

Analysis of the Marketing Strategies of Fashion Brands in the Economic Environment of Social Media — Taking Zara and Gucci as Examples

Yuqi Liu*

Shijia zhuang Tiedao Unniverssity, Shijia zhuang, in Hebei province, 050043, China

*Corresponding author. Email: 1095812310@qq.com

ABSTRACT

Fast fashion is getting more and more popular during these years because the fast changing and fashionable designs, such as Zara. Also, luxury brands, like Gucci, add more and more young and new elements in their commodities and distribution methods instead of keeping using classic and original ones. They also conduct network consumption psychological analysis to elaborate how the changes of customers' online shopping psychology could transform a brand's distribution. The analysis results and reasons will be the key point. Firstly, this thesis uses SWOT to analyze ZARA of Inditex, define how a Spanish fast fashion retailer could be a successful global brand during the fast growth of the Internet. From four aspects, namely strengths, weaknesses, opportunities and technologies, this thesis analyzes how Inditex's marketing orientation and logistics transformed and how it works to bring more benefits to enhance shareholders value and brand value. Secondly, the thesis analyzes GUCCI with collected statistical data to indicate digital marketing strategies of luxury fashion brands. Thirdly, the author will outline how Internet consumption affects brand marketing strategies and consumers' lives.

Keywords: fashion brands, SWOT, Internet, marketing orientation, network consumption psychological analysis

1. INTRODUCTION

From the 1950s to the 1990s, the Internet developed at a high speed and tended to be mature during the past decades. Since the 1990s, electronic commerce firms have showed up and become more and more popular these years, such as Wish, Bonanza, eBay, Amazon. Besides the Internet growth, another reason of these electronic commerce firms' development is social media. So many brands and firms put their advertising on Facebook, TikTok and Instagram to improve their brand popularity. This short-video advertising also saves massive costs for the firms. Lower costs and convenience bring more benefits, which is a great deal. This research will, by analyzing Inditex, figure out how to secure consumers purchasing data to catch the tendency designs to satisfied consumers. Luxury brands are also influenced by the Internet.[1]

This thesis proposes a new view of the fashion clothing industry based on a new digital economical background to state the changes and development of marketing strategies. This thesis will analyze two brands

as typical samples to figure out the changes and development of marketing strategies to demonstrate that e-commerce and big data influence our purchasing and marketing strategies a lot and bring more challenges and difficulties to fashionable companies. The thesis will also quote marketing basic knowledge, like Marketing Mix, Direct Marketing, Net-work Relationship-Marketing, Soft Marketing, Integrated Marketing, etc. All these theories are aimed at leading the direction of practice and reform through analyses. Besides, choosing the two brands as samples are meaningful because in the fast fashion clothing industry, Zara became the pioneer to create a new marketing strategy mode to achieve success while Gucci is the first luxury brand referring to personalized customization and earning profits from the changing of distribution.

2. OVERVIEW OF ZARA AND GUCCI

Under the prosperous digital economy, online shopping and social media advertising have influenced customers' consumption behavior and psychology.[3]

Facing this challenge, fashion brands have transformed the traditional distribution mode to attract, retain, increase customers to get through this crisis. This thesis will identify the new opportunities and advise on leading strategic actions. On the other side, the thesis will portray customers' purchasing reaction to collaboration and artistic products. These days, millennials, with low brand loyalty, occupied a great part of the fashion market. Fragmentation of multiple pieces of information about consumption behaviors and purchasing psychology is not stable or easy for a firm to capture, let alone making marketing segmentation decisions. The clothing industry is necessary for human life and also is one of the most important industries in the tertiary industry. During these days, the tertiary industry became the focal point in most developing countries, so, logically, it is literally a huge factor in economic research today. On the other side, with the economic development, research found out that people care more and more about the designs and comfort of clothes and they also want unique and special commodities to satisfy their personal and special asks. Based on these kinds of needs of consumers, both fast fashion brands and luxury brands have made some changes.

Zara is a subsidiary to Inditex, a Spanish clothing retailer that has developed into a huge firm today and proposed the concept of Precise Fashion. Its subsidiaries also include Pull&Bear, Oysho, Massino Dutti, Bershka, etc. Zara was established in 1975 and became famous for its unique designs and fair prices. There are so many fair-price firms, such as GAP, C&A, H&M and so on. However, compared with these famous old brands, Zara's competitiveness in the market is about their special strategies and marketing segmentation. During the maturity of high fashion clothing development, it seems hard for Zara to take a part of high fashion clothing markets as a small brand which was founded later than other brands. Therefore, it enhances its efficiency by transporting its own commodities to every store in the world by air. Zara follows the trend of the development of digital economy and collects data from different stores globally. It also quickly analyzes these data to summarize customers' consumption habits and taste of fashion clothes. The most typical feature of Zara is that it seldom advertises or offers a discount but pays more attention to acquiring customers' purchasing information. It has already known that catching the customers' heart is more important than wasting a great number of budgets on advertising. For Gucci, it also knows that the main customers and their consumption style totally changed because the development of technology and social media. Gucci changed its fashion style to satisfy and attract young customers because consumers prefer new styles and various colors on clothes. As traditional and original Gucci designs cannot satisfy consumers' needs, Gucci is adding more colorful

and typical styles in their clothes designing while maintaining their own style and the core thoughts of designing.[4] Secondly, the most obvious feature of their marketing strategies is the proficiency of using social media and website. Gucci developed its exclusive application to sell products online, which is also a method of strengthening the bond with customers. In addition, it caught the psychology of Gucci's consumers. They paid a lot for clothes or bags but always find the same in the public, so Gucci decided to become the pioneer of personalized customization. It provided this service for Dionysus series of bags at their offline stores and these strategies worked and achieved a huge success.[5]

The two brands have things in common but they use different ways to achieve the ideal. Firstly, these two brands both use the website to figure out customers' needs. But they use totally different strategies. For Zara, as a fast fashion brand, it needs to reflect and react very fast of customers' needs and preferred fashion styles. However, for Gucci, it has more talented designers, so it needs to change the way of contribution and advertise more about its new changes. All in all, they both follow the trend.

3. ZARA'S MARKETING STRATEGY ANALYSIS

Zara takes the vertical integration strategy to enhance their competitiveness in the upstream and downstream chain of fast fashion clothing by controlling the supply chain, special designs and manufacturing. Zara has over 600 designers to devise different styles and designs. This thesis made a SWOT analysis by combining the internal and external environmental analyses to elaborate the situation of Zara.

3.1 Analysis of External environment

From macro, the thesis analyzes the external environment to state the opportunities and threats. During this decade, the political environment is basically stable to promote the development of the economy, so, of course, with the development of the economy, people earn more money and have higher consumption level. So it make sense that consumers have more picky taste in fashionable clothing, and could be one of the most important reasons for the strategies adopted by Zara. Especially, Zara hired approximately 500 designers to design different styles of clothes to satisfy different consumers. That is one of the most important reasons that the taste of Zara's clothing designs and the concept of the brand are totally fit consumers' needs and also are more unique and newer than its competitors. Zara takes the distribution way of "less quantity with more types" and also enhances the delivery efficiency to decrease the stock and reduce the

costs. Zara is a pioneer and also a leading brand of fast fashion, which makes it have more advantages than its competitors. Zara also invests factories to manufacture commodities to reduce and save costs and earn more profits. With these opportunities, obviously, Zara has a strong backup, Inditex, one of the four world's top garment retail enterprises with great potential. These strategies came up from a good financial management theory. Few competitors use the same strategy. Additionally, during these years, Zara obtained many opportunities and strengthened itself, but it also faced more threats, especially in the past five years. As the COVID-19 pandemic hit the whole world, the main distribution of Zara, sales in offline stores, was attacked and influenced a lot. Secondly, though Zara hired a great number of designers, they seemingly always copy the unique designs from high fashion brands, with less styles of their own. So, obviously, the core competitiveness of Zara is weaker. The fast fashion clothing brands all saw Zara's success, so more and more brands are learning from Zara and replacing it, and the threats from its competitors is the main threats. Its costs and prices are 30%–50% higher than most of the European clothing companies because the short-term product delivery routes and time instability.

3.2 Analysis of internal environment

By analyzing the internal environment, this author found that Zara still has many strengths. For example, it has built logistics and transportation enterprises in major European regions, has an inventory turnover of 12 times per year, which is 3–4 times higher than the average of the fast fashion industry. It has established a good production cooperation relationship with enterprises with strong capacity of participating in shares, adopted the "vertical integration" production management mode (strong bargaining power for suppliers and buyers) and a perfect and mature order delivery system, conducted capital turnover and secondary production, etc. Also, Zara has some weaknesses to stop its development, such as the single sales channel (insufficient network sales), shortage of management personnel, unreasonable product prices and poor quality, a high ratio of assets and liabilities, etc.

3.3 The influence of the Internet age on the development of Zara

Through the form of online development, it is easy to figure out that there is a huge shortage in advertising online in Zara's rapid growth but Zara seems to have found this weakness hindered its long-term development. For Inditex, most of its revenue is from Zara, its core brand. Especially, facing the pandemic, most of the offline stores could not open for months, so their income declined 27% in 2020. So, they set online stores to sell their products and they took more pictures

of models who wear their cloths to advertise their commodities. Also, they changed their marketing segmentation and the form of catching the most fashionable designs to create their own unique and diverse clothing styles. They began to have core competitiveness and more and more unique styles of fashion and clothes. They combined the designers, buyers and the sellers to collect customers' purchasing habits and fashion preference data to analyze which kind of fashion clothes consumers want. They use these digital results to let designers device different clothes, and then, let the buyers purchase materials at a low price to save the production costs. That is why Zara can succeed. It uses the digital data collection system from every store in this world. It also analyzes and compares customers' different fashion styles of consumption from different areas. These data from the system decide Zara's designs directly as Zara is a company that lives off customers. Digital economy benefits Zara's development and growth, and on the other side, Zara caught this chance to be exceptional in a great many of brands.

4. ANALYSIS OF THE CHARACTERISTICS OF GUCCI'S MARKETING STRATEGY

Luxury business was also influenced by digital economy and website technologies. Dubis used to conclude six characteristics about luxury: excellent quality, very high prices, scarcity and uniqueness, aesthetics and sensuality, and superfluosity.

4.1 Gucci's channel construction

Gucci's whole channel construction is summarized to three parts: entity channel, electronic channel and Internet media. During the process of customers' purchasing, they not only provide products but also offer high-quality services to attract and retain customers. In 2016, Gucci cooperated with Net-A-Porter to sell 20 new designs from Michele on their platforms. In 2017, Gucci cooperated with fashion e-commerce platform Farfetch and provided the delivery service of commodities in 90 minutes after purchase on website. Also, they put "Gucci Garden" series of products only on official accounts for sale to improve the loyalty and stickiness of consumer groups from different channels. In the big data era, Gucci followed the rapid development trend of e-commerce, explored online channels and Internet marketing services actively. It believed that the young market is gradually playing a more and more important role. First, Gucci built a product online system based on the derivation of mobile Internet by strengthening the product system construction, and realizing the transformation of the product system suitable from tradition channels to mobile website, such as Gucci's application, online

simulation DIY customization service, etc. During these days, millennials gradually become the core customers of luxury and personalized products. So, Gucci has to catch this part of young customers' eyes to enhance its competitiveness against other luxury brands, like Chanel, Louis Vuitton, and Saint Laurent. Also, millennials prefer special and leading designs and street fashion brands but they do not have strong loyalty of brands, so Gucci has to launch more new things to attract their attention. So, facing this situation, Gucci set up a Millennial Advisory Group for its marketing team, and its members are under 30 years old. It focuses on providing product marketing from the digital perspective and developing more personalized experience services for marketing segmentation.

4.2 Network integrated marketing of Gucci

The key point of website marketing is Network Integrated Marketing, a marketing tactic that achieves the ideal of precision marketing with efficiency and low costs through the use network technology. Through networks, consumers play a more active role in participating Network Integrated Marketing. Through the process of network marketing, a firm has to communicate and exchange information with customers to figure out what consumers individualized demands are.[6] It is not only about integrated marketing but also about B2C. A firm should think from customers' perspective and then make products and provide services to set stable, loyal and close relationships with consumers. This marketing strategy also enhanced the difficulty of entry barriers to keep their superior situation. Also, a firm needs to put products in markets to test customers' reflection for products' feedback to enhance the appeal of products and put them in market again and again. Through this circle, a firm will know more and more about customers' consumption taste and customers can gain commodities they want. That is a win-win strategy. Gucci also created official accounts on WeChat, Instagram and other applications to advertise its brand. Every time when new fashion commodities come up or a conference is held, it will put the news on its accounts to let more people know its products and also its brand. Luxury brands mostly started up and focus on Europe, and all of these fashion magazines, like Harper's Bazaar, ELLE, and Vogue are in Europe. They seem to be less popular in Asia and other regions, so Gucci cost a lot on advertising to open and occupy more markets in the world. It signed different but famous endorsers in different areas to spread information of its brand.

4.3 Marketing scenarios of Gucci

Gucci promotes marketing scenarios, expands the traditional "face-to-face" marketing mode to Internet scenarios based marketing mode based on big data, and

provides accurate marketing services based on users' consumption behaviors and demands.[7] For example, customers can personalize the Dionysus, a series bags which are popular among fashion people. Consumers can add embroidery patterns on large and medium sized bags, add decoration or metal parts, and even embroider their own name letters on bags. The embroidery patterns include animals and plants such as butterflies and peonies. The choice of decoration includes crocodile skin, python skin, suede, etc. Finally, the embroidered letters can be decorated with Swarovski crystal. Gucci figured out what its marketing segmentation is and then created new marketing strategies and designs. Its design of fashion clothes is targeted at the young. Gucci added more bright colors and fresh designs — new styles, retro products, full colors and rich details. Gucci also launched co-branded products with many artists on its online stores to attract more young consumers. In the face of Gucci's mediocrity and stagnant sales growth in the past few years, these designs can set up a distinct image for Gucci. As their CEO Marco Bizzarri stressed, "We are striving for market shares. To achieve this goal, we must be purposeful and differentiated."

Through these changes, Gucci is getting better and better in the fashion industry. Till the end of the first half of 2016, Gucci recorded a revenue growth of 3.9%, far higher than the industry's average 1%. On the opposite, Gucci's competitors like Louis Vuitton and Burberry are in a regressed situation.

Under the stagnation situation of luxury commodities, we can see the development of Gucci against this trend. Different from massive luxury brands, Gucci shows more fashion styles, marketing strategies and methods. Under the more complicated environment of new technology, information explosion, fan economy, etc., a new era of lighter and faster luxury commodities is coming.

5.CONCLUSION

Through these analyses, it is clear that for both the fast fashion brands and the luxury brands, if they do not follow the trend and fit in the new technology, they will be abandoned by the young and new world. Especially for clothing brands, obsolescence means an impending disaster. Generally speaking, this thesis analyzes a lot from the marketing aspect, but less from mathematical modeling. For both companies, there can be better development in the future. For Zara, developing stores too quickly is not a good thing. In the future, Zara needs to improve the brand's core competitiveness and unique design style, and Zara can achieve horizontal integrated development. For gucci, companies should have a clearer understanding of luxury goods. The younger generation will also buy the luxury brand. Excessive prices will lose some young customers. In addition, Gucci should increase its stickiness with customers.

Nowadays, most consumers are no longer obsessed with the brand, and their consumer loyalty is low. Gucci needs to pay attention to young consumer groups for better development.

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