency with which they maintain their image over the years (Fionda & Moore, 2009).

Luxury fashion is also characterized by the quality that it offers in its products, as well as by the experience that they provide to its customers. These brands are dedicated to personalized customer service, providing customized assistance, and offering unique services such as personal shopping and even direct phone calls. Those are examples of how pleasant the shopping experience is for the customer. The stores, especially the flagships, of each brand, are created to provide their customers with an experience, using the best architects and the latest technology to create a masterpiece that fits and shapes the brand image (Fionda & Moore, 2009).

All the experience provided by these brands allows the creation of a meaningful relationship with their consumers, creating a sense of loyalty and leading customers to keep returning and repeating the experience, despite the high value of the items (Ko et al., 2016).

A luxury item is often a synonym for prestige, and its use has an intrinsic value for both the wearer and the onlookers (Miller & Mills, 2012). Since these products are difficult to obtain, they provide a sense of pleasure and status, which is why their consumption creates value for the consumer and those around them (Shukla & Purani, 2012).

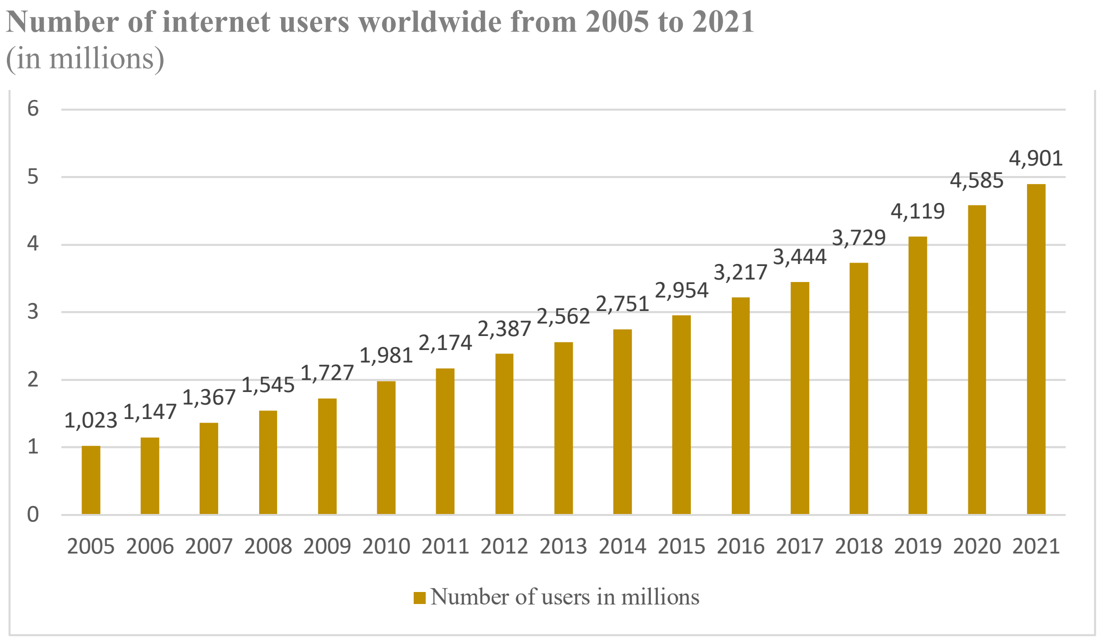
For brands to achieve their goals within the luxury fashion market, they must keep some key elements. These critical elements are marketing communication investments through fashion shows, advertising, celebrity endorsements (that go along with the brand image), public relations, sponsorships, or even direct marketing to build brand consistency (Fionda & Moore, 2009).

In 2019 the global annual revenue of the luxury fashion industry was 1.64 trillion euros, including footwear and jewelry. Women's fashion accounted for 51.5% worldwide (Cabigiosu, 2020).

According to the Deloitte report, the LMVH group, comprising Louis Vuitton, Christian Dior, Fendi, Bulgari, Marc Jacobs, and others, ranked first in luxury goods sales.

2.2.2. Luxury brands in the digital

According to Statista, internet usage has been growing a lot in the past years, in April 2022, there were 5 billion active users of the Internet and 4.65 billion social media users. From 2005 to 2010, internet users grew by around 94%. From 2010 to 2015 grew by 49%, and from 2015 to 2021 grew by 65%. This increase clearly shows the importance it is getting as time passes.



Number of internet users worldwide from 2005 to 2021
(in millions)

Figure 2.1-Number of users in millions; Statista

Millennials (born between 1981 and 1994) and Generation Z (born in 1995 to 2010) consumers drive the growth of luxury and, consequently the importance of digital in luxury, as they currently represent more than 40% of all luxury spending.

In 2019, Millennials and Generation Z consumers generated 100% of luxury growth (Woodworth, 2022).

The entry into the digital world by luxury brands was always delayed due to conservative ideas regarding online consumption and technological limitations, which were seen as obstacles by luxury brands (Okonkwo, 2010).

Luxury brands took some time to embrace digital platforms, they always maintained some rigidity concerning this issue, caused by luxury managers towards this new market, as online platforms were seen as a threat to the business. However, as the years went by and consumers changed, entry into the online market became inevitable (Okonkwo, 2010).

Although digital marketing has grown rapidly in luxury companies, luxury e-commerce has been much slower. In 2020, with the emergence of the pandemic and all that it changed, luxury e-commerce was also forced to grow rapidly (Deloitte, 2021).

Thus, the leap into the digital world turned out to be sooner than expected, and the goal became to improve the solutions already implemented and develop new digital solutions (Deloitte, 2021).

According to Woodworth (2022), Luxury companies must analyze digital's contribution to their sales performance and consumers' buying behaviors. That said, they first need to analyze and define a long-term strategy so that digital is an impactful brand and sales component.

Two approaches should be explored to drive digital sales: in-house platforms and outsourcing to third-party resellers.

After the emergence of digital technologies, it became possible for the luxury industry to be present beyond the physical world. Fashion shows take place virtually, and brands started to use fictional models or influencers to show their products. Examples include Balenciaga's collaboration with The Simpsons, including an episode and a virtual fashion show collection, and the virtual influencer Lil Miquela, a computer-generated character who has collaborated with luxury brand Prada (Gurzki, 2022).

The concepts of social networks and luxury brands are contradictory since social networks are related to inclusion, interactivity, and access to all. And luxury relates to exclusivity, control, and elitism (Park et al., 2020).

That said, the luxury market has always faced a particular paradox since it wanted to maintain its essence through the exclusivity and rarity for which they are known. However, how to preserve the heritage and innovate in the future? Since most of their consumers belong to new generations, generations are turned towards the world where the digital era is part of their lives.

The pandemic helped this evolution, making luxury brands accelerate their transition to digital (Gurzki, 2022).

The combination of paradoxes has always been part of luxury. However, with the entry of digital, these paradoxes have increased. The most successful companies will then be those that can reconcile the digital and the physical (Gurzki, 2022).

The costs associated with online platforms are also lower than those of maintaining a brand shop in big cities most expensive and exclusive streets. That said, luxury brands began to realize that combining the online and the physical was terrible since the online experience can be as or more attractive than traditional commerce, and the latter has no restrictions associated with time and space (Okonkwo, 2010).

The digital world and the world of luxury are becoming increasingly intertwined, with products and experiences in hybrid spaces (through augmented reality) or entirely virtual worlds (virtual reality or metaverse) (Gurzki, 2022).

Luxury brands are therefore challenged to master the integration of physical and digital touchpoints to create extraordinary experiences in both worlds.

Nowadays, consumers face every day the question of buying online or in a shop due to the direct and indirect costs related to each option, such as search costs, uncertainty costs, and the associated benefits, functional benefits, experiential benefits, and symbolic values. According to the studies, online shopping requires less transportation, time, and research. However, in-store shopping has less uncertainty, more experiential and social benefits, and greater in-the-moment enjoyment associated with the experience these types of physical shops offer their consumers (Kumar Kakar & Kakar, 2017).

One of the reasons that most differentiate digital platforms from shops is that the in-store experience incorporates olfactory and audible stimuli and allows customers to feel the textures of products (Kapferer & Bastien, 2009).

Luxury is represented by physical touch, feel and experience, yet digital is essential to remain relevant to today's consumers. The development of e-commerce and media has transformed the way consumers access brands. Through augmented reality, which allows consumers to try on virtual clothes, they can interact with their luxury brands digitally for the first time (Gurzki, 2022).

It is also characteristic of luxury brands, in addition to all the experience they provide, the connection and knowledge of each customer and their needs. However, as the luxury market grows and attracts more customers, luxury brands can learn from mass-market retailers in using digital technologies and data to optimize processes while still personalizing interactions with their consumers (Gurzki, 2022).

These brands, through their use of social media, are psychologically distant compared to mainstream brands. Their posture and the way they interact with their consumers will affect their idea of quality, exclusivity, and value. That said, the social distance that the brand presents will directly influence the brand's engagement with the consumer, as well as its perception of value and exclusivity (Park et al., 2020).

To combat this difficult choice between online and physical shops, brands are developing their websites to offer 3-D images, virtual models, artificial intelligence, and zoom technologies (Kim & Lennon, 2013).

Online sales of luxury goods, within the categories, of beauty, perfume, footwear, jewelry, watches, and leather goods, accounted for 8% of the $313 billion global luxury market in 2016 (Woodworth, 2022).

With online use, online luxury sales are expected to triple by 2025, thus reaching $91 billion—almost one-fifth of total luxury sales (Woodworth, 2022).

2.3. Covid-19 impact

At the end of 2019, a worldwide pandemic broke out and brought the world to a halt, as the number of people infected increased at a high rate and, with it, the number of deaths.

That said, all companies from almost all sectors were forced to close and had to rethink new strategies quickly and points of sale, which gave enormous importance to the online market.

As we can see in the following table, the impact of covid-19 on the global fashion luxury market, considering the different categories and comparing the values obtained before the pandemic and during the first year, i.e., 2020.

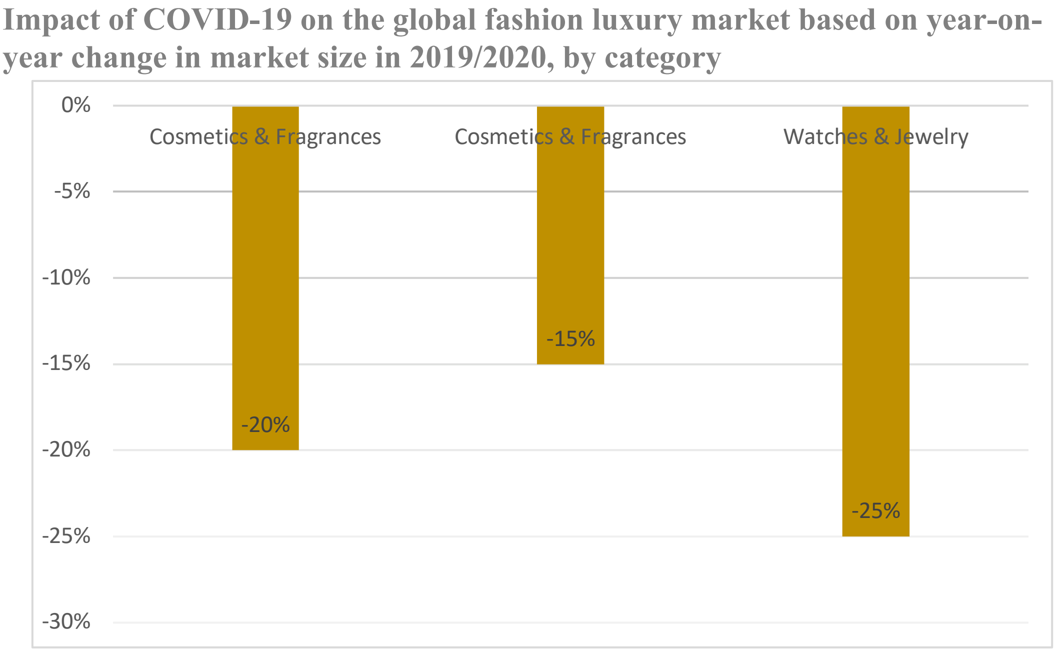


Figure 2.2- Impact of Covid-19 on the global fashion luxury market; Statista

The crisis caused by the coronavirus has hit the luxury personal goods sector at different levels. The market of watches and jewelry had the most significant decline in 2020, as this market had a decrease of a quarter compared to the previous year. This was followed by the clothing and accessories sector, with a 20% decline in its sales. The cosmetics and fragrances market, being a little more resilient to the effects caused by the pandemic compared to the other two, suffered a 15% drop.

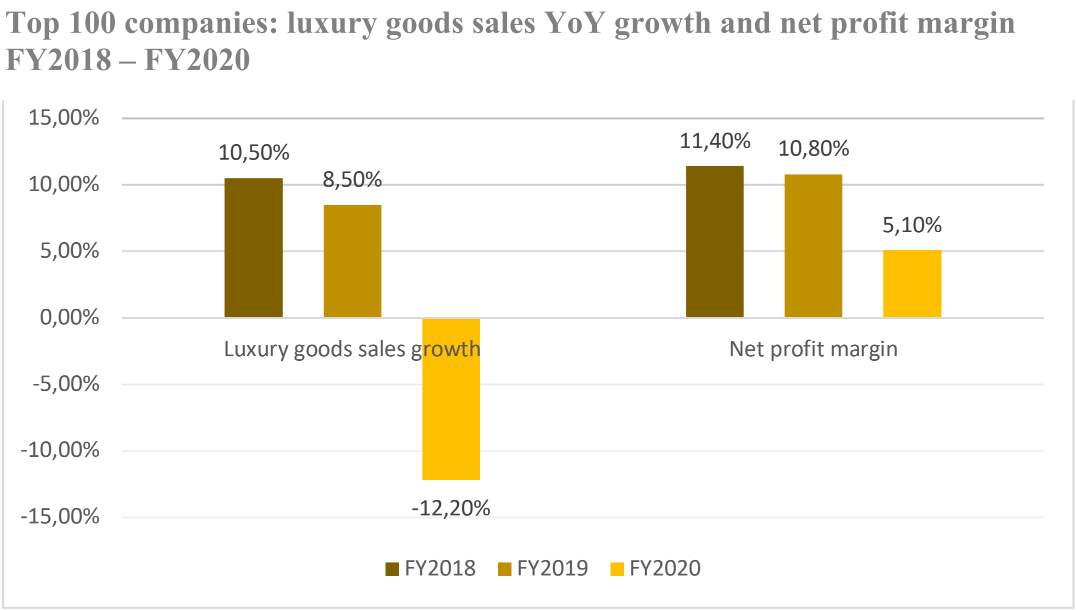


Figure 2.3- Top 100 companies: luxury goods sales YoY and net profit margin; Deloitte

According to the chart above, the FY2020 performance of the Top 100 companies reflects the impact of the pandemic, covid-19, the sharp decline in sales due to shop closures, changing consumer demand, and supply chain disruption. That said, luxury goods sales growth for the Top 100 dropped by more than 20 percentage points year-on-year.

The net profit margin also fell, by 5.7 percentage points between FY2019 and FY2020, for the same reasons that led to the decline in sales.

As luxury is a market that is directly linked to the trips its consumers make and shopping outside their country to benefit from the travel experience, covid-19 has severely affected sales of these types of items, as consumers have stopped traveling and thus stopped making purchases related to a trip or the destination itself.

Considering the figures presented above, this type of market was forced to rethink its strategy and how it could combat the decrease in sales caused by the pandemic and, consequently, the closure of shops indefinitely. Thus, luxury brands, as they did not have great digital resources developed to enable their consumers to continue to obtain the products during this period, were forced to quickly create digital media that could provide their customers the ability to buy their items. Therefore, the growth of luxury companies, regarding the use of my digital, ended up being accelerated, considering the impact that covid-19 caused on their numbers or sales.

Companies such as Farfetch, of online market platforms, and in this case, the luxury market, grew exponentially as many consumers could obtain the desired products with greater ease through this platform.

3. Methodology

The methodology consists in knowing how to proceed according to the findings made during the empirical research so that we can then make inferences according to reality and adapt the theories developed. The methodology helps us project the research carried out previously to conclude the observed events (6 & Bellamy, 2013).

Thus, according to Collis & Hussey (2003), a methodology is considered one of the essential parts of research. The effectiveness of the study depends on the methods used by the researcher.

In this phase it is presented which methods are used in data collection, the main objective of this research is to study, based on a sample, what affects the behavior of luxury consumers according to the digital marketing strategies that each of the brands uses, which meets the data previously collected in the literature review, and which allows making some conclusions about this market.

The first phase then explained the research's type, objectives, and hypotheses and the data collection process used. Subsequently, the data collection instruments are presented in the second phase as the elaboration process, sample characterization, and data treatment.

3.1. Data collection

This chapter describes the methodology adopted to achieve the research objectives. This research's primary goal is to analyze the digital marketing strategies used by luxury brands.

Thus, following the literature review, which addresses the main themes under analysis individually, for a subsequent more detailed understanding of the general theme of the thesis, it was used a qualitative methodology to analyze the data presented by the companies in question.

According to Antwi & Kasim (2015), qualitative research usually follows the experimental scientific method since it describes situations and proposes or generates new theories. This type of research is used when little is known about a topic and is intended to deepen it through people's experiences and perspectives.

Sampling can be categorized into probability and non-probability sampling. The former is more commonly used in quantitative studies. At the same time, a non-probability piece tends to be used for qualitative studies, which we will use during the analysis since selecting individuals from the population is not random (Ragab & Arisha, 2017).

Brand value of the leading 10 most valuable luxury brands worldwide in 2021
(in million U.S. dollars)

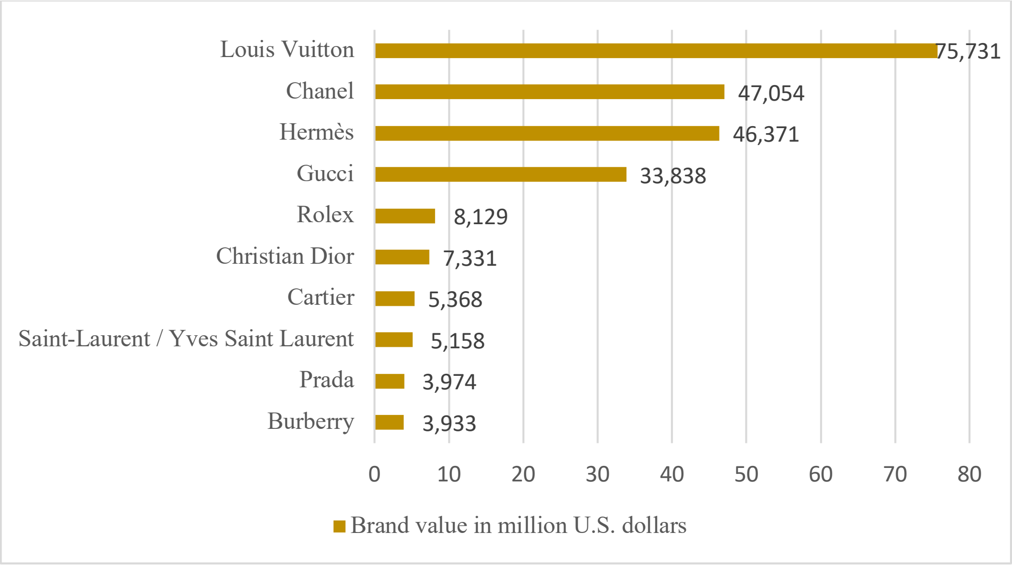


Figure 3.1- Brand value in million U.S. dollars; Statista

According to Statista, from the chart above, we can see which are the 10 most valuable luxury brands worldwide in 2021. The study will be based on the first four brands so that the analysis of the digital marketing strategies used by each of them can be analyzed in a more personalized way, and some of the differences in the strategy used by the four (Louis Vuitton, Chanel, Hermès, and Gucci) can be concluded.

To perform this research, I will use methods such as:

Analysis of the website, through what each one of these provides on their website, if they provide the values of their articles on the website, if the purchases can be made through the website, or if, on the other hand, it is necessary to contact the company to finalize the purchase, understand if there are different accounts per country, and the level of assistance that each one of the websites provides if they have a connection with the other platforms in which they are active through a direct link, or with their app. Also, understand if their shows are available on their websites and easy to access if they have a direct chat. Some of these brands have also invested in virtual reality to help their consumers in decision-making processes, understand which of these already use this technology, and in what kind of items;

Analysis of social networks, in particular Instagram, through the published content, the frequency that each brand uses this type of platform, through new publications, the variety of publications that each one uses more, if they provide the prices associated with the products, the links to the website, to make the purchase, analysis through the number of comments/likes that each brand has in their posts and if they have different accounts per country.

To draw more careful conclusions considering what each brand provides to its consumers through its website and Instagram, we use ratios such as:

Average daily post, which analyses the average number of daily posts.

$$Avg. daily\ post = \frac{number\ of\ post}{number\ of\ days\ analysed}$$

Engagement rate, measures how actively followers are engaged with each post. The rate is calculated by getting the average interactions per post and then dividing this value by the total reach on the account. The algorithm analyses numerous posts on the account to find the average interactions (likes + comments).

$$Engagement\ rate\ = \frac{\left(\frac{(likes + coments)}{total\ number\ of\ posts}\right)}{total\ number\ of\ followers} * 100$$

4. Data analysis and results

In the following division, the analysis of the collected data will follow a qualitative methodology, as previously explained.

First, the data provided by each brand on their websites and Instagram were collected.

Then, each brand was analyzed, and the methods were used the most during the last year.

4.1. Website

4.1.1. Louis Vuitton

Louis Vuitton (LV) has an international website and has websites for several countries divided into five sections (Americas, Europe, Asia, Oceania, and Middle East).

When you login to the site, you can receive LV digital communication through email, called email marketing.

The functionalities of the international site that, in this case, ends up being more used by people whose country does not have its site, as is the case of Portugal, don't have access to the same functionalities that the sites of each country have.

What differentiates the particular country sites in comparison with the international site is the fact that these have the possibility of having access to production values and also have access to a filter, which, when activated, shows only the items that have immediate availability online. This is not possible on the international site, as on this one, it's always necessary "call for inquiry" and no values are made available.

However, it is common to the international site, as well as to the sites of several countries, several functionalities such as the possibility of the site to schedule a private or virtual attendance. It also has access to services that can be scheduled through the sites, such as the repair service.

The site provides access to the app on App store and Google play. They also have access to direct links to the various social networks and apps where they can be found, such as Instagram, Facebook, Twitter, YouTube, Snapshot, Pinterest, and Foursquare.

The websites offer several categories of articles, among them News, Bags, Women, Men, Jewelry, Watches, Fragrances, and Art of living (home, sport, books, among other things). In some articles, such as jewelry, the website requires virtual reality so your customers can get a clearer idea of how the products look.

Through the website, their consumers can also acquire detailed information regarding the products and how they can be taken care of.

Under the tab “World of Louis Vuitton”, consumers can also access content about the fashion shows.

4.1.2. Chanel

Chanel and LV also have their websites for several countries divided by four zones (America, Europe, Asia - Pacific and Middle East) and other locations for the countries not represented in these four divisions. However, in this case, the international site is not exactly equal to the sites of each country, and Portugal has a link to access a Portuguese site for this brand.

When the login is created, it is also questioned if the consumer wants to receive email marketing about the brand, in this case, Chanel.

The international website does not provide the values, and neither is there the possibility of buying online, it works only as a website that has the articles and their characteristics so that its consumers can have access to the information.

Regarding the site of each country that has access, it only allows online shopping in articles of the categories of glasses, perfumes, makeup, and treatment. Since in the remaining categories, it is only possible to have access to the products, their characteristics, and value, so that their consumers can complete a purchase, they must always contact the brand through email or telephone.

The website this available with a direct link to the other applications where the brand is, in this case, Instagram, Facebook, Twitter, and Youtube. The brand also has an app available on App store and Google play.

The website provides restoration services (Chanel & moi), a service program for Chanel bags that promises to preserve and safeguard the quality of each creation.

Several categories are available on the website: High fashion, Fashion, High jewellery, Jewellery Watches, Eyewear, Perfume, Make-up, and Treatment. In the categories, Eyeglasses and Makeup, the site uses technology to provide its customers with a more realistic experience in online shopping, which leads to these categories in some of its products is possible to use the “virtual try-on”.

Its consumers may have access to fashion shows in the High Couture and High Jewellery categories.

4.1.3. Hermès

Hermès has a website for various countries and is divided into the following zones: Europe, Middle East, North America, Asia, and Oceania.

When the registration is made on the website by a new client, they can receive email marketing, which is an option for them.

The website offers its customers several categories: Women, Men, Home, Outdoor and Equestrian, Jewelry and Watches, Fragrances and Makeup, Gifts and Petit H, and Special editions and Services.

All items available on the site have value and can be purchased immediately online. These items have a brief description and a who to care for them.

Hermés also provides a chat from 10 AM to 4:30 PM; outside these hours, you can always contact the brand for any questions via email.

The links to the remaining applications or social networks are easily accessible through the website, and these are Facebook, Instagram, Twitter, and Youtube.

4.1.4. Gucci

Gucci also has an international website, which has some of its functions limited, the prices do not appear visible, and it is not possible to buy online immediately. However, they also have a website per country divided into five regions - Americas, Europe, Asia, Middle East, and Oceania.

The website provides direct access to links to other social networks and platforms such as Facebook, Twitter, Instagram, Youtube, and Pinterest. There is also direct access to their app on the App store and Google play.

Once consumers have registered, they can receive the newsletter in the form of email marketing, so they are always up to date with the latest news.

The site provides the prices of the articles and the possibility of automatic purchases online. During the buying process, there is all the detailed information on the articles and the best way to care.

Suppose your customers need to clarify any questions. In that case, they have at their disposal the Chat with an Advisor available, as well as the possibility of using a live Advisor, which is like a Digital Showroom, in which a Client Advisor will present a collection of pieces to you with one-way video call technology ensures they cannot see you.

Through the website, several categories are available, including What's new, Handbags, Women, Men, MX, Children, Jewelry & Watches, Fragrances, Decor & Lifestyle, and Gifts.

The MX category is a new project by Gucci that has accessories and ready-to-wear, with an all-gender focus.

The site also gives access to certain online exclusivity services, personalization of the products, a reserve store, and your Gucci advisor.

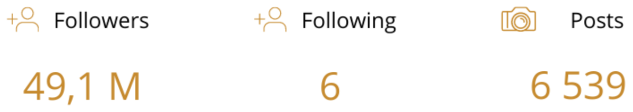
4.2. Instagram

According to data collected between January 1 and September 30, 2022, on each of the Instagram accounts of the four brands under analysis, and data provided by Phlanx shows through various ratios the values that each of the brands reaches through its Instagram account.

4.2.1. Louis Vuitton

LV's Instagram page has the link to the website logo in the description, and it was created in June 2012 with an account based in France.

Approximately 52% of Louis Vuitton's followers also follow Gucci.



Followers	Following	Posts
49,1 M	6	6 539

Figura 4.1- Louis Vuitton's Instagram followers and posts

According to Phlanx data, about 85.21% of the followers of this brand have less than 1 500 followers, and its audience is 63.51% of real people, about 30,4 M. Through its Instagram account, the brand also uses sponsored posts, which gives it access to the link that leads to those articles.

Based on the data collected, considering the posts published during the first nine months of 2022, LV during this period reached a total of 719 publications on its feed, including 293 Reels (short videos), 300 sequences (which corresponds to a series of photos, or even photos and short videos) and 126 photos.

During the period under analysis, the first brand of the top 10 most valuable luxury brands did not publish in 39 days.

$$Avg.\,daily\ post = \frac{number\ of\ post}{number\ of\ days\ analysed} = \frac{719}{273} = 2.63$$

Considering the data collected, the average daily post gives an average daily post of 2.63, approximately 3 posts per day, the vast majority being either Reels or sequences.

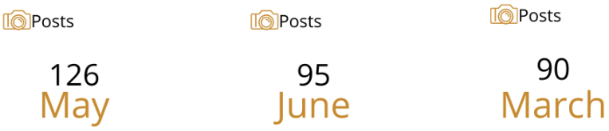


Figura 4.2- Number of Louis Vuitton posts per month

According to the figure above, which shows the three months with more posts on Instagram, the month that published more content in the LV feed was the month of May, this month in which events such as Met gala 2022, Nicolas Ghesquiere (female creative director of the brand) presented his last LV collection, and Cannes film festival starred much of the publications in the feed.

This month, 126 posts were published, which gives a daily average of 4.06 posts per day, so one more post per day during May than the total average.

Based on the data provided by Phlanx, the engagement rate corresponds to 0.06%, which shows that Louis Vuitton's followers are not very engaged with the brand's posts.

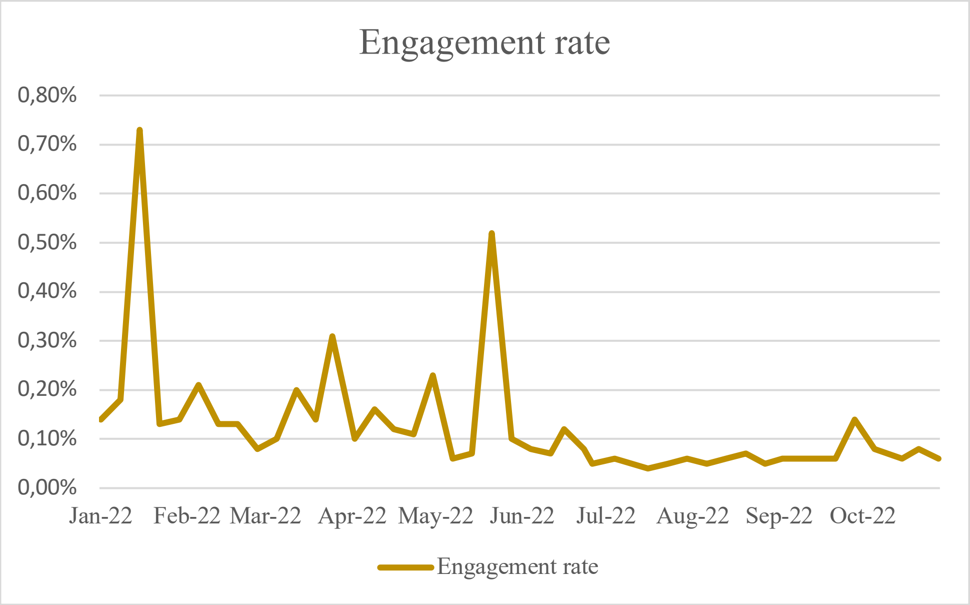


Figure 4.3- Louis Vuitton's engagement rate; Phlanx

The graph shows that the brand has significant gender equity among its followers, with around 48.01% female and 51.99% male.

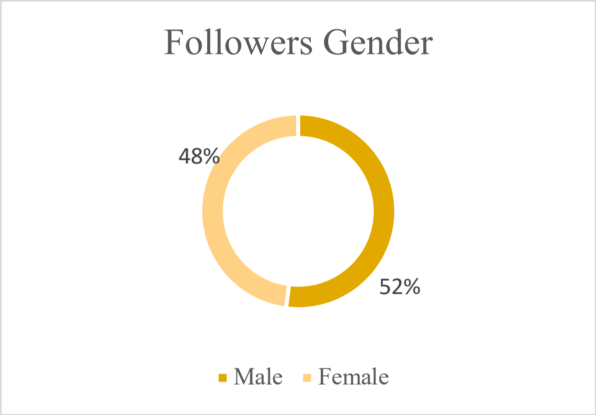


Figure 4.4- Gender of Louis Vuitton's follower; Phlanx

Considering the data presented in the chart above, which corresponds to data from 2022, it can be observed that LV achieved an engagement rate of 0.13% in this last year. There were two peaks this year, one on January 16, the day of the launch of LV Connected Watches, which combines art and technology, and the second peak this year on May 22, the video of the live from Brooklyn in which 21Savage and MetroBoomin performed at the opening of the Louis Vuitton and Nike "Air Force 1" exhibition.

4.2.2. Chanel

The Chanel page on Instagram has the link to access the website in the description, created in November 2013, with an account based in France.

After the description, they also have the link to the view shop, where they have brand items, such as sunglasses, that directly access the site.

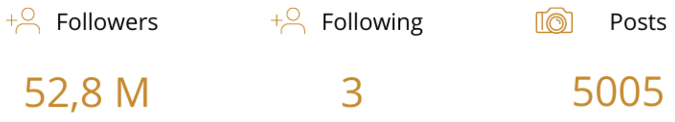


Figura 4.5- Chanel's Instagram followers and posts

Chanel's Instagram account also uses sponsored, which provides those articles with a direct link to the site.

Of the 52,8 M followers, 64.20 % are real people, representing 32,62 M, and 2.82% are influencers.

With the data collected from posts published between January and September 2022, Chanel reached 733 posts on the feed, including 338 Reels, 133 photo sequences, and 262 photos.

Being the second brand in the top 10 most valuable luxury brands, Chanel published 203 posts during the 273 days under analysis, corresponding to 70 days with no posts on its feed.

$$Avg.daily\ post = \frac{number\ of\ post}{number\ of\ days\ analysed} = \frac{733}{273} = 2.68$$

According to the average daily post data, this gives an average of 2.68 posts, approximately 3 posts daily, mostly Reels.

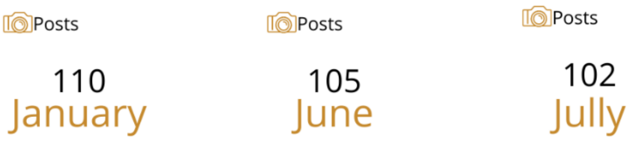


Figura 4.6- Number of Chanel posts per month

Based on the data presented in the figure above, which shows the months with more publications on Instagram, it can be concluded that it was the month of January. The month of the launch of No.1 by Chanel, treatment products, makeup, and perfumed water, a treatment line of Anti-Ageing, Holistic and Eco-Responsible.

So, once in January, 110 posts were published, giving a daily post average of 3.54, that is, 4 posts per day.

Through the data collected on Phlanx, and as the following chart shows, the engagement rate of this last year, or the previous 304 days, had only a higher peak in February, the 13th, eve of Valentine's Day.

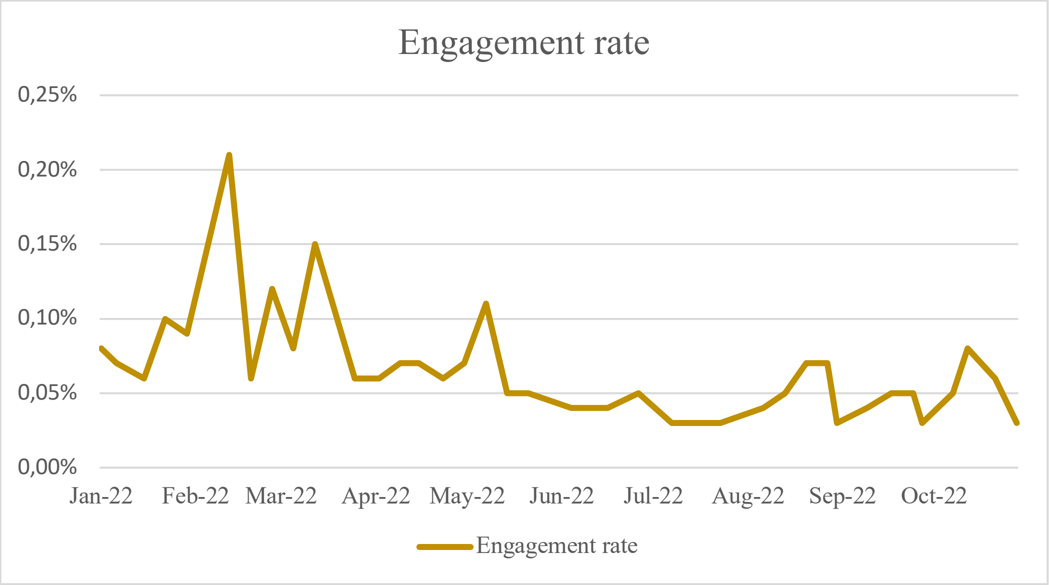


Figure 4.7- Chanel's engagement rate; Phlanx

Considering the year's data, it can be concluded that the engagement rate representative of the year to date is 0.06%.

It is also a very representative brand in terms of gender in its customers, where they are divided between 47.07% male and 52.93% female, as shown in the following graph.

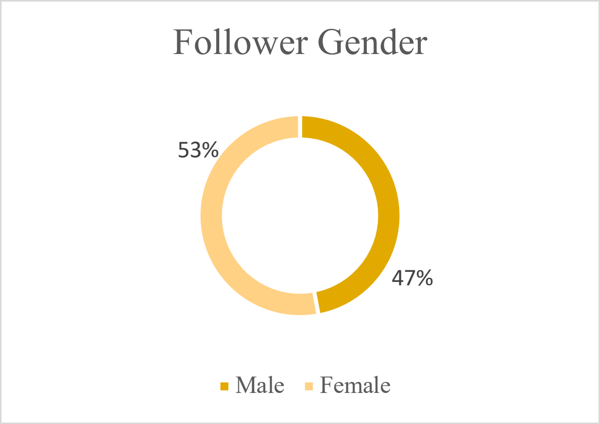


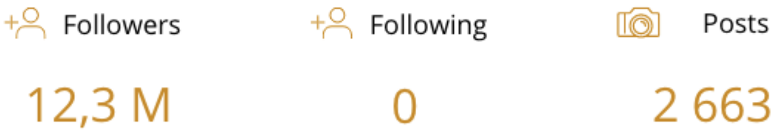
Figure 4.8- Gender of Chanel's follower; Phlanx

4.2.3. Hermès

The Instagram of Hermès has a link to the website at the beginning of the feed and the view shop part, where you have direct access to several brand items on the website.

This account was created in November 2012 in France. About 65% of its followers follow LV, 65% follow Chanel, 62% Dior, 59% Gucci and about 57% of Hermès followers are also followers of Prada.

At the beginning of the page, this brand has several highlights organized by categories, such as Perfume, Men, Women, Beauty, and Home, among others.



Followers	Following	Posts
12,3 M	0	2 663

Figura 4.9- Hermès's Instagram followers and posts

Within the 12,3M followers, 71.62% are real people, equivalent to 8,27M followers and about 2.65% influencers.

Based on the data collected through the posts made by the brand on its feed between January and September 2022, Hermés made 295 publications on the feed. Among these, 137 were Reels, 105 photo sequences, and 53 photos. During the 273 days under analysis, this brand published on 209 days, which leads to the fact that on only 64 days, there was no movement on its feed, i.e., on about 23% of the days, there were no publications on the feed.

$$Avg.\,daily\ post = \frac{number\ of\ post}{number\ of\ days\ analysed} = \frac{295}{273} = 1.08$$

According to the data, the average daily post gives an average of 1.08 posts, approximately 1 post daily, mostly Reels.

Posts	Posts	Posts
44	43	44
June	Jully	August

Figura 4.10- Number of Hermès posts per month

The months with more posts on Instagram by Hermés were June, July, and August. Events that can explain this situation in each of the months, we have on June 25 the Live runway show of the Men's Summer 2023 collection, and in the other two posts, mostly with references to the timeless bags of the brand.

For this brand, there is no available data regarding the engagement rate, and we only have the distribution regarding the gender of its consumers, which as in the others, is relatively equal. Through the following chart, this division is portrayed, with about 52.38% of its followers being male and 47.62% female.

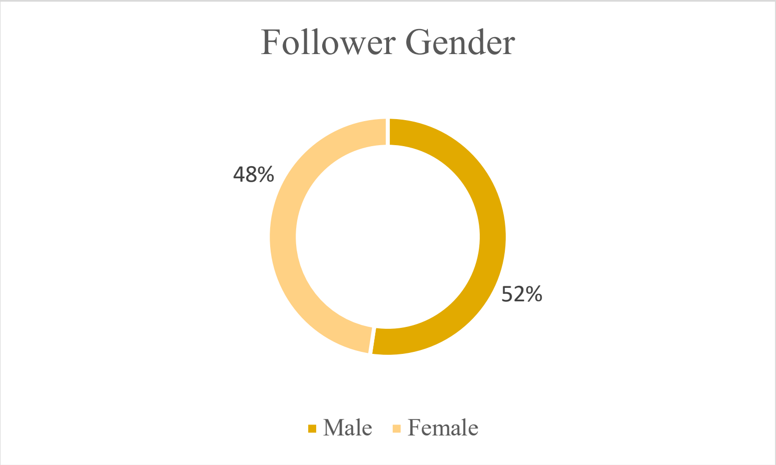


Figure 4.11- Gender of Hermès's follower; Phlanx

4.2.4. Gucci

On its Instagram account, Gucci also has the link to access the website, as well as its discretion, has the @ of Alessandro Michele, its creative director. Like Hermès, they have several highlights organized by events, such as fashion shows and Met Gala.

Among the four brands, Gucci was the first to create an account on this platform, in March 2011, in Italy, and about 52% of its followers are also followers of LV.

Followers	Following	Posts
49,4 M	292	9 088

Figura 4.12- Gucci's Instagram followers and posts

Of the 49,4M followers, 91.99% have less than 1 500 followers, and 64.51% of Gucci's followers are real people, which equals 31.64M and 2.79% are influencers.

According to the data collected through Gucci's Instagram account between January and September 2022, the brand made 715 posts, among which 160 were Reels, 216 photo sequences, and 339 photos. This leads to the fact that Gucci, during the 273 days under analysis, published 267 days, thus missing only 6 days during the period under study with any publication on its feed.

$$Avg.\, daily\; post = \frac{number\; of\; post}{number\; of\; days\; analysed} = \frac{715}{273} = 2.62$$

According to the average daily post data, this gives an average of 2.62 posts per day, approximately 3 posts per day, primarily photos.

Posts	Posts
111	105
May	September

Figura 4.13- Number of Gucci posts per month

According to the figure above, which shows the two months with which they stood out most with publications on Instagram, the month in which Gucci published more content in the feed was in May when the Met gala 2022 took place. September was then the second most active month on account of the fourth most valuable luxury brand, the month in which the 'Gucci Twinsburg' fashion show took place, where they paraded on two catwalks, each mirroring the other with 68 pairs of identical twins.

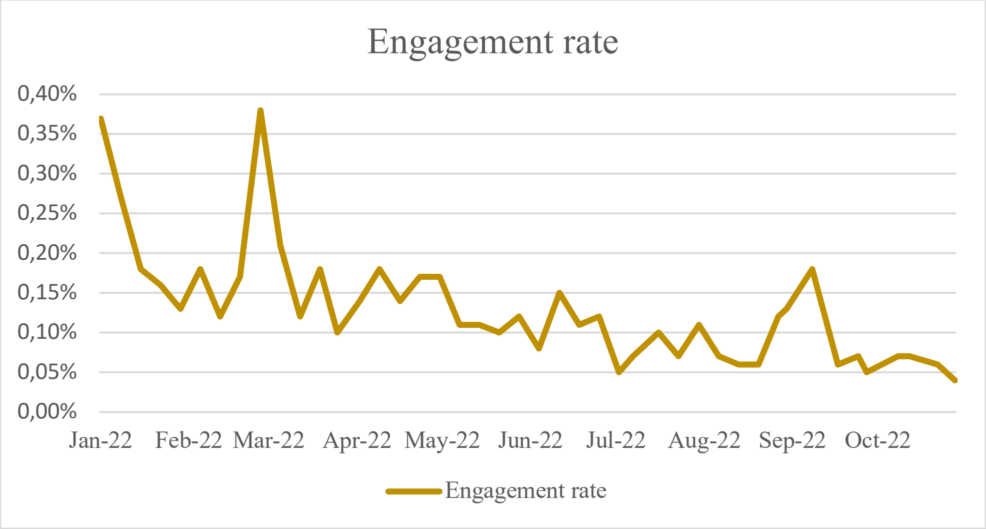


Figure 4.14- Gucci's engagement rate; Phlanx

Based on Phlanx data, and as the graph above shows, during this year, Gucci reached an engagement rate of 0.13%, the highest compared to the other three brands in the analysis. Throughout the year, it had two peaks, the first at the beginning of the year, January 2, when Olivia Wilde (actress, model, and producer) appeared on the cover of the January edition of Vogue wearing a Gucci look.

The second highlight was on February 27, when Gucci published a photo of Rihanna and ASAP Rocky at a Gucci fashion show wearing Gucci looks.

According to the graph regarding the gender division of the brand's followers, we conclude that, just like the others, this brand also has an equal distribution regarding the gender of its followers on its Instagram account. Since 48.11% of the followers are male and 51.89% are female.

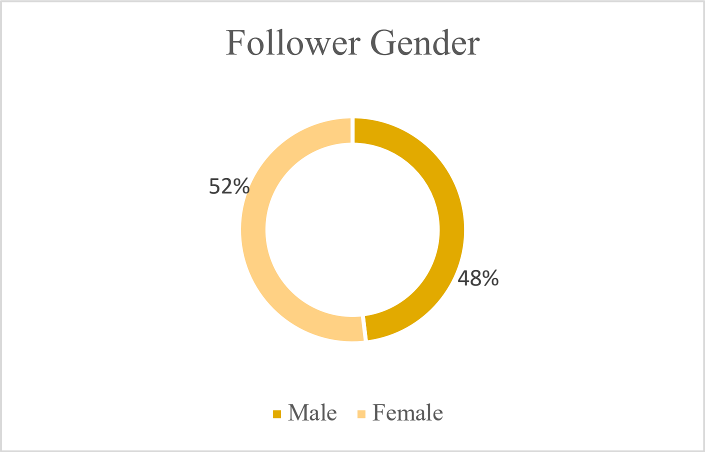


Figure 4.15- Gender of Gucci's follower; Phlanx

5. Discussion and Conclusion

5.1. Discussion and key findings

The main research objective was to determine the strategy used by the luxury brands under analysis regarding the digital platforms they use and how they interact with their consumers through digital to keeping the principles that characterize luxury brands.

The brands' websites are very similar in what they offer consumers. However, the Hermès website provides greater ease of online shopping when compared to the others. On the Chanel website, in categories like Make-up and Glasses, they have a virtual try-on functionality on some of the products, which allows their clients to realize how the articles in question look on their faces.

Gucci, on its website, also uses technology to provide an online experience, more specialized and focused on each client through the Digital Showroom, which presents the collection of pieces with a one-way video call.

Three of the four brands under analysis (Louis Vuitton, Chanel, Hermès, and Gucci) have an average of three daily posts, with Chanel coming first with an average daily post of 2.68, followed by LV with 2.63, and Gucci with a daily average of 2.62. Hermès, in this ratio, does not compete with the others since it has a much smaller number of posts on its Instagram account.

Despite the difference in daily posts that Hermès has concerning the others, in comparison, Chanel publishes almost the same number of days, since the first only did not publish anything on your feed in 64 days, while Chanel did not publish in 70 days, during the period under review, which despite the difference recorded in several daily posts does not occur in the days published, it is concluded that on the days that Chanel communicates with their followers on the social network, Instagram, ends up doing it in a much more active way.

On the other hand, we have Gucci, that on almost every day of the year 2022 until October, the period under analysis, made some publication on your feed, missing only in 6 days.

Each of these brands has a more common way of communicating with their consumers, similarly, we have Chanel and Hermès that share mostly through short videos, the so called Reels. While LV uses mostly sequences of photos to communicate with their followers, Gucci uses only the photo, so the brands that communicate in a more interactive way end up being the first two that in these Reels often use short videos promoting their products.

Regarding the interactions each of these brands has with their customers, the highest engagement rate is Gucci's 0.13%. Once Gucci is the brand with more movement on its Instagram account, it can lead its consumers to be more active in their interaction with the brand. Besides the consistency it has on its feed publications, it also has available some highlights regarding events, such as fashion shows, which only Hermès also has, which allows its followers to have access to some stories published by the brand and divided by categories for a longer time and not just one day.

5.2. Conclusion

From the research conducted, from the literature review and insights taken from this dissertation, it was possible to reach both empirical and practical conclusions to the luxury sector.

From an empirical viewpoint the four websites are very similar in the way they present themselves, both in terms of structure and content. There are a few nuances between them, mostly related to the easiness with which the customers can do an online purchase.

Concerning the social media dimension, this dissertation allowed to conclude that, except for one of the brands, all the other behave in a very similar way as well, namely regarding measures as the average number of daily posts.

It was also possible to conclude that, even though the similarities in the average number of daily posts and other metrics, each brand relies in different types of content to generate engagement with their audience. The content published may vary from photos, sequences of photos, and short videos.

From the analytical dimension of this dissertation, it was possible to conclude that the channels of the different brands being analyzed behave in a very similar way in terms of metrics, with the slight difference in the engagement rate, and in this case Gucci is the one creating more engaging content, when compared with the other three brands.

Even with the inherent limitations to the present study, the conclusions presented above allowed to reach the research objective underlying this dissertation. It was possible to understand that each of these brands has their own strategy concerning digital platforms, however they converge in some important aspects that lead to the similarities that were found throughout this project. Besides the similarities, it is on the small differences that it is possible to verify that, analytically, one is preforming better in terms of engagement rate than the others, which translates in better and more interactions with their audience.

From a practical perspective, it is possible to have a clearer understanding of how significant the digital presence of luxury brands is now.

In the past, consumers of luxury products were above all people who bought luxury goods and services because they had large amounts of money, which is not the case today, where the consumer of luxury products does not always have the money to buy them. Also, the decrease in the average age of buyers of these types of articles affects the strategies brands use and leads them to adapt to the characteristics of their target audience.

A large part of their target is now the Millennials and Gen Z, who represent more than 40% of all luxury spending. The luxury market was thus forced to adapt to its new consumers, who are increasingly digital.

In summary, as the average age of consumers of luxury goods has decreased and driven by the pandemic, consumers started to turn more to the digital world. Thus, the luxury market had to find strategies to adapt its characteristics, such as exclusivity and rarity, in a way compatible with digital platforms.

These conclusions are useful to luxury brands from a managerial perspective in the sense that they provide insights on how to approach their emerging audiences.

5.3. Implications

This study allows us to understand how luxury brands use digital media and what they offer on their platforms, how they use technology to try to provide their customers with part of the experience and attention they receive in the shop to do the service as focused on each customer as possible, for that, they increasingly use virtual technologies.

The importance nowadays the constant sharing of what is happening with the brand is so that the consumer can constantly feel a connection with them, to be updated on what is happening with the brand, whatever the country, allows them to know what’s new with the brand, even at home, and in turn, create desires.

In summary, as brands interact more on their platforms, they receive more consumer feedback. However, digital has to be implemented according to the luxury brands’ strategies, in line with the brand’s global identity and consumers’ expectations.

5.4. Limitations

During the development of this dissertation, some limitations to research were found.

The difficulty in obtaining information about the interactions that these brands have through their social networks, which in turn hindered the research in the simplicity of getting data to conclude which strategies each of the four brands under analysis used more and what was the return that each one of these received from their followers.

The period in the analysis was also one of the limitations since these brands have a high number of daily posts. Since the investigation focused on comparing the four, the period in research was the first nine months of 2022, representing only a part of the brands' activity in their account.

5.5. Future Research

Based on some of the limitations mentioned above, future research should be more in-depth concerning each brand's target audience, the country where they have more weight, as well as the percentage that online sales have in the total value of sales, and finally, understanding if there is any connection between this percentage and the brand's target once it is expected that brands with more online sales, the average age of their consumers is lower.

Finally, to understand if the engagement rate also varies according to the average age of their followers, in this case, on social networks.

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