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Introduction

Having long questioned whether and how digital channels create value for luxury brands, and cast doubt on technology's role in brands' strategic planning [14], both academic experts and market analysts now recognize that these new channels can have decisive impact on the success and downfall of luxury brands. In less than two years, Burberry's Facebook fans have grown from 600,000 to more than 12 million, accompanying the brand's impressive revival [1]. Digital channels are credited with influencing more than 20% of luxury sales [2] and although online sales only represent 5% of total sales as of 2014, some analysts suggest that digital could be "the next China" for the luxury industry, adding \$43 billion in sales through 2020 [14].

16.1 Should Luxury Brands be Afraid of Digital Channels?

Although the figures above suggest a bright future for luxury brands, there is a distinct lack of understanding when it comes to leveraging digital channels that leave luxury managers unarmed. For many managers, a limited comprehension of the nature of digital channels forms a psychological barrier preventing them to integrate them into the brand's strategy. This section briefly reviews three primary factors that have slowed down the adoption of digital channels by luxury brands and provides ways to address each of these reasons.

The first lies in the multiplicity and complexity of digital channels, from search engines (e. g., Googlesearch, Baidu) to social media platforms (e. g., Facebook, Twitter), and sites that allow consumers to instantly interact through texts (messaging platforms) or express

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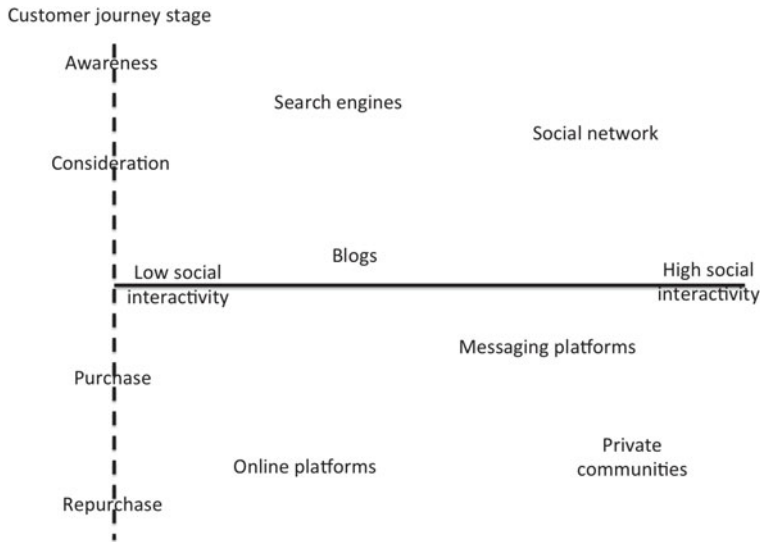


Abb. 16.1 Sample channel mapping as a function of channel interactivity (X axis) and customer journey relevance (Y axis; positions of channels will vary by time and target market)

themselves (blogging platforms). Consistent with most textbooks, I use “digital channels” to refer to the whole range of interfaces available to brands, including search engines, social media platforms, messaging platforms and blogging platforms. Confusion often arises as to how such channels differ and how luxury managers can best integrate them into their strategies. To assess the relevance of each platform for a given strategy, it may be useful to map target channels along two dimensions: (1) level of interactivity; (2) relevance in the customer journey (see Abb. 16.1 for sample mapping).

The second reason stems from the confusion between interfaces (e. g., social media or search engine) and media (e. g., mobile vs. desktop). While both are important to initiate and sustain relationships between brands and consumers, they do so in different ways. The nature of the interface impacts the type/stage of the relationship forged between a luxury brand and its consumers (e. g., initiating vs. deepening a relationship) and is of primary importance during strategy building. The nature of the medium impacts the quality of interaction between a luxury brand and its consumers (e. g., faster or slower connection, format) and is of primary importance during strategy execution.

Finally, there is also a widely held perception that social media does more harm than good when it comes to luxury brands [4]. Put simply, the proximity created in social media can weaken the prestige associated with luxury. Indeed, brands spend a lot of time creating perceptions of scarcity (e. g., exclusivity in retail, being in a remote location). Digital channels can be seen at odds with this objective by creating proximity between the brand and consumers. To overcome this challenge, some luxury brands can attempt to recreate distance through digital channels. For instance, Hermès’ website consists of a virtual mosaic leading

consumers to discover product information in a mysterious manner. Other brands favor indirect communication and rely on a dense network of brand spokespeople or bloggers to bring the brand “digitally alive”. Swarovski, for example, partnered with four international fashion bloggers to advertise its spring 2014 jewelry collection and boosted its online awareness through an innovative campaign dubbed #SwarovskiLook, involving Australian blogger Amber Renae from The Style Engineer, Spanish blogger Priscilla Betancort from My Showroom Blog, Hong-Kong blogger Mayo Wo, and US blogger/stylist/designer Jenny Bernheim from Margo and Me. Each shared different perspectives on the new collection.

16.2 What is the Role of Digital Channels in Luxury? A Status Perspective

Digital channels are, quite simply, a game changer that luxury brands cannot ignore. There are 3.5 billion searches per day on Google. Between 2013 and 2014, the number of social network users increased by 18%, reaching 1.73 billion people [10].

So how can luxury brands systematically integrate digital channels into their strategies? It’s worth starting with the observation that luxury strategies consist in creating, communicating and selling status perceptions [9] – in other words, they largely mirror the need to assert one’s status within a social group. Not only products (e. g., watches or handbags) or names (e. g. logos), but even words and music can progressively take on a status dimension as they become accepted and valued by specific social groups.

However, brands can attract undesired associations that endanger their role as arbiters of status and style. For instance, the Burberry brand, founded in 1856, gradually gained its high-status credentials in the first part of the 20th century. The so-called “trench coat”, originally designed for British army officers, further gained in status from cult films in which it featured (worn by Humphrey Bogart and Ingrid Bergman in *Casablanca* (1942), Audrey Hepburn in *Breakfast at Tiffany’s* (1961), and Peter Sellers in the *Pink Panther* films in the 70s). In subsequent years, however, Burberry slowly lost its elite status. The brand was successively adopted by soccer players, soap actors, and pop musicians and acquired associations of thuggishness. It was not until Christopher Bailey was hired in 2001 as creative director, and with the subsequent appointment of Angela Ahrendts as CEO in 2006, that Burberry progressively regained its status. Strategically, the brand successfully managed to combine its proud heritage and British identity with a modern, hip and fashionable touch. In terms of execution, the logo became more discreet, and Burberry embraced digital channels as a primary way to communicate the brand values. Burberry perfectly illustrates the notion that luxury brands gain and lose status overtime, and that successful luxury strategies involve creating (or reengineering in Burberry’s case) status perceptions. In addition, it shows how luxury brands can manage their status perceptions by embracing digital channels.

Digital channels are particularly important for premium and luxury brands as status associations emerge from interactions among consumers, brands, bloggers and retailers.

Discussions on Facebook over what is fashionable, comments or ‘likes’ on YouTube videos and other online interactions fuel the development of promising trends and new status signals (e. g., new styles, artists, places). Whether these ultimately achieve high-flyer status is increasingly nested in online settings. The effectiveness of digital channels in initiating and spreading word-of-mouth about new trends stems from their ability to foster instant communication via text, image and video – an effortless sharing of information about what’s fashionable, cool and stylish to others. The world is being drawn into an ongoing online dialogue about what is, or is becoming, or is no longer considered high status.

Since status is essentially a social construction, digital channels are strategically important to luxury companies. Consistent with this perspective, recent research [12] suggests that consumers are particularly keen to discuss premium and luxury brands online – presumably because it is more exciting to share information about products and services with status associations than about other products. Essentially, digital channels can influence a luxury brand’s success (or failure) in that they have become arbiters of high status by accelerating word-of-mouth about what has or lack status.

16.3 Status Identification, Positioning, Formation and Protection through Digital Channels

How can managers successfully integrate digital channels into their strategies? This section proposes that luxury strategists can derive status benefits from digital channels in four respects:

- a. Status identification: using digital channels to identify online emerging status associations and leverage these for the benefit of the brand.
- b. Status protection: using digital channels to protect the brand image by monitoring potential threats and actively responding to online conversations.
- c. Status positioning: using digital channels to create /co-create and disseminate content with influential digital actors through social media platforms.
- d. Status formation: using digital channels to garner and reinforce status by developing and sustaining online communities.

To determine what amount and type of resources should be dedicated to each of these objectives, luxury strategists should assess the timeframe (short-term vs. long-term) in which they expect the strategy to yield brand benefits, and how far the brand aspires to be active on social media (Abb. 16.2).

While some situations require brands to focus on being reactive (simply monitoring and reacting to online conversations), other situations require a more proactive stance, pushing content out to social media, e. g. by developing and spreading new content on digital channels. The rest of the chapter briefly describes each strategy and provides vivid examples of luxury brands that have successfully used them.

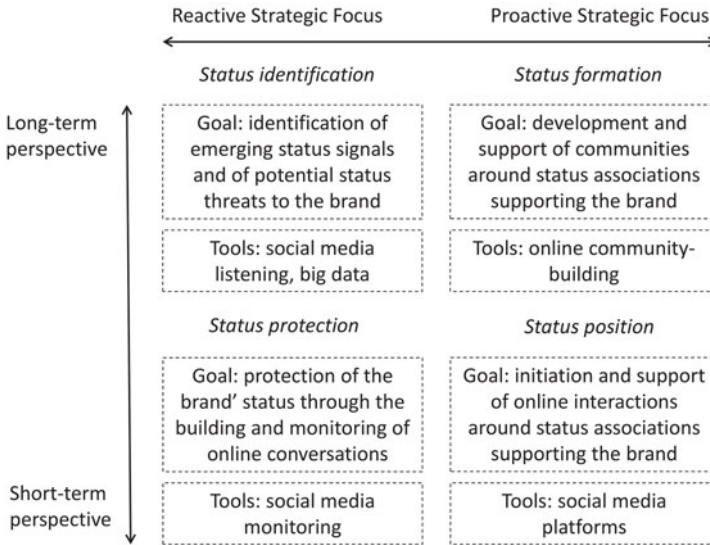


Abb. 16.2 Digital competitive advantage framework

16.3.1 Status Identification

Understanding how status and fashion tastes emerge is of paramount importance to the creation and communication of luxury products. As indicated above, digital channels can provide instant insight into what’s popular and valued simply by analyzing the aggregate number of social media mentions (e. g., Facebook posts, tweets) and their relative success, or by tracking the intensity of online searches (e. g., for popular destinations, products). This explains why an increasing number of luxury brands are turning to external providers to “listen” to digital channels, from tracking the evolution and nature of online searches about particular words to analyzing the content of millions of conversations on social media platforms such as Facebook, YouTube and Twitter. These serve as digital dashboards that yield information that can be deployed either to avoid value destruction or encourage value creation.

In the first instance, a brand might learn about unwanted associations with one of its products or services. For example, a recent scandal involving high-level Chinese officials being offered (or offering) luxury watches resulted in negative word-of-mouth about certain brands shared on platforms such as Sina Weibo and RenRen, potentially damaging the brands’ image among Chinese consumers. Brands that listen to online conversations in real time are alerted to potential undesirable associations (such as the luxury watches scandal) and can react more quickly to the threat, and take preemptive action if appropriate.

In the second instance – where social media listening uncovers desirable associations – brands can use digital channels to encourage these to spread. Indeed it may even open up

an opportunity to ‘piggyback’ on an emerging trend by developing a new products. In a recent successful integration of social media listening, L’Oréal Paris uncovered a mounting interest in graduated hair colouring – dubbed ombre – over the course of several months [4]. Both quantitative insights (increase of search volume on Google Trends) and qualitative insights (increase in user-generated videos on YouTube) confirmed that a significant number of young consumers considered the ombre hair to be more trendy than other styles. On digital channels, teenage girls expressed a desire to try this hairstyle and admiration for those who knew how to execute it by expressing their intent to replicate the hairstyle or posting videos of how to execute the hairstyle. Put simply, many signals suggested the new ombre hairstyle had a high status potential: consumers wanted to be associated with this trend. L’Oréal Paris’ managers communicated this information to both the Marketing team, who looked at segmenting and targeting the market, and the R&D team, who designed a new brush to apply the product as it was clear that consumers lacked a simpler tool to achieve the desired look. The strategy yielded double-digit percentage growth and contributed to increasing L’Oréal Paris status brand among young consumers.

How best can luxury strategists listen to customers online? Novel tools from listening platforms such as Digimind, iSentia and Radian 6 offer a means to track what people do online and provide quantitative estimates of trend-setting products and practices. Many external trackers provide “word cloud” analytics, visual representations of key words (e. g., “trendy” or “fashionable”) found in social media mentions (e. g., Facebook posts or Tweets) associated with a brand (e. g., L’Oréal Paris). Other tools include trend trackers of what set of words people type when searching for products (e. g., “Vuitton” and “pink bag”) and can help identify novel associations.

While social media listening tools might differ on their ability to extensively incorporate data sources, or the level of advice in designing the listening strategy, two criteria are particularly important to any social listening initiative. First, the luxury brand should carefully define its goal(s) so that it listens to the “right” platforms and the “right” customers, e. g., deciding whether to tap Twitter, Facebook, LinkedIn etc. Second, any insight or trend observed on social media should be backed with additional data to confirm or disconfirm the trend, for instance with search data (e. g., Google Trends). That is, if there is real interest in a new topic, more and more people should be searching for it.

Highlights: Digital channels provide an opportunity for luxury brands to identify how consumers and other stakeholders talk about them and about other brands, and more generally to understand the emergence of novel status signals or practices. Luxury brands can take advantage of this in two ways. First, strategists can identify potential threats to the brand and take action to alleviate these threats (such as moving away from sensitive or unwanted associations). Second, they can identify potential desirable status associations and capitalize on them, e. g., by launching a new product, possibly incorporating other forms of novelty into the brand’s know-how.

16.3.2 Status Protection

Among its various assets, the image of a luxury brand and the values it conveys form the core [12]. Thus, preserving and enriching the brand image are a priority for luxury managers. Among the many threats that can damage luxury brands' image, unwanted associations can be the most damaging to its prestige. For instance, animal rights campaigns significantly damaged the fur industry in the 1980s; the market shrank dramatically and recovered only after 2000 (sales rose 70% between 2000 and 2010 to exceed \$US15 million annually). In the example cited earlier, following corruption charges related to gift-giving of luxury watches to Chinese officials, imports to China fell more than 15%.

Crises can also be brand-specific. In 2012, a protest campaign on Facebook calling for a boycott of the Italian fashion house Dolce & Gabbana (D&G) mobilized over 1,000 supporters in Hong Kong after a security guard prevented locals from taking photographs outside its flagship store in Tsim Sha Tsui, forcing the store to shut down early. The protesters' anger was in part prompted by a D&G statement – rather than an apology – that “Our company did not take part in any action aiming at offending the Hong Kong public.”

What was wrong with that corporate response? Online consumers who engage in social media expect their partners – be they other consumers or brands – to follow a set of basic conversational rules [11]. These rules describe the features of “well-functioning” social interactions, such as being relevant, contributing quality content, and avoiding obscurity or ambiguity. Looking back at D&G's response reveals the brand failed to directly answer the object of protesters' anger – that brand prevented locals from taking pictures.

Digital channels constitute a powerful tool that can be used to defend a luxury brand image, or, more generally, the values a brand stands for. As the D&G example shows, luxury brands must abide by the conversational norms that guide online interactions with customers and other stakeholders. They should establish a typology of content (e. g., a categorization of different types of tweets by themes or format) and templates to respond to each type. In addition to defining and adopting conversational rules, luxury brands should also anticipate online crises and work on implementing a systematic process to handle potential crises and protect the brand image in the event of a crisis. Research suggests a good answer involves creating a message that touches on four critical dimensions: 1) empathy (i. e., communicating that the brand cares about the message's target) 2) competence (i. e., communicating that the brand believes in its image and values) 3) commitment (i. e., communicating what the brand is doing to other to address the crisis) and 4) transparency (i. e., regularly communicating about the progress made by the brand in the crisis resolution; see [3]).

Highlights: digital channels provide an opportunity for luxury brands to protect the brand image in online setting by engaging in conversations with customers and other stakeholders. Luxury brands can take advantage from this opportunity in two ways: first, luxury strategists can define a conversational guide to help engage in two-way interactions exchanges online with a systematic tone of voice and reactions (for instance, interacting with customers on a Facebook page). Second, luxury strategists can anticipate online crises and mitigate potential negative impact of these crises by engaging in scenario-planning and

defining potential response to these crises (for instance, preparing a set of pre-defined tweets to respond to scenarios likely to arise).

16.3.3 Status Positioning

The growing importance of digital channels has put power in the hands of diverse stakeholders – bloggers, customers – who now largely influence what is viewed as fashionable or as having status. In response to this de facto power shift, brands must negotiate their luxury identity with increasingly influential online stakeholders while preserving their unique cachet. This means thinking about how their current positioning is linked to the ongoing online conversation about status. Strategically, they must negotiate a triple “deal” with digital actors to communicate their position in the online sphere: an image deal (how their image will be represented), a content deal (what content will build the brand story) and a people deal (with those who will help communicate their values). Each dimension represents a strategic area for growth that luxury brands need to manage, balance, and constantly redefine in order to succeed.

The new image deal. With customers posting brand images on Facebook and tweeting about brands, the digital revolution spawns more fragmented, multifaceted impressions of luxury brands, often generated by consumers themselves. As a result, brands run the risk of being misrepresented (e. g. an Instagram image featuring a Vuitton bag with flashy clothes) or overrepresented (e. g., an important number of tweets about Hermès undermining its exclusivity). In order to anchor their status positioning, luxury strategists should encourage content that complements and connects with organic impressions (as opposed to contradicting them or staying disconnected). Burberry’s Facebook page, for example, while product-driven, features music influences. Similarly, the Mulberry blog is lifestyle-driven, with posts related to styling influences, travel stories, events and even recipes – especially those that are more affordable. This drives traffic to the e-commerce platform, encourages purchases, and generates revenues.

The new content deal. To structure their communication through digital channels, luxury marketers need to acquire a set of publishing skills ranging from content creation to content curation and dissemination. Brands need to consider their presence on digital channels in the same way as a publisher that produces regular, high-quality content. For instance, Net-a-porter, the online fashion retailer, offers a more editorial approach to shopping via its in-house trend magazines, net-a-porter TV, and an official hashtag (#THENETSET) on their Instagram account for customers to post their latest purchases from the website.

The new people deal. The digital world has leveled the playing field; in some instances bloggers rather than brands hold sway and can count followers in millions. Fashion editor Anna Dello Russo has over 430,000 followers on Instagram (compare that with retailer Neiman Marcus with 330,000). Model Cara Delevingne has almost 5 million followers. Blogger Chiara Ferragni, who also has her own line of shoes, has an audience of over 2 million.

In this context, luxury brands need to learn how to co-create stories and co-communicate their values with these powerful personalities, for instance by inviting famous bloggers to fashion shows and fittings. Brands must carefully select personalities in line with their positioning, and whose followers have the right demographic profile.

Opening the door to influencers has also opened up opportunities for co-product creation. For instance, Shoesofprey.com, an Australian company that gives consumers the ability to digitally design their own shoes in 3D, has put the process in reverse path by offering their customers the opportunity to interact with 130 physical swatches of leather in David Jones' flagship Sydney store.

Highlights: Digital channels provide an opportunity for luxury brands to build their status positioning by negotiating the way image is communicated, the content the brand pushes, and who is associated with communicating its values and culture. They can take advantage of this opportunity by associating consumers with the promotion of the brand's image, developing publishing skills to disseminate content, and leveraging bloggers' influence to strengthen the brand's positioning.

16.3.4 Status Formation

As a reservoir of insights for luxury brands as well as a communication tool, digital channels represent a powerful means to form and strengthen relationships, from romantic relationships (e. g. Meetic) to business relationship (e. g., on LinkedIn). A large part of luxury brands is nested in cultures, and cultures live through communities, so to form an online community that will fuel love and develop loyalty among consumers. At an abstract level, communities consist of three key building blocks that luxury brands should create.

A community jargon: words or expressions – more or less polished – that link people via a common understanding of their underlying meaning (e. g., Burberry's reference to "the art of the trench coat"). To foster the use of a common jargon around a brand culture, brands can use the rich linguistic toolkits offered from social media, from hashtags to posts and to YouTube likes. For example, Gucci, the most popular luxury brand on Instagram (2014), shares photos that vividly showcase the Gucci lifestyle and create a common iconographic jargon. Gucci's Twitter account uses hashtags with dexterity, inserting itself into common vernacular and trending themes and drive interest to the brand's website.

A set of community motives: this refers to present the set of goals unifying community members when interacting with one another. To articulate and develop consumers' motives around a common theme and culture (which should be close to their core), luxury brands can leverage user-generated content. Consumers curating for other consumers is a huge trend. While Ebay.com and Amazon.com's Marketplace were the first players in the C2C market online, the luxury and fashion world have embraced these new forms of content creation. For instance, Polyvore.com enables consumers to curate products from any e-commerce website into a mood board or trend report, which others can then also click and buy. Boutine.com further enhanced this concept by enabling consumers who create

such boards to earn a commission if it leads to a click and purchase. Ador.com enables customers to “adore” products, and then depending on how active the members are on their website in posting articles, earn PTZ points to drive prices of products they “adored” on the website down. They also receive notifications when that happens to encourage an “adored” purchase. These kinds of community-driven purchases engage consumers on a content platform that is interactive and self-driven.

A set of community rituals: the codified interactions during which people will develop and share content and bond. In order to develop rituals, luxury brands can develop a platform that facilitates interactions and invites customers to interact with one another. For instance, Mercedes launched ‘Generation Benz’, an online community aiming to connect and educate brand advocates among under-35s. To create a sense of community, Mercedes created a number of opportunities for members to get to know each other and celebrate the brand’s values and culture, including sponsored events, trips to Germany for pre-product launch feedback, tickets to the US Open, and a Mercedes-Benz fashion week. In a model similar to Sephora’s online platform, community members were invited to online weekly chats with Mercedes executives to develop an ongoing dialogue between customers and the brand.

Highlights: digital channels provide an opportunity for luxury brands to actively support the formation of status associations around their brands by engineering activities around the brand culture. The luxury brands can take advantage of this opportunity by creating an online community of consumers based on three building blocks: the formation of community jargon, motives and rituals that all support status associations with the luxury brand.

16.4 Conclusion

In the fast-changing digital environment, new platforms and practices are constantly emerging. Although no one doubts the potential of digital channels to disrupt all stages of luxury consumption – from awareness to consideration and purchase – it is just as certain that new ways to leverage digital channels will arise for the luxury brands in the coming years. Importantly, there is first-mover advantage: luxury brands – like Burberry – that have seized the opportunities and integrated these new channels into their strategy without diluting the brand values have reaped significant benefits. However, the “right way” to engage with digital channels is not easy to articulate, and is to a large extent brand-specific. All the more reason for luxury brands to start experimenting and engaging sooner rather than later, and craft a digital strategy to stay ahead of competition.

16.5 References

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