Luxury Brand Prada's Digital Multinational Marketing Strategy in China

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Abstract. With the gradual popularity and rapid development of digital media, many luxury brands have started to adapt to transnational digital media platforms in order to strengthen their connection with international consumers. The cultural background and complex consumer composition of different countries bring new opportunities and challenges to luxury marketing. Therefore, this paper collects literature and data related to the luxury brand Prada so as to reveal the current situation and shortcomings of Prada's transnational marketing in China. The research shows that Prada has achieved good results in its digital marketing in China, but it still lacks platform segmentation, differentiation, online and offline integration, and localized marketing. Through a critical qualitative analysis of these data, the researcher finds that Prada needs to optimize its transnational marketing strategy in terms of providing different marketing strategies for different platforms, integrating digital marketing, and adding localized elements.

Keywords: Qualitative research, luxury brands, digital marketing.

1. Introduction

The development of technology is constantly changing people's living habits and consumption behavior. These changes have also affected the marketing strategies and sales models of companies. As a result, companies must learn to take advantage of digital marketing and explore new ways to communicate with consumers in order to build closer relationships between them and companies.

The business value of digital marketing to companies is immeasurable; in 2022, the total amount of consumption affected by digitalization reached $4 trillion, accounting for about half of the global retail sales [1]. However, digital marketing also offers new challenges to companies. The relative cheapness of digital sales channels makes it easy for businesses of almost all sizes to reach. In addition to this, digital marketing takes on a fragmented form. The fragmentation and personalization of information on the Internet make it difficult for companies to effectively communicate their brand messages to their target consumer groups. As each country's economy continues to grow, the purchasing power of international consumers is also increasing. Some emerging market countries are gradually becoming targets for the world's leading luxury brands. In the past three years, China has rapidly developed international e-commerce, and online retail sales account for more than half of the global online retail sales [2]. Therefore, luxury brands need to innovate and develop their original marketing models more so as to conduct digital marketing across borders.

Unlike ordinary brands, luxury brands have a small audience and high marketing costs. However, there is a relative lack of research on the marketing of luxury brands in the digital market environment. Based on the broad prospect of luxury industry in the multinational market, researchers believe that it is necessary to conduct in-depth research on the multinational digital marketing of luxury brands. Therefore, this paper aims to explore the digital marketing of luxury brands, so as to help luxury brands find a balance between international markets and their own brand image. This paper collects literature and data related to the luxury brand Prada to summarize a fact-based and observable analysis. By uncovering potential problems, this paper aims to help find the right marketing strategy for the luxury brand Prada.

2. Digital Marketing

2.1. Concept of Digital Marketing

Digital marketing refers to the use of digital communication channels to promote products and services. It uses social media, search engines, and other forms of the Internet to facilitate potential communication between brands and consumers. Digital marketing has two important characteristics. First, digital marketing is mainly spread through fragmented information. The development of a digital society has led to a trend of fragmentation in the way the public learns about information and the content they receive. This fragmented information includes clickstream data, consumer reviews and ratings, hashtags, and social interaction data. This data is useful to help brands understand user behavior, develop marketing strategies, and measure the effectiveness of marketing results [3]. However, the large amount of data increases the uncertainty and disruption for brands to filter information during the marketing process. Therefore, brands need to filter the nuisance factors and screen effective information in the marketing process. Second, digital marketing is integrated into multi-channel marketing. Due to the convenience and extensiveness of digital, digital marketing can achieve close integration of various channels. In sales, integrated digital marketing enables a series of processes for disseminating product information, collecting payment and after-sales service. According to Ira Kaufman's theory, an integrated digital marketing strategy usually consists of four basic steps: establishing core values, promotion, converting traffic and evaluation [4]. This kind of integrated marketing can be responsive to customers' individual needs. On the other hand, companies can plan and coordinate their marketing activities across different channels in a unified way to avoid the negative impact of inconsistencies in different communications. In the integrated marketing model, brands need to use diverse communication methods to deliver brand values among target groups.

2.2. Advantages of Digital Marketing

With the continuous development of the media, traditional radio and television gradually lost their social influence. Instagram, Twitter and other social media have demonstrated their amazing communication in just a decade or so. Therefore, brands that rely solely on traditional media marketing are no longer able to adapt to the new era of commercialization. Companies need to improve their marketing methods and use new digital media to gain competitiveness.

There are three advantages of digital marketing compared to traditional media. First, digital marketing helps brands to raise brand awareness. There are a large number of users on social media who are quickly browsing and sharing information every day. Brands can take advantage of this to effectively give users access to information about their brands. For example, users can keep track of the brand's launch date and launch price. In addition, the volume of information pushed by social media will take up additional space on electronic devices. Therefore, this information pushes help brands reach users more frequently and deepen their awareness of the brand. Second, digital marketing helps increase user stickiness. Compared with traditional marketing methods, the diversity of social media communication is more conducive to increasing active user engagement. Informative appeal emphasizes factual information about the brand, thus allowing consumers to think logically about the reasons for purchase. Conversion appeal posts emphasize the positive outcome of purchase through positive images, videos and music. Compared to the former, conversion appeal helps brands engage their target audience more effectively by giving users sensory gratification or social recognition, thus increasing user stability and stickiness [5]. Third, the cost of digital marketing is lower. The information delivery method of the Internet has a strong interactive nature. With the development of social media platforms, users are more willing to actively obtain and share information. Therefore, compared with traditional forms of marketing, companies can reduce a large amount of physical advertising investment and marketing costs.

3. Prada Digital Marketing Strategy

3.1. Prada's Digitalization Process in China

The pace of Prada's digital transformation has been slow. From 2014 onwards, a large number of luxury brands began to cooperate with Chinese e-commerce platforms such as Tmall and Jingdong. It was not until 2017 that Prada began to launch an e-commerce function on its Chinese website [6]. Prada initially adopted a marketing model of splitting sales between physical stores and online stores. By counting purchases, Prada then selected the products to be sold in its physical stores and flagship stores. However, Prada's initial digital marketing in China did not achieve better sales. Later, Prada started to be present in major e-commerce sites in China, such as Taobao, the largest e-commerce platform in China, and another brand of Prada, MIU MIU, was present in Jingdong, and opened a limited-time online store in WeChat. At this point, Prada's e-commerce presence has reached almost all Chinese netizens.

Prada's digital transformation is starting to get on the right track. From 2018 onwards, Prada resumed earnings growth. According to the financial report in December 2020, Prada's market value exceeded HK$100 billion. Patrizio Bertelli, CEO of Prada Group, said that the digital strategy had a significant effect on the Group's profitability improvement. After that, Prada started to enhance the online store experience according to Chinese consumers' usage habits. Prada set up navigation systems within most of its websites and introduced a modular framework to optimize the user experience. In addition to the expansion and optimization of online channels, Prada is also getting closer to Chinese consumers through localization, such as Prada's flash mob in Chinese food markets. In 2022, PRADA chose Chinese artist Cai Xukun as the brand's spokesperson [6]. With the popularity of the young artist, Prada tries to tap into the market of young Chinese consumers and further build brand recognition. However, compared with other brands, Prada's revenue is slightly lagging behind. 2022, Prada's first-half net income of 1.9 billion euros, up 22.5% year-on-year. 28% growth rate of LVMH's first half performance, Hermes' sales also improved 26% year-on-year. As a result, the Prada Group has proposed the Prada 365 digital marketing strategy, which aims to create a fully integrated communication platform in all dimensions.

4. Analysis of Marketing Strategies

Since luxury brands are characterized by distance and personalization, luxury brands generally use high-end communication media. However, there is a big contrast between the characteristics of the luxury brand Prada and the entertainment of social media platforms. Therefore, Prada's digital transformation did not bring a good revenue boost. Prada's 365 digital marketing strategy has not built a complete integrated user ecosystem. There are weak links in the user ecosystem, such as payment, pickup, and after-sales parts. This resulted in the overall digital brand experience for users not meeting offline standards. Facing the challenge, Prada's communication strategy needs to be optimized and adjusted.

4.1. Lack of Platform Segmentation

Prada segments its market according to different factors, such as age segmentation, gender segmentation, income segmentation, etc. [7]. However, Prada does not have detailed platform segmentation on its digital platforms in China. This leads to a high homogeneity of Prada's marketing model on each platform. Prada has created official accounts on the larger Chinese social media platforms Weibo and Xiaohongshu, as well as on the Chinese version of TikTok. However, Prada has only 690,000 followers on the Chinese version of TikTok. The number of Prada followers in the Chinese version of TikTok, which has an active population of 700 million, suggests that most users are unaware of the existence of this top luxury brand on TikTok. On Xiaohongshu, Prada has less than 60,000 followers. The Chinese version of TikTok is a platform dominated by videos, and Xiaohongshu is a platform dominated by pictures and texts. However, comparing the marketing

contents of TikTok and Xiaohongshu, Prada often uses videos and longer text introductions on both platforms. Long text introductions are boring for TikTok users who are used to a fast pace, while video content does not appeal to Xiaohongshu's users. This shows that Prada has not segmented the marketing methods of the major platforms in China.

4.2. Lack of Differentiation

Differentiated development is the keyword of digital marketing. If the communication content lacks differentiation and innovation, it is difficult to effectively communicate the brand values conveyed. Although Prada sometimes gets a high level of buzz because of its outstanding content, however, it is difficult to maintain this buzz. In TikTok, the number of likes reached nine thousand on January 21, 2023. However, the average number of likes on Prada's account in TikTok since then is only about 300. Homogeneous content is difficult to ferment buzz on each platform, and therefore difficult to convert traffic into sales. Therefore, Prada needs to differentiate its marketing in different digital areas to cater to the habits of users on different platforms and increase traffic on them.

4.3. Lack of Integration between Online and Offline

While most brands are carrying out omni channel marketing, Prada's online and offline integrated marketing process is relatively slow, especially in multinational marketing. When asked if their online and offline store experiences were different, a financial person who had been buying Prada on Tmall said she preferred to browse online [8]. She stated that the physical experience may not appeal to shoppers who are used to shopping online and that she feels that in-store salespeople can be snobbish. Therefore, a portion of users who are used to online shopping may not be accustomed to the offline marketing environment and activities. In addition, although Prada has a large number of online stores in China, these flagship stores do not impress users. In the reviews of the online stores, some people reflected that "Prada's online store which looks like any fast fashion store [9]." Users who are used to enjoying Prada's offline shopping, they do not like the single, minimalist online shopping atmosphere. Like other brands, Prada uses shouted exaggerated performances and simple and boring sets for live streaming. This live atmosphere is contrary to the luxury brand's usual emphasis on high-end, scarce attributes. Even when celebrities are invited to the live stream, Prada's cumulative online viewership is low. In general, Prada's current online and offline experience model is rather fragmented. How to make a balanced diversion and conversion of online and offline consumption is also a new problem.

4.4. Lack of Localization

For international luxury brands, launching merchandise that caters to localization is one way to achieve explosive growth in instant traffic. However, Prada's localization model in China is facing a crisis, and Prada's vegetable market is a cross-border marketing campaign made by Prada in collaboration with Shanghai's online market, Wuzhong Market. During the event, the appearance of the bazaar was wrapped by a big PRADA logo, like the visual elements of the show. The bag design used the Jacquard pattern released in the new season. During the event, the price of fruits and vegetables, fish and flowers sold in the market remained the same, but the wrapping paper was all printed with Prada's logo. This sense of contrast attracted a large number of people. On weibo, the topic of "Prada vegetable market" was read 1.142 million times and discussed 3292 times by October 11, the end of the campaign [10]. However, just when the campaign was at the climax of the positive reviews, the campaign took a turn for the worse. In some photos that appeared on Weibo, some young people were first photographed holding up the vegetables they purchased, but after turning around and exiting the food court, these people threw the goods into the trash while keeping only the bags. The waste of food and vanity were criticized by a wide range of netizens, and the Prada vegetable market event was discussed with more than twice the heat of the previous peak. Positive online sentiment slipped to 58% from 73% before the event came to light, and negative sentiment rose from 3% to 19%. Prada's reputation as the luxury brand hosting the event was somewhat diminished.

Prada's offline flash mob events in other countries were successful, yet they suffered from a word-of-mouth crisis in China. This is due to the fact that Prada's offline flash events in other countries are mainly located in bakeries in Paris, malls in New York and revolving sushi in Tokyo. The audiences of these offline consumption locations are highly overlapping with the audiences Prada originally wanted to attract. Prada's marketing campaign in China was intended to attract young Chinese consumers, as Parisians buy kosher and Japanese buy sushi as part of their daily life. However, shopping at food markets is not a mainstream lifestyle for young Chinese people, especially in fast-paced cities. With the ferment of social media, most young people who walk into the market are not the consumers Prada originally targeted, but young people who follow the media tend to follow the trends. This marketing method attracts a lot of traffic, but it doesn't appeal to the main target audience. The uncontrolled behavior of these groups' leads to undesirable negative fermentation. Prada originally wanted to achieve through the viral spread of social media localized marketing has caused the failure of the results. This shows that Prada did not do enough localized market research, and did not match the target audience.

5. Suggestions

5.1. Offer Differentiated Marketing Strategies for Different Platforms

Prada needs to increase the differentiated presentation of its platforms. Prada needs to focus on the strengths and audience groups of each platform and develop different digital marketing strategies. TikTok is the main activity platform for the younger generation. Prada needs to establish new cooperation with young bloggers. As an example, Prada can use the offline interactive activities of head bloggers to promote the consumption of the younger generation. The brand could invite bloggers to follow the latest Prada-themed hashtags and initiate invitations for users to participate. Prada also needs to focus on differentiation before and after the platform campaign. Differentiated operations can effectively turn campaign buzz into actual sales. For example, Prada can refer to Tencent's differentiated operation in the luxury flat brand show campaign. Before the start of the live show on Tencent's platform, Prada can unveil the exciting preview of the show with the help of WeChat mini-video and so on. This helps Prada capture users precisely in the information flow. On the day of the live broadcast, Prada can achieve a short time big exposure with the help of Tencent video. After the event, Prada can combine the habits of new generation consumer groups to create hot play, such as emoji packs.

5.2. Integrated Digital Marketing

The integration digitalization of luxury goods is a complicated process. The digital transformation of luxury goods is not just from offline to online, from stores to outlets, but needs to integrate a new integrated user ecology. The behavior trajectory and consumption logic of consumers integrated into this ecology is the key to integrated marketing. Prada can use the multiple services of China's digital platform to achieve the integration of online and offline. WeChat's circle of friends, video number, etc. can realize to divert a large number of users. After that, WeChat's small programs and public numbers can help ferment the content. Based on consumers' tendency to search for content and consumers' comments, brands can be informed of consumers' purchasing decisions. A lot of online marketing can help the brand to attract traffic from online to offline.

Prada also needs to channel offline to online, and it can establish a more convenient payment method based on Chinese consumers' payment habits. Due to the development of the logistics industry and electronic payment industry, many foreign e-commerce companies such as Shopbop, Farfetch and Amazon have opened cross-border transfer and support the Alipay payment business, Prada can cooperate with domestic and foreign payment industry and logistics industries to integrate the payment path. This will help solve the problem of difficult payment and pickup for online users. At the same time, Prada needs to focus on improving the quality of customer service for online services,

so as to ensure the uniformity of standards for luxury brands online and offline. All these ways help Prada to better divert offline users to online.

5.3. Increase Localization Characteristics

PRADA needs to avoid unconscious reference to its own cultural values in the process of multinational marketing. Prada should always maintain a high degree of cultural sensitivity and improve the cultural adaptability of the brand. PRADA can refer to Gucci's innovative localized customization service. Through the DIY customization service, customers can personally participate in the process of making Gucci handbags for the Chinese New Year. Users can choose their own accessories to show their own personal style of Gucci handbags. This shows the brand's sincerity and captures the consumers' demand for self-expression. Most importantly, PRADA needs to conduct detailed localized market research and listen to the voice of local consumers.

6. Conclusion

Based on the current context of widespread digital media and constant challenges to traditional channel marketing strategies, this paper examines the strengths and weaknesses of luxury brand Prada's current digital marketing and offers suggestions for optimization. Prada was late to launch e-commerce in China, but Prada has proven that it can reinvent itself in the digital age. Over the past few years, Prada has taken many steps to increase brand awareness and user loyalty in the Chinese market. Prada has partnered with a large number of Chinese e-commerce platforms for digital marketing and has continued to enhance the online store experience. However, Prada's revenue has not shown an advantage over other brands. The study found that Prada did not segment its digital marketing in China according to the characteristics of different platforms in terms of platform segmentation, nor did it make the most of differentiated and integrated marketing. In addition, because Prada has not fully grasped the Chinese market environment and human characteristics, it has caused Prada to deviate in catering to localization. In the coming years, Prada should make good use of the communication methods and communication characteristics of different digital platforms to create and maintain a good user base from different platforms. Secondly, Prada needs to establish an integrated online and offline integrated marketing model, so as to give consumers a complete luxury consumption experience. Third, Prada needs to increase product marketing that is more relevant to Chinese habits and introduce more personalized experience models. This study aims to help luxury brand Prada to re-examine the characteristics of Chinese consumers in order to better understand and approach them through digital means. The limitation of this paper is the high level of subjectivity. The analysis and arguments in this paper are subjective due to the researcher's research approach of using mainly inductive studies for analysis. In future research, the researcher expects to use a combination of qualitative research leading to more in-depth data analysis, for example, by developing questionnaires to interview consumers. In the future, there is much room for deepening and developing digital marketing theories, and therefore the researcher expects to conduct in-depth research through new marketing theories to help luxury brands address digital challenges.

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