

# Digital Transformation of Luxury Brand Marketing in the Context of e-Economy

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**Abstract:** Under the new situation, China's luxury industry is already facing various problems. Consumerism has waned, and the structure of the consumer base is changing--millennials are entering the luxury market, and e-Commerce and digital marketing models are spreading. The development of the luxury industry is in dire need of a revolution. This paper analyzes the necessity and path of digital transformation for luxury brands in the context of the continuous development of the e-Economy. This paper argues that with the younger generation of consumers and the online transformation of consumption patterns, luxury brands need to change their traditional concepts and establish a digital marketing mindset. This article suggests that luxury brands should cater to the tastes of new groups in pursuit of individuality, use new technologies such as NFTs, launch co-branded products through live broadcasts, carry out "sinicization" reforms, gradually get rid of the traditional "aristocracy", adapt to the new market environment, and make luxury goods become popular works of art in the future.

## 1 INTRODUCTION

After the wave of consumerism subsided, people's consumption concept became more rational and pragmatic, while long-term home working has contributed to the deepening development of online trade. With the rapid development of e-Commerce in China, many luxury brands are speeding up on opening the Chinese market, but at the same time, there are also conflicts between the positioning of some luxury brands and the e-Commerce economy. Around the world, Gen Z and millennials are growing and are gradually becoming the main force of new luxury consumption, whose aesthetic, worldview, and outlook on life are also forcing luxury brands to make changes that match The Times. At the same time, with the development of digital technology, many top luxury brands have expanded into the primordial realm of business, which may seem like a bubble to some outsiders, yet this is not the case in an economy where 18 to 34-year-olds are expected to account for 50% of the luxury market by 2025. The development of luxury games, digital products, etc., may make young people more accepting of luxury brand culture, which can encourage them to consume luxury goods. But when the electronic economy and the Chinese Internet metaphysical culture combine, some factors

that are very conducive to the development of luxury goods have emerged. The electronic economy brings both opportunities and challenges and in turn, luxury goods also promote the development of the electronic economy. Therefore, with the change in market development background and the trend of younger consumers, the luxury industry should further seize the development opportunities to meet the development challenges. Based on this, this article analyzes the challenges faced by the luxury industry and its influencing factors and analyzes the strategies for its development on this basis.

## 2 NECESSITY OF TRANSFORMATION AND THE GENERAL DIRECTION

### 2.1 Social Environment and Changing Concept

After the COVID-19 pandemic, the dramatic transformation of people's consumption concept has promoted a new round of revolution in the fashion circle. Due to the pragmatic consumption concept, people now prefer more neutral, more casual, and more sporty wear. This could cause extensive damage

to the luxury industry, which is entirely based on traditional consumerist ideas. The high-profile facade, the luxurious interior decoration, and the attentive reception of the waiters. All these measures aimed at creating an atmosphere of elegance and dignity are no longer competitive in this new environment. How to guide young consumers into the luxury decoration style and extremely high standards of service in physical stores is what to think today.

In the current prevalence of feminism, more women recognize the diversity of beauty. Women are no longer shackled by consumerism and appearance anxiety and instead seek to show their beauty and true selves. Based on this, luxury goods are also making corresponding strategic adjustments. Some sales of luxury goods started to release photos of ordinary consumers wearing brand clothes on social media. To some extent, these pictures become the motivation for other consumers to purchase, because compared with those celebrities, the successful dressing cases of ordinary consumers can make people think that they can also wear fashion effects. In doing so, brands cater to a shift in consumer thinking.

Meanwhile, luxury marketing in the context of e-Commerce is also facing challenges from the concept of environmental protection. The transportation of goods between offline stores and warehouses is bound to consume transport packaging and generate carbon emissions (Thompson, 2021). Moreover, the excessive packaging of luxury goods may cause some people's aversion, not to mention that the new generation is more aware of sustainable development.

## 2.2 New Consumer Group

Combined with the change in the main consumer, the luxury industry has to cater to the new tastes of the millennials who have a lot of access to the Internet, especially Instagram, WeChat, Little Red Book, and other social media. They are more willing to express their individuality, and cool culture and subculture have become a mainstream culture among young people, which is different from the traditional luxury culture. When designing digital marketing ideas, more consideration should be given to their new aesthetic and the actual needs of the new generation of consumers. Not only is it about personalizing the product but also thinking about the value they want to get from luxury (Okhmatovskiy, 2023).

What's more, since women have long been the main buyers of luxury goods, it is important to attract more male customers using what men are interested in, such as metaverse, NFT, and gaming. Many

international stars and Internet celebrities have been sought after by many fashion bloggers because of their luxury and fashion wear, and professional jewelry designers have also begun to popularize the necessity of men wearing jewelry on the Internet. This "Walking Hormone" trend is gradually breaking the stereotype that men look feminine when wearing jewelry. In a study of the Korean market, it was found that men are more into luxury NFT products than women, which can help attract more male consumers (Sung et al, 2023). This, to some extent, has triggered the development of luxury goods in the field of meta-universe and NFT and unexpectedly achieved a nice result. For example, Bulgari's NFT advanced necklace *Beyond Wonder* uses sophisticated techniques to set precious stones, yet some miraculous details can hardly be aware of. Thanks to the NTF can people appreciate it as real beauty. NFTs can provide assurances for copyright and ownership of digital items, verify transaction transparency, and authenticate digital art using blockchain technology (Sung et al, 2023). Consequently, NFTs have become distinctive, verifiable, and easily tradable digital assets. Since the time of Louis XIV, technology has perfectly demonstrated its great driving force for innovation in the luxury industry, and the development of the meta-universe of luxury and NFT is the product of the Internet 3.5, Industry 4.0. Games, as a new channel to reach sales goals, are more like a side business that can be used to motivate consumers to buy. The four sets of skins sold by Balenciaga on Fortnite and Gucci Bee, and Gucci Grip games produced by Gucci are typical cases. The sense of accomplishment players get from their virtual characters can guide them to get immersed in the game, and the dependency generated will allow them to engage in relevant community discussions and transactions between players, which will ultimately lead them to the luxury world and begin to consume them (Milanesi et al, 2023). Therefore, luxury brands can create a complete game system on the e-Commerce website to deepen their independence and uniqueness.

## 2.3 The Popularity of Digital Marketing

While the traditional physical store business model is breaking, people are more aware that the online marketing model could bring people great convenience, and consumption patterns have already evolved. The huge market of e-Commerce has

already attracted various brands. Since the underlying logic of business has already changed, that is, from operating products to operating customers, luxury brands have to capture and hold their market, or, they will never be able to attract new consumers, which could lead to a loss of old customers (Li, 2024).

Digital media is a huge draw for millennials, and millennial attitudes have led to the popularity of social media. Social media such as Instagram, which has long been an important platform for millennials to discover fashion trends, is being used by luxury brands and Internet celebrities. Small Internet celebrities with less than 50,000 followers have higher fan loyalty on the contrary. Therefore, updating brand marketing strategies according to the characteristics of today's social media information dissemination has become an important trend for brands to achieve information development. For example, many fashion brands have found that instead of paying high prices for celebrities' push, it is even better to find lots of small influencers to promote their products. Virtual influencers, meanwhile, are gaining luxury brands' focus, such as Noonouri, who appeared in a video having breakfast with VOGUE's creative director, and Miquela Sousa, who was signed by Prada. Advertising agencies have developed new businesses as a result, for example, Publicis Omnicom has reluctantly started preparing scripts and marketing services for influencers, which is a combination of Internet celebrity and luxury brands realized by artificial intelligence technology (Thompson, 2021).

### **3 ATTEMPTS AND SUGGESTIONS TO INNOVATE LUXURY BRANDS**

#### **3.1 Develop Online Sales Channels**

First of all, it is necessary to focus on broadening sales channels and making full use of the advantages of social media to develop online marketing strategies. Many corporations, for example, the Channel, have developed online shopping channels. Channel is, to some degree, a brand that deeply implements the classical concept of luxury circle while other brands such as Louis Vuitton, Dior, and Yves Saint Laurent, have more business online. However, some limited, one-to-one private orders are still been restricted in physical stores, some even are regionally limited. At the other end of the spectrum are Ralph Lauren and Tommy Hilfiger, whose

products are relatively inexpensive. Balancing the accessibility and inaccessibility is what to do in this new business climate. The means to show products are not ameliorating either. Some customers are not used to one-on-one guidance services. These could propel consumers to check the price and compare products carefully online before offline purchases. Therefore, the online display should be meticulous enough to attract consumers (Akram & Lavuri, 2024). Accessibility in e-Commerce was found to have a slight significance on luxury (Pulli, 2024). When consumers view Prada Re-Edition handbags on shopping platforms, they can rotate the model to get a 360-degree view of this exquisite luxury. This technology of displaying products provides a richer shopping experience. As a result, luxury brands can take full advantage of the possibilities of information technology in online sales channels and highlight the advantages of their products.

#### **3.2 Cooperate with E-Commerce and Second-Hand Trading Platforms**

The development of some large luxury e-Commerce platforms that integrate multiple resources is a chance for luxury brands to expand their business. These platforms are now providing buyers with the same emotional value in the shopping process as offline has become an important means of attracting customers. With Jingdong's provision of the "JingZunDa" service, consumers can pay an extra 99 RMB to enjoy a series of private services such as the delivery of goods by a chauffeur, which meets the psychological needs of the middle and senior groups of customers. This is a case worthy of reference for luxury brands that want to expand their online marketing market.

Under the new consumption pattern of luxury goods triggered by the sharing economy, the second-hand luxury goods sales, rental, and authentication industries are booming. Some of those who endorse conspicuous consumption simply want to post pictures on social platforms like Instagram or WeChat moments of them driving luxury cars or checking into a luxury hotel wearing a fancy dinner dress (Ruiz & Cruz, 2023). Without actually buying these luxuries at full price. This temporary consumption seems bad for the sale of luxury goods, yet the prosperity of the second-hand luxury goods market will eventually affect sales, for example, those businesses selling second-hand luxuries will inevitably purchase new styles. People who regularly rent luxuries will generate the idea of "having a luxury of their own", which can indirectly boost the sales of luxury goods. As a result, brands should strengthen their

cooperation with second-hand luxury goods e-Commerce, or even launch their own luxury rental and recycling business.

### 3.3 Brand Localization and Cross-Industry Track

Based on the common understanding of global brand localization, luxury brands should learn more about Chinese culture and Chinese aesthetics. The choice of models used to endorse products greatly affects consumers' purchase intention. Most Asian people, for example, do not find boob eyes and a flat nose attractive, yet some brands choose Asian models who happen to have exactly these characteristics, which is counterproductive to marketing. These brands do not understand the aesthetic taste of consumers, as a result, they are ridiculed by consumers for not understanding local culture. This is also true of the values that luxury goods want to convey. The 2018 film *Crazy Rich Asians* is a typical case of failure. Many luxury brands competed to sponsor the film to appear in it, hoping that the clothes featured in the film would leave an impression on Chinese audiences. However, due to the differences between Asian culture and Chinese culture, and Chinese people have long been desensitized to the president's literature, the film, which has sold out in North America, has had a poor reputation and box office in China. In 2023, Louis Vuitton released a new edition of the Louis Vuitton Shanghai City Guide, and built a pop-up space by the Suzhou River, one of Shanghai's landmarks, to sell LV books and gifts. LV's "Nong Hao Shanghai" hashtag had received more than 1.78 million views on Little Red Book up till the end of 2023, leading to intense attention and discussion among netizens.

Based on the background of the electronic economy, luxury companies should also expand the cross-border circuit. As millennials and Generation Z comprise the vast majority of Internet users, a variety of young people's favorite IP co-branded products emerge more and more. Fendi cooperated with Chinese milk tea brand Hecha to launch the "Fendi Joy Yellow" tea drink, which is a tribute to the classical yellow DNA, and partnered with Hecha to open a month-long "hand in hand" tea room in Beijing while selling tea based on the traditional Yi spice "maji" seed. This series of events has aroused wide repercussions among young Chinese consumers. The "hand in hand" project, which aims to spread Italy's excellence in craftsmanship, was hotly discussed on social media. This is a successful cross-border cooperation between luxury brands and

the beverage industry, which has a high demand for inspiration.

At the same time, the increasing threshold of cross-border cooperation has put forward higher requirements for luxury companies. As the majority of fashion houses' innovation operations are separate from management functions, designers' ideas need to be approved by executives who do not know much about fashion. Therefore, the reform of senior management to be younger and more professional is urgent. Brand consultants should also be versatile and talented with experience in multiple fields to facilitate the quick search for inspiration in cross-border cooperation. However, the ideas that designers generate while "sitting at their desks" may not necessarily win the approval of consumers, so it is indispensable to listen to the attitudes and ideas of the target consumers when developing new projects.

### 3.4 Innovative Marketing Model

Luxury brands should focus on exploring consumers' preferences and preferred consumption paths. Based on the current trend of continuous development of e-marketing, live streaming has become a form of marketing and sales that cannot be ignored.

Since China's live-streaming ranks first in the world, luxury brands should put their efforts mainly into the field of live streaming industry when exploring the Chinese market, which owns the world's largest online luxury retail industry (Wu, 2023). Establishing real-time communication between live broadcast hosts, co-hosts, and viewers, namely consumers, can effectively narrow the distance between brands and customers. Under the precondition of ensuring that keep the brands' "luxury" attribute, brands can appropriately give up the rules of none price reduction and none discount, such as offering limited-time discounts from time to time to better integrate into the Chinese e-Commerce festival culture, which is also very willing to be seen by the consumers.

Louis Vuitton's first live broadcast on Little Red Book in 2020 is a typical case of failure. Since the decoration style of the live broadcast room was very similar to that of the promotional online store, and the technical restrictions prevented consumers from directly accessing the official website in the live broadcast room, this live broadcast was hosted by famous actresses and Internet celebrities contributed poor sales (Li, 2024). Surprisingly, four years later, in July 2024, the same live broadcast room of Louis Vuitton set a new marketing record for a single live streaming. This time, LV not only uses the

representative of "Cute" culture in China's Generation Z, the "inflatable animal toy", as a collective memory carrier but also provides a novel way of interacting: An 100 minute "resee live broadcast" to the show, online consumers gain a same shopping experience as VICs. Not only can they observe the new products in the early fall of 2024 in HD lenses and detailed lighting, but can also book offline experience quota (Gao & You, 2024). These products itinerant exhibition all around China. According to the cases mentioned above, the luxury sales studio should be different from the ordinary promotion studio by adding the introduction of the craft, brand story, and local highlights which can make consumers feel close. The announcement and promotion before the live broadcast, the resumption, the tour, and one-to-one customization after the live broadcast can also make the live broadcast effect better. This combination of online and offline allows brands to get current feedback from the consumer side to make an accurate estimate of production and more effective inventory management.

#### 4 CONCLUSION

Fashion watcher Miriam Varadi believes that luxury goods, religion, and art have a lot in common: All three aim to give people an intangible value beyond themselves. Art can build a bridge between luxury culture and young people. Art can be as difficult to understand as philosophy, or it can belong to the public. To cater to the tastes of new consumer groups and gradually adapt to the new consumption environment and marketing model is what luxury companies have to do in the new era. In the future, luxury goods should strive to get rid of the traditional "nobility", and become a popular art that is expensive but not too high-profile, elegant but also within reach, and towards a broader market.

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