

Digitalisation of luxury- An Overview

¹Amrita Dhaliwal, ²Dr. Devinder Pal Singh

¹Research Scholar, Punjabi University Regional Centre for Information Technology and Management, Mohali, India

²Associate Professor, Punjabi University Regional Centre for Information Technology and Management, Mohali, India

Abstract: World has become a small village with seamless internet connectivity. The shopping journey of consumers has drifted from physical stores to virtual stores. The pattern of luxury consumption has changed due to growth in the mass prestige brands. Nowadays, online retailing is the effective remedy to appeal to wider luxury consumers and enhance the luxury brand sales as young affluent are more comfortable in online environment. Websites could be used by luxury brands to reinforce the brand identity and achieve favourable consumer attitude. The expanding role of internet is changing the marketing landscape and creating a new way of competition. In fact, digitalisation has resulted in wider options, easy access and convenience for luxury consumers.

Keywords: Interactivity, digitalisation, virtual stores, e- commerce, touch points.

1. INTRODUCTION

The root of the word luxury is term “Luxus” which means extravagant living (Jain and Khan, 2017). Luxury is considered as a prestige brand that is consumed conspicuously in order to display one’s social status. Luxury is a state of mind, that connects day and dream and a source to appreciate one’s own life. Luxury is something which is not needed but is established by the society as a necessity so therefore it is a dynamic term (Kim *et al.*, 2015). Luxury products involve a lot of involvement; therefore consumers are occupied in collecting information and decision making process. Coco Chanel (1920) considered luxury as something that is opposite of vulgarity and status. It is about liberty and elegance. It provides freedom to an individual so that he can be himself and explore beyond habits. Wilfried Guerrand, Hermes (1937) defined luxury as exceptional goods for ordinary people. He considered luxury to be something that deals with an object, its use, five senses, an attraction, and a niche. He further stated that in present world it is about market push, synergy, volume and efficiency. Luxury is associated with wealth, exclusivity and power and satisfaction of non essential wants. (Li *et al.*, 2012). The word luxury was first spotted in classic work by Virgil or Cicero and in indictments by religious and moral authorities (Chandon *et al.*, 2015)

Internet has played a key role in the process of globalisation. It has revolutionized the concept of trade. Opening an online store is easier as compared to offline store. Most of the luxury consumers are well equipped with mobile devices. Globally, 95% and in mature markets almost 100% of luxury buyers have smart phones (McKinsey Report, 2015). In fact, internet has provided luxury companies with an opportunity to amplify their customer base and build brand awareness. 80% of luxury consumers are highly social, in digital sense (McKinsey Report, 2015). Thus, for every picture luxury brand post on instagram, more than 10,000 customers hash tag it. Therefore, it is the right time for the luxury companies to swing from “brick and mortar” to “click and mortar” which means owning both retail and online stores. In fact, it is easier to detect customers on the basis of past purchases with help of information systems and customisation of the services can be done. Nevertheless, it is quite challenging for luxury stores to shift to online mode as they have concerns for maintaining the exclusivity of the brand and providing excellent shopping experience. High end brands are reluctant to be art of social media because of ubiquity concerns. So luxury brands consider e - commerce as a threat as they might lose control over brand image and storytelling.

However, luxury brands are trying to make presence on at least one of the social media sites like facebook, instagram, twitter etc. These platforms facilitate communication between the luxury brand and the consumer that ultimately lead to

generation of knowledge and opinions of customers about the brand. It is projected that e - commerce will lead to 18% of sales of luxury goods by 2025 (Quach and Thaichon, 2017).

2. RATIONALE FOR DIGITALISATION OF LUXURY BRANDS

- **Castillan et al., 2017** identified the following opportunities in online branding :-
 - There has been tremendous increase in online luxury brand sales so luxury brands require unique websites. The website needs to be multi- sensory and experiential.
 - Perfect online experiences should be provided to the customers since the connectivity has inflamed the competition.
 - Digital communication can be used by the brand to display information, build image.
 - Websites should be virtual boutiques rather than a marketplace so as to transfer the atmosphere of the store.
- **Quach and Thaichon, 2017** posit that through online environment multi layered interactions are possible. Further, associations with high end brands lead to respect and social recognition. Social media is a platform through which customers can express their attitude towards the brand. It also results in co creation of the value.
- **Sheetal Jain, 2016** stated that the digital platforms are now increasingly being used by the retailers to extend their reach among the consumers and to provide ease of shopping and it is expected that the online market for luxury products will be doubled till the year 2020. Increase in mobile and internet penetration has changed the landscape of Indian luxury market. Moreover internet increases the accessibility to luxury brands.
- **Yoo and Park, 2016** stated that mass customisation is the key trend that is shaping luxury industry. It is the process whereby customised services are provided by retailers to the customers and this is becoming popular with online retailers. Luxury brands like Louis Vuitton and Bottega Venetta have started providing customisation services through which they are able to create entirely a new product. As a result, mass customisation through online mode provides greater value to the customer.
- **Kim et al., 2015** posit that luxury brands should go for digitalization as it will provide a wider potential customer base. Luxury consumption patterns have changed with growth of mass prestige brands and if luxury brand managers are able to provide unique customer experiences via online channels then e-tailing can compensate for decreased luxury brand sales. Burberry.com success is an example of success of digital technology in luxury business.
- **Priour et al., 2014** posit that China has most social media active population, followed by South Korea and USA. These social media active people buy a product or service if it is recommended by a friend or acquaintance on social media site. So, online social interactions affect the user's intention to shop online. Culture also plays an important role in online shopping. Through online mode, consumers can get the information about the product and can share their experiences with the other shoppers.
- McKinsey study on luxury shopping in digital age (2014) has shown that consumers are willing to buy luxury products online and projected that sales of the luxury products will be more than double in the forthcoming years. Research suggested that 40% of luxury purchases are influenced by consumer's digital experiences.
- **Jain et al., 2014** points out that generation Z, also called as Digital natives are born in digital world that prefer to stay indoors and hangout with their virtual friends through via internet. Moreover, they are highly fashion conscious and demands for high end luxury products, which they buy digitally.
- **Mousseaux and Li, 2013** stated that luxury brands are able to gain more information about the customers through social media. Online interaction can strengthen the brand notoriety. Online branding of the luxury brand can generate the awareness of the brand among people.
- **Seringhuas, 2002** stated that internet has expanded the global brand recognition and has expanded its demographic reach into younger and older groups. Use of internet by the retailers has attracted the attention of the people and with increase in online population; aggregate online purchasing power is expected to grow.

- Extant literature also suggests that the unprecedented growth in the luxury sector is due to digital communications, which clearly signify the importance of being present digitally of luxury brands. Even fragmented and diversified customers can be targeted through internet.

3. DIGITAL ARCHETYPES OF LUXURY INDUSTRY

McKinsey study on luxury shopping in digital age (2014) has suggested three digital archetypes:-

- *Plugged in pro*: - They use diversified retail strategy and 360degree use of digital technology. They have full - fledged presence at social media and online stores.
- *Selective e- tailer*: - They have tight retail control. They use digital needier as an entry point for aspirational customers. Online stores are used by them for entry level products only.
- *Hesitant holdout*: - They are small companies. They have tight control over retail and online mode is used as showroom only.

4. WEB ATMOSPHERIC QUALITY AS A DETERMINANT OF EFFECTIVE ONLINE RETAILING

Kim et al., 2015, gave that web atmospheric quality is an important determinant of effectiveness of online retailing.

- Web atmosphere includes all the information that is required to create an effective online store which includes the price of the product, features, size, color and so on. Consumer behaviour is positively influenced by well organized web atmosphere.
- As luxury brands use great architecture and attractive interior designs that can appeal to consumers and provide them with distinctive shopping experience. Similar type of strategy should be applied to online channels also.
- A combination of high end design and audio visual techniques should be used to create a website. Web atmosphere can influence to the greater extend the loyalty, purchase intention and customer response.
- Interactivity is the component that influences the perception of the consumer about the brand. So, feedback, interpersonal interaction and responsiveness can generate positive influence on the consumers.
- Online stores that provide complete product information with minute details like label, price, pictures of product, graphs, etc have favourable attitude of consumers towards the brand and the site.
- Convenience is another atmospheric cue that affects the online luxury shopping outcome. It includes reduction in the consumer effort including online order, payment for the product and easy return policy.
- The response of the consumer towards the site is an important antecedent that affects the attitude of consumer towards the brand.

5. MUST HAVE'S OF LUXURY BRANDS – (MCKINSEY REPORT, 2015)

Luxury brands should show their distinctiveness with five touch points as mentioned below. These touch points shape the purchasing decision and luxury experience of the customer. Success of luxury brands require integration of online and offline journey of the customers.

- 1) *The city store*: - In spite of the luxury era, luxury consumers are much influenced by what they experience in luxury stores. Most of the luxury consumers are in contact with luxury stores, for that reason delivering a terrific luxury store experience is must.
- 2) *Word of mouth*: - Luxury consumers care about the perception of the peers and so they communicate with them traditionally, through word of mouth or digitally using emails, face book comments etc.
- 3) *Online searches*: - Being visible online is as important for luxury brands as being offline. Moreover, companies like Amazon have set higher bar for the expectations of the customers. So, luxury brands need to put tremendous efforts to create their visibility in online world.

- 4) *Sales people*: - A great experience with the salesperson can lead to better impact on the customer and it is vice versa for the poor one. So, digital technologies need to train their associates well to promote better experience with their clients.
- 5) *Brand website*: - Websites determine the perceptions of the brand in the minds of the customers. So the brand website should provide adequate information about the product and should be designed in such a way that the authenticity of the website is not a question in the mind of the consumers.

6. CONCLUSION

However Seringhaus, 2002 points out the analysis by the Porter which depicted that with the use of internet it is difficult to differentiate the product from the competitor, which may lead the basis of competition to be shifted towards the price. It is what the luxury brands cannot afford. Besides, it is difficult to convey brand's heritage, craftsmanship and authenticity through online mode.

Luxury landscape is changing so presence of the brand is required online and offline. To provide Omni- channel experience to the customers, marketing budget should be judiciously spent on both the channels. Luxury consumers are fully digitally sound and their expectations are mounting because of new standards appearing from outside industry. So, this poses great challenge for luxury brands as they follow distinctive and fragmented journeys. The most successful luxury brands will be those that will build a mobile presence, engage and sway consumers through social media. Digital tools and technologies are revolutionising the luxury industry and no luxury brand can afford to overlook them. The aim of the luxury brands should be to create the atmosphere of luxury store in online mode also so that the customers feel privileged and maintain the VIP syndrome.

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