

Research on the Digital Transformation of Luxury Brands in China

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ABSTRACT

In 2019, the COVID-19 had a significant impact on global business. In this challenging period, many companies around the world support the technological transformation to improve their business. In the major social and public health events of COVID-19 disease, the role of Chinese enterprises has returned to normal and reconfigured in a lasting and influential way, and the "socialization" role played by enterprises is more obvious. In this regard, another major change in society is the change in social and economic structure. In addition, due to the influence of the COVID-19, more and more people like online shopping rather than physical stores. This paper studies Chinese luxury brands in this period, combines luxury brands with digital opportunities under this background, and finds that digital transformation has brought huge marketing opportunities. The research data are mainly from network data and Google academic research, and the data analysis method is used to study the relevant data. This study discusses the digital transformation process of luxury brands in the world and China, and points out that the digitization of luxury goods reflects the consumption patterns and ways of many Chinese consumers, so that brands can effectively Contact consumers. This model also brings some threats and challenges.

Keywords: *COVID-19, Digital transformation. Luxury brand, Consumption pattern, Retailing industry*

1. INTRODUCTION

Digital transformation is a big topic in the current year. Digital transformation impacts all the departments' sectors in the social transformation worldwide and affects the economy. Companies catch the opportunity to change their business model immediately with new technology, like cloud, extensive databases, social networks, and so forth. In some luxury brands, they use blockchain in their products. In this process, they change the core business and organizational structure. Therefore, companies need to build a department to manage the complex digital transformation process. Luxury brand companies use digital transformation in a different direction, like marketing, using blockchain to trace the source of the product, data mining to manage the relationship with the customers and companies.

Most people in China change their desire for luxury products. There is five consumer motivation in China during COVID-2019. First of all, compared with the consumer motivation in western countries, Chinese consumers focus on the products' conspicuous value. Secondly, consumers in western countries' consumer

motivation are the public meaning of owning things. They always think that my friends have one, I need to have one. It also shows another explanation is to follow others.

What's more, Chinese consumers pay more attention to the brand's status. They always judge a person by the brand to express a person's social status and social classes. More importantly, most consumers use luxury brand gifts as a gift to build relationships in society. There are currently more than 4 million in China; there are 150,000 billionaires and more than 70 million middle-class people with a net worth of more than 1 million dollars. The total wealth of China of these peoples is about 3 billion DOLLARS, surpassing Japan and ranking the second position in the world, and only lower than the United States. Therefore, it is easier for luxury brands to explore in China, and it also means that there are more and more target consumers in China. This is why more and more luxury brands do the digital transformation to become more and more competitive among the luxury brands.

Some luxury brands have already begun the digital transformation, like LV, Gucci, and De beers. They use

different digital technology to make a big success globally, especially in China. They have a spike increase in profit in China. This article discusses the application of digital transformation of luxury brands in the world and how to help luxury brands explore in China.

2. THE APPLICATION OF DIGITAL TRANSFORMATION EXPLORATION OF LUXURY BRANDS IN THE WORLD

It is increasingly difficult for luxury manufacturers to retain specific people in their goods in this new generation era. Manufacturers must be aware of the different aspirations of different customers. In this case, virtual transformation is a possible way. In recent years, many luxury manufacturers are exploring this way. In this context, the following introduces the luxury virtual transformation software and its principles.

2.1 The blockchain era and the origins of commodities

Blockchain is an era that has entered our everyday existence very quickly. Blockchain removes intermediaries within the conventional distribution chain and presents extra steady and robust distribution channels. Blockchain will convey exquisite modifications to traditional commercial enterprise models, such as luxurious manufacturers' distribution and delivery chain techniques. The use of delivery chains in luxury goods provides whole-hyperlink observation, traceable, and protection safety capabilities.

There are many industries in which blockchain can boost up virtual transformation. The first is the luxurious enterprise and fashion. Blockchain can extract records from the authentic supply to hint at the origins of luxurious merchandise in actual time. That's extra accurate. Tracing the origin and delivery chain control of luxury items will assist in locating all middleman events involved in the method, which will improve business performance, lower costs, and improve the traceability of every product in the enterprise chain.

2.2 Using mobile games to identify popular objects to create their products

In recent years, increasingly luxurious businesses have all recognized that virtual transformation is enormous and essential for them. They are attempting to enhance performance, lessen fees and beautify patron experience.

Gucci is one of the leading innovative commercial agencies. It has also been exploring virtual transformation opportunities for an extended time. Gucci is locating its key achievement elements via massive records that may grow the employer's performance to make a breakthrough. The employer uses software called

"Luxury Intelligence" that collects quite a few records from social media and different sources, including buying habits, advertisers' desires, patron preferences, etc., to discern out new tendencies in fashion.

The digital business transformation of the Gucci brand is an innovative model under the current luxury retail pattern. The central part of this paper (the main contents are as follows) first explores the digital transformation of luxury brands. The corresponding brand marketing strategies, especially China's marketing strategies, will also be discussed[1].

3. THE TRANSFORMATION OF LUXURY BRAND MARKETING STRATEGY AND THE INFLUENCE OF CHINESE

There have been many marketing strategy transformations in the luxury industry these days. With the continuous technological changes and global development, they have started to focus on new areas such as e-commerce, mobile apps, and the international market. However, one thing that is not getting recognition in the Chinese market. It has the most significant population in the world but still has a lot of potential from the user's perspective. By understanding its lifestyle and preferences, luxury brands can gain more profits with their localization strategy for their products in China market.

In the era of globalization, many companies have been quick to adapt their business strategies. In the luxury industry, we can see that many brands are trying to find more opportunities in China; they have even invested a lot of money into localization strategies. One concrete example is Chanel's "Chanel China Movement." Chanel has always paid attention to the early market and has had a good reputation in China in the past. In 2016, they hold a show in Shanghai, which not only showed their confidence in the Chinese market but also helped them stay on top of their game in the fashion world. Their confidence is not without reason.

It is undeniable that China holds the potential for luxury brands' growth. There are great opportunities for successful development with 1.4 billion people and 28% of high-net-worth individuals.

3.1 The assistance of online luxury brand e-commerce

This article will show how e-commerce can help luxury brands on social media. New technology has revolutionized the way we shop, and e-commerce has many luxury brands. Products are more easily accessible, events can be better planned and promoted, and there are other benefits.

Social media has allowed consumers to talk about products with their friends in real-time. This helps boost

sales because it gives consumers a chance to talk about products before buying them. This can help enhance the credibility and validity of the product among consumers. Tik Tok, China's famous social media such as jitter and micro-blog, has increased the sales of products since 2019. For example, the marketing of luxury brand Armani in China's microblog has created more than 20% of the total value of its sales in 2019-2020 [2].

Social media has also allowed brands to advertise more interestingly. There are many possibilities to do this, but they are all different. One of the easiest ways to use social media is on WeChat. The chances of WeChat ads are endless, and there are plenty of examples set by luxury brands as well. One example is Chanel's 'Ink Library' campaign in 2018. Chanel uses the perfume Library in the online digital platform, displaying the Chanel brand China wind products. This is regarded as one of the more successful marketing of the Chanel brand. It conforms to consumers' consumption habits and brings great exposure and buyers to luxury brands.

In addition, E-commerce brings many benefits, especially for luxury brands due to their customer base. The best thing about e-commerce is that the products are accessible to all. Traditional luxury shopping is usually severely restricted, making it a challenging experience for some people. Another benefit of e-commerce is that people can understand the appearance, materials, and performance of products before buying them from a store. To promote digital strategy development, Gucci launched its own website to stimulate the potential of the Internet of things, artificial intelligence, data science, digital thinking, and other fields. Customers can judge their preference for products in advance through Gucci's one-stop artificial intelligence shopping experience on the website [3].

The best example of an e-commerce order that has taken a step forward for luxury brands is Net-A-Porter. They made an online shop that combined four top brands into one online shopping site. In addition, as an innovation pioneer, net-a-porter integrates selected products and wonderful content through the website, shopping app, and Porter's paper and electronic magazines, and has established a multi-channel global system across mobile phones, tablets and desktops, providing a seamless shopping experience for more than 6 million customers every month[4].

3.2 The digitalization of luxury goods reflects the upgrading of consumption and industry

Under the current consumption upgrading mode, luxury brands are facing the current situation and dilemma of industrial upgrading, scattered information sources, online channels and service platforms. The digitalization of luxury goods reflects an ongoing break in traditional markets through new consumption habits

which proliferate on social media. The emergence of the intelligent age has led to a new generation of consumers who are no longer confined to the material world. Furthermore, mass customization has further changed consumption habits. High-end brands are also facing an unprecedented challenge of industrial upgrading in the face of new technology and new consumption habits.

However, online sales still account for only 30% of worldwide luxury products. That figure is even lower in emerging markets such as China, where online sales account for only 10% of total luxury goods' sales. Furthermore, given the growing adoption of smartphones, it is expected that the digitalization of luxury goods will increase in the future.

A new era has been ushered in where digital technologies have allowed consumers to interact with brands and purchase luxury products efficiently through various devices. It is estimated that by 2020, there will be more than 3 billion internet users around the globe. Smartphones are accessing more web pages than any other device, and they are also increasingly gaining access to shopping databases as well as way-finding applications such as Uber. Coming to the e-commerce platform is the first step for luxury brands. On this basis, the pace of brands is gradually accelerated. It is obviously much faster to accept small programs focusing on brand exposure than e-commerce. According to the statistics of fashion headlines, nearly 50 luxury brands opened small programs in 2018, and 10 luxury brands set up special time-limited experience stores on Taobao that year [5].

Moreover, the birth of online shopping has allowed luxury sales to reach all over. There are more than 600 million wealthy people in China, and they are mostly between the ages of 25–30 years old. Many of them have already adopted luxury brands such as Louis Vuitton, Gucci and Hermes as their top four brands. Meanwhile, it is also predicted that over a quarter of Chinese consumers will be purchasing luxury products online by 2020.

According to the Research Report of China Merchants Securities, the total amount of live e-commerce GMV in 2019 will exceed 300 billion yuan, which is expected to impact trillion in the future[6]. Tik Tok's prospects attract small red books, jitter, and fast hands to join the platform, and get the appreciation of Kwai Mei brands. In addition, the immersive, instant and strong interactive live media also enable luxury brands with blocked offline sales to find a new way of "emergency".

Because the annual offline show of luxury brands is also forced to be suspended, cloud live broadcasting will become a widely used method of play for luxury brands in 2020. In February, the Italian national fashion chamber of Commerce joined hands with Tencent video

and Tencent fashion to create a new "cloud show" mode [7]. Gucci, Fendi, Giorgio Armani and other brands have accumulated more than 30 top shows for continuous rolling live broadcast in Tencent video. LV, Hermes, Chanel, and other brands also moved the stage of Milan fashion week to Tencent video.

3.3 Changes in luxury consumption behavior in the context of digitization

In the era of digitization, luxury consumption behavior is evolving. Luxury goods companies have to adapt their strategies and approaches to meet the needs of a whole new type of consumer. For some time, the luxury industry has been worried about the changing preferences of consumers, and how to manage their sales in new ways. The change occurred gradually over time and is still maturing, but it seems that now it's a reality.

Changes are occurring in customer behavior and how they purchase luxury goods. This article will discuss the changes in consumer habits, which are observable through means of digitization impact on luxury consumption behavior.

This part will start with a brief presentation of customers' rational willingness to buy luxury items. This is followed by a brief outline of the digitalization impact on customer behavior through smartphones and the Internet. The article will then describe three factors that influence the change in purchasing habits of luxury consumers. These are customers' willingness to buy, desire for satisfaction, and the taste for variety. Finally, the article will describe a new form of luxury consumption behavior called "The Sharing Economy," presented as an innovative way to meet customers' needs more efficiently and effectively.

4. DISCUSSION

The primary factor affecting the change in luxury consumers' buying habits is the change of customers' willingness to buy luxury goods. After years of analyzing luxury markets, we gathered evidence that proves that people are shifting from the long-term satisfaction to the short-term gratification. Consumer behavior is getting rationalized when it comes to luxury goods, and people engage in a much more rational manner when it comes to purchasing or owning a product. This change affects all levels of consumption: production, retail and distribution. Consumers are switching from buying goods to services, which costs less money but gives more immediate gratification. The money saved is often used for buying additional items. Luxury goods are no longer satisfied with a few years of ownership. They depend on fast gratification and easy access, which often means repurchasing it within a few months or even days before it loses its quality or charm and being sold at a deep discount. The change of customer behavior affects the

entire value chain in the industry, from production to retail or distribution. In the era of digitization, disruption has become a fact of life. Digitalization has affected many industries and transformed into sophisticated platforms to provide immediate gratification. Luxury goods companies are no exception and are now competing for speed in the face of the decline in sales, which has become so pronounced that even some traditional luxury brands have been forced to lower prices to increase their turnover. Luxury goods companies are no exception now competing for speed in the face of plummeting sales that have gotten so steep that even some traditional luxury brands have been forced to cut prices to increase their billing. Or Luxury goods companies are no exception, now competing for speed amid declining sales. Some traditional luxury brands have been forced to lower prices in order to increase their sales as sales quickly declined. The retail platform through which a consumer purchases his goods is also changing. The way we buy luxury products is changing as digital platforms evolve.

When searching for luxury items on the Internet, more and more consumers use search engines such as Google, Baidu, and So on to get relevant information about products within a brief period. People no longer want to browse through countless choice points on the Internet and rely on experts to guide them through the choice process. Luxury companies must find a way to provide consumers with quick information about their products. Therefore, the relationship between suppliers and retailers will change. The Internet is bringing all of them into one virtual warehouse, where products are delivered to all customers simultaneously. People will no longer depend on a local store to buy their goods, but they will purchase directly from the producer or a distant retailer. This change in customer behavior has been driven by digitalization and e-commerce platforms, which have evolved dramatically in recent years. As a result, the reason for the decreased willingness to buy is easy to see: People have become more aware of the importance of time. People think they can do more meaningful things like investing, instead of consuming time on shopping. People are becoming more practical about purchasing decisions and are eager to purchase luxury items for specific occasions that fit their lifestyle. Because of this shift in customer behavior, traditional methods of selling luxury goods will quickly lose their meaning. Several companies responded to the new trend by starting up new businesses based on different technology platforms. In particular, e-commerce platforms such as Alibaba and Farfetch have provided luxury retailers with a more efficient digital marketplace. This change is fundamental because the traditional distribution channel and its role in the supply chain are essential factors influencing luxury consumption behavior.

Finally, consumers are diversifying their consumption habits for luxury goods by using new means of payment. Paying for services over the Internet is becoming very popular in the industry, especially when purchasing luxury products or services.

5. CONCLUSION

The digital development of luxury brands has changed many consumers' consumption patterns and methods in China. Depending on how e-commerce can help luxury brands online in China, the digitalization of luxury goods reflects the upgrading of consumption and industry in China. Luxury brands are constantly releasing their flagship products online before releasing them offline to attract more customers. Today's buyers are continually looking for ways to shop for their desired luxury goods without having to step out of their warm beds or disrupting their busy schedules. They want to do everything in the comfort of their home; luxury brands need to focus on that letting customers feel fast, convenient, efficient and comfortable shopping experience.

The digitalization of luxury goods has created a platform for luxury brands to reach out to consumers way faster and way more efficiently than before. It is also helping the brand build its brand image and manage its supply chains. Digitalization is transforming how Chinese consumers shop for luxury products and brands. Digitalization is also helping luxury brands be more effective in improving their internal processes.

This report will discuss how the digitalization of luxury brands has changed the consumption patterns and methods of many consumers in China. It will also discuss how e-commerce can help luxury brands in China by focusing on how e-commerce has allowed the traditional retail businesses and why it can be applied to the luxury retailing industry. We will also discuss the challenges of this new business model and possible solutions.

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