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**"DIGITAL MARKETING STRATEGIES OF LUXURY FASHION BRANDS  
IN CHINA: THE GUCCI BRAND"**

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Firma dello studente

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## **Introduction**

Technology and the Internet are increasingly playing a vital role in many aspects of a business, especially in the sphere of branding and marketing. Historically, luxury fashion brands had been reluctant to brand their image on the Internet because they feared being transparent and divulging their creative secrets. Luxury brands were the slowest in embracing digital transformation for their strategies. For these brands, the Internet was solely for the online presence, while brick and mortar stores were the primary to nurture the consumer relationship, build brand awareness and perception in the luxury area.

However, in 2018, McKinsey reported that 80% of all luxury sales are digitally influenced. This surprising figure highlights the important role that digital now plays in how luxury shoppers choose brands and goods. The digital era in luxury area began when the most exclusive luxury players considered E-commerce and social media marketing as a must in their branding strategy. The online platform is now for generating overall experiences, not just touchpoints for a particular purpose such as searching information.

In the coming years, China is expected to become the largest market for fashion. Chinese luxury consumers are now driving 70% of the luxury retail sector's revenue (McKinsey, 2018). It is therefore crucial for luxury fashion brands to adapt to the lifestyles of Chinese consumers, and to understand the proper approach in order to best attract their attention.

In 2018, Gucci dominated the spotlight as the top Genius brand in the Global Fashion industry in Gartner L2's Digital IQ Index (l2inc.com). The digital competence gives Gucci the potential to become the most sought-after brand worldwide as well as in China market.

In conclusion, the objective of this dissertation is to provide a general understanding of the way luxury fashion brands are transforming their marketing strategies to adapt to digitalization in the industry, as well as in China market, through an in-depth analysis of the Gucci brand.

The content of this dissertation includes:

Part I demonstrates the definition and specifics of the luxury fashion industry, together with the industry's key markets and players. It also investigates the most important trends that are currently shaping the global luxury fashion market, especially in the context of the digital era. A proposal of how luxury fashion houses should perform to embrace digital evolution concludes this part.



Part II focuses on the peculiarities of the Chinese luxury fashion market. It then analyses how luxury fashion brands have been conducting their digital marketing strategies to attract Chinese luxury consumers.

Part III carries out an in-depth study on the history and power of Gucci's brand development and how it has become one of the leaders in the luxury fashion industry. This part provides a comprehensive analysis of Gucci's digital marketing strategies with an emphasis on how the brand pursues its vision to redefine luxury fashion thanks to the rapid digitalization of China.

Part IV summarizes the characteristics of the Chinese luxury fashion market and the digital transformation in marketing strategies to attract Chinese Millennials, following the Gucci brand lessons. Next, it proposes the digital marketing strategies that luxury fashion brands can adopt in the Chinese market in order to positively compete in this challenging environment.

Statistic data in this dissertation is collected from the following reports:

- Statista Consumer Market Outlook (2019). *In-depth: Luxury Goods 2019*.
- Deloitte (2019). *Global Powers of Luxury Goods 2019*.
- McKinsey (2018). *The-age-of-digital-Darwinism*.
- Netbase (2019). *Netbase Social Media industry report 2019: luxury brands*.
- Launchmetric (2019). *State of Influencer Marketing 2019*.
- Wealth-X (2019). *Billionaire Census 2019*.
- McKinsey (2019). *China Luxury Report 2019: How young Chinese consumers are reshaping global luxury*.
- Bain & Company (2019). *What's Powering China's Market for Luxury Goods?*.
- BCG & Tencent (2019). *Luxury Digital Playbook*.
- Kering (2019). *2019 Half-year Report*.
- Kering (2018). *2018 Report*.
- Parklu (2018). *China Influencer Marketing Platform: Luxury Brand*.

Moreover, general information is mainly obtained from authoritative press sources: Forbes, Bloomberg, Women's Wear Daily (wwd), Businessoffashion, Jingdaily, Chinadaily, and South China Morning Post.

## **Part I Digital Marketing Management of Luxury Fashion Brands**

This part aims to define the luxury fashion industry with a deep understanding of the main features and peculiarities that characterizes the global luxury fashion system.

It investigates the most important factors that are driving the success of this market. A deep focus is given on how the digitalization is changing the value chain of the luxury fashion industry.

Finally, the relevance of the strategic marketing trends for luxury fashion brands in the digital age will be examined.

# **1 Definition of Luxury Fashion**

## **1.1 What is Luxury?**

From the historical point of view, the word luxury was defined from the Latin word “luxus,” which meant “excess, extravagance,” or “luxuria,” which meant “rankness” or “offensiveness.” Later, the French word “luxe” has the meaning of “wealth” and “indulgence.” (1)

From the seventeenth century, “luxury” has emerged into a more positive purpose to drift away from its original meaning to mean “sumptuous environment,” referring to food, clothes, and opulent lifestyle. (2)

Any conceptualization of luxury would do well to start with Adam Smith, who divided consumption into four categories: necessary (to maintain life), basic (for normal growth and prosperity of people and communities), affluence (goods that are not essential for growth and prosperity), and luxury (goods that are in limited supply, difficult to procure and/or very expensive). (2)

Following this concept, Vigneron and Johnson (2004) defined luxury as a prestige brand that has high levels of non-personal-oriented perceptions (i.e., conspicuousness, uniqueness, and quality) and personal-oriented perceptions (i.e., hedonism and extended self). (3) Tynan, McKechnie, and Chhuon (2010) defined luxury as “high quality, expensive, and non-essential products and services that appear to be rare, exclusive, prestigious, and authentic and offer high levels of symbolic and emotional/hedonic values through consumer experiences.” (4)

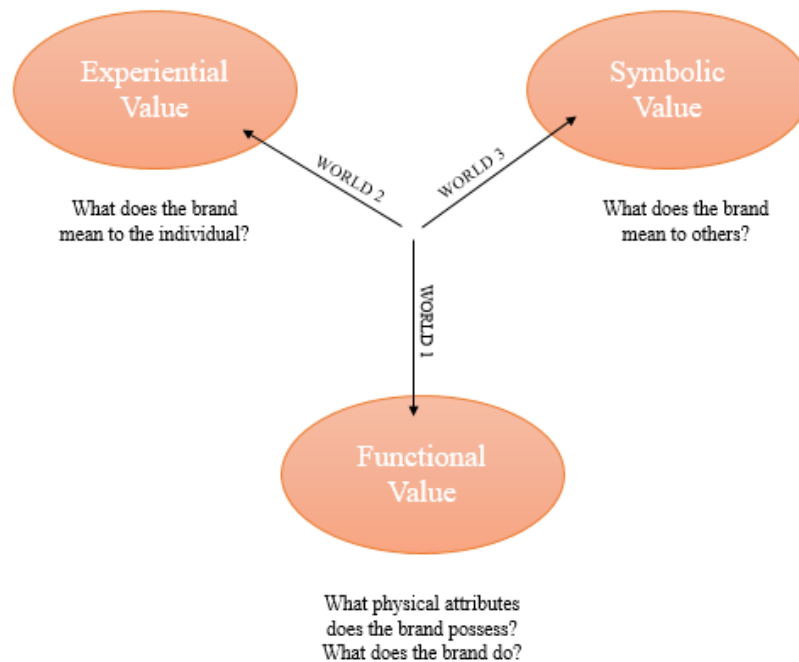
### **1.1.1 The Luxury Brand**

Brands must have luxury features to be considered luxury. The core characteristics of luxury brands are brand strength, differentiation, exclusivity, innovation, product craftsmanship and precision, premium pricing, and high-quality. On the other hand, to understand a genuinely luxury brand, Pierre Berthon et al. conceptualize its value in terms of what it does in each of these three spheres: the material, the social, and the individual. (2)

Correspondingly, this is similar to Karl Popper’s general perspective on the benefits that brands provide for consumers “the personal value and meaning that consumers attach to the brand’s product attributes (e.g., functional, symbolic, or experiential consequences from the brand’s purchase or consumption).” (5) The indication leads Pierre Berthon et al. to propose that luxury

brands have three components or dimensions: the functional, the experiential, and the symbolic, corresponding to Popper’s worlds 1, 2, and 3. World 1 is the realm of physical objects, states, and systems, which are manifest goods and services; World 2 is the domain of subjective experience involving thoughts, emotions, perceptions; and World 3 is the sphere of “culture” rooted in objective knowledge, science, language, literature. (2) (5)

*Figure 1: Constituent Value Dimensions of Luxury Brands*



*Source: Aesthetics and ephemerality: observing and preserving the luxury brand  
(Pierre Berthon et al., 2009)*

This model serves to locate and integrate the existing writing in the area of luxury brands. Some scholars have highlighted the functional aspects of luxury brands, such as product quality. A second group has highlighted the personal, hedonic nature of luxury brands, which is encompassed by the experiential value dimension. The third group of researchers has highlighted the symbolic nature of luxury brands: first, symbolic to others—the socially “conspicuous” kind of luxury brands; and second, symbolic to self—luxury brands used to enhance a person’s self-concept.

## **1.1.2 The Luxury industry**

The global luxury market tracked by Bain & Company comprises nine segments, including luxury cars, personal luxury goods, luxury hospitality, fine wines and spirits, gourmet food and fine dining, fine art, high-end furniture and housewares, private jets and yachts, and luxury cruises. (2019 updated)

Moreover, according to Statista Consumer Market Outlook, personal luxury goods industry is classified into Luxury Leather Goods, Luxury Watches and Jewelry, Luxury Fashion (Apparel and Footwear), Luxury eyewear, and Prestige Cosmetics and Fragrances. (2019 updated).

## **1.2 Definition of Luxury Fashion**

### **1.2.1 The Fashion industry**

It is difficult to give an exact definition of fashion because it has changed significantly through long history to fit the social customs and clothing habits of people in different societies. It is not accurate to define fashion as an item of clothing that has added value in a real sense, as it would confuse the notion of fashion. Fashion does provide extra added values to clothing, but the additional elements exist only in people's imaginations and beliefs. Fashion is not visual clothing but is the invisible elements included in clothing. (6)

Okonkwo et al. (2007) defined that fashion is not just a matter of clothes and accessories; it is also highly influential in structuring society's culture, identity, and lifestyle. "Fashion is a symbol of society and has continuously been influenced by historical, social, traditional, religious, political, economic, psychological, and more recently, technological changes." (7)

The fashion industry is one of the world's largest consumer industries, which includes businesses of making and selling apparel, footwear, and accessories. What defines the fashion industry is mostly based on the functions of the individuals who comprise it—designers, stores, factory workers, seamstresses, tailors, technically skilled embroiderers, the press, publicists, salespersons (or "garmentos"), fit models, runway models, couture models, textile manufacturers, pattern makers, and sketch artists. (8)

The fashion industry can be represented as a pyramid split into five tiers: Haute couture, Prêt à Porter/High-end, Diffusion/Premium, Bridge, and Mass (9)

Figure 2: Fashion Pyramid



Source: 404industries.com

**Haute Couture:** Haute couture is high-end fashion that is constructed by hand from start to finish, made from high-quality, expensive, often unusual fabric and sewn with extreme attention to detail and finished by the most experienced and capable sewers—often using time-consuming, hand-executed techniques. (10)

**Prêt à Porter/High-end:** Prêt à Porter is a line which was created by Italian manufacturers who wanted to create a more accessible (yet still expensive) luxury fashion. This clothing line maintains the high-end craftsmanship at a lower entry price while expanding the luxury market to a broader audience. In comparison to Haute couture, the speed of production and TTM (Time to Markets) of this segment is lower, as companies are able to create more collections per each year (including two main collections, a pre-collection, and a cruise collection).

**Diffusion/Premium:** Within this line, fashion inspirations are derived from higher-tier categories but are produced via industrial manufacturing. In this segment, critical success factors include the ability of a brand to create products which are consistent with a persuasive brand image, and the ability to leverage industrial processes to create a higher production volume.

**Bridge:** This line of pricing is usually associated with fast fashion. Despite being associated with lower-quality products, companies can still be very successful in delivering up-to-date clothing, capable of following fads and trends with little gap time between creation and sales.

**Mass:** At this stage, products become increasingly basic and undifferentiated. Businesses in this line apply the mass-production strategy and produce affordable fashion with low quality of the material used, allowing these company to apply competitive prices. Moreover, mass fashion brands have also developed advanced operations techniques to produce new designs within a short time. The adopted strategy is popularly known as ‘Fast Fashion,’ which is a business model that encourages new designs in stores every few weeks instead of every fashion season. (7)

### **1.2.2 Definition of Luxury Fashion**

According to Kapferer (2017), both luxury and fashion play a crucial role in our social life: luxury by recreating a social stratification that was done away with by democracy; and fashion by recreating the rhythm of the seasons that was done away with by urbanization, and a social differentiation while avoiding being engulfed by the anonymous crowd.

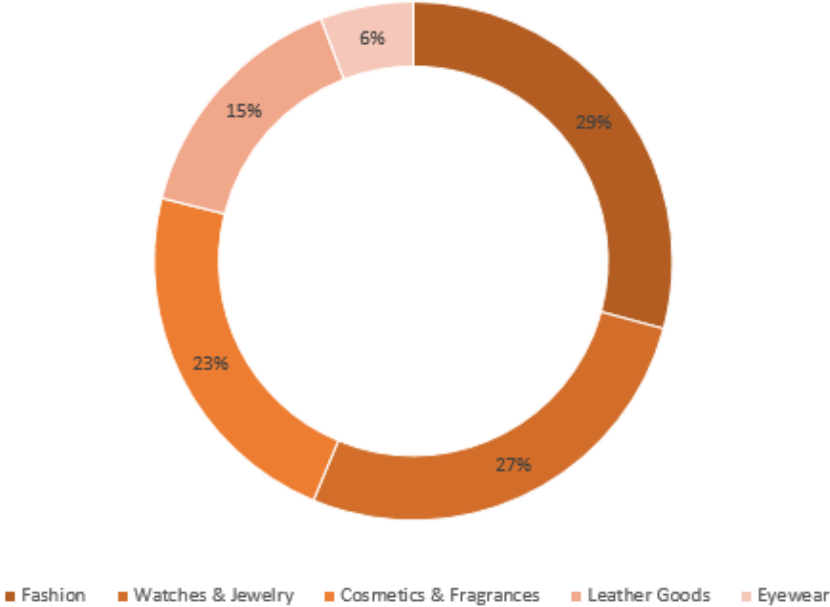
Luxury and fashion, then, represent two worlds, both economically important but still very different, that overlap only marginally. In these cases, success relies on a tandem arrangement, where a brand (which covers the luxury side) and a creator (who covers the fashion side) are together, and the best examples of Haute Couture and Prêt à Porter fashion lines such as Chanel and Karl Lagerfeld or Gucci and Alessandro Michelle.

“Luxury fashion even goes further to reinforce the evolution and voice of society. In this generation, where image underlies every aspect of our lives, luxury brands have gained more prominence and are affecting the daily lives of both consumers and non-consumers on a greater level.” (11)

**2 Global Luxury Fashion Industry**

**2.1 Industry Outlook**

*Figure 3: Personal Luxury Goods market segment share in 2018*



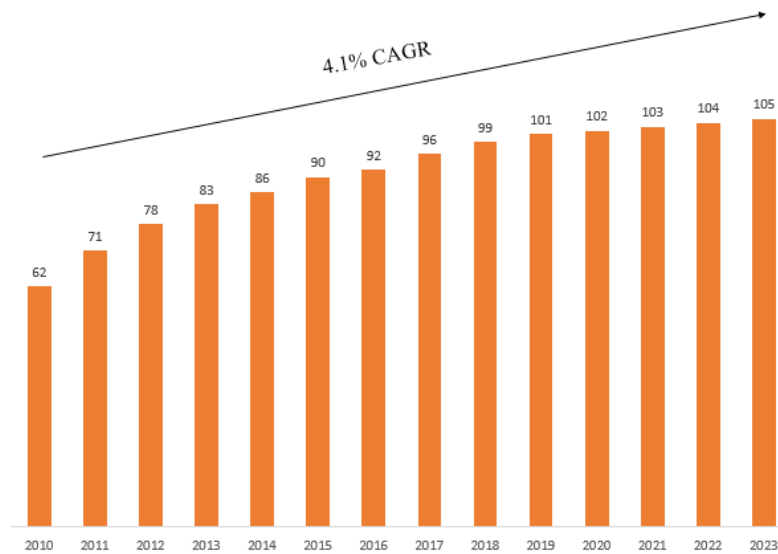
*Source: Statista Consumer Market Outlook*

According to the research of Statista Consumer Market Outlook 2018 (CMO), the luxury fashion division continues to dominate the personal luxury goods market in terms of revenues (29.2%), followed by watches and jewelry (27.1%), cosmetics and fragrances (23.6%), eyewear (5.8%) and leather goods (15.3%). (Figure 3)

The sector reached US\$99 billion in 2018, an increase of 3.1% in comparison to 2017. The sale growth is expected to be 4.1% CAGR for the period 2010 - 2023. (Figure 4)



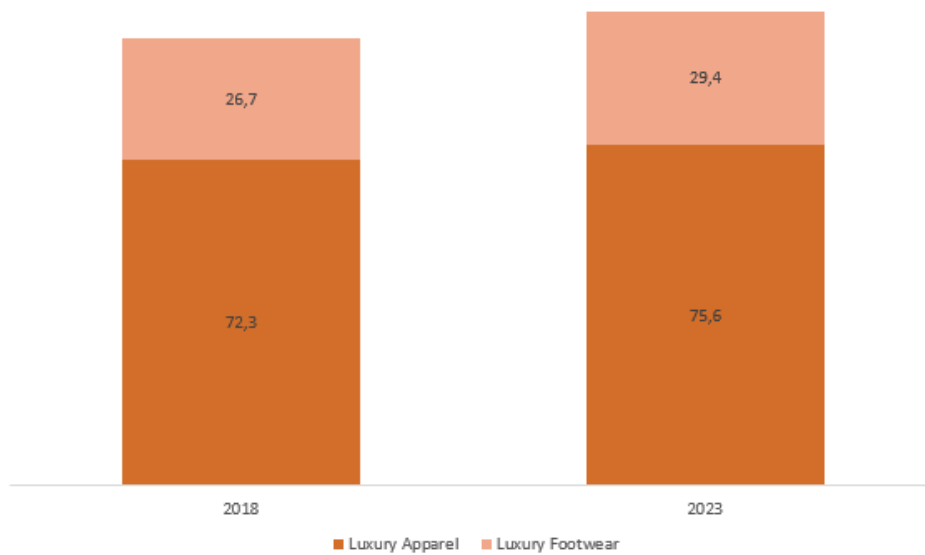
Figure 4: Worldwide revenue of luxury fashion in US\$ billion



Source: Statista Consumer Market Outlook

By category, Luxury Apparel generates the highest share of revenue within the Luxury Fashion industry, which accounts for 73% in 2018, followed by Luxury Footwear at 27%. (Figure 5)

Figure 5: Luxury Fashion revenue by categories in US\$ billion



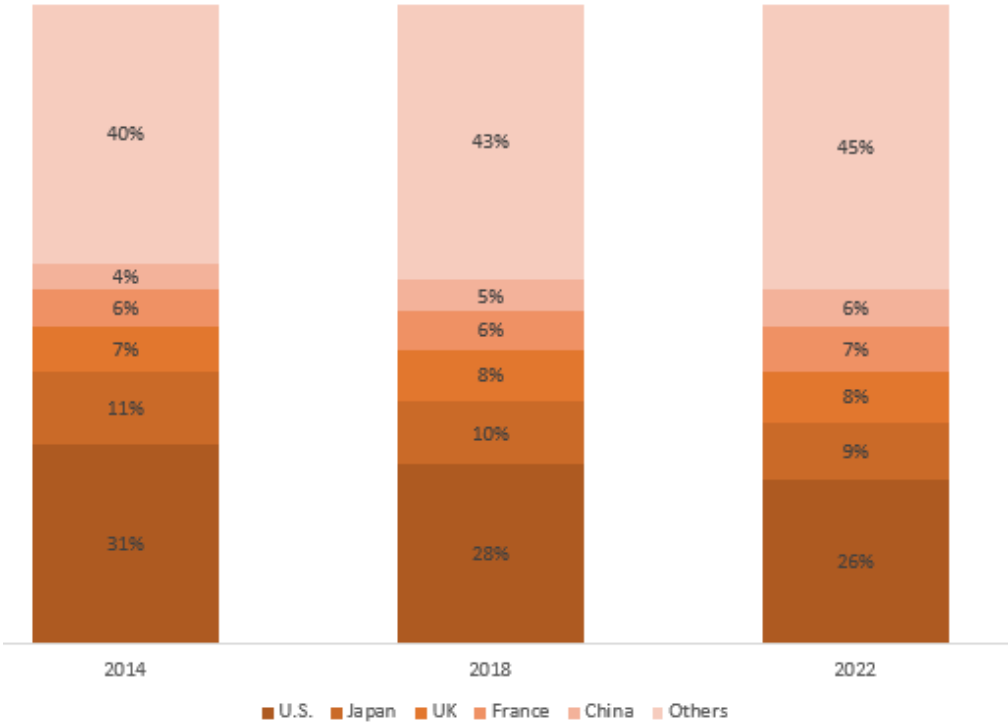
Source: Statista Consumer Market Outlook

**2.2 Key Luxury markets**

Geographically, the U.S. is forecasted to be the largest market in this luxury fashion industry with cumulative sales of US\$127.7 billion during 2018-2022, followed by Japan (US\$45.4 billion), the UK (US\$39.6 billion), France (US\$31.5 billion) and China (US\$26.2 billion). The U.S. and Japan are expected to lose market share in 2022 with the UK, France, and China gaining ground. (Figure 6)

However, the South Korean luxury fashion market is expected to have the highest growth rate of 6.6% over the period 2018-2022, followed by Thailand (5.9%), China and India (4.8% each), Germany and Singapore (3.6% each), France (3.2%), Hong Kong (3.1%) and the UK (2.6%). (12)

*Figure 6: Luxury fashion market share by top 5 countries*



*Source: Statista Consumer Market Outlook*

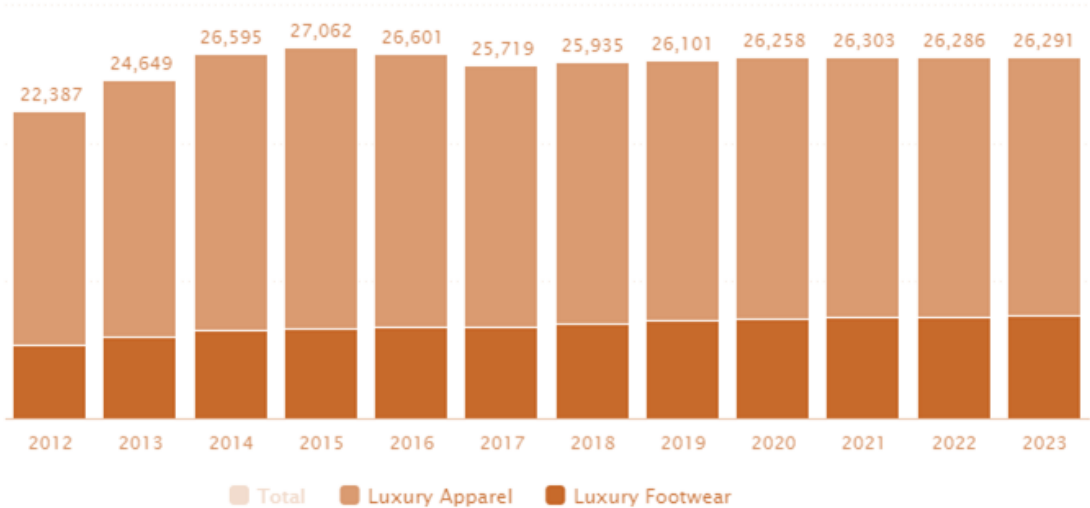
**2.2.1 USA**

The USA luxury fashion market dominates the worldwide luxury fashion market with a prospect to increase from US\$25.9 billion in 2018 to US\$26.3 billion in 2023, at 0.2% CAGR. (Figure 7)

Even though the U.S. is the leading market for luxury goods globally, factors such as economic and political uncertainty, cutbacks on discretionary spending and low sales from international tourists due to the China - U.S trade war are affecting the market growth. (12)

Ralph Lauren, LVMH, and Kering Group are the top three luxury fashion companies in the country. (statista.com)

Figure 7: The U.S. luxury fashion market revenue in US\$ million

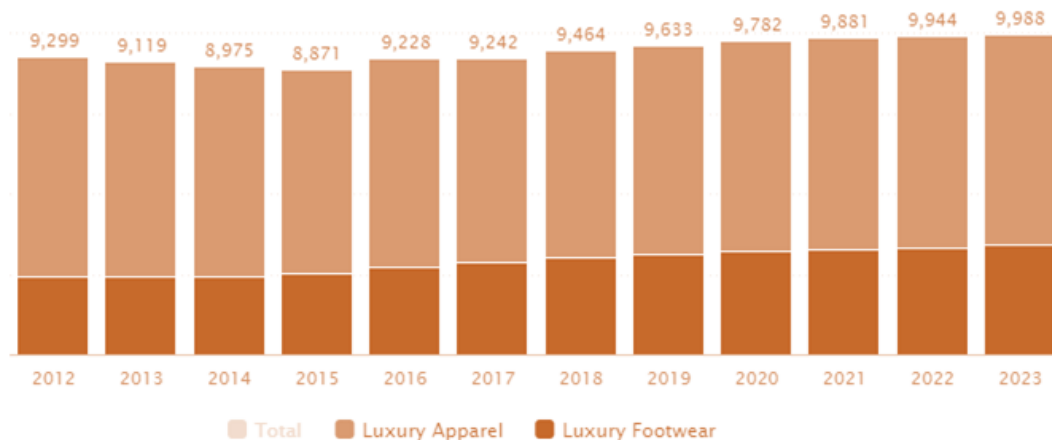


Source: statista.com

**2.2.2 Japan**

Japan has often been overlooked as a strong force in the Asian and global personal luxury goods market. Revenue in the Luxury Fashion dominated the Japan luxury market, which amounts to US\$9.6 billion in 2018. (Figure 8) The market is growing steadily, with a continual rise in wages and an increase in employment levels resulting in increased consumer spending. The increase in the number of working women has had a positive impact on luxury sales, as there is an increased preference for luxury brands. (13)

Figure 8: Japan luxury fashion market revenue in US\$ million



Source: *statista.com*

Products of brands held by Onward, the luxury holding group from Japan, amount to an estimated 23.3% of the Luxury Goods market in the selected segment and region in 2018, followed by brands from LVMH, Renown, and Kering. Surprisingly, digital penetration in Japan’s luxury goods market is still quite low as compared to other countries, reflecting a lack of digital savviness among luxury consumers and the limited online presence of important local companies like department stores. (12)

### 2.2.3 China

China is one of the markets with the highest growth rate expectation, which is projected to grow 4.8% annually (CAGR 2018-2022). Additionally, Chinese consumers now lead the consumption of luxury goods both at home and overseas. China ranks second globally for its travel and tourism sector’s contribution to GDP, which is forecasted to account for 12.9% of GDP in 2028. (13)

Revenue in the Luxury Fashion segment amounts to US\$8.04 billion in 2018. The highlight of this market is the penetration of digital sale from online channels. In 2018, this figure was accounted for 36% of the total sale, and it will reach 47% in 2022. (12)

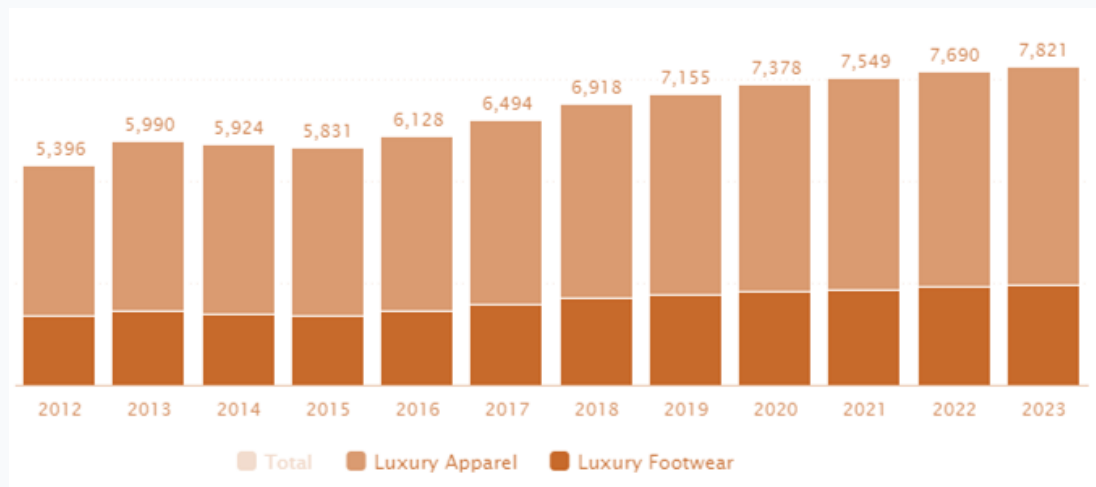
Part II analyzes in-depth the context of China luxury fashion market.

## 2.2.4 Europe

Europe luxury fashion market is estimated to generate US\$42,320m in 2018. Italy is the biggest market in Europe which generated US\$ 6.9 billion in revenue in 2018. (Figure 9)

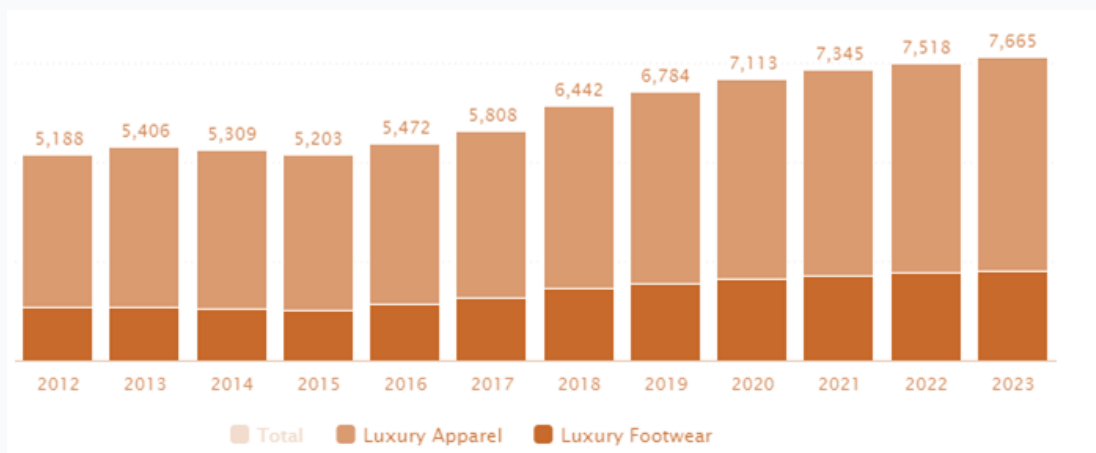
The market is expected to grow annually by 2.3% (CAGR 2019-2023) and followed by France market with a total sale of US\$ 6.4 billion according to an expectation to increase annually by 3.1% (CAGR 2019-2023). (Figure 10)

Figure 9: Italy luxury fashion market revenue



Source: statista.com

Figure 10: France luxury fashion market revenue



Source: statista.com

## **2.3 Key Luxury Fashion players**

### **LVMH**

Louis Vuitton Moët Hennessy, also known as LVMH group, is a French multinational luxury goods conglomerate headquartered in Paris, France. The group was formed in 1987 under the merger of fashion house Louis Vuitton with Moët Hennessy. At present, LVMH controls 75 subsidiaries, including luxury fashion houses such as Louis Vuitton, Fendi, Christian Dior, Marc Jacobs, Givenchy. In 2018, the group reached a total revenue of US\$53.5 billion.

### **Kering group**

Kering is an international luxury group based in Paris, France, and specialized in luxury goods. The company was founded in 1963 by François Pinault with the first name Pinault-Printemps-Redoute (PPR). After the acquisition of some luxury fashion brands, in 2003, PPR changed its name to Kering to fully achieve its shift towards luxury. The group owned 12 brands including Gucci, Yves Saint Laurent, Balenciaga, Alexander McQueen, and Bottega Veneta, which contribute most of the revenue for the group. Its revenue in 2018 was US\$13.7 billion.

### **Richemont**

Compagnie Financière Richemont SA, also known as Richemont, is a Switzerland-based luxury goods holding company founded in 1988 by South African businessman Johann Rupert. Through its various subsidiaries, Richemont mostly produces and sells jewelry, watches, leather goods, pens, firearms, clothing, and accessories. The luxury brands it owns include Cartier, Chloé, Montblanc, or Van Cleef & Arpels.

In November 2012, Compagnie Financière Richemont SA was the sixth-largest corporation by market capitalization in the Swiss Market Index. As of 2014, Richemont was the second-largest luxury goods company in the world after LVMH.

Besides these three big luxury group, there are many independent luxury fashion brands, run by their family-own groups, such as Chanel, Burberry, Prada, or Hermès.

**Table 1: List of 20 luxury fashion brands worldwide**

Brands	Owner	Origin	Founded year	Revenue 2018 (US\$ billion)
Louis Vuitton	LVMH	France	1854	N.A. <sup>1</sup>
Chanel	Chanel	France	1909	11
Gucci	Kering	Italy	1921	9.1
Hermès	The Dumas family	France	1837	5.9
Prada	Prada S.p.A <sup>2</sup>	Italy	1913	3.5
Fendi	LVMH	Italy	1925	N.A.
Christian Dior	LVMH	France	1946	N.A.
YSL	Kering	France	1961	1.9
Chloé	Richemont	France	1952	N.A.
Giorgio Armani	Armani	Italy	1975	2.3
Burberry	Burberry Group PLC <sup>3</sup>	UK	1856	2.7
Bottega Veneta	Kering	Italy	1966	1.2
Dolce & Gabbana	Dolce & Gabbana	Italy	1985	1.54
Versace	Capri holdings	Italy	1978	0.8

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<sup>1</sup> No data published

<sup>2</sup> Public limited company

<sup>3</sup> Public limited company

Valentino	Qatar Mayhoola for Investments Spc	Italy	1960	1.3
Givenchy	LVMH	French	1952	N.A.
Balenciaga	Kering	Italy	1955	N.A.
Michael Kors	Capri holdings	USA	1981	4.5
Jimmy Choo	Capri holdings	UK	1996	0.59
Ralph Lauren	Ralph Lauren Corporation <sup>4</sup>	USA	1967	6.1

*Source: Respective companies' website and statement*

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<sup>4</sup> Public limited company



## 2.4 Success drivers of the industry

### 2.4.1 Millennials

In recent years, the luxury industry' sales growth and profitability have underperformed partly because of its problems in adjusting to changing demographics. At the beginning of this century, if the traditional luxury consumer were wealthy and owned inherited assets, whose age is from 50 – 69 years old (baby boomers), the current new luxury consumers are changing to be the younger generation. This community is named Millennials, who were born between the years 1977 and 2000. (14) They are the very reason why the luxury industry is redefining itself.

Firstly, Millennials view luxury differently. The millennial consumers are less brand loyalty, but this group chooses brands based on their mission and values. Millennials do not buy luxury goods to impress others. They buy high-end products because they believe these products have better quality and better represent their value. (13) Millennials highly value individualism and self-expression, having a love of fashion that is both unique and outstanding.

Secondly, affluent millennials prefer to customize their experiences and are willing to pay more for the intensified comfort or service during these experiences to match their lifestyles. Moreover, they are also creating new trends and value symbols, for example, expensive sneakers, and streetwear, the latter of which has become entwined with luxury fashion. (15)



*Balenciaga sneaker (price US\$1000)*



*Gucci #streetwear*

Also, unlike traditional consumers who are older, millennial luxury consumers expect to interact with brands across diversified digital platforms. They are usually using social media to track the influence trends in their community on luxury fashion brands rather than just fashion styles, which are typical information on magazines.

Statista Consumer Market Outlook report also states that spending by Chinese millennials, both at home and overseas, is one of the main drivers of the global luxury market. China currently has around 400 million millennials, five times more than the U.S., and they are expected to make up approximately 65% of China's consumption growth through 2020. (12)

Moreover, luxury brands are now also having to face and deal with Generation Z, the Post-Millennials born after the year 2000. They are an updated, more extravagant version of the Millennials – yet another challenge seasoned luxury brands have to conquer. Deloitte report in 2019 indicated that millennials and Generation Z would represent more than 40% of the overall luxury goods market by 2025 and hold over US\$200 billion in annual spending power. (13)

When luxury brands admit that Millennials and Generation Z are their future customer, they are starting to change their business model to meet their consumers' demand.

## 2.4.2 Sustainability

In the past, luxury brands have been associated with excessive consumerism, high costs, guilty pleasures, and lack of concern about the environment. However, Millennials and Generation Z, who has become their target consumers nowadays are highly influenced by ethical and moral values. Environment, sustainability, animal welfare, positive impact on communities are all affecting their buying decision and their expectation for brands.

These young generations are now less keen on simply possessing goods, instead of wanting their luxury purchases to speak about their high education levels and cultural awareness. Luxury brands have responded to this changing mindset by adopting stronger environmental and social practices. The luxury industry has to move towards ethical value and sustainable production and to win new consumer generations' hearts. "Luxury brands have begun to highlight their use of renewable and organic materials, and now emphasize their efforts to lessen the environmental impact of their production." (13)

Back in 2007, Prada was one of the first to adopt a Code of Ethics regulating a daily basis of the Group's working life. The company is also a promoter of many sustainability activities such as supporting the Manifesto of sustainability for Italian Fashion, and the brand is a member of the Sustainability, Ecology, and Environment Commission' that aims at creating shared environmental and ethical standards among the leading players of the Italian fashion industry.

Stella McCartney has been using leather substitutes for her clothes and accessories for quite some time now. In 2017, The US fashion house Michael Kors announced that it would no longer use fur in its collections. In March 2018, Donatella Versace revealed that her luxury fashion label would stop using real animal fur in its products.

# FASHION PACT



Recently, at G7 meeting in Biarritz from August 24<sup>th</sup>-26<sup>th</sup>, 2019, France President Emmanuel Macron debuted his new Fashion Pact commitment with a set of shared objectives that the fashion industry can work together to reduce its environmental impact. The Pact's goals draw on the Science-Based Targets (SBT) initiative, which focuses on action in three essential areas: global warming (the aim is to achieve zero greenhouse gas emissions by 2050 in order to keep global warming below 1.5 degrees Celsius until 2100), restoring biodiversity (with a focus on restoring natural ecosystems and protecting species), and preserving the oceans (namely by reducing the use of single-use plastics).

So far, 32 of the world's leading fashion and textile companies, including Adidas, Bestseller, Burberry, Chanel, Gap Inc, Giorgio Armani, H&M Group, Inditex, Karl Lagerfeld, Kering, Nike, Prada Group, and Puma have signed the Fashion Pact. (16)

### **2.4.3 Technology Adaptation**

Along with the development of technology and the Internet, the adaptable ability with this pace is one of the critical contributions to the success of a luxury brand.

Over the last few years, 3D technology has been used not only for production and prototyping of various luxury products but also in the creative process. According to a 2018 McKinsey survey of 100 luxury managers, 30% of them believe that they will start offering 3D printed products in their stores in the next three to five years while another 30% think it will happen within five to 10 years. The fashion industry is where 3D printing is witnessing extensive use. The reason behind it

is that this technology makes it possible to create shapes without molds, thus resulting in the production of elements with extreme intricacy that could otherwise not be accomplished. (12) Brands such as Balenciaga have used the technology to produce its seamless jackets for its Autumn/Winter 2018 collection.



*Gvasalia's 3D printed jackets. Photo via Balenciaga*

PVH Corporation and Xcel Brands, which owns labels like Isaac Mizrahi, are already using 3D software to decrease their production windows. Iris van Herpen more recently used the PolyJet technique to manufacture ornaments for her dresses during the Spring Summer 2018 fashion show at the Paris Fashion Week.

Since the internet has become a critical part of the purchasing habits of various groups of consumers worldwide, Millennials and Generation Z drive luxury sales growth by their interest in online shopping. Therefore, luxury brands start to use big data as the new focus to build strong relationships with them and offer a superior purchasing experience. Big data brings to luxury

brands a wealth of information available on their consumers' behavioral habits. As a result, luxury brands are now adopting digital technologies to generate and manage these massive amounts of data and deliver timely and personalized recommendations. This shift has motivated demand for connective technology such as Augmented Reality (AR) and Artificial Intelligence (AI).

First of all, AI enables brands to better leverage consumer data (such as individual shopper's profile, browsing history, abandoned carts, purchases, and returns) to promote the right products at the perfect time on the ideal channel. "Luxury brands positioned as reliable sources of AI-driven recommendations are improving how they engage with consumers. More widespread adoption of AI is also making consumers increasingly reliant on suggestions and advice provided by their various devices, rather than making decisions based on personal experience." (13) Artificial intelligence (AI) is currently the most sought-after technology.

If Chatbots will enhance AI to provide extra support to brands' customer service strategy by conversing and interacting with humans via messaging robots, Machine Learning is essentially an innovation of AI to improve automatically through experience by making sense of real-time customer data. Image and voice recognition technology will become critical digital trends to drive the luxury industry. Louis Vuitton launched its Digital Assistant chatbot on Facebook, where it counts more than 23 million followers, in December 2017, to give customers a more "sophisticated, personalized, visual and conversational online shopping experience for each client." (17)

Secondly, immersive technologies such as virtual reality (VR) and augmented reality (AR) are witnessing increasing use by luxury brands who combine them with their physical retail stores to and create high-quality content for digital marketing and enhance the overall shopping experience. Even though the main objective of this is to enable customers to get a virtual feel of the product before making a purchase, many brands are also using it for digital marketing purposes. Luxury brands have implemented these technologies to enhance consumers' experience. In the fashion segment, Burberry's use of AR offered an app feature allowing users to digitally redecorate their environments with Burberry inspiration. After personalizing a picture, users can post a newly created photo on social media. (18)



*Burberry's AR fashion app. Source: Courtesy*

Despite these advantages of adapting technology and digital innovation to engage with consumers, luxury fashion brands have difficulties in a sensible balance between exclusivity and accessibility. If they quickly become accustomed to the digital technique to grow sales, they might become too visible. With so much availability, mass reach and lower prices, luxury brands are now afraid they may be compromising their exclusivity.

### **3 Digital Marketing Management of Luxury Fashion brands**

#### **3.1 Digital Transformation in the Luxury Fashion industry**

Over the last decades, the fashion industry has been through large-scale changes as a direct result of the rise of technology. Even though luxury fashion brands have historically been reluctant to sell their products online, factors such as the growth of tech-savvy millennials, the successful development of social media and E-commerce are transforming the industry's value chain by the change in the customer journey, distribution, and communication strategies.

##### **3.1.1 Luxury Customers**

###### **3.1.1.1 Who are Luxury Customers?**

According to Okonkwo (7), the luxury consumer is highly sophisticated, smart and intelligent with their rich knowledge about product materials and their sources. They have more brand awareness through product comparison, reviews, virtual communities and publicly accessible information about luxury brands. Moreover, luxury consumers are now more powerful than luxury brands when they have more choices in products, shopping channels and pricing of luxury products. Their choices of luxury products are based more on an understanding of their own style needs and less on the 'brand-name' factor. As a result, they expect luxury brands to understand their needs in advance and to satisfy them.

In addition, luxury fashion consumers are fashionistas, who are individualistic who know who they are, what they want and how they prefer to interpret their personal style. "They use fashion as a definition of their individual personality and identity, in their own way and according to their own terms." (7)

Demographically, Millennials are mainly known as critical drivers of the luxury industry and represent potential consumers. On the other hand, there exists a luxury consumer class that is segmented by income, HENRYs (High-Earners-Not-Rich-Yet), on which luxury brands have started to keep an eye. HENRYs can be considered as affluent Millennials, who are aged on average 43 and earn more than US\$100,000 and investable assets of less than US\$1 million. (13)

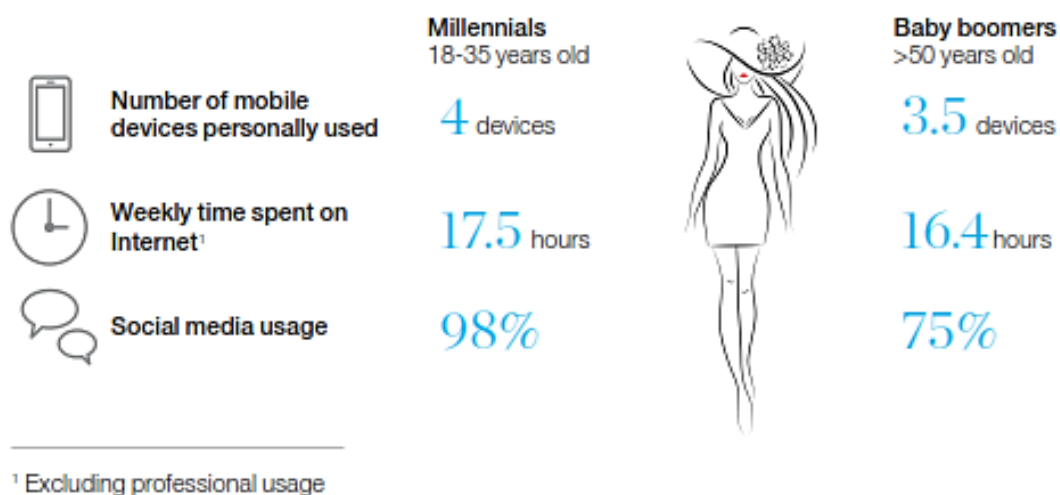
HENRYs characterize themselves to be digitally savvy, love online shopping, and are big spenders. HENRYs are a critically important segment whose loyalty could be built by endorsing their core values, such as authenticity, reliability, commitment to do the right thing, and



following sustainable practices. Consequently, brands begin to focus on values shared by this aspirational demographic. Moreover, since HENRYs are heavily influenced by modern technology and use of social media to form their buying decisions, luxury brands have started to engage with these customers by leveraging on social media platforms.

Beside affluent Millennials or HENRYs, who is considered the brands' most potential customers, luxury brands should not forget Baby Boomers, who are now also adapting to social media and technology devices. (Figure 11) Millennials are the ones need to cultivate, but the boomers are still the ones with more significant spending impact in the luxury market right now. That is a big opportunity worth for luxury fashion brands keep exploring multi-channel when Millennials shop more online and Boomers prefer more in-store experience. (19)

*Figure 11: All luxury shoppers are going digital*



*Source: McKinsey*

### 3.1.1.2 Luxury Customer Journey

From a historical point of view, luxury consumers bought their products mainly in major fashion centers of the world such as Milan, Paris or New York, where luxury fashion was prominent in consumer lifestyles. (7) They majorly shopped in the physical stores in order to benefit from a complete product selection and also enjoyed the luxury retail atmosphere.

However, the shopping journey of a typical luxury consumer today is usually a mix of the online and offline channel. McKinsey estimates that more than one digital touchpoints are affecting nearly 80% of good luxury sales. (19) It means that shoppers either research online and buy at the

store, shop in the store but buy online, or purchase online outright. Perhaps the most exciting finding in their study was the gradual disappearance of the purely offline luxury shopper, who now represents only 22% of the total market. (Figure 12)

Figure 12: Sales of personal luxury goods by online/offline influence (€ billions)

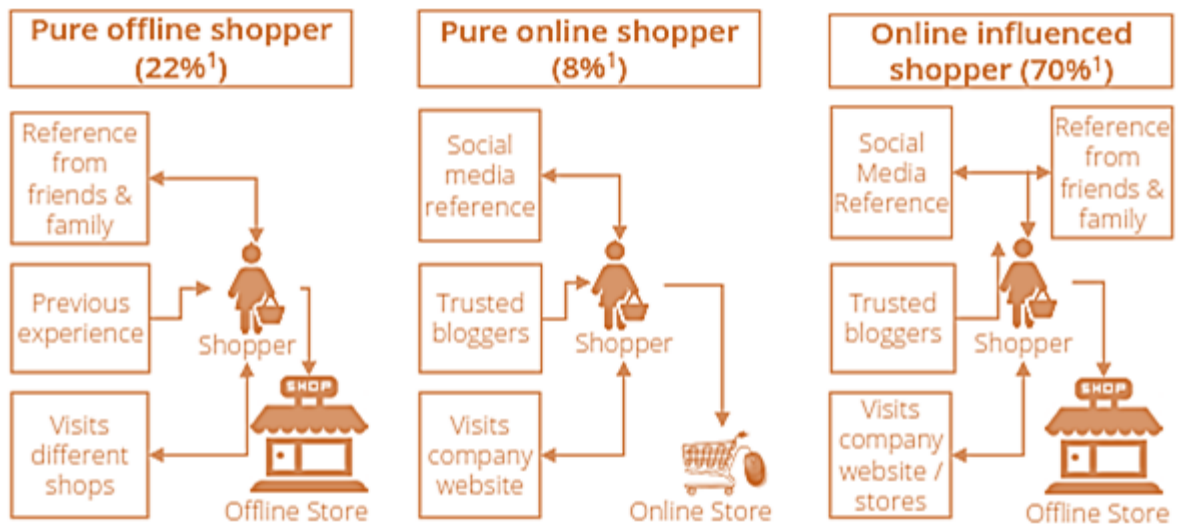


<sup>1</sup> Apparel, footwear, accessories, jewellery and watches, leather goods, beauty and perfumes

Source: McKinsey

According to a McKinsey, an overall Luxury 4.0 model is emerging which is characterized not only by the growth of the online sales channel but by the digitalization of a consumer's entire luxury shopping journey which is having a considerable influence on how luxury shoppers choose brands and products. Typically, consumers start their conventional offline buying decision-making process by recognizing the need for the product through a reference from family, friends, or their own experience. Then they would go and search for the product information on the stores and make an offline purchase after consideration and evaluation. Otherwise, digitalization brings to consumer opportunities to have more references from online sources. They would make an online purchase after their assessment. However, shopping for luxury goods, both online and offline, do not always follow these paths because of the significant role of sentiments and psychology in luxury goods purchasing decisions. Consumer attitude is nowadays shaped by an auxiliary series of emotions and feelings. These are including the total online and offline experience and prior relationship with the brand, indicate a distinct and complex process among others and reflected in product evaluation and consumer behavior.

Figure 13: The journey of a typical luxury consumer



Source: McKinsey

Even though it seems paradoxical to use machines to personalize the customer experience, technologies like Big Data and machine learning are gradually bringing authenticity back into the brands' relationship with the consumer. (11)

### 3.1.2 Distribution

Historically, luxury retails solely focused on offline stores, and consumers mainly made a buying decision at the stores. The prestige store is considered as one of the primary indicators that reinforce the core brand values and the differentiated brand status of luxury brands. (7)

Researchers have indicated that the Internet is a 'dilemma' that luxury requires to overcome through avoiding E-commerce, whereas other literature has suggested that the Internet is solely a channel of communications for luxury brands. (20)

However, digital transformation is changing the way luxury brands sell their products and becoming a vital element of the value equation of brands. Notably, augmented reality (AR), virtual reality (VR) now brings to brands opportunities to implement digital in their physical retail stores. This combination enables brands to elevate the shopping experience for their consumers. Moreover, with the exposure of the Internet, E-commerce is the primary implement that digital has reshaped the distribution approach of a luxury business. It is the result of tapping the trends of luxury customers who are increasingly interested in the online market.

### **3.1.2.1 Brand E-commerce Channels**

In the past, most luxury companies were reluctant to sell their products online as they believed it took away from their exclusivity and high status. There was a general belief in the industry that only the low and middle range products were sold online with luxury consumers preferring the personalized and tactile shopping experience of mono-brand brick-and-mortar stores. However, the luxury company is penetrating the online audience to expand their business through E-commerce websites. Moreover, advanced technologies of Artificial Intelligence (AI) and Big Data are integrated into the E-commerce site of luxury brands to build a customized experience for their customers and enhance the strong relationship.

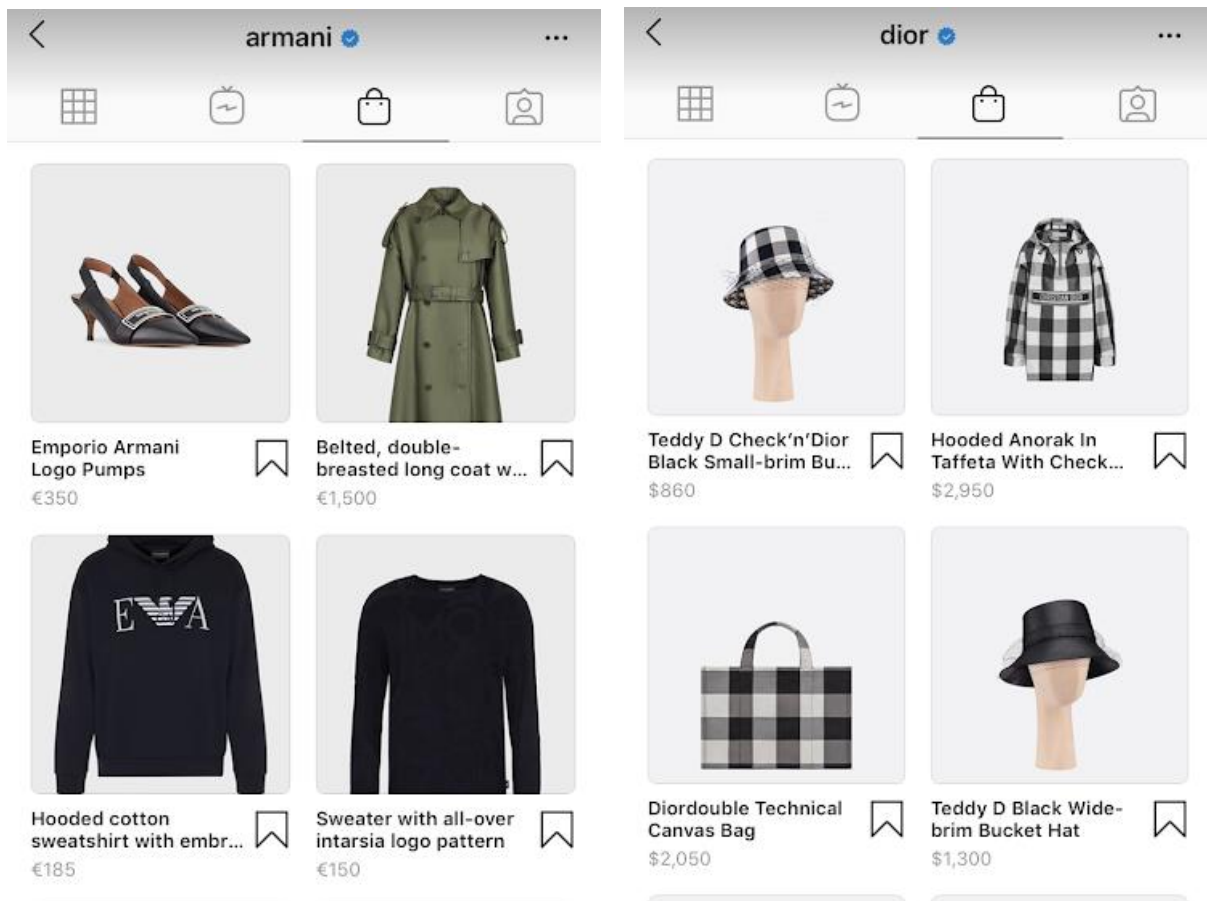
According to the McKinsey study, the contribution of online sales to the global luxury market will increase by over 300% by 2025. (19) Consequently, most luxury fashion houses have their E-commerce sites. Even the notoriously digitally-averse companies Celine and Chanel launched their E-commerce sites in December 2017 and July 2018<sup>5</sup>, respectively.

#### **Social media commerce**

By embracing technological advancement, there will be a seamless connection between e-commerce site with other social media channels of a luxury brand to customize the consumer shopping experience. Many new features from the biggest social media platforms, including Facebook and Instagram, made it clear that shopping through social media is existing. In March 2019, Instagram announced new shopping features that would allow users to shop and purchase items on the platform without leaving the app. Users can seamlessly shop across Instagram's feed, Explore page, business profiles, and Stories. Several luxury brands have entered this game, including Armani, Hermès, Burberry, Prada, and Dior.

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<sup>5</sup> for fashion division in UK market



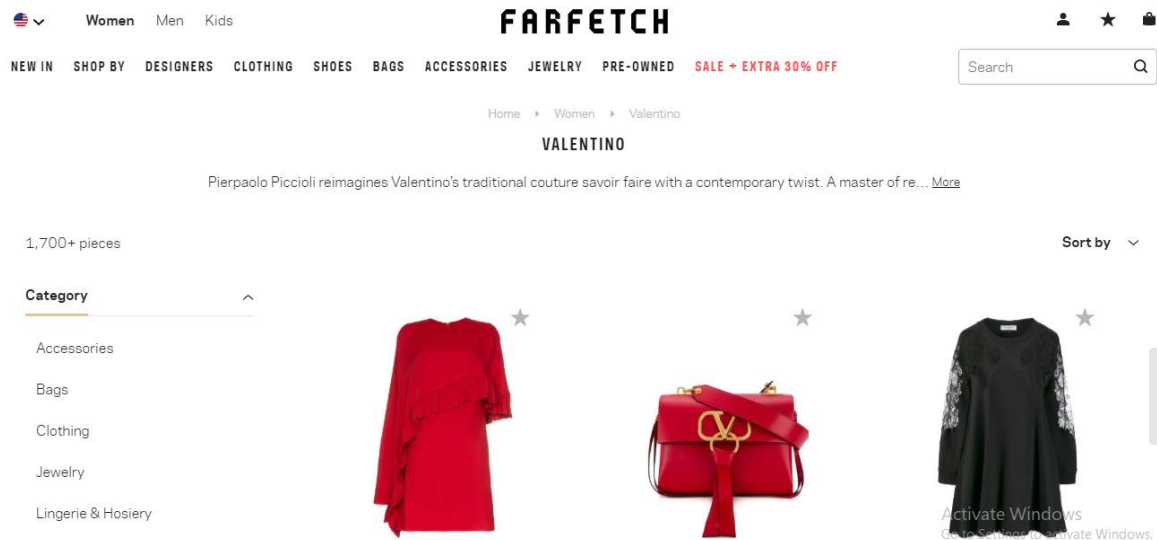
*Luxury brands on Instagram Store. Source: Instagram*

### 3.1.2.2 E-commerce Marketplaces

As luxury fashion houses increase their online presence, they are beginning to realize that they yet do not have the digital expertise to replicate the white-glove experience online that luxury consumers have become accustomed to in their physical stores. This motivation makes brands such as Louis Vuitton, Gucci, and Chanel have started partnering with specialized multi-brand portals such as Farfetch, Yoox Net-A-Porter, and MatchesFashion. These online marketplaces have not only a global reach, thereby allowing brands to scale their online operations quickly, but also a thorough understanding of how to replicate the physical luxury shopping experience online.

**Farfetch** provides an online marketplace for more than 700 independent luxury boutiques and brands, including luxury labels such as Burberry, Dior, Gucci, and Alexander McQueen, among others. The company was founded in 2007 by the Portuguese entrepreneur José Neves with its headquarters in London. It allows consumers all over the world to shop in their own currencies.

Farfetch handles customer service and arranges for global express delivery. It also offers free shipping and returns, and discount programs.



*Valentino on Farfetch. Source: farfetch.com*

**Yoox Net-a-Porter Group (YNAP)** is an Italian online fashion retailer created on October 2015 after the merger between Yoox group and the Net-A-Porter group. Yoox was founded by Federico Marchetti in Bologna in 2000 and has become an e-commerce company that serves more than 180 countries worldwide. In May 2018, Richemont acquired YNAP by purchasing 95% of the company's available shares. (21) YNAP offers style-conscious customers around the world an unparalleled online retail experience via its multi-brand stores Net-A-Porter, Mr Porter, Yoox, and The Outnet. These platforms provide fashion products from over 350 fashion houses, including luxury names such as Bottega Veneta, Burberry, Dolce & Gabbana, Fendi, Gucci, and Givenchy. However, it does not yet have partnership agreements with some of the big brands such as Chanel and Louis Vuitton. Among its unique offerings are a two-hour delivery window and fashion consultants who are available all day and night.

## BOTTEGA VENETA

Heritage brand Bottega Veneta has been a symbol of impeccable Italian craftsmanship and sophisticated luxury since it was founded in Vicenza, Italy, in 1966. Creative Director Daniel Lee works closely with the brand's master artisans to preserve house codes while incorporating his own perspective to create timeless handbags, footwear and ready-to-wear. The hand-woven leather pieces are made using the iconic intrecciato technique – a prime example of a brand's philosophy that favors construction over conspicuous logos.

SIGN UP FOR BOTTEGA VENETA UPDATES ▶

Outfit View Sort by BOTTEGA VENETA View 60 1 2 3  
133 Results

ALL  
CLOTHING  
SHOES  
BAGS  
ACCESSORIES  
JEWELRY AND WATCHES  
BEAUTY  
GIFTS

COLOR ▾  
 Black  
 Blue  
 Brown



Activate Windows  
Go to Settings to activate Windows.

LIVE CHAT

*Bottega Veneta on Net-A-Porter. Source: net-a-porter.com*

**MatchesFashion** is a London-based global luxury retailer for men and women, was co-founded by Tom Chapman and Ruth Chapman in 1987. The platform is offering the products of more than 450 luxury brands such as Gucci, Saint Laurent, Valentino, Prada, Balenciaga, and Balmain. The company delivers products to over 170 countries around the world.



*Matchesfashion Homepage. Source: matchesfashion.com*

### **3.1.3 Communication**

As the younger generation will be the key driver of the success of this industry, the way brands permeate and proactively reach out to them is critical. A good communication strategy can be a significant lever. Historically, in terms of communication, luxury fashion brands have based their identity on exclusivity, prestige, and impeccable service, retaining a dignified distance between themselves and their customers. (13) They primarily relied on traditional marketing channels such as print, events, sponsorship or direct mail to engage their high-value audiences.

However, Millennial shoppers who cannot imagine the world without the Internet, 24/7 mobile connectivity and social media, are changing the way brands react. Printed media, events and sponsorship are still essential strategies of luxury brands, but they are digitally influenced in the way they interact with audiences. For instance, audiences nowadays mainly reach to fashion news through the press's websites or its social media channels instead of printed magazines. Runway shows and events are also regularly broadcasted on social media channels.

Therefore, social media which were viewed as "mass market" by luxury brands, nowadays it has become an increasingly important marketing tool for them. Brands have been compelled to engage with their consumers via various social media channels.

#### **3.1.3.1 Social Media Marketing**

Social Media Marketing (SMM) is an internet marketing approach that involves creating and sharing content on social media platforms to obtain marketing and branding objectives. Today, with just one Tweet, a Facebook post or an Instagram story, consumers can tell the world their experience with a brand, in doing so express their opinion and influence the purchasing decisions of other members in their community. Social media, therefore, provide a colossal amount of insights into customers' data, available market offers and customers' opinions for marketers to capitalize on consumers wants, needs, desires and frustrations to drive marketing decisions. Social media represents a commercial and institutional communication tool which is an element of the promotion mix.

Compared to common brands, luxury brands want to be accessible – but also reserved, so they are more calculated and unique in their flow of communications on social media networks. They want to make sure the messages are worth their customers' time – so they offer and create unique stories, images, and videos. Content is the king of social media marketing. That is the reason



why luxury brands are continuing to share their authentic stories to their followers in order to gain brand engagement. Consequently, luxury brands have to provide compelling experiences and tell the story behind the brand.

Overall, the success of a social media strategy will be converting "likes" into an interactive and engaging experience for customers. However, going along with general digital strategy, the biggest challenge for luxury brands will be to make optimal use of social media without compromising their brand values. (13)

### **3.1.3.2 Social Media Platforms**

In particular, there are four social media platforms have been used regularly by luxury brands because of their diffused use worldwide. Those are Facebook, Instagram, Twitter, and YouTube.

#### **Facebook**

Facebook is a website property of Facebook Inc., founded on February 4, 2004, by Mark Zuckerberg. There are 2.41 billion monthly active Facebook users (MAU) as of June 2019. Facebook immensely cares for its users' experience. The best way to set a communication strategy is to follow its general model and generate a relevant and pertinent editorial plan, respecting users' experience and privacy. For the betterment of communication campaign on Facebook, brands can consider advertisement features, when asking Facebook to promote brands' post after paying a fee.

Louis Vuitton is the most popular luxury brand on this platform with 23,328,278 fans (July 2019). However, the brand does not frequently post on Facebook on average, just some posts each month, which mostly highlight news on newly launched products, people, or upcoming events.

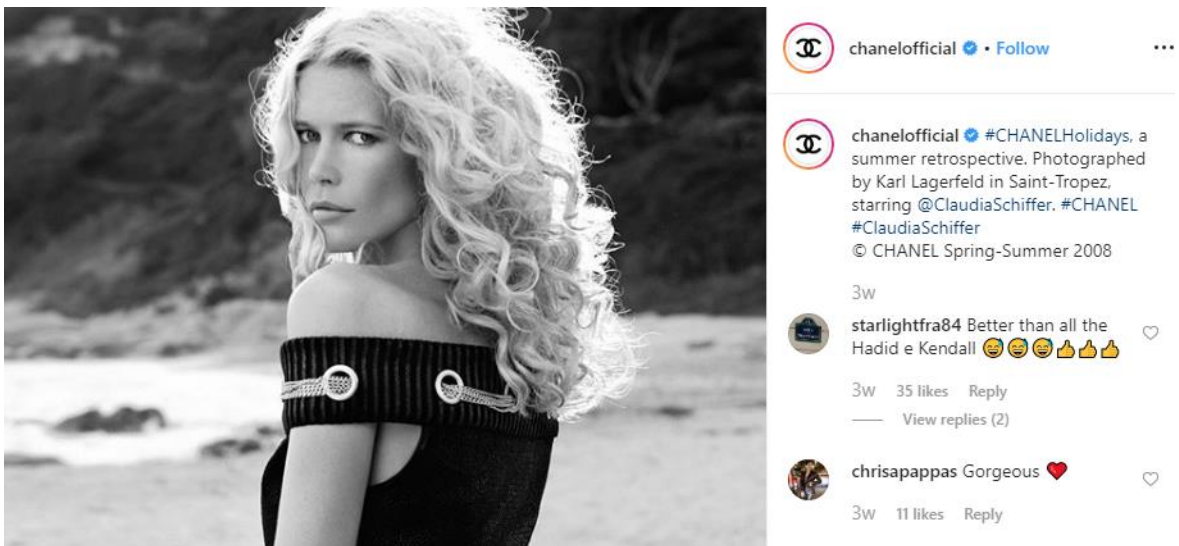


*Louis Vuitton on Facebook. Source: facebook.com*

## **Instagram**

Instagram is a mobile application and a photographic social network. This platform lets users to take pictures (and videos) and to share them instantly, also on other social media. The application was launched in 2010 and was developed by Mike Krieger and Kevin Systrom. Since then, it has gained more and more popularity, reaching a billion active users per month (March 2019). The Instagram reality is a different one from Facebook, for a brand to have success on the platform some investment in the creation of high-quality content is needed: visual aspect is the most important on Instagram. Instagram is now becoming also commercial channels for brands when launching shopping features in January 2019.

Instagram is the most favorite communication channel for luxury brands with more activities and engagement with customers than others. Chanel is the most influential luxury brand on this platform, with more than 35.9 million followers (July 2019). It is followed by Gucci (35.6 million), Louis Vuitton (33.3 million) and Christian Dior (26.6 million).



*Chanel on Instagram. Source: Instagram*

## **Twitter**

The idea behind this platform is an open and deconstructed status message, in which at any point in time, it is possible to share a thought, a link, or news. This platform is the place for real-time marketing.

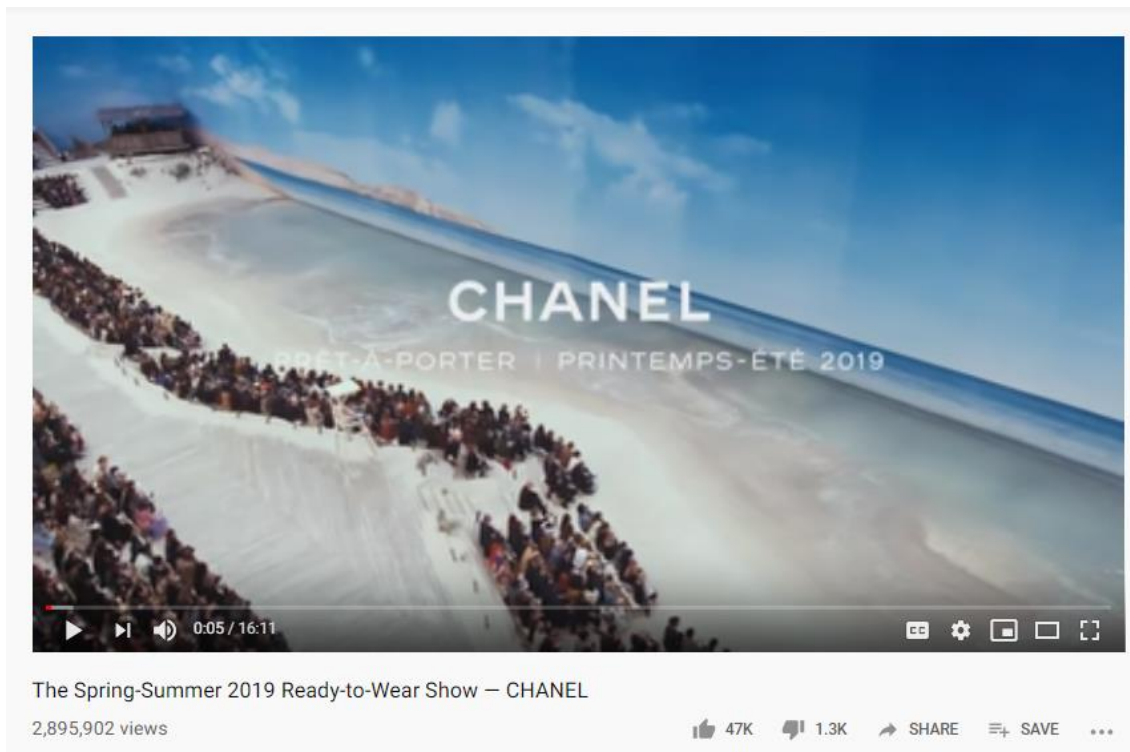
Nowadays, more than ten years after, the platform counts around five hundred thousand tweets a day. Most of luxury fashion brands have a Twitter account. Chanel is one more time the brand leading the luxury fashion sector by the massive number of followers (13.1 million).

## **YouTube**

YouTube is the number one place for creating and sharing video content on the world. In communication, it is one of the most incredibly powerful social media marketing tools. Many brands try to create video content to have their video “go viral,” but for luxury brands, they have to consider about their creativity, unique and exclusivity of the content that their video provides to reserve their prestige image.

Luxury brands are using YouTube marketing and positioning their companies to take full advantage of the benefits of this tool from brand promotion to engaging and effective social media campaigns, video marketing is becoming vital if not the primary tool for marketing strategist.

Chanel is the best example of how luxury brands promote their image on this channel with thousands of quality and inspired videos. It has 1.4 million followers on YouTube.



*Chanel on YouTube. Source: youtube.com*

### **3.1.3.3 Luxury Fashion brands on Social Media Channels**

Netbase social report 2019 (22) has studied about the luxury brands on social media to find out how did they perform in this digital world. This analysis of brand performance looked at the volume of conversation, awareness (as a measure of earned impressions), reach (a measure of owned reactions), net sentiment, and brand passion as measured and analyzed through the NetBase platform. This data tells us about how many conversations are mentioning and how consumers feel about brands and related topics. The reports point out that Louis Vuitton is the luxury fashion brand that has the most well-done performance on social media, followed by Chanel and Burberry who are tied for second place and Gucci as the 3rd place.

**Table 2: Ranking of top Luxury Brands by social media performance.**

Topic	Category	Social Rank	2018 Rank	Difference	Mentions (Total)	Reach	Awareness	Net Sentiment	Passion Intensity	Brand Passion Index
Louis Vuitton	High-end	1	2	1 ↑	13,960,064	38,655,824,616	175,846,767,283	77%	95	80
Chanel	High-end	2	32	30 ↕	17023859	19085030248	115174532313	75%	87	72
Burberry	High-end	2	3	1 ↑	5,695,886	111,177,501,630	97,526,088,139	75%	90	74
Gucci	High-end	3	26	23 ↕	27,679,661	68,222,857,975	179,348,304,602	62%	67	49

*Source: Netbase social report 2019*

The following table demonstrates the number of followers of top 10 luxury fashion brands (by Netbase ranking) on social media platforms (Facebook, Instagram, Twitter, and Youtube) (*Data updated on July 30<sup>th</sup>, 2019*)

**Table 3: Top 10 luxury fashion brands on four Social Media platforms**

Brand	Facebook	Instagram	Twitter	Youtube
<b>Louis Vuitton</b>	<b>23,328,278</b>	33,385,945	7,385,113	315,104
<b>Chanel</b>	22,040,285	<b>35,998,575</b>	<b>13,215,220</b>	<b>1,413,849</b>
<b>Burberry</b>	17,326,412	15,084,176	8,405,422	326,237
<b>Gucci</b>	18,349,644	35,637,183	5,678,501	394,002
<b>Saint Laurent</b>	2,985,015	6,642,032	4,196,839	48,187
<b>Versace</b>	5,405,146	18,935,808	4,700,493	135,730
<b>Ralph Laurent</b>	9,169,278	10,850,016	2,319,406	79,171
<b>Dolce &amp; Gabbana</b>	11,822,997	21,542,325	5,269,655	371,858
<b>Prada</b>	6,634,573	20,299,281	1,065,713	124,248
<b>Dior</b>	16,689,392	26,663,224	8,079,554	574,652

## **3.2 Strategic Marketing Trends**

Following are three marketing trends in the digital arena that luxury brands are dealing with to create competitive advantages and attract their luxury consumers.

### **3.2.1 Experimental Digital Marketing**

Experiential marketing is a relatively new orientation that is gaining by marketers around the world provides a contrast to traditional marketing. Whereas conventional marketing frameworks view consumers as rational decision-makers focused on the functional features and benefits of products, experiential marketing views consumers as emotional beings, focused on achieving pleasurable experiences. The use of new technologies has also aided the potential for experiential marketing. “According to trade magazine Event Marketer, 77% of marketers use experiential marketing as a vital part of a brand’s advertising strategy. According to marketing and technology solutions company Wily Global, in 2018, revenues for experiential marketing increased 7%, to \$50.6 billion, over the previous year’s figure.” (23)

This result is a particular relevance lead to the increasing significance of the Internet which provides communication and distribution channels, which also raises essential implications within the luxury industry, as observed by Okonkwo (2007) who notes “the need for luxury fashion brands is to create a compelling, memorable, enjoyable and positive total customer experience for online shoppers.” (7)

To keep pace with this growth, luxury brands have begun forming strategic partnerships with technology companies to complement in-house competencies and enhance customer experiences. They implement advanced technology such as Augmented Reality in digital campaigns to create an experience for consumers. For example, in 2015, Burberry tied up with Google to create The Burberry Booth for interactive experience video, where shoppers are filmed dancing to the T-Rex song Cosmic Dancer, as in the company’s TV ad. (24)



*Burberry Booth. Source: Burberry*

In another initiative, Burberry also teamed up with DreamWorks Animation to create an interactive marketing campaign using 3-D technology on Piccadilly Circus corner screens. In this campaign, pedestrians can use the interactive system to design their scarves and up to five people at a time can interact and manipulate the movement of the on-screen scarf on the big screen.



*Source: campaignlive.uk.com*

### 3.2.2 Omnichannel Marketing

The increasing presence of digitalization is creating the more struggles that luxury brands must deal with to close the gaps in customer experiences they provide across different channels. When multichannel marketing represents for the ability to interact with potential customers on various platforms: a retail store, a website, a promotional event, social media, or word-of-mouth; or through different devices like mobile, desktop or tablet, the Omnichannel marketing is dealing with offering a seamless, integrated and unified brand experience irrespective of these platforms. The omnichannel approach guarantees that each piece of the consumer's experience is consistent and complementary. This strategy focuses on building a stronger relationship between consumers and the brand.

Moreover, to leverage the relationship between luxury brands and tech-savvy young generation, which looks for an individualized, seamless brand relationship, brands are focusing their business around consumer demands, through Omni-personal approach. (13) The reason behind is when consumers have managed to edit the pace and volume of information they receive from brands, they will expect these content and experiences that are more relevant to their needs and lifestyles. Consequently, Omni-personal approach begins by putting the customer at the core of the brands before they start mapping out channels. Brands speak the language of hyper-relevancy, focus on personalization and customization to meet individual customer requirements.

According to Deloitte, the urgency of customization is so high that luxury brands are incorporating personalization in their long-term strategies, to differentiate themselves with impeccable designs and services. Some of them, having realized that they can win significant benefits through personalization by giving a personal touch by proactively incorporating customer feedback. Others are responding to the growing need for customization by providing individualized consumer products.

Additionally, in Google Digital Luxury report, professionals indicate some facts about luxury brands and this marketing approach. As CEO of Forward3D, Martin McNulty, guides fashion and luxury brands such as Gucci, Net-A-Porter and Ralph Lauren, emphasized that "in omnichannel marketing, it is not about everything looking the same, it is about things working together." This is the challenge in particular for luxury brands in the digital world, how to remain exclusivity. There are three facts that luxury brands should consider in their omnichannel approach: Shop assistant is the number one omnichannel resource that brands have to recognize; Forget all about



the noise of multi-channel marketing, just focus on what is driving brands' sale; Keep collecting data from online and offline channels, centralize and meld them. (25)

### **3.2.3 Influencer Marketing**

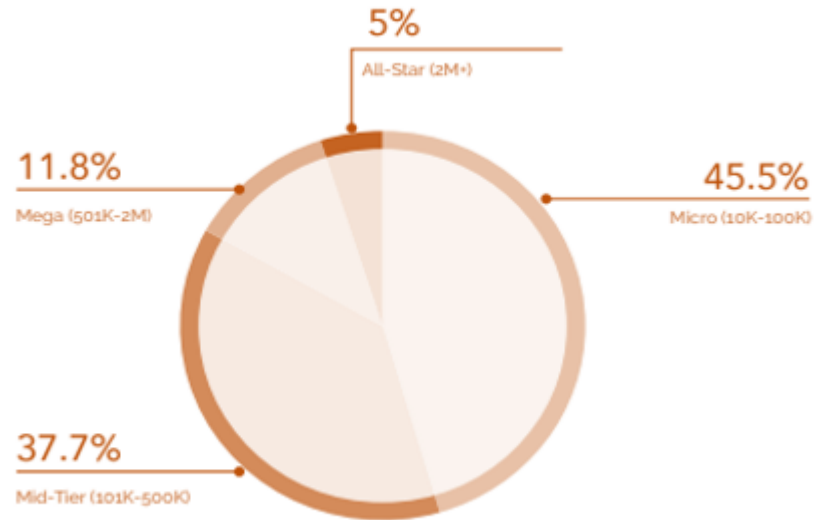
From the perspective of social identity, people would prefer to interact with their ingroup members and are influenced by these members' opinions. When they cannot identify with a member's ingroup prototype, their behaviors change to conform with an alternative ingroup. (26)

With the development of Social media marketing, marketers cannot deny the influence of personal, celebrities, or famous people in the interaction between customer and luxury brands.

Social media influencers are online personalities with large numbers of followers, across one or more social media platforms (e.g., YouTube, Instagram, Snapchat, or personal blogs), who influence their followers. They generally have some expertise in specific areas, such as healthy living, travel, food, lifestyle, beauty, or fashion. Consequently, influencer marketing refers to a form of marketing where marketers and brands invest in selected influencers to create and promote their branded content to both the influencers' followers and the brands' target consumers. (27)

According to Launchmetric's report in 2019, the influencer marketing industry has reached a state of maturation when the size of the global influencer market on Instagram alone is set to grow to US\$2.38 billion in 2018. There is a surprising 80% of the 600 professionals surveyed claimed to be implementing collaborations with influencers in their marketing strategies in 2019. Millennials are the target audience for 78% of professionals who are carrying out influencer campaigns, while Generation Z audiences steadily increase. (28)

Figure 13: Influencer tiers



Source: Launchmetric

Micro-Influencers (10k – 100k followers) and Mid-Tier Influencers (101K – 500K followers) have a better connection with brands’ target audience. Lower tier influencers are also cost-effective. Mega Influencers (501k – 2M followers) gained slightly more relevance this year, with 2.5% more professionals claiming that they were the most effective tier for their brands. (Figure 13) Meanwhile, All-Star Influencers (2M+ followers) experienced a significant drop in popularity among industry professionals, with only 5% (a 6.3% drop from 2018) agreeing that this was their most effective type of key opinion leader.

Moreover, embracing social media channels is an increasingly relevant approach for luxury brands to step into this game. According to Launchmetric report, Instagram continues to gain traction as the most relevant social media platform for industry professionals, for influencer marketing (it grew from 36% to 46% year on year). Facebook fell slightly (1%), while Twitter continues to decrease (4% of professionals claimed to prefer Twitter in 2019 versus 8.6% in 2018).

An example of a famous fashion influencer is Chiara Ferragni, an Italian blogger and fashion designer. She has worked for Guess as a model and spokesperson. She is a favorable influencer for many luxury brands when with a fashion blog named The Blonde Salad and her Instagram with more than 17.3 million followers. She has collaborated with many leading fashion designers,

including Steve Madden, Christian Dior, Louis Vuitton, Max Mara, Chanel, Tommy Hilfiger, J Brand, and Seven for All Mankind. (29) Her appearance with the featured item from brands always received thousands of positive engagement from her followers.

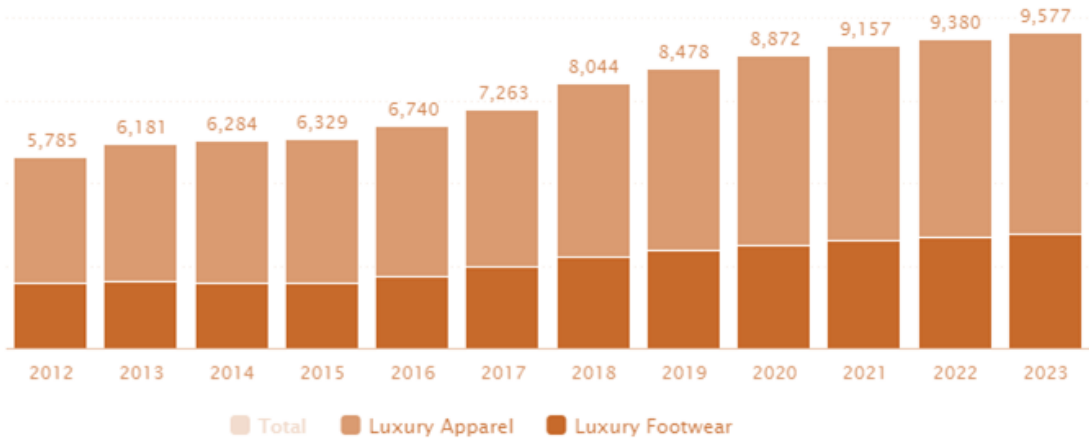


*Chiara Ferragni's Instagram account. Source: Instagram*

**Part II Digital Marketing Strategies of Luxury Fashion Brands in China**

Although Europe and the U.S. are considered as the traditional main markets for luxury sales, Asia is starting to be recognized as a growing market in this area in recent years. Notably, China has become the second-largest luxury market after Japan in the Asia-Pacific region, and will for the first time in centuries overtake the US as the world’s largest fashion market. China delivered more than half the global growth in luxury spending between 2012–2018 and is expected to deliver 65 percent of the world’s additional spending heading into 2025. Moreover, In 2018, Chinese consumers at home and abroad spent US\$115 billion on luxury items—equivalent to a third of the global spend. (37) China Luxury Fashion market generated US\$8.04 billion in 2018, with the expectation of annual growth by 3.1% (CAGR 2019-2023). (Figure 14)

*Figure 14: China luxury fashion market revenue in US\$ million*



*Source: statista.com*

This part analyzes factors in China which have significant effects on the luxury fashion industry. After that, it demonstrates how luxury fashion brands have been conducting their digital strategies to attract Chinese luxury consumers.

# **1 Chinese Luxury Fashion Market**

## **1.1 External environment**

### **1.1.1 Context of the Economy**

On May 14<sup>th</sup>, 2019, the U.S.-China trade war entered into a severe battle after the Chinese government took retaliatory measures. Beijing announced it would raise its tariffs on the total value of US\$60 billion on exported goods from the United States from five percent to as high as 25 percent from June 1<sup>st</sup>. (30) The list of targeted products includes agriculture, metals, apparel, footwear (according to a statement published on the official portal of the Chinese government). It is said to have significant influences on the profitability of the luxury fashion sector in the medium and long term. Recently, the trade war was going terribly on August 1<sup>st</sup>, 2019, when the U.S. President Donald Trump opposed the tariff for millions of China goods import to the USA the first time. This event has aggravated the situation between Chinese consumers' and the U.S. in general as well as American brands in particular. (31)

Consequently, it is forecasted that luxury fashion brands from the US will suffer the most, which will create trouble for the sale of US brands. Firstly, American luxury fashion brands such as Michael Kors or Ralph Lauren, are also likely to lose their price advantage against their European rivals in the Chinese market due to the trade war. European luxury brands are heading toward the opposite direction. Led by Louis Vuitton, Gucci, Hermès, and Prada, brands are recently aggressively lowering retail prices in mainland China in response to Chinese regulation (32).

Secondly, the dilemma is that some Chinese consumers are beginning to think negatively about America, which has decreased the consumer sentiment towards those brands. Moreover, currency fluctuations should be a concern of brands under the current situation. The exchange rate has weakened to an almost six-month low on following China's announcement of adding tariffs, which can, in theory, partially offset the impact of higher tariffs. This consequence is affecting negatively to luxury fashion brands that rely on outbound Chinese travelers for business growth.

Moreover, with the forecast of slowing down Chinese economic growth, pessimists have predicted the downfall of the luxury sector. However, luxury companies such as LVMH and Kering are showing robust sales results as a result of increasing demand in China. LVMH reported first-quarter of 2019 revenue rose 16% to €12.5 billion (US\$14.10 billion), up 11% on a like-for-like basis. (lvmh.com)

## 1.1.2 Impact of Chinese Society

Although National Bureau of Statistics data showed China's economy grew 6.6% year-on-year in 2018, opportunities for luxury brands in China during this period are said to be driven by positive factors such as rising household disposable incomes or consumer spending. China's per capita disposable income stood at US\$4,165 in 2018, up 6.5% year-on-year in real terms. Separately, urban and rural per capita disposable income reached US\$5500 and US\$2000 in 2018, up 5.6% and 6.6%, respectively, after deducting price factors. Chinese per capita consumer spending increased by 6.2% year-on-year. (33)

According to research company Wealth-X's latest Billionaire Census (May 2019), the global billionaire<sup>6</sup> population fell 5.4% from a year earlier to 2,604, and their wealth declined by 7% to US\$8.6 trillion. However, China has the second-most billionaires of 285 billionaires with their total wealth reaching US\$996 billion in 2018, just behind the United States which had 705 billionaires, the highest, with a net worth of US\$3.013 trillion. (34) Additionally, luxury brands in China have opportunities of potential luxury consumers from the increasing numbers of millionaires and wealthy individuals of this country. By 2018, China's total wealth has risen 1,300% this century to US\$51.9 trillion, more than double the rate of any other nation. Although the U.S. will remain a world leader in the number of millionaires, China is expected to mint new millionaires over three times as fast as the U.S. (35)

On the other hand, the changes in the classification of the wealthy population also affect the ways luxury brands implement their strategies in China. Although Tier-1<sup>7</sup> cities such as Shanghai, Beijing, Shenzhen, and Guangzhou on average have citizens with higher than average wealth vs. the rest of China, there will be a growth of wealthy netizens, who can afford luxury products in Tier-2<sup>8</sup> and lower-tier cities as well. According to Morgan Stanley research, smaller cities tier are forecasted to increase their disposable income per capita to close the gap with larger cities. (36) (Figure 15)

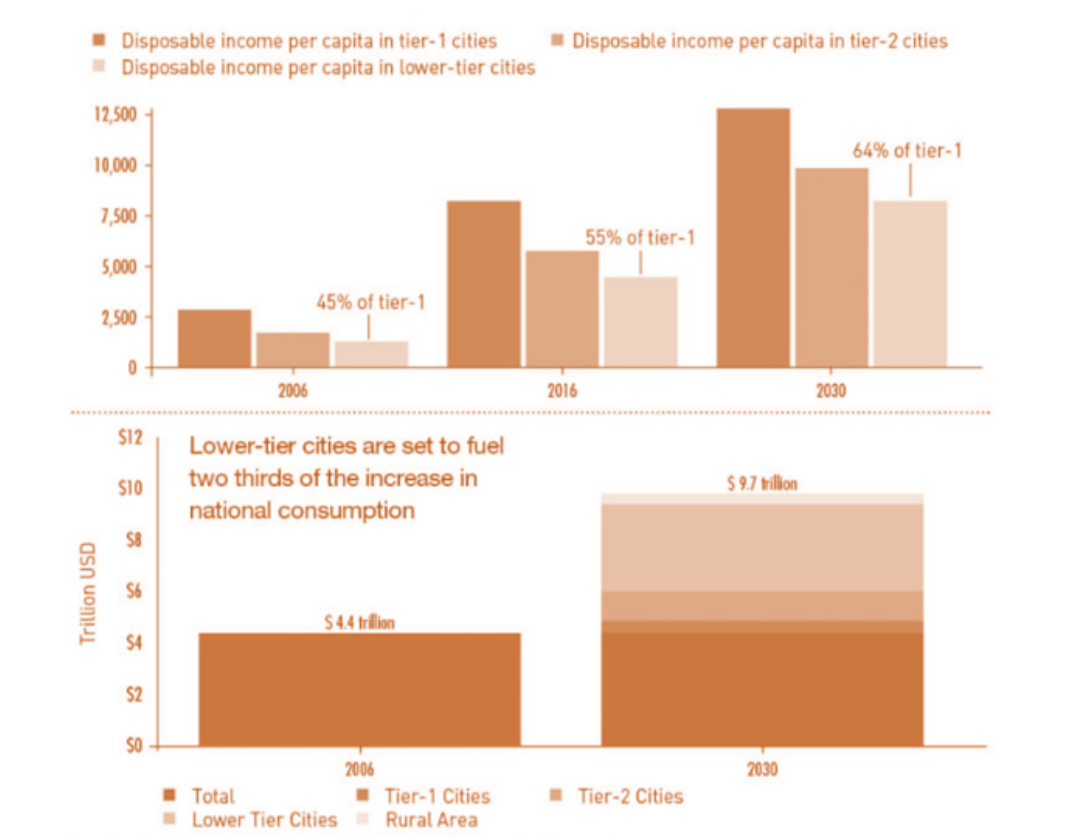
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<sup>6</sup> An individual with a net worth of at least one billion units of a given currency, usually major currencies such as the United States dollar, the euro or the pound sterling. Source: Wikipedia.com

<sup>7</sup> Includes cities with a GDP over US\$300 billion. Source: <http://multimedia.scmp.com/2016/cities/>

<sup>8</sup> includes cities with GDP between US\$68 billion and US\$299 billion

Figure 15: Disposable income per capita by city tier



Source: Morgan Stanley research

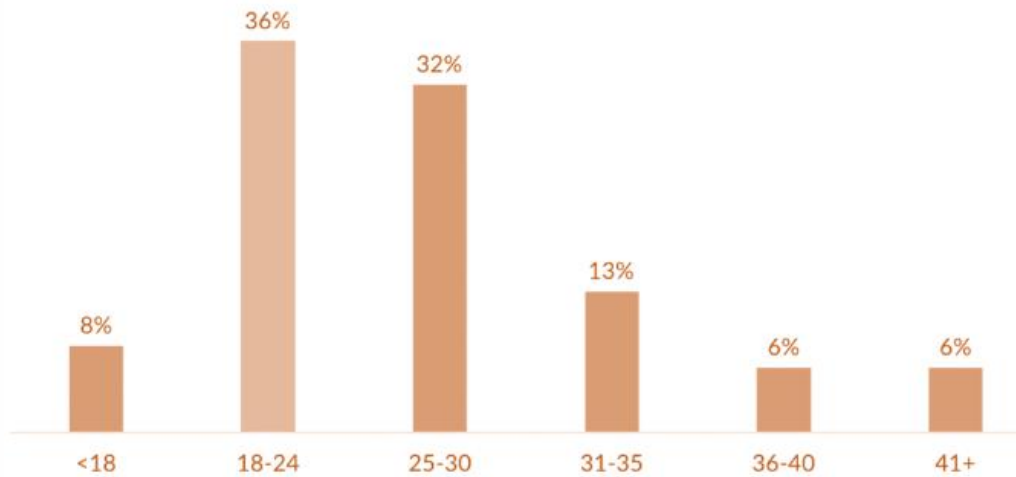
## 1.2 Chinese Luxury Consumer

Despite a complicated situation of the politics and economy, there is still a vast opportunity for luxury brands expanding into the Chinese market. According to McKinsey research, the number of Chinese luxury consumers will increase by 121% between 2016 and 2025, compared to a 32% growth that will be seen in other markets around the world. (37)

Additionally, middle-class consumers, who will represent an estimated 65% of all Chinese households by 2027, will be important first-time buyers of luxury goods. (38)

According to BCG & Tencent research in 2018, Chinese luxury buyers are relatively young with over 60% are mainly Millennials and Generation Z: 36% are between 18 and 24 years old, followed by 32% consumers from the age from 25 to 30 years old. (Figure 16) Additionally, they are also very educated, with 71% of them holding at least a college degree. Chinese luxury buyers are also overwhelmingly female, with 71% of them are women.

Figure 16: Age of Chinese luxury consumers in 2018



Source: BCG & Tencent

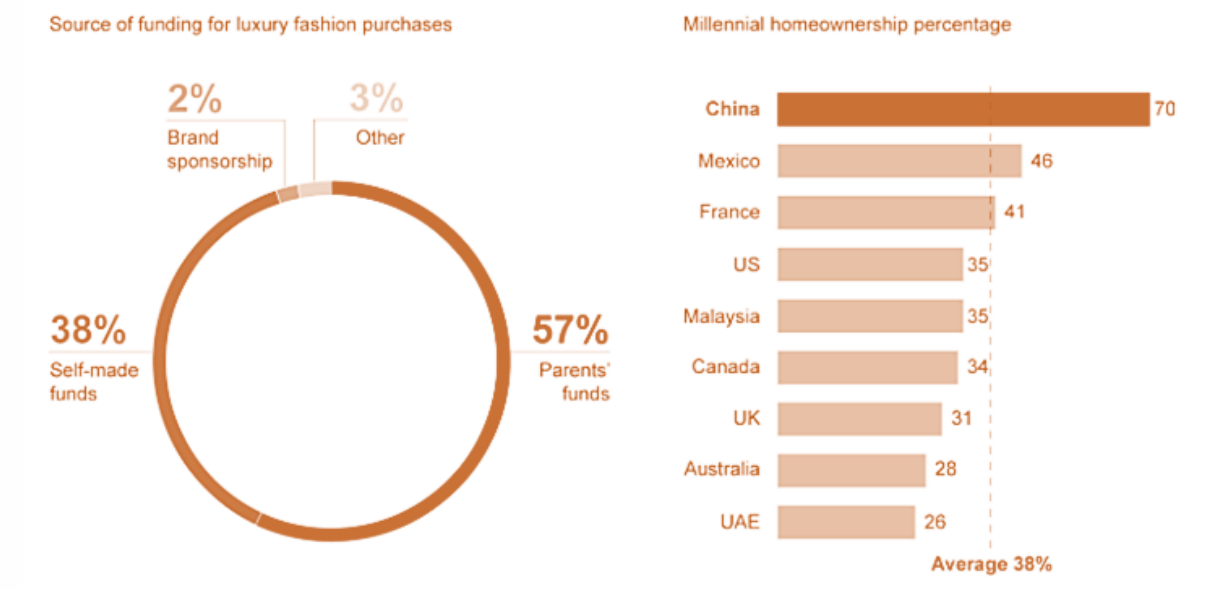
### 1.2.1 Chinese Millennials

Demographically, Chinese Millennials are imposed to be an essential driver of not only the China market but also the global luxury fashion industry. Chinese Millennials will not lose their taste for luxury goods, nor their willingness to buy. Compared to Westerns Millennials, this young generation in China has some different characteristics.

Firstly, they are willing to spend more frequently on luxury brands, and they are financially able to do so. They do not have as many financial burdens which leave them with more disposable income to spend on luxury products. According to Bain and Company study (38), 70% of China's millennials own their own homes - twice the rate of US millennials. (Figure 17) Moreover, they mostly get funding from their parents if they want to buy luxury goods. The reason is that they are part of the country's one-child generation in which families made financial sacrifices to ensure a better life for their children.



Figure 17: Chinese Millennials consumers



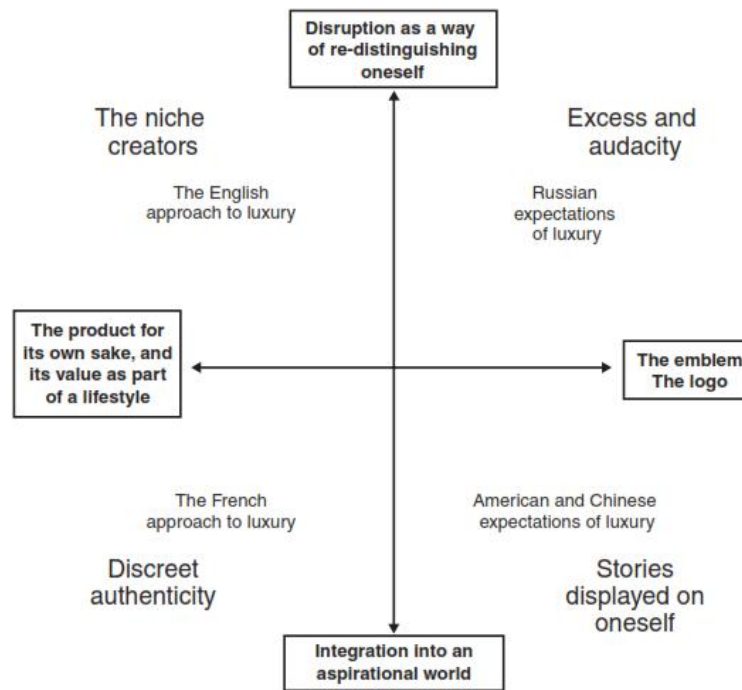
Source: Bain & Company

Secondly, Chinese Millennials are more individualistic, less-conforming, looking for unique ways to express themselves. Unlike the older generation, they are well educated about the world, travel more, with more exposure and experience and more knowledge about brands and their culture. They keep up on sophisticated trends, look for high-quality products and services, intense desire for convenience and immediacy.

Additionally, Chinese Millennials consumers are digital-native and tend to explore brands, both online and offline. McKinsey research further notes that Chinese shoppers' expectations on brands are higher, as they look for personalization and customization from their interaction with luxury brands. The younger generation expects more from a personalized service approach; for instance, the sales assistant can help to pick out accessories based on an intimate knowledge of the customer's personality or their previous purchases. In this way, they are blurring the line between engagement and purchase, domestic and overseas, and online and offline, which requires more seamlessly integrating business units across brands, functions, and regions. (37)

## 1.2.2 Chinese Luxury Consumer Behavior

Figure 18: Four ways of distinguishing oneself



Source: *Advances in Luxury brand management*, Kapferer 2017

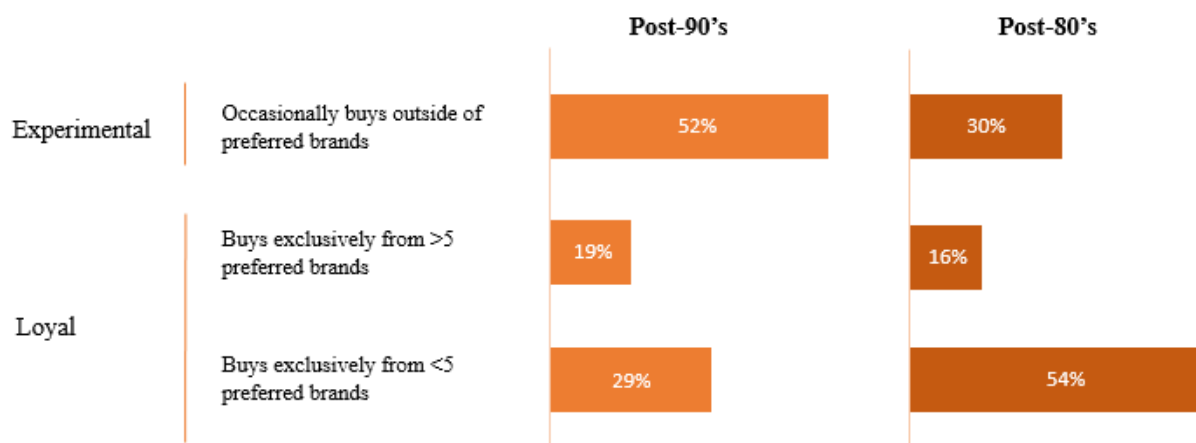
China's culture is different from Western cultures, and thus, Chinese luxury consumption may not follow the trends of the Western world. The Chinese perceive luxury brand value in terms of China's unique cultural background. Theoretically, unlike the meaning of the original “luxury” meaning of the way Western consumers are perceived, through two characters “*she chi*” - “luxury” word in Chinese: the first means “*important people*,” the second means “*much*,” we can understand why “luxury” in China relates to VIPs. (11)

McKinsey study indicated that Chinese consumers perceived luxury fashion as helping them feel distinct from the people with whom in their society. “They see luxury as a form of social capital that helps mark them apart and achieve personal and social goals.” (37)

Moreover, brand loyalty tends to be higher among the older generation. The post-90s generations are much more likely to be experimental and try different brands, while older generations are loyal to a few luxury brands they keep buying. (Figure 19) The young Chinese consumer is social and trend dependent. Ideas such as caring for the community, the planet, or the animals

have accelerated sophistication for younger age consumers, and then they start to appreciate more nuanced elements such as design, fabric, and manufacturing. They consider the CSR of the brand in their purchase decision. They are willing to pay more for sustainable goods because they believe this decision will embody their lifestyle choice. (39)

Figure 19: Brand loyalty among Chinese generation<sup>9</sup>



Source: McKinsey

Additionally, Chinese Millennials give more sentiment to foreign brands that concern to their identity and culture while conducting marketing strategy. Meanwhile, a consonant approach that does not respect cultural differences will have adverse side effects for the brand's reputation. For instance, in November 2018, Italian luxury fashion brand Dolce & Gabbana faced accusations of racism in China for an online advertisement, in which a Chinese model ate pasta and pizza with chopsticks. The brand has fallen in favor among Chinese consumers since then and led e-commerce and retail giants to remove brand's products and the cancellation of its fashion show. China-based online retailers Alibaba, JD, Secoo, and Yoox Net-a-Porter dropped Dolce & Gabbana from their websites.

Recently, in August 2019, Versace faced similar scandal when they sold T-shirts which featured city-country pairs such as Milan-Italy and London-UK included Hong Kong-Hong Kong and Macau-Macau. This point implied that Hong Kong and Macau were independent territories and then turned Chinese consumers to anger. After fierce criticism on social media in China, Versace

<sup>9</sup> % of respondents purchased no. of brands and whether they buy outside of preferred brands. Source: McKinsey

admitted it had made a mistake, apologized and stopped selling the tops. The incident led to Versace's China brand ambassador Yang Mi, a popular actress in the country cutting ties with the brand.

### *Versace T-shirt*



### *Versace's apology on Instagram*



versace



## VERSACE

I AM DEEPLY SORRY FOR THE UNFORTUNATE RECENT ERROR THAT WAS MADE BY OUR COMPANY AND THAT IS BEING CURRENTLY DISCUSSED ON VARIOUS SOCIAL MEDIA CHANNELS. NEVER HAVE I WANTED TO DISRESPECT CHINA'S NATIONAL SOVEREIGNTY AND THIS IS WHY I WANTED TO PERSONALLY APOLOGIZE FOR SUCH INACCURACY AND FOR ANY DISTRESS THAT IT MIGHT HAVE CAUSED.

*Source: instagram.com*

Another strong tendency is the shift of Chinese customers to buy luxury products from outside to mostly in Mainland China. Shopping activities declined in Hong Kong and Macau, and fewer tourists traveled to the U.S. to shop for luxury. Chinese consumers made 27% of their luxury purchases in China in 2018, up from 23% in 2015, and we anticipate that this share will increase to 50% by 2025. (Figure 20) This tendency is the result of the reduction in import duty, the crackdown on gray markets (Daigou<sup>10</sup> resellers on Taobao) and the price harmonized strategy between Mainland China and abroad of luxury brands. (38)

Figure 20: Chinese customers tend to buy luxury products mostly in Mainland China



Source: McKinsey

### 1.3 Luxury Fashion Brands in China

Based on the research of awareness for brands among Chinese consumers, Mc Kinsey pointed out that Chinese consumers are highly fascinated by Western brands, particularly those from France

<sup>10</sup> is an emerging form of cross-border exporting in which an individual or a group of exporters outside China purchases commodities (mainly luxury goods), for customers in China, in order to either illegally or legally use loopholes to circumvent import tariffs imposed on overseas goods. Source: Wikipedia.com

and Italy, closely followed by Great Britain, Japanese and American labels which are also more appealing than homegrown luxury alternatives. (37)

Moreover, US luxury brands are suffering from a fall in tourist spending from China because of the trade war, and they are also facing challenges from European rivals in the Chinese market. Some European brands, including French luxury fashion brand Louis Vuitton and Italian brand Gucci, have been reducing their prices in China by about 3 percent in April to better compete with American rivals. For instance, Louis Vuitton has made price cuts of between 300 yuan (US\$45) and 1,500 yuan (US\$226) on various products, making the average price reduction rate between three and five percent. (40)

On the other hand, home-grown brands are capturing their attention in the industry. With a persisting cultural disconnect, international luxury brands still cannot fully satisfy Chinese consumers' appetites, which leaves a real opportunity for domestic brands who can speak to their Chinese identity.

Notably, a successful example of a famous Chinese designer is Guo Pei, who is popular not only in China but also in the global fashion industry. She was the designer who dressed Rihanna for the annual fundraising Met Gala red carpet in New York in 2015 and created clothes for the 2008 Beijing Olympics. She is one of Chinese's designers who showed the collection at Paris Haute Couture Week 2019. (41)



*A catwalk model presents an eye-catching red and gold creation from Chinese designer Guo Pei's spring/summer 2019 Haute Couture collection show in Paris. Source: scmp.com*

Moreover, in McKinsey research, the post-65s/70s consumers have no interest in buying Chinese luxury brands, but there are signs that such negative perceptions about domestic players are beginning to fade: one in ten post-90s consumers said they would opt for a high-end Chinese brand. This positive tendency likely will increase as Chinese brands gain greater prominence in the near future. (37)

#### **1.4 Counterfeiting**

According to the US Chamber of Commerce estimates, Greater China is the source of 86% of the world's counterfeit goods, a portion valued at a staggering US\$397 billion (2018). Luxury fashion accounted for the large proportion of fake products which are producing and consuming in China. Luxury fashion products are easy and inexpensive to reproduce and are thus common targets for counterfeiting.

However, with the booming of new generation consumers Gen Z-ers or Millennials recently, there is the transformation in the demand and the mindset of consumers for counterfeit goods. A new report by the International Trademark Association (INTA), which researched consumer attitudes among Gen-Z consumers from 10 different countries (2018), indicated some findings from Chinese Gen Zers about this issue. The survey revealed a significantly higher-than-average awareness of Intellectual Property Rights (IPR) among Gen Zers in China with 99% of respondents have at least heard of IPR, much higher than other countries in the US or Europe. The results also showed the respect from most of Chinese Gen Zers in the survey towards genuine products and the value of people' ideas and creations. (42)

Another important finding in INTA's report is that Gen Z's top three credible sources for consumers to learn about counterfeit products are: brands' creators or employees, and mostly from social media influencers, and online media personalities. Therefore, to fight against counterfeits, E-commerce, and social media is a significant battleground for brands.

On January 1st, 2019, the Chinese government implemented the country's most comprehensive E-commerce regulation legislation, aiming to extend legal protections for both consumers and brand owners. This law discourages counterfeiting in China through severe fines and places more responsibility on digital platforms to remove sellers of counterfeiting goods. In the works since 2016, the new law aims to extend legal protections for both consumers and brand owners. Platform operators, third-party vendors selling online and online sellers will be subject to the law

and will all be required to obtain official business licenses from the country's State Administration for Industry and Commerce. (43)

Moreover, the new law will affect China's of Daigou agents or third-party importers who buy and resell goods from overseas. That is because the new requirements for business licensing and taxation apply not only to those selling goods through platforms and E-commerce websites, but also those selling through social media and live-streaming platforms, as Daigou agents commonly do. (43)

On the other hand, there is the emerging of authentication companies entering the game which provide applications to verify luxury goods. For instance, authentication company Zhiduoshao, which was launched in 2017, has hundreds of thousands of users who pay 49 yuan for a product to be checked virtually by an expert. On Zhiduoshao, users can upload photos of their luxury goods to the app, and an expert, who has years of experience in the luxury industry or is a trained authentication professional, will give them feedback in 24 hours. (44)

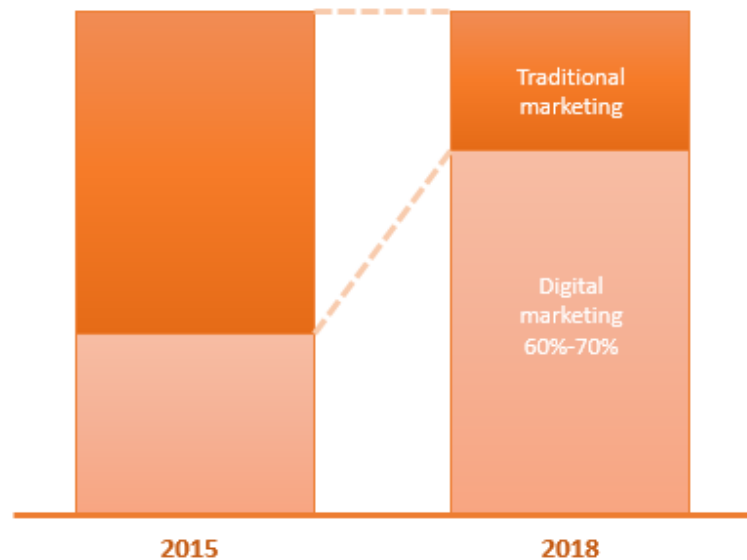
However, there is wariness of brands about authentication services because Chinese counterfeiters are now imitating these authenticators. Fake sites copy the names, website layouts, and imagery of established authentication platforms like Zhiduoshao to scam consumers seeking product verification out of their money. In another case, consumers discovered that an authentication app was faking reviews and authentications to sell knockoff goods. (45)



## 2 Digital Marketing Strategies of Luxury Fashion Brands in China

According to the McKinsey report 2019, almost 80% of luxury sales are influenced by online. Moreover, according to the BCG x Tencent report, 58% of luxury buyers in China purchase offline after having researched products online, while only 28% make purchases solely based on offline information. Therefore, offline stores are still the dominant channel for luxury fashion brands' retail, and going digital is the essential approach of luxury fashion brands for their penetration in the China market. As a result, top 40 luxury brands<sup>11</sup> in China invested about 60-70% of marketing expenses in digital marketing activities. (38) (Figure 21)

*Figure 21: Marketing investment of luxury brands*



*Source: Bain & Company*

### 2.1 E-commerce

Historically, some luxury brands did not offer e-commerce in any country. They still concerned that going viral online may dilute their brand's prestige image. However, this was a big mistake for China because Chinese consumers are online-savvy and there are wealthy consumers in lower-tier cities who may not have convenient access to a brick-and-mortar store. E-commerce might not be the primary purchasing channels for consumers, but it is an attribute which plays a uniquely important role in gathering information for a purchase decision.

<sup>11</sup> Top 40 brands based on revenue. Source: bain.com

Moreover, through innovative technology such as big data or AI, Chinese e-commerce giants have the advantage to improve their customer resource system by precisely figuring out their existing and potential customers. Unlike traditional methods for brands to build customer system, E-commerce players with social media platforms and other entertainment outlets can gain more comprehensive insights into customers' lifestyles.

### **2.1.1 Brand Owned Website**

Indeed, a website is not the first point of the Chinese consumer's engagement with a brand in their buying journey. However, a well-optimized and localized Chinese site must be an essential part of any luxury brand's omnichannel digital strategy. A brand's official website not only boosts relevant organic traffic and sales, but it also plays a vital role in building authenticity, trust, and credibility for the brand and product. Moreover, it will positively affect the perceived value of a luxury product.

American luxury brand Michael Kors entered the China digital luxury world early to gain popularity among Chinese consumers by launching its Chinese language website in 2013. Louis Vuitton also embraced China E-commerce when it began its Chinese official online store in 2017, offering a full range of its luxury products without making any public announcements. Following in the footsteps of major rivals, the French brand Hermès launched its Chinese E-commerce website in October 2018, signaling a campaign to capture the country's free-spending online luxury shoppers.

The content of the Chinese website of luxury brands is mostly converted from the brand's original site, into the Mandarin language. However, with the E-commerce function, the site is built with compatible payment methods that are the most effective for Chinese buyers, such as WeChat Pay. The social media navigation from the site will connect with WeChat and Weibo account, instead of Instagram or Facebook. Some brands have taken omnichannel strategy into their hearts by offering "pick at store" function on its E-commerce. Moreover, there is a current trend of the digital era with 98% of internet users in China (2018) are on mobile<sup>12</sup>. Therefore, most brands must have a mobile-friendly website with seamless navigation to improve the overall user experience.

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<sup>12</sup> <https://datareportal.com/reports/digital-2019-global-digital-overview>

On the other hand, Chanel has been reluctant to enter the E-commerce sphere with the fear of losing its exclusivity. The Chinese official website of the brand has provided E-commerce function for beauty and fragrance products, but not fashion and jewelry yet. Chanel built its fashion page as an information portal, which offers aspirational and prestige content about its collections, events, visual campaigns, and runway shows.

### **2.1.2 E-commerce Marketplaces**

The trend that Chinese consumers are expected to account for nearly half of the global luxury market by 2025, strategic partnerships with critical E-commerce platforms will bring luxury fashion brands to access to the world's largest fashion market of consumption. Additionally, the collaboration of luxury fashion brands and E-commerce giants will enable Chinese customers to enjoy unique and seamless shopping experiences.

According to research by Tencent and Boston Consulting Group, Chinese customers in Mainland China are much more likely to buy luxury products on marketplaces such as Tmall or JD and less likely to go through a brand website. This figure is much less through luxury multi-brands E-commerce sites such as Yoox Net-a-Porter or Farfetch. Social media, such as WeChat stores, are also the 3rd largest sales channel for Chinese consumers. (46)

However, unlike international luxury e-tailers such as Yoox Net-a-Porter and Farfetch, which have had "luxury" in its DNA and has been endorsed by brands, Alibaba and JD.com both thus have full of challenges when entering the luxury arena. As a result of many recent deals such as JD.com and L Catterton's US\$175 million investment in Secoo (47), Richemont's acquisition of Yoox Net-a-Porter (YNAP) (21), YNAP's strategic partnership with Alibaba.com (48) and the merger of JD.com's Toplife with Farfetch (49), there are three types of ecosystems emerging: those centered around a brand.com and those built in collaboration with either Alibaba.com or JD.com.

Figure 22: Online platforms for luxury brands in China



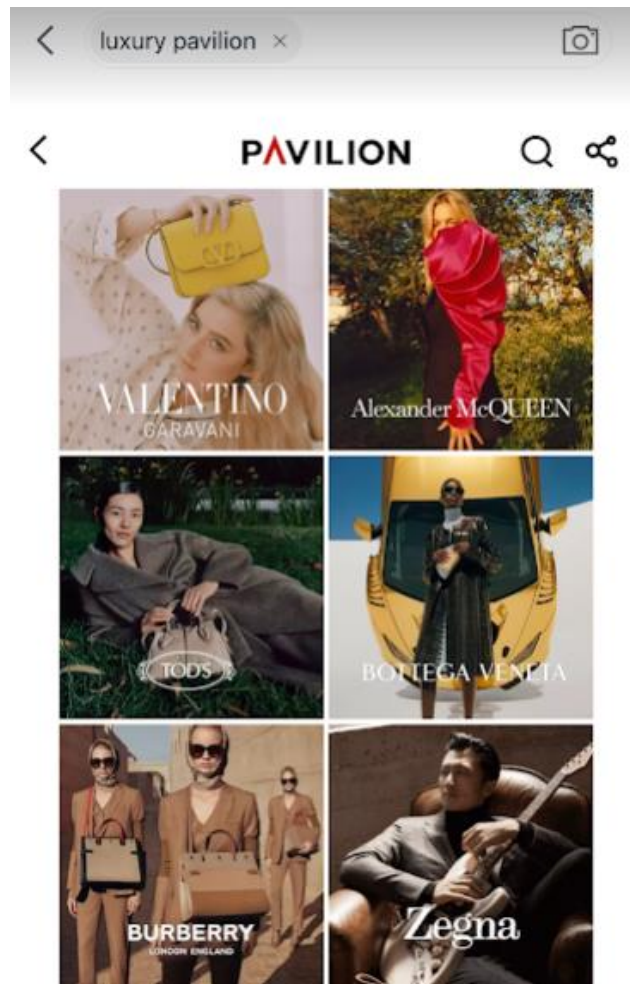
Source: Bain & Company

### 2.1.2.1 Tmall.com

Tmall.com, formerly Taobao Mall, was launched in 2008 by the giant Alibaba Group, is the most popular Chinese website for business-to-consumer (B2C) online retail. It is a platform for local Chinese and international businesses to sell brand name goods to consumers in mainland China, Hong Kong, Macau, and Taiwan.

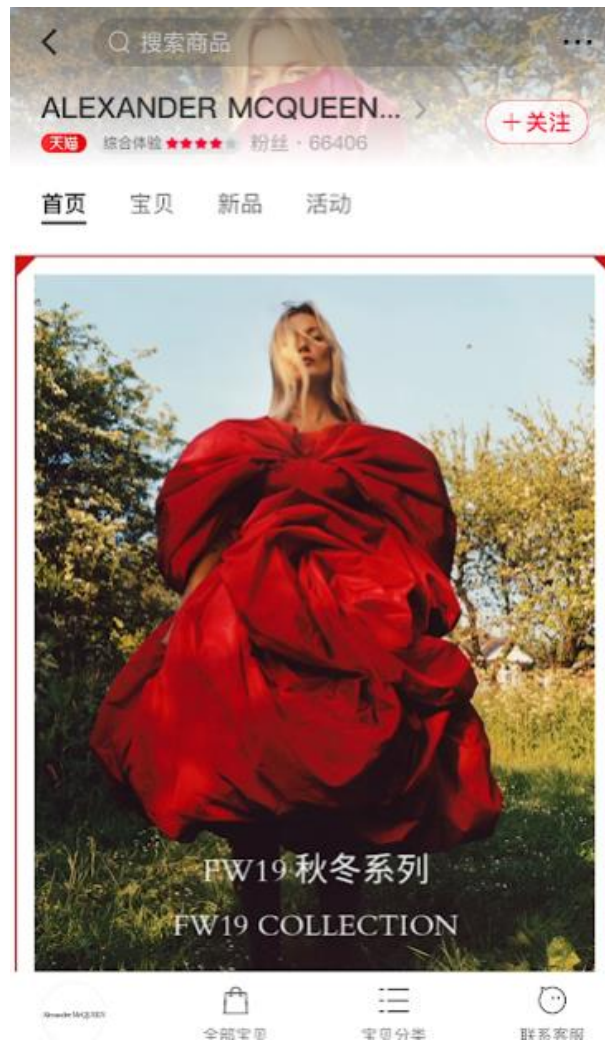
To strengthen its position in the luxury sector, in August 2017 the company opened an e-shop specifically conceived for luxury fashion. The online platform, called Luxury Pavilion allows luxury brands to deliver experiences and services typically reserved for shoppers offline. Alibaba enables luxury brands to launch their official flagship stores on the site and sometimes provides them with necessary marketing support, data analytics, and logistical assistance. As a result, shoppers can benefit from personalized homepages, customized product recommendations, and virtual content.

There are more than 100 brands, including luxury fashion houses like Valentino, Burberry, Versace, Stella McCartney, Moschino, Kering Group-owned Qeelin, and LVMH-owned Givenchy. Luxury Pavilion provides an exclusive environment that makes luxury brands have freedom in preserving their luxury images. This luxury marketplace will help them find the “equilibrium” between innovation and tradition.



*Luxury Pavilion on Tmall app. Source: Tmall app*

In April 2019, Alexander McQueen launched a virtual store on the Tmall Luxury Pavilion. (50) The unique feature about this Luxury Pavilion store is that Alexander McQueen will be the first Pavilion flagship online store in China that is directly run by the brand itself, rather than through a local partner. The virtual store gives the fashion house full creative control over the look and feel of the site. Kering noted, in its most recent earnings opportunity when there has seen a decrease in Chinese tourist spending in its stores, it has noticed an uptick in revenue within Mainland China.



*Alexander McQueen store on Luxury Pavilion. Source: Tmall app*

Recently in July 2019, luxury accessories and ready-to-wear brand Michael Kors has announced the launch of its first third-party partnership by opening a digital flagship store on Tmall in China. This brand's store will provide 700 million Tmall customers with exclusive access to products launched only on Tmall.

While JD is relying on the logistic side to build its exclusivity experience for consumers, Alibaba has chosen the data-driven business model which integrates online stores, physical stores, and logistics to create high-end luxury experiences for consumers. Luxury Pavilion is more credible when it has close relationships with the two major luxury houses, LVMH, and Kering, which own elite luxury labels that are looking to expand further in the Chinese market. The strategic alliance partnership with YOOX Net-a-Porter in 2018 has contributed more value to these E-commerce platforms. (48)

### 2.1.2.2 JD.com

JD.com is a Chinese E-commerce company headquartered in Beijing, which is also known as Jingdong and formerly called 360buy founded in 1998, and its retail platform went online in 2004. JD is not only China's largest retailer with over US\$67.2 billion in 2018 and a growth of 27% compared to 2017, but it is also the 3rd largest internet company in the world (after Amazon and Google). (51)

As far as it is a dedication to the luxury and fashion sectors, in June 2017, JD.com invested US\$397 million into Farfetch, a British marketplace for luxury brands, as part of a new strategic partnership. The partnership also helped Farfetch win Chinese consumers and fight against counterfeit products. (52)



In October 2017, JD.com launched TOPLIFE, a portal which is independent from the main JD application in the areas of interaction design and platform service. (53) The distinct nature of JD Fashion and TOPLIFE is the key to reach to the idea of exclusivity, which attracts Chinese luxury consumers help Western luxury fashion brands build up their image, said by Ms. Xia Ding, head of TOPLIFE. Consequently, Kering owned luxury brands Saint Laurent and Alexander Macqueen joined TOPLIFE in 2017 by the presence of Farfetch, which helped mitigate the brand's worries over the counterfeiting issue.

With access to unique warehousing and delivery options, brands on the TOPLIFE platform receive high-end logistics and marketing support, fully leveraging JD.com's world-class capabilities. Besides, TOPLIFE customers receive the same differentiated, luxury experience they would expect at a traditional brick-and-mortar store, with the added perks of premium white-glove delivery service and online fashion consultants available 24/7. (54)

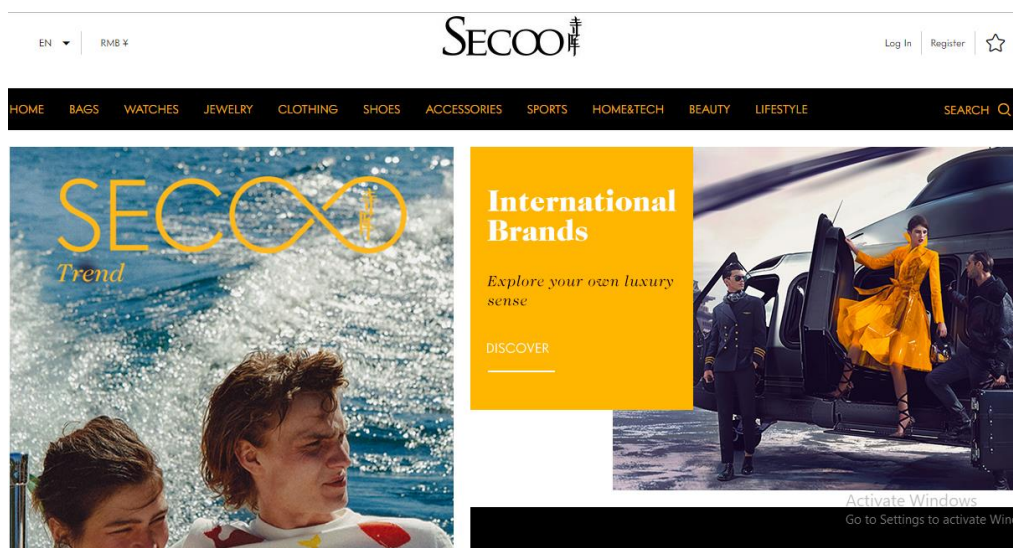
Recently In February 2019, Farfetch China and JD.com announced a new deal which expands their Strategic Partnership. Following this deal, 300 million consumers on JD.com can access to

more than 3,000 luxury brands through Farfetch’s network and in exchange, Farfetch gains ‘Level 1’ access on the JD app. (49)

JD’s extended partnership with Farfetch gives the company itself a boost in luxury operations in China and provides the customers with a wide variety of luxury brand options without worrying about counterfeit products and the damage to the exclusivity of the brands.

### 2.1.2.3 Secoo.com

Founded in 2008 by Li Rixue, Secoo has come a long way in transforming from a second-hand luxury platform to a full-fledged omnichannel player. Secoo provides customers with an unparalleled selection of authentic upscale products and lifestyle services on the Company’s integrated online and offline shopping platform that offers more than 300,000 SKUs covering more than 3,000 global and domestic brands with a wide range of products.



*Secoo.com homepage*

In May 2019, the Italian luxury conglomerate Prada Group will make two of its key brands – Prada and Miu Miu – available on Secoo. The success of this collaboration should be crucial for Prada and Miu Miu to grow in the competitive Chinese market, with over 27 million Chinese users with high purchasing power. Within LVMH’s portfolio of 70 of the world’s most prestigious luxury brands, many of the merchants are listed on Secoo’s site includes fashion brands Celine, Dior, Fendi, Givenchy, Kenzo, and Loewe.

In June 2018, L Catterton Asia, the Asian unit of the largest and most globalized consumer-focused private equity firm in the world, and JD.com invested US\$175 million in Secoo. By



partnering with L Catterton Asia, Secoo will be able to leverage the firm's global fashion and retail expertise to further expand within the luxury market. The partnership will provide Secoo the opportunity to collaborate with existing L Catterton portfolio companies. The transaction will also enable Secoo to continue enhancing shareholder value and strengthen its leading position in the rapidly growing Chinese luxury e-commerce market. (47)

In the contrast of luxury brands which try to enhance online presence besides brick and mortar stores to build seamless consumer experience, Secoo approaches an omnichannel strategy by launching offline boutiques located in both mainland China as well as Hong Kong, Milan, and Tokyo. When an order is made online, the item is shipped directly from abroad, and consumers can either have it delivered to their home or pick it up at Secoo's stores.

## **2.2 Social Media Networks**

Since China is the leading country with the half of their population scoring the most smartphone users at 775 million (statista.com), embracing social media marketing in this market is a must for brands to connect with consumers and boost more sales. However, in China, there is the threat of a divulgence of undesired information, and the Chinese government has blocked the majority of Western websites and social media platforms, leaving space for local substitutes to conquest the digital environment. Therefore, instead of using Facebook, Twitter, Instagram, and Youtube, Chinese consumers are primarily active on native social channels –popularly Weibo, WeChat and Youku Tudou.

### **2.2.1 Weibo**

Sina Weibo is a Chinese online platform created by Sina Corporation in 2009. Weibo started as a Twitter-like microblog and now has become one of the biggest social media platforms in China, with over 465 million active users (Q1 2019).

Although WeChat caught more brands' attention as the hottest social media platform to reach and engage with the Chinese consumer, Weibo is still an advantage for their digital luxury strategies.

Where WeChat is more about direct communication and personalized interaction without viral content, Weibo is designed for reaching a massive audience with viral posts. Weibo reported a net addition of approximately 70 million in monthly active users and reached a total of 462

million as of December 2018<sup>13</sup>. Luxury marketers take advantage of Weibo's features such as "live-streaming" platform and "Weibo Stories" or share contents which link to their E-commerce stores for their marketing approach. They can collaborate with KOLs on Weibo to reach closer to their target consumers.

Moreover, Weibo Fensitong is a great tool to target High-End Customer and luxury Lovers, which is a great advertising platform available for western companies to promote their content to targeted Weibo audiences. This feature is the most well known paid advertising option allows more specific targeting options, including interests, gender, location, and devices. The format of Fensitong is similar to Facebook ads. Advertisers can choose between CPM (cost per mille) and CPC (cost per engagement) to optimize their campaigns.

### **2.2.2 WeChat**

WeChat is a Chinese multi-purpose platform of communication and E-commerce developed by Tencent Corporation in 2011. Nowadays, with over 1 billion monthly active users, WeChat has been described as China's "app for everything" and a "super app" because of its wide range of functions offer for its users. WeChat is the equivalent of Facebook, Instagram, Skype, Uber, Amazon, and Whatsapp, and also features integration with over ten million third-party apps. Thus, it has become one of the most popular platforms for luxury brands to reach Chinese target customers in convenient and innovative ways.

Not only for communication purpose, but WeChat also brings users various features, including payments, online shopping, and content sharing. Users can interact with brands not only by branded information but also interactive experience through digital games on mini-programs or product trials, service reservations, consumer advice, and more. Moreover, WeChat can become a channel for sale assistant interaction with potential consumers through direct messages. The communication is authentic, and the consumer will feel more personalized attention.

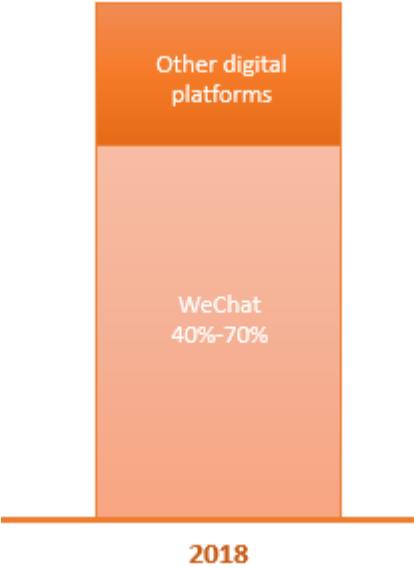
On WeChat, each luxury brand registers an official account to push information to subscribers. Moreover, brands can interact with their consumers by providing services such as payment methods, social interactions, live streaming or customer service. These functions make WeChat enhance the customized E-commerce experience.

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<sup>13</sup> *ir.weibo.com*

According to Bain’s research, since 2015, the top 40 luxury brands in China have nearly doubled the portion of their marketing budget devoted to digital, spending between 40% and 70% of that on WeChat. (Figure 23) These leading brands use WeChat to identify and target consumers for online and offline sales.

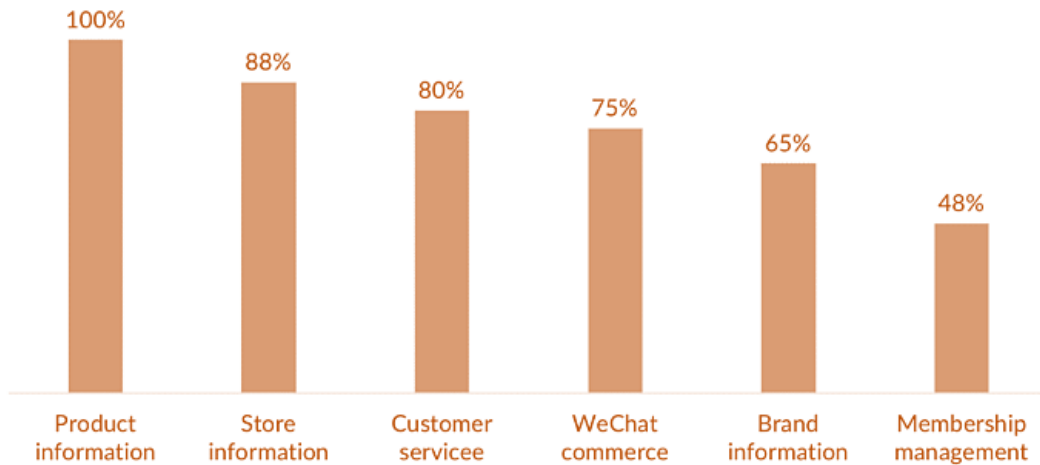
Figure 23: Digital marketing investments of luxury brands in China



Source: Bain & Company

Moreover, they evaluate WeChat as the platform to share product and store information and related services, while already 75% of them used the messaging platform for E-commerce purposes. (Figure 24)

Figure 24: How do luxury brands use WeChat official Accounts<sup>14</sup>



Source: Bain & Company

On edge between exclusivity and availability, many brands carefully craft an E-commerce strategy not on an E-commerce website, but through WeChat. While activities on WeChat can be social, transactional, and intimate, it can stimulate an exclusive shopping experience that is closer to a retail environment. Through pop-up sales, limited editions, and Mini-program, WeChat becomes a seamless e-commerce channel for consumers that most luxury brands implement their marketing techniques frequently.

WeChat Mini-Program function (known as the “app within an app”) was released on January 2017. This is an extremely convenient and smooth way which become a favorite tool of luxury brands to engage with customers and build a seamless shopping experience. A Mini-Program offers a place where consumers can do everything, from browse products, post brand campaigns, live chat with a customer service representative, check out with WeChat Pay, and more. Compared to the transactional e-commerce site, a Mini-Program is also a social channel for consumers to seek out all relevant information about a brand.

Luxury brands are using Mini-Programs for multi-purposes without ruining their exclusivity. Launched on June 14<sup>th</sup>, 2019, Louis Vuitton's latest Mini-Program was designed to educate consumers on its most recent news and products with a set of specific functions including

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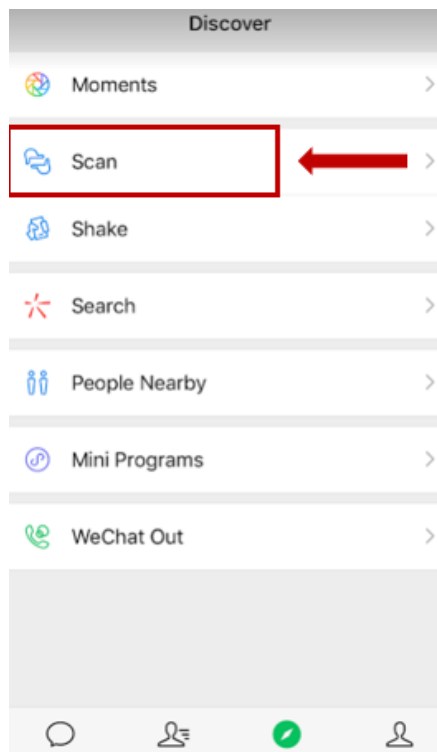
<sup>14</sup> Among top 40 luxury brands using WeChat Official Account, % of respondents, 2018. Bain & Company Research.

editorial content, retail stores, and customer service to complete a full experience for viewers. (56)

On the other hand, on July 19<sup>th</sup>, 2019, Hermès debuted a WeChat Mini-Program introducing its craftsmanship for new fans in Xiamen, a city on the Coast of China. This Mini-program is also a digital tool for consumers to register for an exclusive Hermès event from July 26 to 30. (57)

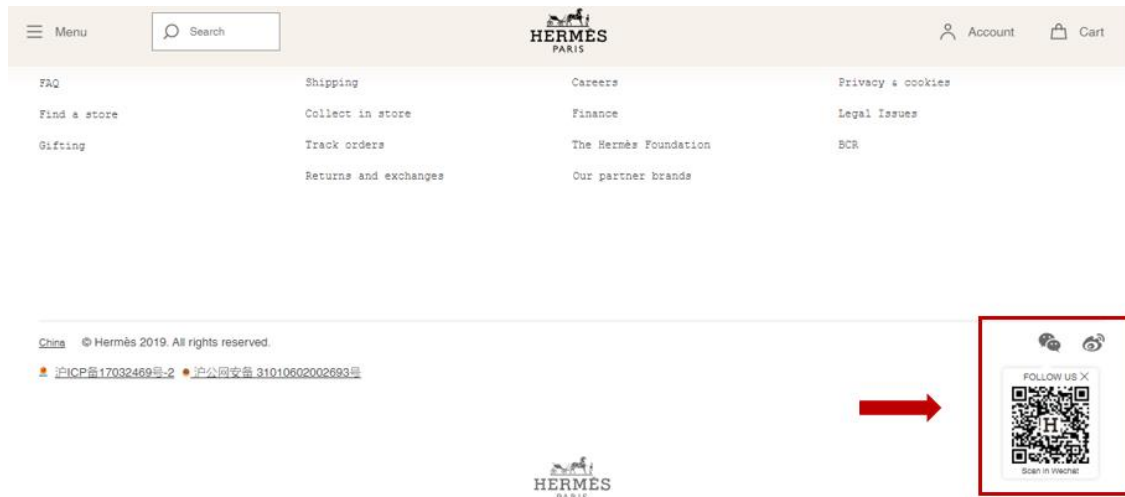
Moreover, the “Silk Mix” event by Hermès in Beijing in March 2019 was a real example of an omnichannel initiative: an innovative combination of a pop-up store with a WeChat mini-program that increased traffic to the Hermès Chinese official account and attracted thousands of guests to the event. (58)

Additionally, there are various features on WeChat such as WeChat Moments which is the tool for sales associates post brands’ campaign, or especially mini-programs, which can allow brands to design their campaigns, visuals and product assortments. WeChat QR codes are the way to link the offline and online worlds. WeChat QR codes help users verify Personal WeChat account to others and find other official accounts or join WeChat Groups. This tool also allows users to process payments through WeChat Pay.



*Scan QR codes function on WeChat. Source: WeChat app*

Most of the Chinese official website of luxury brands offer a QR code for consumers navigation to access brands' official WeChat account.



*QR code to access WeChat. Source: hermes.cn*

### 2.2.3 Youku Tudou

Youku Tudou is the giant video platform in China, replacing the censored YouTube. Youku Tudou is the merger in 2012 between Youku (launched in 2006) was one of China's top online video and streaming service platforms and Tudou, one of its biggest competitors. The platform is now owned by China's E-commerce giant Alibaba since 2016.

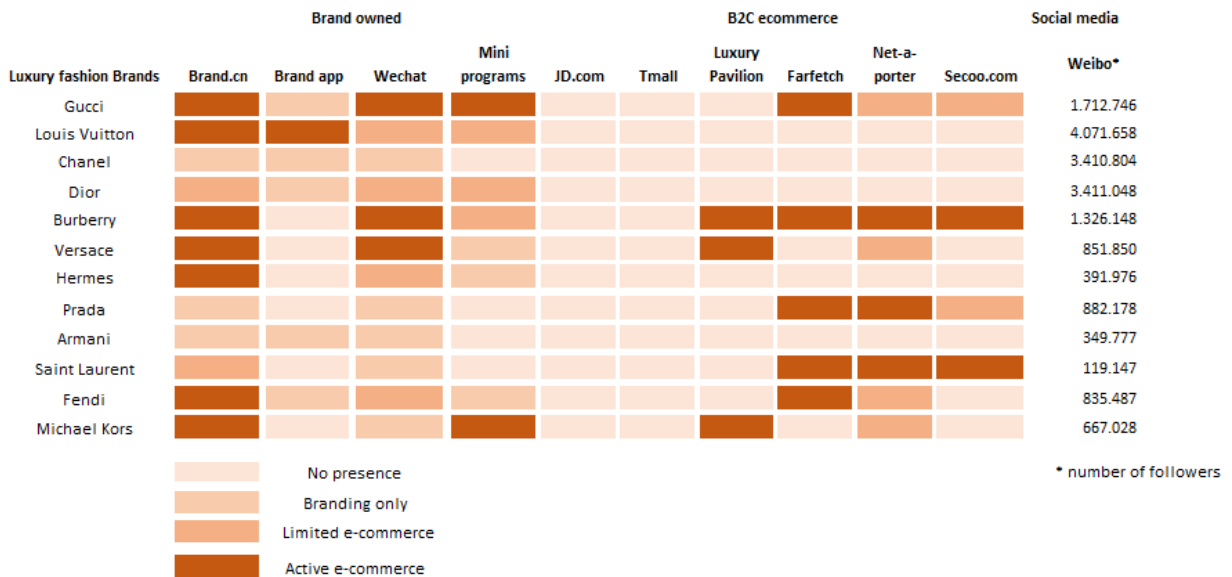
According to the report by iResearch, Youku is still popular among luxury brands when they spent one out of every seven yuan spent on online advertising on Youku advertising. Moreover, "Youku's users are well-educated, young (under the age of 30), and male and interested in, among other things, cars, fashion, beauty and lifestyle. Statistics show that over 13 million users visit Youku for more than 11 days consecutively, making its users more loyal than those of other platforms." (59)



### 2.3 Digitalization of Luxury Fashion Brands in China by Online Presence

This figure illustrates the comparison between top luxury fashion brands' digitalization in China by their digital presence on distribution and the followers on Weibo. (Updated data on September 2<sup>nd</sup>)

Figure 25: The digitalization of luxury fashion brands in China by online presence



Source: Press search, compiled by the author

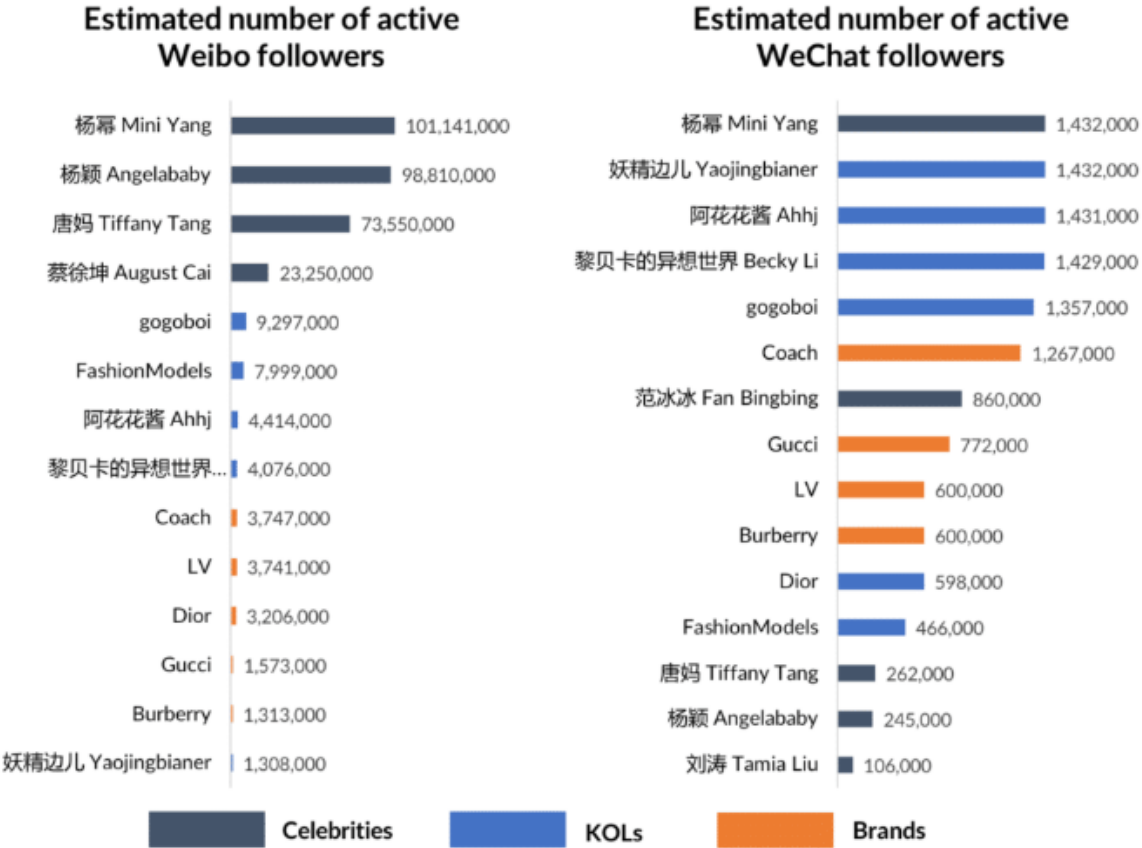
### 2.4 KOLs/ Influencer Marketing

In a modern fashion world that consumers yearn for authenticity, influencer marketing is a dynamic approach and communication tool due to their direct engagement with their followers. This one-to-one communication is more honest and dependable than traditional advertising campaigns.

In China, young Chinese luxury shoppers are heavily influenced by the voices of Key Opinion Leaders' (KOLs). Compared with other markets, KOLs in China have a more powerful impact on Chinese consumers than in any other region. While influencers in China take 53.4% of the pie in term of Share of Voice, in a different area as Europe and North America, these figures are at 21% and 34% respectively (60). Moreover, in the market with a lot of counterfeit problems like China, consumers trust credible people more than brands or products.

On the other hand, in McKinsey's research on social media engagement, luxury brands are far from catching up with KOLs and superstars in terms of online audiences (Figure 26). This fact leads to many collaborations between luxury brands and influencers, where brands can employ KOLs' power in the personal connection with the consumers to convey the brand's message.

Figure 26: Followers of brands and KOLs on Weibo and WeChat



Source: McKinsey

However, not all influencers have audiences that are relevant to luxury brands. The top-3 influencers in terms of luxury consumer audience only have 10% to 11% of their followers,



actually purchasing luxury products (38). Therefore, luxury brands work with celebrities and KOLs with varying degrees of influenced power to hit different marketing objectives. High-profile local KOLs serve to deconstruct global high fashion into an easily understandable way before a long tail of approximately one million amateur influencers localized the product for consumers all over the country. (37)

Louis Vuitton, for instance, works closely with brand ambassadors with global reach such as Chinese-Canadian star Kris Wu (46.7 million followers on Weibo) but also leverages partnerships with KOLs like Mr. Bags (5.37 million followers on Weibo) and GoGoboi (9.6 million followers on Weibo) to help directly introduce products to potential audiences.

## **2.5 Omnichannel Marketing**

With the evolution of the digital era, as each year passes, luxury brands learn more about how to integrate online and offline channels in sales and communication to improve the consumer experience. Chinese luxury shoppers tend to gain information, both offline and online. However, “in-person experiences in brand stores are the most impactful when it comes to making a purchase decision for nine out of ten young Chinese consumers.” (37).

Moreover, Chinese consumers are becoming “more global, more demanding.” Also, younger consumers especially desire unique, and custom made fashion products to build their exclusive styles. Therefore, besides the perfect seamless experience luxury brands are trying to create for their consumers through their omnichannel strategy, they have come up with tools that do not contaminate their DNA and also let buyers feel their personalization which response to the desire for individualism and authenticity.

Thanks to Big Data, luxury fashion brands will go beyond statistics and demographics, offering personalized content marketing based on behavioral data. “It is safe to say that even in 2020, data analytics will continue to optimize the customer’s experiences and deliver personalization at a larger scale”. (37) In China, working with E-commerce giants like Alibaba, JD/Tencent is one way to accomplish the advantage of their IT innovation. Being present in social media platform Weibo or WeChat, namely WeChat Mini Programs, is also another way for brands to collect data and use them in their digital and non-digital marketing campaigns.

The WeChat Mini-program launched by Michael Kors in 2017 is a case for implementing the Omni-personal channel strategy when it focused on membership services. This program

completed consumers' offline journey with online care and upgraded consumers' in-store shopping experiences to ensure they could receive the same level of service in all other channels. With this campaign, consumers were shopping in a Michael Kors store, and they could check shopping details in real-time, review the shopping experience, and also get customized after-sale service benefits from the mini program. (61)

### Part III The Gucci Brand

In this part, there is an in-depth analysis of the Gucci brand on the way it is executing digital marketing strategies to pursue its vision of "redefining modern luxury fashion," especially in China market.



## **1 Brand Overview**

Gucci is an Italian brand which has operated in the luxury fashion industry for 98 years. Gucci joined Kering group in 2003 and contributed more than 50% revenue with €1.8 billion in €3.2 billion revenue of the luxury group (Q2 2019). The brand is now pursuing the vision of becoming one of the leading luxury fashion houses in the world. They are currently ranked 39th in the Business Week Magazine's top 100 global brands and have a brand value of \$13 billion (2018). Moreover, Gucci was recently named as the world's hottest fashion brand of Q2 2019 for the fifth time over the past two years by The Lyst Index (62). Besides its glory success in creating customers value through their creativity and Italian craftsmanship, the brand desires to be the industry leader in sustainability and technology innovation.

### **1.1 A brief history**

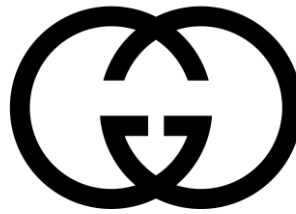
Gucci was founded by Guccio Gucci (1881–1953) in Florence, Italy in 1921. Nowadays, the brand goes from strength to strength and has become a leading name in fashion and leather industry across the world. Guccio Gucci was the son of a humble Italian leather maker, and he desired to achieve a life better than his father. He moved to London and Paris, where he worked as a waiter, dishwasher and concierge. In London, he worked at the luxurious Savoy Hotel as a lift attendant where he observed the lifestyle and elegant fashion of wealthy and famous people. By his knowledge of leather and perception of the revolution in the luxury fashion industry during that time, he returned to Florence in 1921 and opened the house of Gucci at the age of 40. In 1932 Guccio created the first loafer shoes with a gilded snaffle. Every pair of horse-bit loafers was handmade in Florence, become the iconic item of the house.

Together with his three sons, Guccio Gucci expanded the company to open stores in Rome (1938) and Milan (1951) as well as new shops in Florence.

By the 1950s, Gucci had established itself as a premier luxury brand of prestigious leather products. His sons, Aldo and Rodolfo, started to grow the brand internationally. In 1953, they opened the first US store in New York city anchored by the luxurious Savoy Plaza Hotel. Two weeks after this event, Guccio Gucci passed away.

In 1955, the GG logo, which was designed by Aldo Gucci, became a registered trademark.

# GUCCI



*Gucci logo*

The company continued to grow and prosper through the 1970s. In 1981, Gucci ready-to-wear collection was shown for the first time at the Florentine fashion shows with great success. However, the following 1980s were marked by internal family disputes, which brought Gucci to the brink of disaster. The company faced with issues regarding family disagreements, tax evasion, and poor management, which all negatively impacted the organization's reputation and profits.

In 1990, Tom Ford was hired by Gucci and became the creative director of the brand in 1994. He was the dominant factor for the revive of the brand. He revolutionized ready-to-wear collections by his glamour design and contributed in the decision-making process of acquiring other luxury fashion brands including Bottega Veneta, Sergio Rossi, Boucheron, Yves Saint Laurent, Alexander McQueen, and Balenciaga to establish the Gucci Group.

The French conglomerate Pinault-Printemps-Redoute (now Kering group) which had owned a portion of the brand since 1999, took managerial control of the Gucci Group and became the holding group of Gucci since 2004.

Frida Giannini who previously joined Gucci in 2002 was appointed as the creative director of accessories in 2004, women's RTW in 2005, men's RTW and the entire Gucci label in 2006. She and the current CEO Patrizio di Marco were to step down from the house in 2014.

After that, Marco Bizzarri became the new CEO of Gucci, who had previously been the general director of Stella McCartney and Bottega Veneta. His first task at Gucci was to find a creative director who shared his vision to "make Gucci an iconic fashion house again." Immediately he appointed Alessandro Michele, who ascertained his design skills and experience under the apprenticeship of Silvia Venturini Fendi and Karl Lagerfeld. Michele was known for his

‘eccentric maximalist taste’ and became Gucci's creative director in 2015. Michele reintroduced the company's double-G logo and the heritage of Gucci in his collections, helped Gucci gain significant revenue growth of 12% in 2016. Interbrand credits Gucci’s Chief Executive Marco Bizzarri and its flamboyant Creative Director Alessandro Michele as the reason behind the firm’s growth. The pair helped the label appeal to a new generation and have led Gucci to become one of the leading luxury fashion companies in the world once again.

## **1.2 Brand Value**

Since the first days, Gucci is renowned for its unique creativity that represents the authentic of Italian craftsmanship, outstanding quality, and sophisticated design. According to the brand’s CEO Marco Bizzarri, creativity has been positioned at the center of Gucci’s value and backed it up with corporate values that foster it, including “respect, happiness, passion, empowerment, and inclusivity.” Additionally, charisma, innovation, and commitment to sustainability let Gucci take a radically modern approach to luxury fashion. This vision helps the brand gain sentiment from young customers.

### **1.2.1 Creativity**

By the led of creative director Alessandro Michele, since 2015, Gucci has got its cool back. His talent for creativity was firstly shown through his debuted collection in January 2015, which was designed within five days and gained a glory success.

Alessandro Michele has built a "chameleon" empire brand with a refreshing image compared to a very classic Gucci image before. He likens the brand as a garden - Gucci Garden - made up of brilliant colors, different kinds of flowers, plants, and various types of animals and insects. This idea also represents for his effort to incorporate classic Gucci motifs such as flora and fauna into every collection that comes out. This collection of items becomes a Gucci signature that features 43 types of flowers, plants, and insects, depicted through a vivid array of 37 colors. The Gucci Tiger, Snake, and Bee are three sophisticated symbols that frequently appear in Michele’s collections.

Additionally, not only be creative in inventing new concepts, Michele has been successful in connecting modern design with the brand heritage. He re-introduced double GG interlock logo. It appeared in belt buckles in his first shows, and since then Michele has run with the theme,

featuring GG monogram on accessories and clothing alongside other Gucci house codes such as the equestrian bit and red and green stripes.

On the other hand, the creative process of the brand is also defined by its unique visual campaigns. The brand's creative teams, following Michele Alessandro and Marco Bizarri led, has transformed the classic brand into the inclusive and digitally-focused luxury fashion house of the future.

### **1.2.2 Innovation**

With the belief that innovation helps strengthen Gucci's leadership position in the industry, the brand established ArtLab from the beginning of 2018, located close to its headquarters in Florence. (63) Artlab is a cutting-edge craftsmanship and R&D center for the design and creation of leather goods and footwear. This facility gives shape to the unique and revolutionary aesthetics designed by Creative Director Alessandro Michele.

With the increase in demand recently, the brand has invested significantly in its supply chain. Artlab's mission is to put special care in preserving its manufacturing know-how and focusing on innovation, vertical integration, and lead-time reduction. Additionally, Artlab represents the tangible evidence of the connection between innovative technology and Italian craftsmanship heritage.

On the other hand, the digital application is also at the heart of the innovative process of the brand. Together with the Kering group's approach, the brand gives the effort to take the lead on e-commerce, CRM, data science, and innovation. Working with Apples to provide a suite of apps for in-store staffs or using data science techniques are some of the brand's strategies to enrich the personalized experience of consumers. The partnership between Kering and YNAP or other third-party platforms when necessary will fully internalize the luxury e-commerce activities. (64) The group establishes innovation teams with the mission to instill an internal culture of innovation and work on disruptive technologies. There is also a locally based team in China to apply digital practices to the Chinese market as well as identify and promote innovations from China to other markets.

### **1.2.3 Sustainability**

Gucci view sustainability in a very positive light and as one of their primary business objectives. In 2005, Gucci became partners with UNICEF, and now all Gucci stores worldwide donate a

percentage of their sales for special collections made specifically for UNICEF to go towards the United Nations Children's Fund. Furthermore, to support the empowerment of women, Gucci launched the "Chime for Change" campaign in February 2013. Since then, Gucci has funded over 210 projects in 81 countries through this initiative. (65)

In line with Kering's long-lasting commitment to sustainability and innovation, and the introduction of the "Culture of Purpose" ten-year sustainability plan, Gucci launched Gucci Equilibrium, a portal designed to promote and broadcast the brand's perspective on environmental and social impact change, and a portal connecting people, planet and purpose. (66)

Recently, at the G7 meeting at Biarritz from August 24-26, Kering, the brand's owner group, together with 32 other fashion companies signed the Fashion Pact debuted by Emmanuel Macron. Its objectives are for the fashion industry's commitment to work together to reduce its environmental impact in three areas: climate, biodiversity, and oceans.

On 12 September 2019, in order to build on longstanding efforts to reduce environmental impacts and drive positive change, Gucci announced that it is offsetting all remaining Greenhouse Gas (GHG) emissions annually from its own operations and the entire supply chain through four critically important REDD+<sup>15</sup> projects that support forest conservation around the world. As an unprecedented commitment to sustainability leadership in luxury and fashion, Gucci's supply chain has become carbon neutral. (66)

### **1.3 Financial results**

Following on from two years of robust growth, Gucci had an excellent financial result first half in 2019 and continued to outperform the luxury market as a whole. As of June 30, 2019, Gucci operated 477 stores directly, including 201 in emerging markets (60 in Mainland China). The brand reported €4,6 billion in revenue for the first half of 2019, up 19.8% year on year. (67)

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<sup>15</sup> REDD+ is a term used to expand REDD activities beyond avoiding deforestation and degradation to include forest restoration and the sustainable management of forests. Source: <https://www.worldlandtrust.org>



Figure 27: Gucci's revenue in first-half 2019

<i>(in € millions)</i>	First-half 2019	First-half 2018 Restated under IFRS 16	Change	First-half 2018 Reported
<b>Revenue</b>	<b>4,617.1</b>	<b>3,852.8</b>	<b>+19.8%</b>	<b>3,852.8</b>
<b>Recurring operating income</b>	<b>1,876.1</b>	<b>1,480.7</b>	<b>+26.7%</b>	<b>1,470.5</b>
<i>as a % of revenue</i>	<i>40.6%</i>	<i>38.4%</i>	<i>+2.2 pts</i>	<i>38.2%</i>
EBITDA	2,106.0	1,741.7	+20.9%	1,601.8
<i>as a % of revenue</i>	<i>45.6%</i>	<i>45.2%</i>	<i>+0.4 pts</i>	<i>41.6%</i>
Gross operating investments	125.1	114.4	+9.4%	114.4
Average FTE headcount	16,739	13,771	+21.6%	13,771

Source: *kering.com*

By region, in Gucci's mature markets, sales in Western Europe and Japan rose 12.7% and 11.1% respectively. In both of these regions, the domestic market remained remarkably robust, and sales to tourists are reported to rise once again, albeit at a more modest pace.

Due to the influence of several economic indicators decrease consumer spending in the United States, revenue edged up only 1.1%, less than other regions.

In emerging markets, revenue jumped 26.0% at constant exchange rates, primarily driven by Gucci's excellent performance in the Asia-Pacific region (excluding Japan) where revenue was up 29.4% year on year. Strong sales force by Chinese customers drove substantial growth in Mainland China as well as good performances in the region's other markets.

Among all of the brand's main product categories, leather goods reported having the highest proportion in the sales increases, accounted for 59% of total revenue. Sales growth for shoes and ready-to-wear was substantial when generating 30% revenue for the brand.

## 2 Digital Marketing Strategies Worldwide

Over the past few years, under the direction of the CEO Marco Bizzarri and Creative Director, Alessandro Michele, Gucci has effectively transformed its image from a traditional luxury house whose pride is on heritage and legacy, to the one that is fresh, hip and digital. In 2018, Gucci dominated the spotlight as the top Genius brand in the Global Fashion industry by Gartner L2's Digital IQ Index. (68)

Gucci has been successful in identifying their luxury consumers are Millennials. In brand's statement in 2018, it reported 62% of Gucci's €8 billion in sales (2018) came from consumers who were 35 and under (Millennials), and the brand's fastest-growing segment is consumers 24 and under (Generation Z). Therefore, the brand has focused on prioritizing digital competency to meet the expectations of these luxury consumers. (69)

Firstly, the brand continues to make the necessary investments in enhancing the seamless and personalized experience for consumers by raising the budget for its store-related expenses on communications and information systems. The in-store app for staffs "Luce" collaborated with Apple allow them to access with stock levels in real-time to provide their customers with a fully personalized service such as a specific size or color is available in-store or if it can be ordered from other stores.

Moreover, Gucci has launched a Florence-based call center providing the expertise of Gucci assistants to customers throughout the world anywhere and anytime. Plans are to expand the call centers worldwide to include 500 assistants in New York, Tokyo, Seoul, Shanghai, and Singapore by 2020. (70) This strategy explores the best ways to optimize the remote client experience if in-store staffs are unavailable or they desire information or products beyond what the store carries.

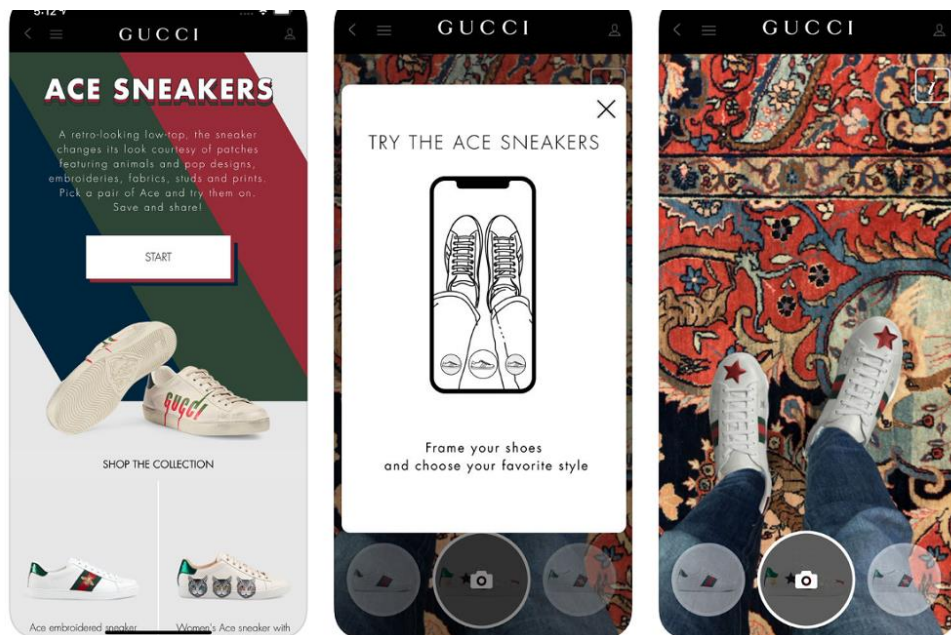
In the line of embracing advanced technology in its digital transformation, Gucci has applied artificial reality (AR) and virtual reality (VR) for in-store and online experience. Gucci's digital campaign called "Hallucination" in spring 2018 featured scannable ads, as well as augmented and virtual reality experiences. Consumers were able to view the artist Ignasi Monreal's work as the backdrop to interactive store window displays, which feature animated digital illustrations. At 52 selected Gucci stores, they could also receive his artwork in the form of tickets with their

purchases, which then gave them access to VR devices showing a 360-degree panorama of Ignasi Monreal's campaign artwork.



*Hallucination's VR campaign. Source: Gucci.com*

Recently, in June 2019, the brand has launched a refreshed iOS app that let customers virtually "try on" its Ace sneakers collection, courtesy of augmented reality (AR).

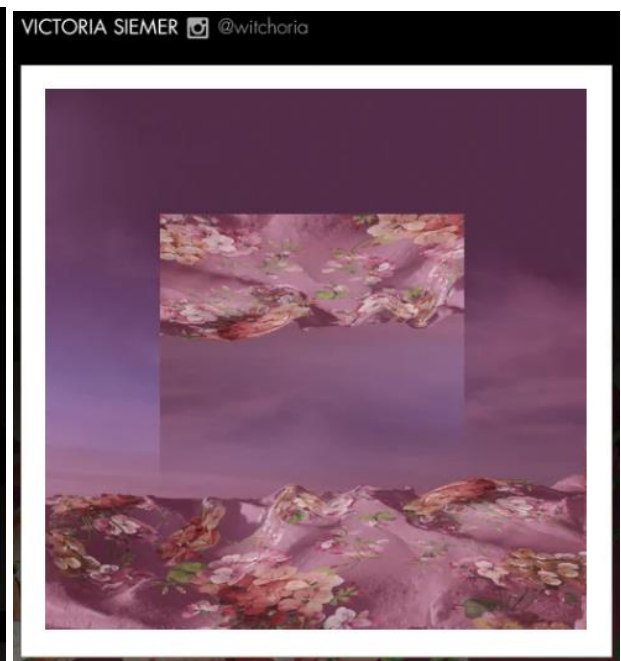
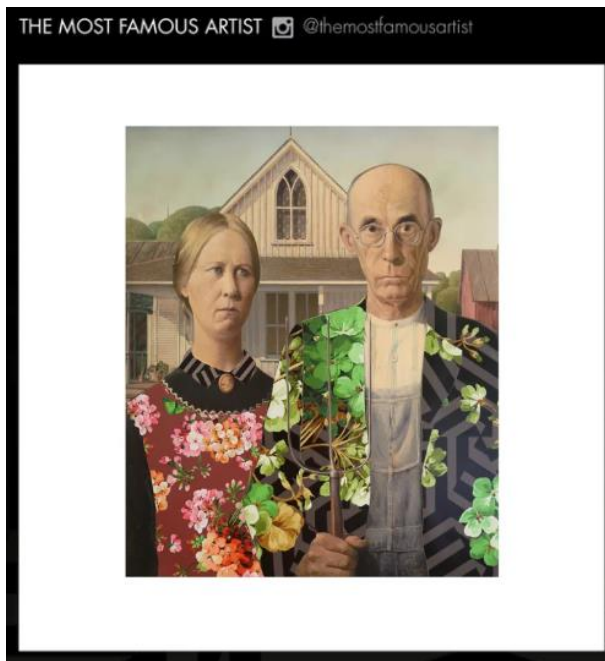


*Source: Gucci app*

To continuously enhance luxury customer experience and raise the productivity levels of all distribution channels, Gucci is investing in top-tier site functionality and a robust shopping experience complete with integrated content, robust search and navigation, and well-dressed product pages. It now offers services such as check availability, reserve in-store, make store appointment, pick-up in-store, return in-store, exchange in-store, and buy online in-store, contributing to the effectivity of the brand's omnichannel strategies.

Secondly, Gucci has become one of the most desirable luxury brands among young consumers with its inclusive and fascinating communication strategies. Gucci is still one of the most followed fashion brands on social media channels overall. It has used social media channels skilfully for engaging fans and followers from around the world. Its number of followers is the largest on Instagram of social media platforms. However, Facebook and Twitter have also played an integral role in its social media marketing strategy. Beside thoughtful and enticing storytelling content accompanying with high-quality imagery, video is becoming key to Gucci's digital marketing success in attracting massive fan.

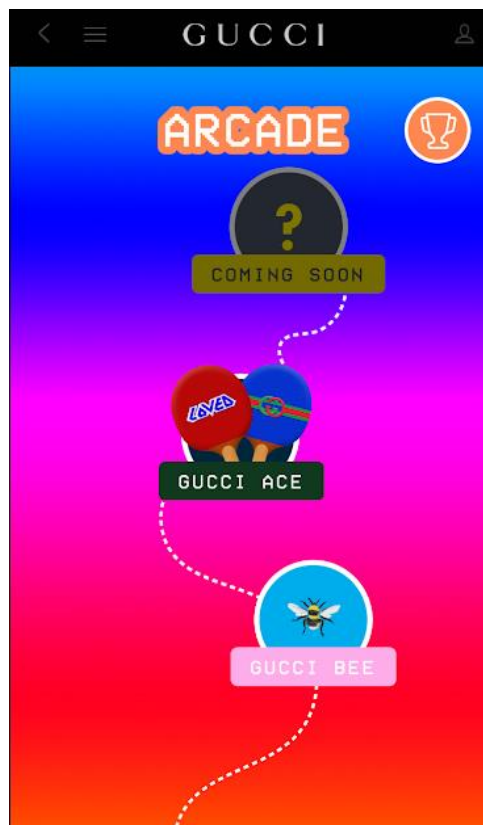
Moreover, Gucci's marketing campaigns have created a great buzz by collaborating with influencers, who help the brand reach closer and deeper to Millennials. Going beyond this strategy, Gucci worked with designers like Harlem tailor Dapper Dan and influential fashion bloggers as Matthew Zorpas (The Gentleman Blogger), Leandra Medine (The Man Repeller), Chiara Ferragni (The Blonde Salad) and Shea Marie (Peace Love Shea). The Italian luxury fashion brand also collaborates with famous Instagram socialites to help showcase their latest products or invites artists around the world joining its #GucciGram and #TFWGucci campaigns. A partnership with music and fashion icon Harry Styles saw some of the highest engagement in Gartner L2's study. (71)



*Source: digital.gucci.com/gucci-gram*

Last but not least, Gucci's mobile app is the best out of all brands to bring consumers the stories and inspirations behind creative director Alessandro Michele's collections. The Gucci App is the visual gallery that allows users to discover the season's ready-to-wear and accessories through impressive videos, beautiful imageries, and engaging narrative. Notably, it is the tool using advanced technology Augmented Reality which allows users to enrich the personalized digital experience.

Taking a step into gamification field in the digital world, the brand debuted Gucci Arcade, a new section of the app dedicated to video games and inspired by the arcades of the 70s and 80s. Through this form of interactive entertainment, the fashion house aims to entertain its users using the most representative symbols of the brand led by Alessandro Michele. Moreover, Gucci also tapped into the popularity of personalized avatars and mobile communication by being the first brand to partner with a new mobile application, Genies, which integrates avatar-to-avatar communication with artificial intelligence. (72) Users will be able to dress their avatars with luxury apparel from Gucci and use them in every texting channels from Imessages, Instagram to WeChat.

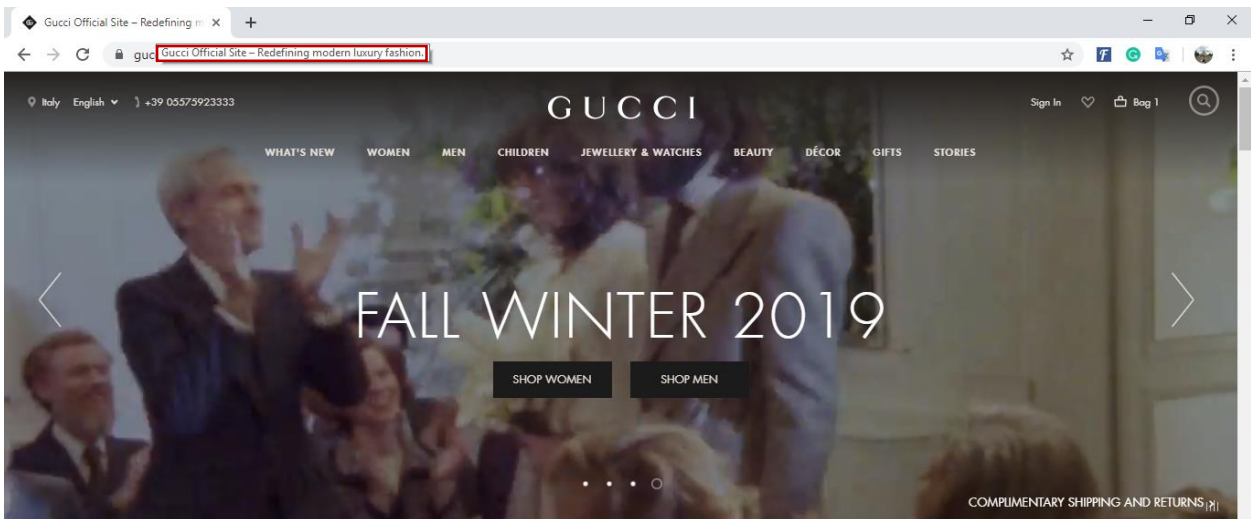


*Source: Gucci app*

The following contents demonstrate how Gucci is performing on its online channels.

## **2.1 Official Website**

This elegant website is the smartest move of the brand when redesigning and relaunching its 13-year-old website in 2016 to reflect the creative director Alessandro Michele's creative vision. It is a visually compelling exploration into the aesthetic and inspiration behind Michele's collections as well as an exclusive insight into the brand's world. Surprisingly, the description of the gucci.com homepage has emphasized us about the company new vision: "redefining modern luxury fashion."



*Official Website homepage. Source: Gucci.com*

With the availability across 34 countries in corresponding languages, the website is the sale point (E-commerce) as well as the touchpoint of consumers around the world. They can gain authentic information about the products and the inspiring stories of the individual patterns and items - important context for luxury purchases. Gucci is in the approach to prioritize grandiose lifestyle imagery or video over simple functionality which some luxury brands feel they need to do when attempting E-commerce. Gucci's site design has a right balance of contents, the brand image is nicely represented, and especially, the rich and seamless shopping experience is created for its consumers. Gucci's website is also formatted to work optimized on multiple screen sizes to accommodate traffic from the growing number of mobile shoppers.

From the home page, Gucci displays the latest season's men's and women's collection through a video featuring Gucci's runway show, signature product imageries, and an inspiring call with the button "shop now" for the navigation to the shopping pages. Scrolling down, it shows the newest items or campaigns and the brand's inspiring stories behind its collections and campaigns. The home page is not overwhelming, but the site is a rich source providing all information with appealing content through the menu bar's sections. From all product categories to image and video gallery of a runway show or visual campaign, consumers can find inspiration at any points on this site.

## STORIES



Gucci Mémoire d'une Odeur  
A NEW UNIVERSAL SCENT >



The Performers: Ghali  
THE ITALIAN RAP ARTIST >



Gucci Ace ASMR  
BEHIND THE VIDEOS >



Between the Visible and Invisible  
DETAILS IN FALL WINTER 2019 >



At the Library with Chris Lee  
A NEW CAMPAIGN >

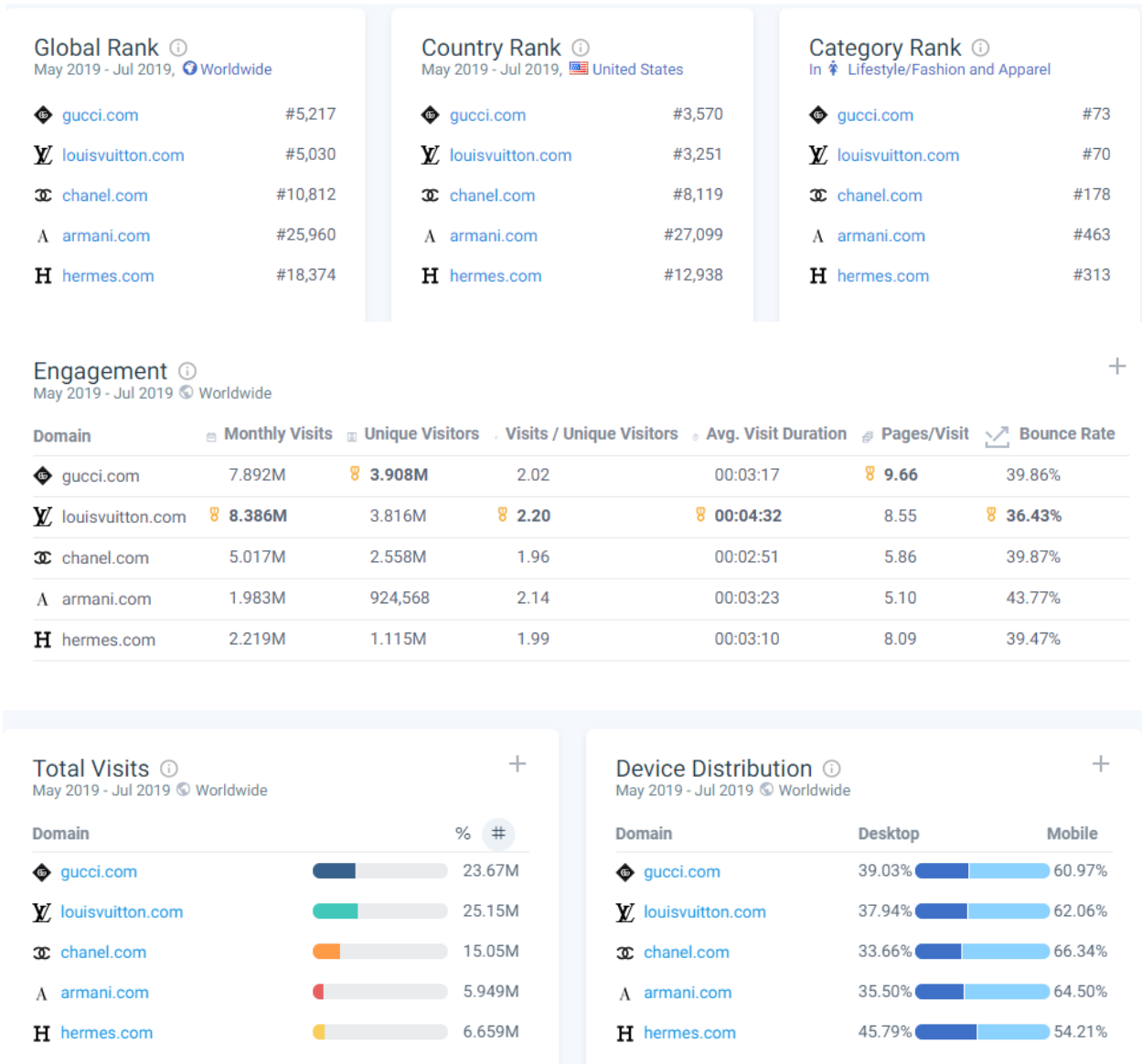
*Source: Gucci.com*

Instead of investing more in third-party e-commerce, the holding group of the brand, Kering, will “leverage its in-house technology and operations team to fully internalize the e-commerce activities currently handled through the joint venture with YNAP.” The transition is expected to be completed in the first half of 2020.

Gucci.com ranks 5217 globally, and 73 in lifestyle and fashion categories, just behind louisvuitton.com, which is at 5030 global ranking and 70 in the fashion sector. In the period from May 2019 to July 2019, gucci.com gained 3.9 million monthly unique visits among a total of 7.9 million, with 3.17 minutes of average visit duration by 60% engagement from mobile devices. These figures indicate the obtained quality of user experience on its website. (Figure 28)

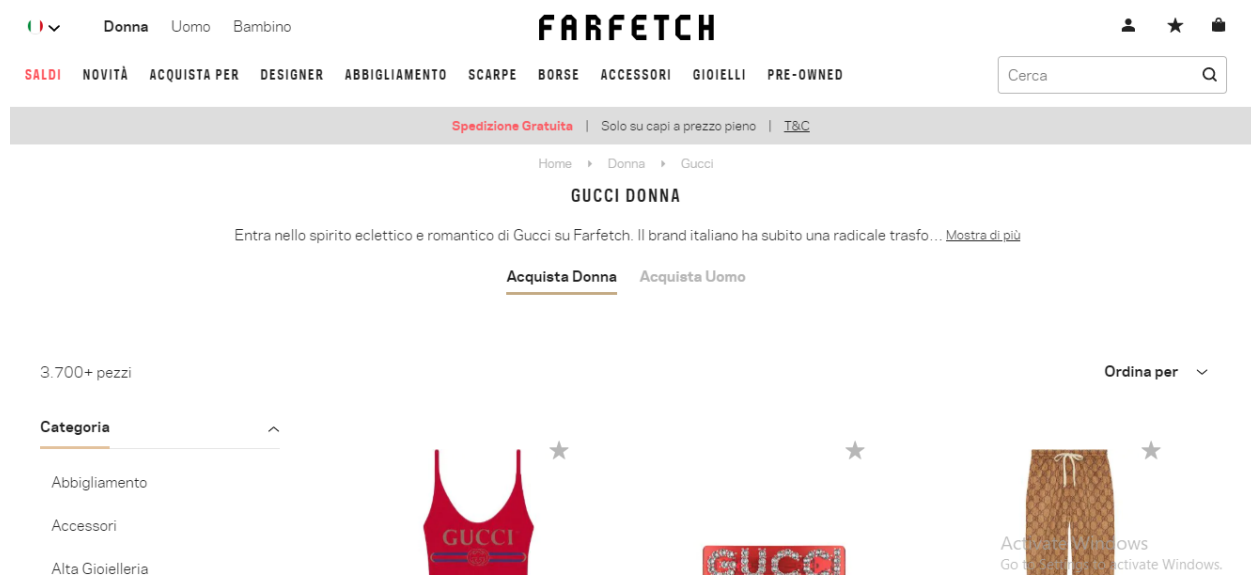


Figure 28: gucci.com evaluation in comparison with competitors



Source: similarweb.com (73)

## 2.2 E-commerce Marketplaces



*Gucci items displayed on Farfetch. Source: farfetch.com*

Farfetch started as an E-commerce marketplace that offers products from more than 500 independent boutiques, including many luxury brands. Partnered with Farfetch in 2017, Gucci was the first brand to be in 90-minute delivery service project F9. So far, the partnership serves at ten major shopping destinations: London, New York, Dubai, Los Angeles, Madrid, Miami, Milan, Paris, Sao Paulo, and Tokyo. Orders can be placed through the Farfetch website and app for fulfillment from Gucci stores in these ten cities. On Farfetch, consumers can find almost every item of the brand, from house décor to the newest fashion collection.

Moreover, besides the distribution purpose, Farfetch recently launched its 'Farfetch Communities' initiative in early 2019 with the content curated by influencers and tastemakers in collaboration with brands. In June 2019, "Farfetch and Gucci Open House" is launched as "an eight-month storytelling content collaboration." The collaboration is the first of a series of link-ups with luxury brands to provide present more precious content to consumers on the Farfetch website. (74)

This launched content takes audiences into the homes and cities of Gucci fans in eight locations, with influencers from Paris, Milan, Tokyo, Chicago, Toronto, Los Angeles, Rio de Janeiro, and London. They will share their fashion and creative inspirations intimately, allowing Gucci's lovers to discover new season pieces from the brand. The first influencers to be featured in this

collaborated campaign are a Paris-based chef and model called Coralie Juhier and Lukas Ionesco, an actor, and musician whose home is in Longpont. Art director and owner of Gufram, Charley Vezza; and editor and stylist, Francesca Cefis will follow in the next installment from Milan. North American, Asian, and South American cities and personalities will develop throughout the collaboration.



*Coralie Juhier and Lukas Ionesco in Gucci outfits. Source: farfetch.com*

Kering established the joint venture with Yoox since 2012 to power its online retail businesses. However, after Yoox merged with luxury online seller Net-a-Porter, and the emerged company

was acquired by Richemont, a Kering’s rival, earlier 2018, Kering partnership with YNAP currently covers brands including Bottega Veneta, Saint Laurent, Alexander McQueen, and Balenciaga, but not Gucci anymore. (75)

## 2.3 Social Media Channels

### 2.3.1 Facebook

Facebook is the leading social media channel, with more than 2 billion users around the world. This platform offers the best tools for brands’ promotions and customer engagement. Gucci has a large number of fans on Facebook, which is around 18 million followers.

Gucci uses Facebook account mainly for products and events promotion. Apart from the fresh arrivals in each season collection, it also promotes the works of specific campaigns with eye-catching images and attractive video. Moreover, it displays images in which celebrities were dressing Gucci on special occasions. Although Gucci frequently creates posts, the page does not make audiences feel overwhelming, thanks to the appealing content and inspiring story behind each post.



*Gucci on Facebook. Source: facebook.com*

The brand has achieved an impressive sentiment from their fans. Gucci generally receives positive engagement with a thousand to three thousand likes on each post. These reactions show

an excellent level of relationship with a secure connection between the brand and its fan. Apart from being a suitable promotional channel, Facebook is also an essential channel for the brand's announcement for important news and events to reach massive engagement.

### 2.3.2 Instagram

Instagram is the favorite playground of the brand when it has more than 36.3 million followers on this platform. Similarly, Gucci uses Instagram for brand promotion as well as user engagement. However, it has achieved much higher user engagement than on Facebook. Each of the posts receives between 70K and 180K likes from their fan. This figure is proof of how successfully Gucci has engaged with consumers on this platform.



*Gucci's post on its Instagram official account. Source: Instagram*

Beside conventional content that brand creates on other channels, it uses the hashtag “#” at the brand and product name, the events, and the campaigns to categorize the content into a specific concept. This technique not only helps audiences catch the primary information source but also is

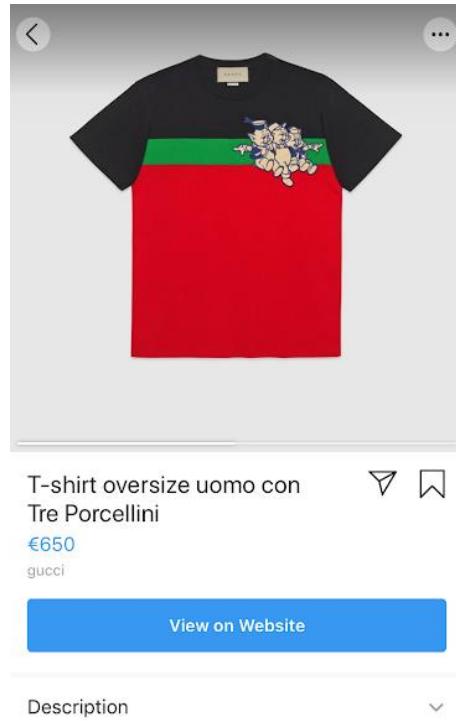
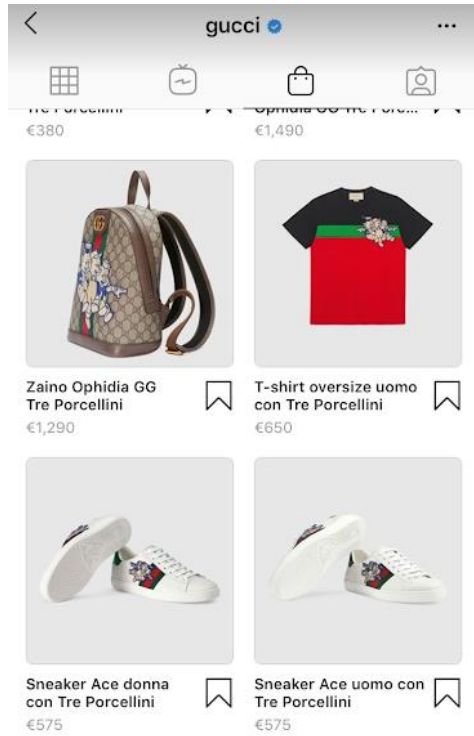
the best way to encourage them to create and add their related story by using this hashtag on their post or discover the whole story behind by clicking on the hashtag.

Moreover, the Story feature on Instagram is another way for the brand to connect with users by displaying the content of its posts on it. Instagram Story has a similar function as Snapchat when each story only appears within 24 hours. However, Gucci saved its story posts on its Instagram homepage's section: "Highlight" where audiences can view Gucci's stories with the specific categorized content.



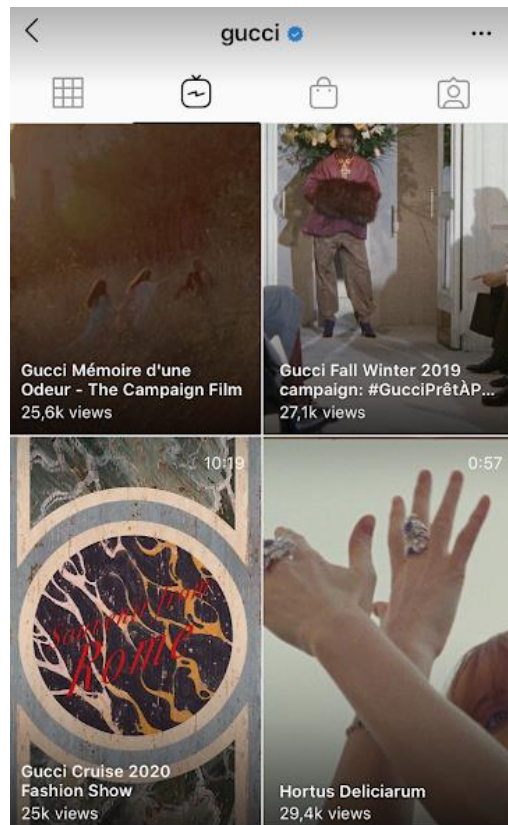
*Gucci on Instagram's stories. Source: Instagram*

Moreover, with Instagram on mobile, users can make a purchase of some items by Instagram shopping function. Although there will be the navigation to the official website for further purchase action, this function can be understood to be the effort of the brand to enhance the in-house E-commerce and provide a rich and seamless experience for consumers.



*Gucci on the Instagram store. Source: Instagram*

In June 2018, Gucci was among the first brands to engage with IGTV, posting archive footage of Alessandro Michele's runway shows since 2015.



*Gucci's IGTV. Source: Instagram*

In the path of the digital transformation, Gucci has embraced Instagram as the place on which the brand has launched various digital campaigns that attracted massive attention. Alessandro Michele is inspired by the constant struggle between tradition and modernity, the old and the new, the familiar and the strange, and together with Gucci, he has launched #GucciGram since 2015.

With this project, artists have been invited to rework iconic Gucci patterns featured the Gucci Blooms, Gucci Caleido, and Gucci Tian motifs in the way they see fit. This campaign is the initiative as a starting point to tell different stories based on their freely imaginary. Michele believed that digital media is a vital source of visual culture where creativity is born and finds its voice.

Gucci's video project, #24HourAce, follows #GucciGram projects to illustrate and explain how artists create artworks which are inspired by the brand's Ace sneaker, one of its most popular items. From the Ace's codes, colors, graphics and design elements, the group comprised of



multimedia artists, collagists and directors drew their imaginary while reflecting the digital culture, most notably, with the popularity of ASMR effect (Autonomous Sensory Meridian Response).



*#24HourAce campaign. Source: Instagram*

Another Gucci successful digital project centered around the hashtag #TFWGucci (That Feeling When Gucci), based on the infamous internet-born catchphrase “that feeling when ...” and accompanied by a humorous image that related to a Gucci product. By imitating meme - images or animated GIFs, often with text splashed across them - Gucci tapped into a dominant internet trend that resonated with its target audience thanks to high-quality photography, art history references, and original illustration. The meme project attracted almost 2 million likes and over 21,000 comments on Instagram. Each post accumulated an average of 67,000 likes and 768 comments creating a buzz around the brand. Although this project is initially worked with watches, it is a creative approach for the brand to apply to fashion products.

### 2.3.3 Twitter

Twitter is a less attractive marketing platform for the brand whose number of users is smaller compared to Facebook or Instagram. However, its features are best suited for real-time marketing and engaging users. Gucci regularly posts on this platform to keep its 5.7 million followers engaged. Similar to the content on Facebook and Instagram, the brand uses Twitter to promote its brand, products, events, and also CSR activities.

### 2.3.4 YouTube

YouTube is the video platform that the brand uses to broadcast its full version videos of products, campaigns, events, and fashion shows instead of a shorter version on other media channels. With just 400K followers, this is still an important marketing channel for the brand to create its authentic identity and build brand awareness through iconic content stories. Gucci official account on YouTube still gains a high level of engagement with nearly 4 million views for the Spring-Summer 2019 Fashion Show video, or more than 1 million views for the visual campaign video collaborating with Harry Styles. Many people are intrigued by these longer videos, which help them better understand the full story than videos on Facebook or Instagram.





#GucciTailoring #AlessandroMichele

Gucci Men's Tailoring campaign: Harry Styles

1,019,473 views

👍 96K 💬 821 ➦ SHARE ⌵ SAVE ⋮

*Source: youtube.com*

### 3 Digital Marketing Strategies in China

#### 3.1. Gucci in China

古琦 (*Gǔqí*), Gucci's Chinese name is also a phonetic imitation, although 古 (*gu*) means ancient, 琦 (*qi*) can be a kind of valuable stone, such a jade. So Gucci in Chinese alludes to ancient fine jade. From the first flagship store opening in Hong Kong (1974), Beijing and Shanghai (1997), there are more than 60 flagship stores in Mainland China and Hong Kong nowadays. (67)

Besides Japan, China is considered as the biggest market in the Asia Pacific region. This market, with the highest growth rate, contributed to generating 40% of US\$4,6 billion revenue of the brand in the first half of 2019. (67) On the way to transforming the brand, Alessandro Michele has realized the potential of this market and continuously push actions to generate engagement from Chinese consumers. In China, Gucci's operations are supported by the Kering Greater China team, whose president is Ms. Jinqing Cai. The team's mission is to reinforce the visibility of Kering in Greater China and to strengthen the links between the Group and its local partners, in order to support the long-term development of Kering's luxury Houses in Greater China. (kering.com)

Gucci has successfully become one of the most famous luxury brands in China. Firstly, the brand has an effective adaptation with Chinese culture when it takes into account their sensory preferences. After earlier market researches, the brand knows that the Chinese young people are looking for authenticity and in love with floral and colorful patterns. Then the CEO Marco Bizzarri decided to replace fur with animal prints, and Alessandro Michele managed to capture this aesthetic values dynamic colors and floral prints with the strong belief that "the Chinese market is driving the global luxury consumption now, so whatever the Chinese like, becomes the trend." As a result, Michele's bold and imaginative designs have impressed and successfully won over the hearts of Chinese Millennials.

Moreover, the brand understands about physiological differences between Western and Eastern people that Western men usually have longer arms than Eastern men, and as a result, Italian suits would have too long sleeves for Chinese men. Consequently, Gucci started proposing collections with  $\frac{3}{4}$  sleeves for the Asian market.

However, the brand goes even a step further by globally adapting the products for Chinese shoppers instead of just adapting their local assortment. The brand will give the Chinese customers many options gathering from references in Chinese history and culture. For example, last year with the “Year of the Dog” collection, or this year “Chinese Valentine” collection, the brand had the capsule collections with colorful items which gained a lot sentiment from Chinese consumers. Also, it paid off as Gucci sales have skyrocketed to represent two-thirds of Kering Group revenues.

Additionally, the constant organic promotion by a slew of top-tier online influencers including celebrities Liu Wen and Yang Mi, and fashion bloggers Gogoboi and Chris Li, are all signs of Gucci’s success and Michele’s competency with Chinese Millennials.

On the other hand, the instability of the politics and economy of this nation create some threats for the brand. However, the trade war of China and the US could reduce the pressure of competition between European brands and the US’s when these events create more challenges for the US’s brands. Following the decrease in import tariff in China, on July 6<sup>th</sup>, 2018 Italian luxury brand Gucci cut prices by an average of 5% in the country’s DTC retail stores to pass on the benefit of this decision to its customers. US’s luxury brands suffered more. (32)

Furthermore, the increase of rising household disposable incomes or consumer spending or numbers of millionaires and wealthy individuals in this country ensure the potential of the demand and consumption of the China market.

### **3.2 Digital Marketing Strategies**

Chinese Millennials are digital-savvy. Therefore, besides the brand’s aesthetic redefinition, embracing Millennials values in all its communication efforts, especially digital asphere, has contributed a great deal to Gucci’s success in the Middle Kingdom.

Gucci’s digital proficiency is giving the brand the potential to become one of the most sought-after labels in China. In 2017, Gucci launched a direct-to-consumer (DTC) E-commerce site and a WeChat store to sell to Chinese customers. The brand’s partnership with ambassador Li Yuchun and other high-profile celebrities such as actress Ni Ni have also kept the brand trending online. Gartner L2 report said Gucci was the top-mentioned brand by KOLs on WeChat and RED and had the highest Baidu index performance in 2018. (71)

In line with global strategies, Gucci gives the effort to embrace technology in creating a seamless experience for its Chinese luxury consumers and attract their engagement on social media by unique and inspirational storytelling content.

However, there is always the adapted concept in the brand's campaigns to deeply touch to Chinese consumers' heart. For instance, in its 2018 "Roman Rhapsody" campaign in which displayed Gucci's attempt in bringing inclusivity to the fashion stage, Gucci worked with Sonia Zhou, a middle-aged Chinese immigrant in Rome. Zhou is the owner of popular Chinese restaurant *Hangzhou da Sonia*, and being a friend of Alessandro Michele's since Michele had dinner at her restaurant. Even though this campaign did not set out to target Chinese consumers specifically, Gucci's way of telling the real story behind this idea generated organic buzz in Chinese social media and had cultural impact. Zhou's video clip has gathered the most likes on Gucci's Instagram.



*Source: Gucci.com*

The successful social media campaign of Gucci creative director Alessandro Michele, #GucciGram had moved beyond the traditional Western culture when he gathered Asian artists to contribute artworks with Gucci's new Tian print. The print presents a cultured cross as creative barriers around the world break down in the era of the Internet. The Tian project began with a culmination of Bird and flowers inspired by 10th-century Chinese tapestries came out in

contributed artworks from many Asian artists. While the campaign mostly took place on Instagram, fans could also check out the artwork on Gucci's special website: <http://digital.gucci.com/guccigram-tian/>, which includes detailed explanations about the work and the artist in both English and Chinese. Some of the artists also posted the work on their WeChat and Weibo accounts, which likely gave Gucci some extra exposure in China—the brand itself has been featuring the campaign on its WeChat across separate posts, with the first dedicated solely to its Chinese artists.

GUCCI

TON MAK  @theflabjacks



Discover the Tian collection at [Gucci.com](http://Gucci.com)

HOME | INTRODUCTION

Ton Mak 是一位常駐上海和香港兩地的插畫家，其作品以圓圓胖胖、體型古怪的「flabjacks」為主題，在個人 Instagram 上自成一派。她解釋道：「有四種特徵深得我心：象鼻海豹、肥胖、痣和根莖類蔬菜。」她筆下的角色都具備了這四種特徵，不論是在練習瑜伽、跳啦啦隊、用 Tinder 結識朋友或忙其他事情。Ton Mak 將 Gucci Tian 圖案與她的作品完美融合，蝴蝶盤旋於慵懶怪氣的生物和圓潤的花朵之間，營造出平靜的和諧。她筆下的 flabjacks 亦亮相街頭，融入 Gucci Tian 恤衫和連衣裙之中。  
— @kchayka

Ton Mak is a Shanghai and Hong Kong-based illustrator whose work consists of "flabjacks", rotund and jiggly figures that become a world unto themselves in Mak's Instagram. "I am fond of four key things: elephant seals, fat, moles, and root vegetables," she explains on her website. The drawings resemble all four, whether they're doing yoga, practicing as cheerleaders, going on Tinder, or getting tied up. Mak sets the Gucci Tian print's peaceful balance against her own doodles, with the print's butterflies flitting around a loose, hand-drawn world of goofy bugs and chubby-faced flowers. Her flabjacks also take out some Gucci Tian shirts and dresses for a spin. — @kchayka

PREVIOUS TALENT >

NEXT TALENT <

Source: <http://digital.gucci.com/guccigram-tian/>

## 3.2.1 E-commerce

### 3.2.1.1 Chinese Official Website



In July 2017, the brand launched its Chinese version of its E-commerce store, becoming one of the first luxury brands to offer a direct-to-consumer (DTC) E-commerce channel in China. Gucci's Chinese site not only mainly focuses on visuals, and storytelling approaches to engage the consumer as the original version but also allow Chinese shoppers make purchases online using localized forms of payment, including Alipay and WeChat Pay. In comparison with other giants, Gucci Chinese website still dominates some categories in term of engagement. Gucci never neglects the basics of digital competence: its sophisticated China brand site offers functionality like anti-fraud education and tools, customization, store inventory, and more.

### 3.2.1.2 Farfetch

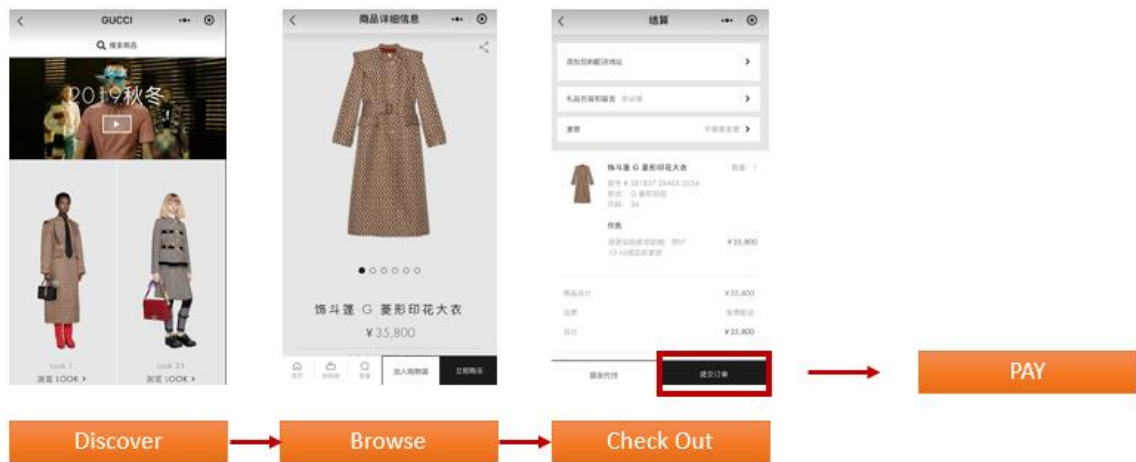
After suffering from many counterfeit cases in China, Gucci is reluctant to work with any of Chinese marketplace as JD.com or Alibaba. Gucci has embraced these e-tailers internationally, partnering with Farfetch for 90-minute delivery service from 2017. However, it had not operated in China yet at that time. After the deal between Chinese E-commerce giant JD.com and Farfetch to merge with JD's luxury platform Toplife recently in February 2019, now Chinese consumers can shop Gucci items on Farfetch China with the features as white-glove delivery service, same-day delivery, and in-store pickup. Gucci's products have the highest visibility on Farfetch's fashion category page for China.





*Gucci on Farfetch China. Source: farfetch.com/cn/*

### 3.2.1.3 WeChat Stores



*Purchase process on the Gucci store on WeChat. Source: WeChat app*

Gucci WeChat store can be considered definitely as a commerce channel when it stimulates all functionality of a commerce site does from browsing, checking out to paying the bill with WeChat Pay.

### 3.2.2 Social Media Marketing

According to Parklu research in 2018 (75), Gucci's social media management stands out with high frequency, contextual posting, and quick reactions aimed at creating conversations with

online customers. Although Gucci joined China's social media game relatively late but now sets social media aesthetic standards. Gucci has also been able to connect with Chinese Millennials in a way that no other luxury brand has been able to attain.

### 3.2.2.1 Weibo



*Source: weibo.com*

With more than 1.7 million followers, Gucci official account on Weibo is still a communication channel for the brand to reach to massive Chinese consumers. On this platform, the brand usually updates news about new items in the collection, images featuring Chinese celebrities in Gucci outfit, visual campaign video, or fashion show runway. There is a different level of engagement from the young Chinese audiences to the content on Weibo, ranging from 1k likes to more than 100k likes, depends on the content of the posts. The high sentiment is showing in the fan's comments about the brand's item as well as the celebrities. The engagement to the brand's content on Weibo mostly depends on the way the brand optimize its influencer marketing.



*Source: weibo.com*

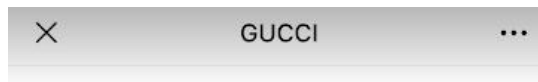
### 3.2.2.2 WeChat

Gucci was one of the first luxury brands to open an account in 2013 on WeChat, the most popular Chinese social network. However, until the time when Michele took the responsibility in transforming the brand aesthetic image, its channel has attracted massive Chinese audiences. The brand uses WeChat official account for as not only a one-to-one communication channel to develop efficient customer relationship management, but also a vital commerce channel in the Chinese market. This network is a perfect tool for the brand to launch omnichannel marketing campaigns which can leverage the platform's online-to-offline capabilities to grow its following and learn more about its customers.



*Gucci's WeChat official page. Source: WeChat app*

Gucci's campaigns on WeChat always give their special care and respect towards Chinese culture. For instance, it had created specific items for special national holidays such as the Lunar New Year or Chinese Valentine day. Its content is unique because it is cultural and intellectual. This platform is an attractive place for the brand that rarely talks about its products directly, but rather about cultural inspirations, which fascinates the Chinese Millennials.

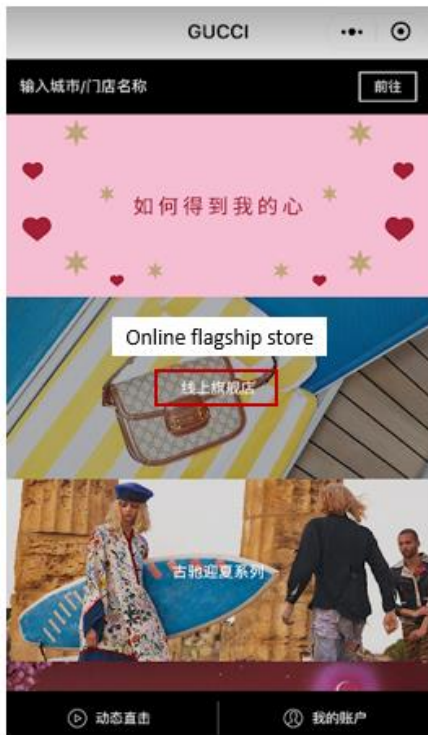


如果真爱远在天边  
该如何得到ta的心?  
即刻前往古驰银河秘境  
摘取名为“爱”之星

*Gucci's new product launch for Chinese Valentine festival. Source: WeChat app*

### **3.2.2.3 WeChat Mini-programs**

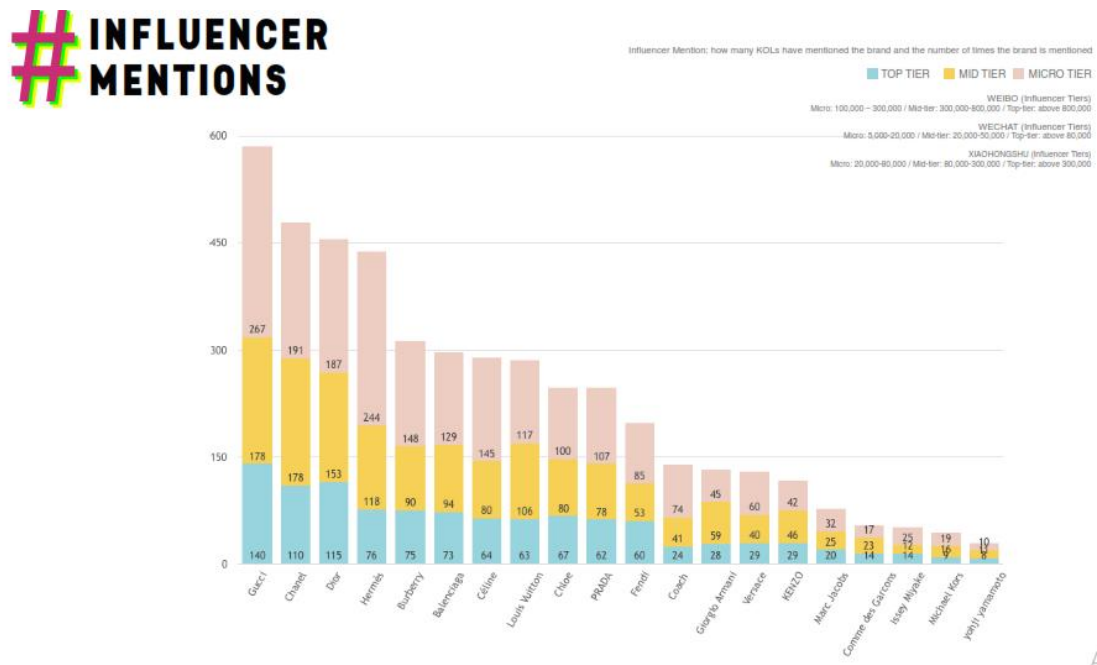
Currently, Gucci creates a mini-program named “Gucci Gucci” whose main page is designed in a minimalist and straightforward way, reflecting the elegant style and the high-end atmosphere of the brand. There are some mini-programs in this big-program. The first section is a content reflecting the Chinese Valentine festival. The following section is an E-commerce portal named “online flagship store” for the brand to show the newest collection with a complete purchase process. Although its landing pages present beautiful visuals to attract attention, the navigation is simple to enhance the seamless experience.



WeChat Mini-Program “flagship store.” Source: WeChat app

### 3.2.3 Influencer/KOLs Marketing

Figure 29: The number of influencer mentions about luxury brands.



Source: Parklu's report

According to Parklu research on March 2018 (75), Gucci was the dominant brand among influencers on social media. They were mainly micro-tier influencers with 267 of 585 KOLs mentioned about the brand on their social media accounts. Followed by 178 mid-tier KOLs and 140 Top-tier who were very famous individuals or celebrities. Weibo and WeChat are two platforms that the brand had a compelling performance with influencer or KOLs marketing campaigns.

Gucci is collaborating with Top-tier KOLs Li Yu Chun, Ni Ni or Luhan, who are well-known Chinese singer, actress, and actor. Thanks to their reputation on social media, with more than 60 million followers on Luhan's Weibo, 22 million followers on Ni Ni's account and 12 million followers on Chris Lee's account, almost brand's campaigns which collaborate with them always create exposure with huge of audiences.

On the other hand, with 9 million followers on Weibo, Gogoboi is also an effective Mid-tier KOLs for the brand's campaigns. He is a blogger, writing style guides and critics on cultural icons in China. He partnered with Gucci to launch his 2017 Holiday Collection on his official WeChat account. The outcome was remarkable: within five days, all of the promoted items were sold out.

Moreover, reaching to micro-tier KOLs helps the label reach closer to young Chinese consumers. For instance, one short video on Weibo from fashion and beauty blogger, @大佬甜er (3.6 million followers on Weibo), who included a Gucci bag in her top recommendations for spring buys, generated much attention from Chinese young people.

Furthermore, Gucci took their influencer marketing relationships a step further with a virtual influencer campaign on WeChat in summer 2018. The campaign featured an AI-powered robot created in a Japanese lab dressed head to toe in the brand's latest fashion collection. The campaign's title "Why Are You Scared of Me?" hinted an imaginative storytelling content behind. (77)



*23-year-old “Erica” robot in the Gucci outfit. Source: weixin.qq.com*



## **Part IV Conclusions and Recommendations**

The China-U.S. trade war is set to raise economic uncertainty in China and weigh on domestic consumer confidence. Nevertheless, China's luxury market is expected to maintain stable growth in the coming years due to several positive factors. The rise of disposable household incomes, numbers of millionaires and affluent Millennials, as well as government's latest tariffs cut to boost domestic consumption secure China to remain one of the most lucrative markets for global luxury fashion houses.

The Chinese digital landscape, with the rapid development of global technologies, has transformed the retail as well as the communication approach of luxury fashion brands in recent years. The digitalization creates synergy between different channels, whereas offline stores and online touchpoints complement brand image enhancement. The engagement with affluent Chinese Millennials puts pressure on brand strategies to develop seamless and omnichannel journeys. Beyond that, Chinese luxury consumers are becoming increasingly discerning, sophisticated, and expect more exclusivity and personalization than just the overall shopping experience.

Therefore, for a digital or non-digital strategy to be effective, luxury fashion brands need to initially understand and respect Chinese luxury consumers' behavior and value in terms of personal satisfaction and purpose. Digital dramatically increases the opportunity for luxury brands to get consumer insights through the use of Big Data or the tracking of online signals by Artificial Intelligence. As a result, these data help brands build a clear and effective data strategy to create a detailed picture of their customers' persona and come up with a comprehensive business strategy. On the other hand, these data will help to enhance the customer's experience and provide a unique and prestigious sense of the interactions.

Moreover, embracing E-commerce and Social media, such as Weibo and WeChat, to promote products and enhance brand awareness is a must in China. Brands should keep in their hearts that omnichannel marketing is one of the keys that help brands get closer to their customers. Omnichannel innovations should be taken into account to sustain the strength of the relationship between a brand and its customers.

Advanced technology such as AR/VR or voice interaction in commerce and communication are essential for brands to go beyond the expectations of their consumers. Experiential stores with

fitting rooms featuring interactive mirrors, or customer in-store services with sale-assistant robots by Machine Learning and Artificial Intelligence-powered software might be the technological advances that ultimately impress the customer.

Besides taking advantage of the company's internal resources, developing critical partnerships with local agencies, technology partners, influencers, and media suppliers is another critical approach for luxury brands to engage with Chinese luxury consumers. However, luxury brands should consider investing in partners who truly understand the brand's identity and philosophy to enable every interaction to support the overall brand vision while exploiting the benefits of the digital sphere in the Chinese market.

When the challenges in a complex market have struggled many foreign luxury fashion houses in adapting their marketing messages to the group of Chinese Millennials, Gucci stands out in this context with its inclusive and creative strategies to redefine the luxury industry. Alessandro Michele's creative leadership and his redefinition of the brand's aesthetic, which is bold and imaginative, has won over the hearts of Chinese Millennials. Additionally, the digital transformation and technology adaptation helps the fashion house build a strong cohesion with the most potent driver of the global luxury industry as well as the China market.

Besides the appealing visuals to attract Chinese Millennials and Generation Z, Gucci has been successful in the inspiring and unique storytelling approach to embracing Millennials values. Inclusivity and authenticity have manifested in many different digital strategies across various channels of the fashion house, such as through its official campaigns and collaborations on social media over recent years. Moreover, the brand has promoted sustainable and ethical business practices with the company's CSR policies, environmental impact, employee satisfaction, and innovations. This effort grants Gucci the authenticity, transparency, and most importantly, accountability that luxury consumers are seeking. Immersive technology such as AR or VR is thoroughly applied by the brand into its strategies in order to enhance the customer shopping experience.

In conclusion, the global luxury fashion industry has continuously changed with the motivation of digitalization. In order to be successful in this industry, especially in the China market, luxury fashion brands have to be forward-looking, keep on track with innovative trends and understand the evolution of Chinese Millennials' value and purpose.

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