

Digital Transformation in The Luxury Industry: Strategies, Challenges, And Opportunities

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Abstract. With the rise of mobile Internet and social media, digital channels have become a new way of communication between enterprises and consumers. Digital marketing has replaced traditional marketing and become one of the most widely covered and most influential publicity models. The luxury goods industry is also facing tremendous changes and challenges while ushering in new opportunities. This article first introduces the different categories of digital marketing, including website promotion, search engine marketing, social media marketing, etc., and emphasizes the uniqueness and aesthetic requirements of luxury marketing. The paper further explores the key factors of digital marketing, including using big data to accurately position brand image and customers, learning and utilizing digital technologies, developing e-commerce, redefining luxury experience standards, selecting appropriate media platforms and online interactive activity design, and providing beneficial digital content to enhance customer interactions, implement omni-channel marketing, and more. Finally, the article emphasizes the need for luxury brands to integrate digital transformation into daily business operations and solve the challenges faced by digital acceleration, including budget allocation, digital talent recruitment and training, technology bottlenecks.

Keywords: Digital transformation; Strategies; Luxury industry.

1. Introduction

Under the umbrella of new technologies, social media and mobile Internet have created new communication channels between businesses and customers. They are referred to as "digital channels" and continuously drive the digital revolution. The speedy development of digital marketing in recent years has altered how and where businesses apply their marketing strategy. The incorporation of digital platforms into business marketing strategy is growing as more individuals utilize digital devices to access online content.

Digital marketing can be roughly divided into the following categories: social media marketing, content marketing, email marketing, mobile marketing, post-display advertising, information flow advertising, website promotion, search engine marketing - including paid search advertising and search engine optimization.

Different from traditional marketing activities, Bernard Dubois identified the following characteristics of luxury marketing: products marketed through craftsmanship with high prices and high manufacturing costs, limited distribution channels, the targets of promotional activities are picky, and the way in which advertising is implemented is unclear Policy template. Marketing strategies for luxury goods also require a strong and recognizable aesthetic concept.

While concentrating on the development of online and offline service platforms, luxury firms should keep their craftsmanship in mind. To offer customers more convenient services, they should leverage Internet technology to build up an integrated service model between online platforms and offline stores. superior customer experience.

2. Case Description

With the advent of the digital age, digital marketing has replaced traditional telemarketing and one-to-one marketing, and has become the most widely covered and most influential publicity model. The luxury industry has also ushered in a series of changes and challenges. The popularity of

electronic devices and the Internet has brought about tremendous changes in consumers' shopping habits. People can now browse and buy luxury goods through the Internet anytime, anywhere, no longer limited to physical stores. At the same time, the Internet platform has also become an important channel for luxury brand promotion and marketing. At present, the digital marketing transformation of the luxury industry is being led by the following key backgrounds:

The popularization of mobile payment and e-commerce enables consumers to shop online anytime and anywhere, which accelerates the sales speed of the luxury goods industry. Under the general trend of global economic development, the demand for luxury goods among middle-class consumers in emerging markets is also growing.

Increased demand for personalization and customization: Consumers in the digital age pay more attention to personalized and customized experiences.

The rise of social media: The popularity of social media platforms, such as Instagram, Weibo and Facebook, provides opportunities for luxury brands to interact directly with consumers. Brands can shape their brand image, enhance brand recognition and loyalty by posting beautiful pictures, sharing stories and interacting with consumers.

Data-driven decision-making and intelligent customer relationship management: Using big data and advanced analysis tools, luxury brands can understand consumer behavior and preferences, more precisely locate target customer groups, make decisions based on data, and provide personalized Marketing strategies and products. Using an intelligent customer relationship management system, brands can better manage and maintain relationships with customers.

Virtual and augmented reality technologies: they are well positioned to bring new marketing opportunities to the luxury goods industry. Through virtual fitting rooms and augmented reality applications, consumers can experience luxury goods online and better understand product details and textures, thereby facilitating purchase decisions.

Blockchain technology: it has been widely used in the luxury goods industry. Blockchain technology can be used to ensure the authenticity and traceability of products, establish customer files and data security, and provide consumers with more reliable shopping protection.

Network security and anti-counterfeiting technology: In the luxury goods market, anti-counterfeiting technology and network security are crucial. Brands use advanced technological means to protect products from the threat of infringement and counterfeiting.

3. Case Analysis

With the maturity of online communication channels, the rapid development of high-tech and social media, the global luxury fashion retail industry, which mainly focuses on offline sales, has also accelerated its embrace of the online market, explored its own digital marketing road, and striving to take a place in the digital market.

Compared with the sense of alienation brought about by luxury marketing, which is characterized by “high price, high popularity, symbolism, scarcity, high quality, and cultural connotation”, digital marketing shows more of being close to the people and popularization. It is inevitable that there will be conflicts based on their essential differences. However, virtual peripherals, virtual idols, and e-sports social networking are good cross-border points. Using them as carriers can better eliminate the contradictions between the two, making the heterogeneity and boundaries no longer clearly exist. British luxury brand Burberry has made a good example in this regard. Burberry and Douyin jointly launched the “Douyin Zaizai” virtual suit. Douyin Zaizai appeared in the world fashion magazine “ELLE” wearing the Burberry TB summer exclusive logo series. Inspired by “summer fun”, it performed a virtual fashion blockbuster. French luxury brand Balenciaga is in cooperation with the game “Fortnite”, digging deep into Balenciaga's classic works, creating 4 sets of digital collectible costumes for fan-favorite game characters, showing the brand's iconic look and feel, while launching limited editions in the real world. The physical clothing series diverts the joint name from the virtual world back to the real world, thus forming a closed consumption loop. To commemorate the 200th

birthday of Mr. Louis Vuitton, Moët Hennessy-Louis Vuitton, the luxury goods group, also launched an animated emoticon package with brand old flower elements on WeChat.

In the past decades, luxury goods rarely had bright moments in the mass communication environment, and it was difficult to radiate to the public circle. But with the help of online activities, topics that were originally niche will explode rapidly in a short period of time. Since September this year, GUCCI2023 spring and summer series show, Louis Vuitton's 2023 spring and summer men's Aranya show, PRADA 2023 spring and summer women's fashion show and other luxury shows have been launched in the Tencent ecology. Tencent Ecology provides brands with four-terminal live broadcast scene support including WeChat video account, Tencent Video Mobile+PC+PAD+OTT, maximizes exposure through high-potential media, and pulls high-quality exposure resources with the help of multi-product matrix in the ecosystem. While reaching high-value people, it will deliver a "big show language" with the joint efforts of social + fashion. However, with the high-quality resources of Tencent's ecology and the saturated exposure of external social media traffic, the traffic of niche topics can also grow explosively.

Making good use of influencer and KOL combining with content marketing can not only quickly increase brand awareness and influence, locate potential customers more effectively, but also improve user loyalty and maximize the effect of publicity. French consumer fashion brand belonging to the LVMH group, Christian Dior adopts a complete set of digital marketing strategies, digital innovations around product launches, and builds consumers on mainstream social software such as Facebook, instagram, YouTube, Google, sina weibo, tiktok, etc. Community, expanding the audience, from the data, its feedback of strategies is very excellent, Dior official website traffic increased by 193% year-on-year, and Google search also increased by 63%.

In addition, the continuous breakthrough of digital technology has released the infinite possibilities of digital marketing. For example, NFT marketing empowers brands to break through the growth circle, and through the linkage between digital collections and physical products, a matrix and premium are formed. Activating private domain traffic through digital collections can extend more content topics and interactive forms, increasing the stickiness and sense of belonging of the customer community. Italian luxury brand BVLGARI has created an exclusive virtual world BVLGARI World on the metaverse platform ZEPETO and will provide users with offline and online experiences from September 1, 2022. The virtual space includes a pop-up store Bulgari Sunset in Jeju and a coffee shop. The American jewelry brand Tiffany&Co. also announced that it has officially entered the NFT field and launched the first NFT jewelry work "NFTiff". The product is jointly launched by Tiffany and the blockchain technology innovation company Chain, limited to 250 pieces, and the holder has the exclusive opportunity to customize the Tiffany pendant on its Punk, which contains gems and diamonds. Dior is developing and expanding AR try-on, studying how to combine innovation and modernity to balance Dior's brand tradition and rich history.

The extension of online payment technology can also help luxury brands expand the market. Gucci announced that its US branch stores accept ApeCoin and Euro Coin payment methods through BitPay, as another step in exploring Web3. Gucci currently accepts 10 different cryptocurrencies (BTC, BCH, DOGE, ETH, LTC, SHIB, WBTC) and five USD-pegged stablecoins in 70% of its U.S. stores. The brand will email the consumer an encrypted link that includes a QR code, through which the consumer can pay with an encrypted wallet. Consumers make encrypted payments through smartphone encryption apps using QR codes or NFC readers on retail terminals in stores. Stores can automatically convert cryptocurrencies to fiat currency (such as U.S. dollars) or keep them in cryptocurrency.

4. Suggestions

Digital luxury marketing is a wholesale ecosystem, it needs a holistic digital approach, rather than promoting isolated projects across different channels. Key touchpoints for luxury brands with customers include luxury brand websites, search engine optimization (SEO), direct mail, online advertising, brand communities, social events, mobile and tablet apps and e-commerce. From

company-driven (own channel) decline, consumption-driven (social channel) to third party-driven platform (paid channel) [1]. While the three can overlap, these workspaces also have their own digital concerns. Therefore, if a luxury brand wants to formulate a successful digital marketing strategy, it needs to work on the following aspects:

4.1. Use Big Data to Accurately Position Brand Image and Customers

In order to maintain a high-end image, convey their own brand value and brand culture, and gain a deep understanding of target audience and market demand, luxury brands use market research and competitive analysis to understand target audience preferences, consumption habits, and perceptions and expectations of luxury brands. Use the algorithm model to select relevant people for the brand circle to complete customized push. At the same time, sales consultants need to spend more time communicating with consumers, digging to meet the more diverse consumer needs of the crowd, focusing on the value of consumer-centric data application and focusing on the brand's business growth and overall ROI, relying on its own resources and global intelligence. And end-to-end technical advantages, by helping them build CDP, MA, DMP and other data marketing solutions, covering the business scenarios of the whole process and the whole link of users, empowering corporate users such as brand activities, member recruitment, potential customer follow-up, etc. Full life cycle operation and management to realize data-driven operation of the entire value chain.

4.2. Learning and Using Digital Technology, Developing E-commerce, Redefining Luxury Experience Standards.

A deep digital marketing strategy is inseparable from the blessing of digital technology. Luxury brands need to work hard to cooperate with digital technology service companies. Search engine optimization (SEO) is a very important part. Most buyers start with a search engine like Google when they would like to look into their purchasing options. Every internet purchasing activity starts with a search engine. Doing a good job of SEO can make the brand's website appear in a higher position in the search results, thereby obtaining more valuable leads.

Also, when people visit a brand's website, they want to have good experiences. People would be turned off by a negative experience and go on to competitors. To guarantee consumers have a positive experience on the site, luxury businesses can make numerous improvements. The website's layout is one factor. Being a luxury brand, design plays a big role in how the company is perceived. It must convey a sense of simplicity, richness, and distinctiveness to guests. Invest in resetting the standards for the luxury experience to satisfy the demands of the new customers. It's not about mimicking Amazon; rather, it's about proudly appropriating some aspects from the current digital elite. Players in the luxury market must also innovate to replicate the distinctive experience they provide in their online stores. Creative design, such as AR try-on and VR shopping, can improve the interactivity and fun of the website and users. On the other hand, once a design set is in place, brands need an easy navigation to go with it.

After updating the look and feel of your site, you need to focus on your site's speed. Pages that take too long to load can lead to losing potential customers, and people will return to search results if they take too long to load. So brands need to make sure the pages are running fast to keep people on their site.

Optimizing content also includes creative design, such as AR try-on and VR shopping, to improve the interaction and fun of the website and users.

4.3. Accurate Selection of Media Platforms and Design of Online Interactive Activities

Social media has a great influence on the entire digital field of luxury brands. Social media allows real-time news to spread faster and on a larger scale. Social media's growth benefits brands since early brand awareness and interactions have the potential to create relationships with customers and bring them into the brand community. As interaction transcends physical touchpoints to become a worldwide virtual platform that fosters the sharing of resources, knowledge, trust, and vision between

businesses and customers, marketers are expanding their perspectives on customer connections [2]. In a digital sense, luxury consumers are also quite sociable. Approximately 80% of these consumers utilize social media on a monthly basis, whether it be Facebook, Twitter, Instagram, or WeChat. Moreover 25% use social media on a daily basis, and half use it monthly. Additionally, they are active users. At least once every month, two-thirds produce social media content, 15% participate in its daily [3].

First, luxury brands must ask themselves what they actually want to achieve in the digital market.

One of the main components of premium brand marketing tactics is experience. Customers are emotionally connected to your brand through experiences. Numerous facets of luxury companies, such as customer service, the shopping experience, and payment methods, have historically been connected to experience. However, engagement also grows from the online experience when luxury brands can provide experiences to clients on social media. Luxury businesses must duplicate their distinctive identities, images, and signature styles online as they do offline. They create experiences by creating top-notch web content that captures the distinction of luxury. High-quality graphics, films, animations, harmonized color schemes, a clear and crisp tone, and other elements are required characteristics of luxurious content. Luxury brands can maintain a positive client experience on social media based on those criteria and boost engagement.

A way to demonstrate the exclusivity of a luxury brand is through a professional social media customer service experience. High-touch, expert-quality services are extremely important in luxury perception [4]. It's important that brands make luxury customers feel like their experiences on social media are taking place in real and are always individualized. In customer forums and other channels, a positive word-of-mouth experience also inspires engagement and word-of-mouth marketing.

Therefore, luxury brands need to choose the correct channel for advertising by analyzing the user groups of major platforms and websites. They need to understand your target market in order to find the platform that is most suitable for their business. Once you have a target market, brands can start using these social platforms to share important contact information and products. Some mainstream social media software such as: Facebook, Youtube, Instagram, LinkedIn, WeChat, etc. are the main battlefield for luxury brands. Brands can use live broadcasts on such platforms to launch online interactive activities such as voting, Q&A, lottery, etc. to attract consumers to participate in order to deepen their understanding and recognition of the brand.

4.4. Provide Real Beneficial Digital Content to Target Group to Enhance Interaction with Customers

Social media content is generating experiences for consumers as digital engagement develops from digital experiences. Rich and opulent material will inspire feelings of elation and superiority, which will ultimately translate into commitment and brand loyalty. One of the challenges that luxury brands face in social media marketing is to maintain the uniqueness and reputation of the product while promoting it from a commercial perspective [5]. Exclusive material is essential for social media channels to maintain the integrity and reputation of the company. Luxury consumers want to feel special, and the best way to do this is to give them exclusive content in a special setting. As a result, premium customers experience a strong sense of affinity for the brand and a sense that it is unique to them.

Therefore, the goal of luxury marketing is to attract customers by publishing good content online. Luxury brands need to continuously create high-quality content in rich and diverse forms and make content creation and marketing methods complementary to each other. When designing and measuring digital engagement strategies, the platform, audience and strategic goals shall all be taken into consideration [6]. A customer will be purchasing a high-value item, so a simple blog is not enough, focus should be on developing a content strategy that meets the customer's needs and keeps them visiting the website throughout the purchase decision process [7].

There is also an underlying logic that luxury buyers don't purchase products due to necessity, but out of desire. Instead of attempting to persuade clients that this product is an absolute necessity, it is

preferable to deliver it to them as they desire it. Tell them stories. For instance, if a company is known for setting trends, highlight emerging musicians, eateries, or other trends. If a brand wants to converse about timeless, bring up prominent businesses or historical characters. It's easier to arouse customers' feelings through telling a story of a product. Combining influencer and KOL marketing can greatly increase the social influence of products and brands and customer loyalty, bringing huge returns to brands that effectively utilize it.

In addition, rather than just having a brand-to-consumer monologue, encouraging dialogue between brands and consumers seeks to get consumers to do something about your brand to strengthen their attention and praise for the brand. Calder (2009) describes experience as "a consumer's thoughts and feelings about what is happening when they do something" [8]. On social media, consumers can experience the pleasure of entertainment, self-expression, self-motivation, deep emotional communication, and a strong sense of self-existence. These experiences inspire higher levels of consumer-brand-related communication, creating High-quality interactions between consumers and brands [9]. It's a hedonic experience. Hedonic experience can be pleasure or pain, a motivating force that makes something happen [10]. Such incentivized interactions on social media platforms could result in users like, sharing, or commenting on brand content.

4.5. Omni-channel Marketing

Marketing is moving from multi-channel marketing to omnichannel marketing. The omni-channel (online plus offline) experience of luxury brands must be consistent. Jason Bloomberg mentioned in Forbes magazine in 2014 that omnichannel is not simply adding mobile and social media to the mix. It heralds interconnectedness between touchpoints, blurring the distinctions between channels from a consumer perspective. The ability to provide a consistent experience across brands, formats, and devices is a requirement for brands. The brand can achieve complete and long-term success with this new way of thinking and marketing.

5. Conclusion

The days of luxury brands keeping conservative attitudes to digitalization in sacred silos had gone. Real acceleration can only be achieved if it is integrated into the core of daily business operations. Brands must integrate digital initiatives into their operating model and adapt as needed.

Luxury brands need to proactively address the typical barriers to digital acceleration. One of the challenges is budget allocation, accepting that significant budgets for media buying, for example, are reallocated to the fixed costs of retaining talent capable of producing high-quality marketing and brand content. To achieve the required large-scale transformation, another challenge is simultaneously attracting and keeping the best digital personnel while boosting digital skills throughout the business. The third difficulty is related to technology, which is at the heart of the digital revolution. IT frequently turns into a bottleneck. Brands must learn to distinguish between the more flexible and short-term focus of digital IT and the long-term goal of traditional IT management. Last but not least, there is a built-in conflict between the luxury industry's long-term orientation and pursuit of excellence and the quick iterations and risks necessary for digital development. As a result, brands must constantly revise their plans in order to strike a balance.

Eventually, brands shall develop a digital acceleration strategy that complements their culture. Luxury players need to completely alter their approach to consumer interaction. The focus here is to identify a couple of local significant bets that actually matter and include them in an exhaustive plan across all touchpoints. Determining which touchpoints, across geographies and categories, brands need to concentrate on rebalancing efforts properly. And then maintain consistent communication anytime, everywhere. Through learning and using digital technology, redefining luxury experience standards, accurately using big data to formulate and adjust brand marketing strategies, providing customers with more perfect marketing content, and integrating multi-channel marketing to achieve

omni-channel marketing. Thus, designing a perfect integration method that combines high luxury standards with digital agility to unlock future success is the key to success.

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