

# Will the Covid-19 Reshape the Marketing of Luxury Brands?

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## ABSTRACT

Luxury is internationally defined as “a kind of consumer goods beyond the scope of people's survival and development needs and with unique, scarce, rare and other characteristics”, also known as non-necessities of life. Also, the rapid development of China's economy has brought about the rapid expansion of the domestic luxury market. Due to the epidemic, the global luxury market has been greatly impacted. In this study, the merits of social media were highlighted by the sudden outburst of Covid-19 on the global scale, such as reputation or images, which will catalyze more direct benefits to the luxury brand companies. The major receiver, consumers on luxury goods are classified by three types to qualify the relationship between consumer and suppliers in nowadays market, the inner connection in multiple luxury companies can be further deduced base on public financial reports. In addition, a distinct comparison was drawn to rigorously explore the strategies adopted.

**Keywords:** *Social media optimization, Luxury brands, Marketing strategy*

## 1. INTRODUCTION

LVMH is one of the most prominent French-based corporations that mainly focuses on luxury brands. In 2021 there is a valuation of €329 billion. When looking at the returns on this company, it seems pretty robust, and stated by its financial reports, from 2019 to the first half of 2021, the reported growth on revenue is 56%, and the organic growth in its fashion sector is 81% overall.

Kering is also a top-notch multinational corporation specializing in luxury goods and the biggest rival of LVMH on a global scale. The increase of returns for Kering is very ladder-like, depending on different phases. The pandemic influenced the Kering more than LVMH. However, Kering's recurring income rebounded higher and faster than LVMH in the post-pandemic stage. The contribution on revenue from different regions in the two companies is foreign. Kering's service seems far more welcomed in the Asia Pacific, and LVMH is better in Asia, North America, and

Europe. Hence, the weights of revenue for LVMH are very divided in the world.

Compagnie Financière Richemont SA, also known as Richemont, is a Switzerland-based luxury goods holding company founded in 1988. Distinguished with the two mentioned corporations, Richemont organizes the luxury jewels and specialist watchmakers rather than clothes. The online exposure on Richemont total is rare compared to other brands under Kering and LVMH. According to its financial, the financial dropping of Richemont started after the outbreak of COVID and remained until the first half of 2021 even though it seems slightly recovered.

According to the official financial reports published by the above corporations, the returns on four stocks' prices remain competitive in ten years. The high covariance between them leads people to classify them as a group easily. Figure 1 generated by Google Trend suggests the search frequency on four fashion houses in 2004-2021.

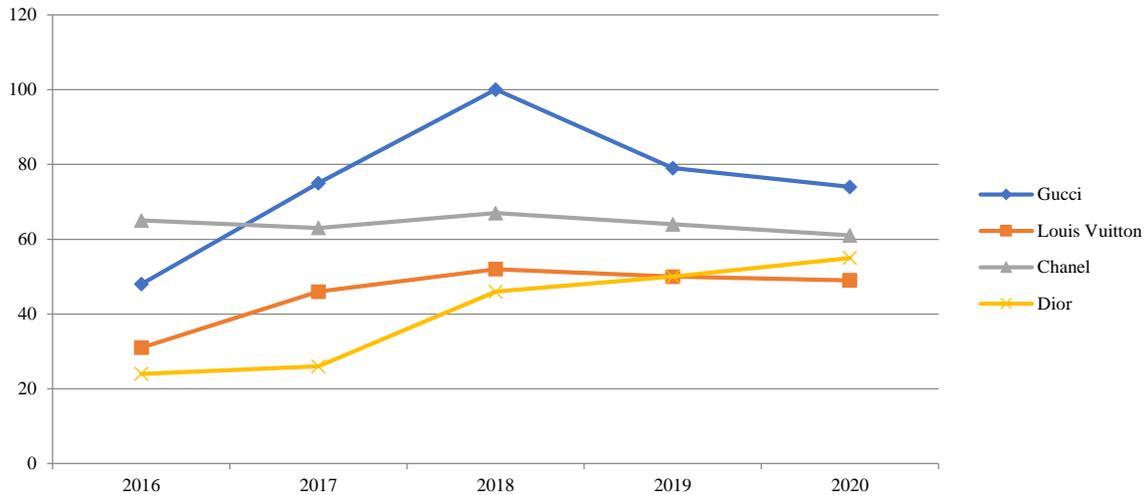


Figure 1. Frequency of searches on Google

Each brand carries with its unique identity, ranging from historical heritage to youth culture. Gucci is the most changeable brand compared to the other three. Different creative directors built an utterly distant image for Gucci. From the millennium to nowadays, the package itself with sexual attractiveness, minimalism, maximalism romanticism, absurdism, and now the brand seems has found a temporary equilibrium between those. Louis Vuitton, in recent years, aims to enhance the streetwear culture for finally catering to the Generation-Z group. The mission of the new Christian Dior is to create absolute powerful, faithful, and mature women images. Chanel is relatively conservative, always continued its initial purpose from its founder Gabrielle Chanel, which is all-around elegance.

The first large-scale soaring on social media is chronic and rather inconspicuous on a ranging aspect when public relations on brands gradually noticed this superior technology to gain more profits and reputation for brands. Brands slowly signed in their official accounts in mainstream social media, including Youtube, Twitter, and Instagram.

Performance on each company is strongly correlated with current events. The outburst of COVID-19 has expedited the second large-scale soaring development. During the isolation and country blocks, people rarely communicate physically. Thus, they switched to the internet to satisfy their social needs. Research suggests that over 80 percent of consumers prefer to purchase online during this particular phase, and their choices will be more conservative than before. Rapid reaction to the pandemic and timely adjustment is required on each luxury company. Luxury companies have to allocate more resources to online shopping. In China, during the first period after the expansion of the pandemic, Gucci and Louis Vuitton joined into two of the most active generation-Z communities, little red books, and TikTok, majorly posts short and fresh videos daily. While the

external uncertainty across the world is lasting, the activities on the whole fashion industry and different brands are exceedingly appealing and inspired in the business sense.

Kim and Ko analyzed the role of social media plays in the fashion market, especially for Millennials as a group, who contributes an increasing portion of luxury corporations' revenue in recent years. Along with the rapid development of network technology, luxury brands, nowadays, have adapted their strategies to resonate with the young. There is sufficient evidence to show that consumers usually form more positive attitudes to luxury brands with blogs. A model was constructed to test the intention of perceived social media marketing and the drivers of customer equality on AMOS 18.0, and it led to the conclusion that social media marketing drivers are influential to all drivers of customer equity drivers thus the competition in the luxury brands market is higher and higher [1]. He and McAuley elaborated an approach to model the visual fashion trends, which could be expanded to the luxury field concerning recommender systems, and massive factors were involved in including matrix factorization, modeling visual dimensions and evolution, coordinate ascent fitting procedure, and experiments. In addition, various evaluation methodologies were compared by their features. Calculation results were used in the following case study of men's fashion in the 2000s and provided absolute visualization of fashion trends in the following decade [2]. Ma et al. introduced the end-to-end model to analyze the past fashion trend series and drivers. The increasing exogenous variables rendered subjective deduction on fashion less reliable and more demanding. Considering the facts that multiple methods present to reflect the consumer's preference and the fashion trend itself is not independent, a new comprehensive dataset (called the KERN model) is constructed. The output is represented by the popularity coefficient for each seasonal element. The black and

floral pattern clothes are the most robust in both Los Angeles and Paris for 18-25 aged girls. Finally, besides current fashion trends, the KERN model could also function in future trend forecasting [3]. Lee and Watkins focus on how Youtube marketing influences luxury brands by carrying out the measure of para-social interaction (PSI) and social comparison theory. PSI denotes the friendship between media and individual, which largely stimulate the development of luxuries. The results of the PSI measure test indicate a larger proportion of young people tend to spend time on social media. Another study indicates the positive effect on luxury goods affected by vlogs and correlated with their perception of brands. In general, youtube brings a sense of equality in society for consumers, and vlogs are also crucial to luxury brand companies in their marketing [4].

Atwal and Williams focus on how Youtube marketing influences luxury brands by carrying out the measure of para-social interaction (PSI) and social comparison theory. PSI denotes the friendship between media and individual, which largely stimulate the development of luxuries. The results of the PSI measure test indicate a larger proportion of young people tend to spend time on social media. Another study indicates the positive effect on luxury goods affected by vlogs and correlated with their perception of brands [5]. De Veirman et al. delved exclusively on the Instagram factors on brand marketing. The function of social networks evolved to a noteworthy degree as the technology developed. By carrying a massive survey including thousands of questionnaires and assuming the appropriate distribution, eventually, the factors obtained that influence the attitudes of consumers towards brands are perceived product attractiveness, adapted packaging context, and nuance between two. Then, an examination on the conditional indirect effects of divergence of the product was conducted and the main finding is, the positive design serves on the profit more and more on social media [6]. Michaelidou et al. stand on the opposite side of the mainstream. The advanced marketing strategies, social media hugely benefit the brands whereas some demerits or barriers perpetuate on the market. A vital critical was made, that is Traditional marketing metrics are based on a linear form of communication and do not suit the interactivity of nowadays. In the analysis, 77% of SMEs are using Facebook as the major platform to market online, no companies are considering short the investment in online marketing, 44% of them are planning to increase the investment in financial resources related to social media. Furthermore, there is an observed difference in creativity present on SNS users and non-SNS users. SNS provides a strong competitive advantage on the prosper of companies because it assists companies to create their unique identity and can communicate to consumers by getting feedbacks on time [7]. Stephen

suggested that in 2012, social media was forecasted to be potential mainstream however the point was said to be management on different departments. With the emergence of social media advertising, consumer preferences were becoming mitigated and the emotional connection between consumers and brands was clearer. The degree of matching of emotion between consumers at the moment and the atmosphere in the advertisement determine the final willingness that watchers would like to consume the product. In addition, in the emerging technology industry, the value of online marketing outran the outlines [8]. The study by Smith et al. started delved into the comparison of big data generated on different platforms (Youtube, Facebook, and Instagram). Many of the contents generated are related to the brands and vary from individuals. The framework for comparison is to test the hypothesis of data derived in different aspects such as what influence it could bring to the users of social media, confidence level, etc. Promotional Self-Presentation appears much more on Twitter, however, more self-focus reduces the brand focus. The activity of online market action in twitter is the highest and it directly facilitated the interaction between consumers and the brand [9].

## **2. CONNECTION BETWEEN BRANDS AND SOCIAL MEDIA**

It became more and more prevalent to see the statements about the contribution social media brings. Metcalfe's law states the value of a telecommunications network is proportional to the square of the number of connected users of the system. Social media gathers people all around the world closer than ever, more and more can easily communicate directly with brands, which create an amicable relationship to consumers and potential consumers; in some scenario, to traditional media, brands could spend less money to widen their exposure in a grand scale [10].

### ***2.1. Impacts on the overall fashion industry***

The pandemic brings an unexpected recession and even a temporary halt on many industries. Procurement of raw materials, especially for SMEs, becomes a new challenge and increased raw materials cost. Enterprises are baffled by the unclear reality, and statistical data shows a significant proportion of them are becoming less bold on decision-making. Marc Jacobs is a famous American fashion designer. Due to the lack of physical contact, he decided to suspend his fashion show for 2021 spring and summer.

#### ***2.1.1. Short-term impacts***

Pandemic force brands cancel all the physical promotion and activities in public, therefore all the moments of brands were suddenly transferred on the

internet. Over-rapid operations may overwhelm consumers. This explains the observable recession at the beginning of the pandemic. The effectiveness of how online fashion show reacts has not been tested. By a random survey, there is 34% as a median of consumers purchase luxury for social needs however under this special phase, uncertainties will also diminish consumer confidence in consumer goods, especially in luxury brands. Online fashion shows over-intensive marketing will side effect, people who currently outside the brands' target group will be further fed up with the brands and chose to shield the ad at all, including those who may choose to purchase luxury goods in the future.

### *2.1.2. Long-term impacts*

On the negative side, chances are, people will start feeding up with online marketing because it seems repeated and not seem to target on major internet users. However, in a long time, there could be a growth in brand experience on market and by appropriate adjustment, brands marketing finally will exclusively present to the true consumer groups.

## ***2.2. Impacts on corporations***

Combining social media marketing and the brand itself, there will be further ramifications taking place on a corporation scale. The main argument is on the definition of impacts and how to measure them. The weights on different categories in the future may remain changed. COVID has already created a new lipstick effect on luxury brands. Simply put, within a brand, those highly recognizable and relatively inexpensive goods may be sold more than ever. The lipstick in today's luxury market will not be only cosmetics, also bags, shoes.

### *2.2.1. Financial performance*

The definition of success could be elaborated by multiple approaches. The most common and widely-received methodology stated by Forbes in business is by focusing on the financial statements, (average) customers' satisfaction.

### *2.2.2. Other indexes*

Other than the most straightforward financial value, other non-negligible factors could serve as a near compliment to mono-index measurement. On social media, people unconsciously take glances at the followers of an account before they decide to follow. Followers, as a tacit index directly reflect the dimensions of fame. Normally positive clouds benefit the brand.

## **3. MARKETING STRATEGIES ARE FREQUENTLY ADOPTED BY BRANDS.**

### ***3.1. Targets***

The rise of COVID-19 urges brands to re-examine their targeted groups. After pandemic contemplation, many luxury brands have changed their weights of production of goods. By the primary motives of buying luxury goods, consumers could be classified as Social-determined consumers, real core consumers, and new consumers. There could be overlapping in three categories of consumers in each brand.

### ***3.2. Social-determined consumers***

On Instagram, roughly 90% of pictures with hashtags Louis Vuitton are about Pont and Wave bags with super-attractive monograms. For menswear, over 80% are about new sneakers in a specific season. Almost all contents related to Gucci have pointed to Jackie handbags. I conducted a social survey among people who have followed Balenciaga office Instagram; in over 1,000 questionnaires, 946 people thought when it came to the brand Balenciaga, the image on their head is sneakers only. Thirty-two people came up with ready-to-wear, and 22 people showed unfamiliarity with this brand. The random outcomes stated that social media marketing would shape or even fix people's awareness of a specific brand. Socially determined consumers Consider people who majorly know luxury brands through the internet as a whole. Their demand for such goods is exceptionally elastic. There is plenty of convincing raw data pointing out that COVID-19 accelerated the development of the natural functions of social media to people. However, it brings no real benefits to luxury brands, as mentioned before. Psychologically, most people posted super-hit luxury (such as LV Pont bags, Balenciaga sneakers) for purely social purposes such as following fashion trends or showing off. On their financial report, they contributed little real profits to brands and behaved elastically to price and backgrounds factors. After COVID 19 was spelled out, they reduced physical and social activities; thus, the need for luxuries deteriorated.

### ***3.3. Real Core-Consumers***

Unlike consumers purchasing luxury goods for social reasons, many other people buy luxury goods for daily use. Their demand for luxury goods is relative prices inelastic. Thus, their income level overall is much higher than social-determined consumers. Their purchases cover many luxury goods and services rather than just "internet-fad bags or shoes." Instead, they focus more on ready-to-wear consumption. Ready-to-wear contributes a low proportion of brands income (averagely lower than 10% for all), but the number is

increasing and does not affect hugely by the expansion of pandemic.

### **3.4. New consumers**

There are more uncertainties present in new consumer groups. The amount or their tendency varies from time to time. The general explanation for this group is those who are in the middle of social-determined and core consumers. Their purposes and preferences on brand are obscure and cannot be measured, and they could convert to other two groups all the time. However, they still contribute a considerable amount of revenue to brands.

### **3.5. Brand characters**

Social media leads to more substantial globalization in the post-pandemic phase; almost all brands start to embrace the Gen-Z spirits. However, they still contribute a considerable amount of revenue to brands. There are exceptions to social media marketing. Bottega Veneta, an Italian-based fashion house being well known for its leather weaving founded in 1966. The financial reports published by its parent company Kering indicated a 40.6% increase in revenue from 2019, and recurring operating income rebounded robustly in the post-pandemic period. The success of Bottega Veneta could be elaborated by its strategy. The brand closed its official accounts on all social media and reduced almost minimized the exposure to the public to build a sensation of low profile exclusively owned by the upper class of society, for which to be grouped as their targeted consumers. They chose to stand on the opposite of the newfangled fad, focusing on the comfortableness of products rather than appearance loudness. By carrying the apt strategy, Bottega Veneta has drawn a distinct self-portrait for not only consumers also for the market.

## **4. CONCLUSION**

Covid-19 has brought a considerable amount of loss in the economy, which created an appropriate cradle for revisiting lipstick effects. Regardless of consumer side preferences, online marketing on social media from luxury brands has become one of the unspoken rules in corporations. The underlying fact is social media will majorly benefit brands in the long run because it needs to grow gradually. However, from nowadays perspective, the structure of marketing is not mature and may be problematic. The nearest bottleneck period is the general preference trap. People started to ignore and be fed up with the luxury brand advertisement as a regular advertisement due to its nature.

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