

# Chapter 18

## The Paradox of Luxury in Digitalization

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### ABSTRACT

*Seeing the success of digital platforms and advancement, social media marketing has strengthened the relationship between buyer and seller from a mere commercial transaction to a personal connection. The outcomes of this interaction are meticulous, and like other industries, it has also revolutionised the luxury products industry. It has become pertinent for the luxury brands to participate in the online visibility for customer awareness, customer engagement, customer acquisition, and customer retention. Though certain challenges are there, there is a need to develop strategies to mitigate them for better positioning, building online trust and online value.*

### INTRODUCTION

*“Luxury is a necessity that begins where necessity ends.” Coco Chanel*

Luxury is a state of one's mind. It is something that is available to few but desired by many. It is something that is linked with one's wealth, power, and status, among others. As per Tsai (2005), the motive for acquiring luxury brands is Buying to impress others. Luxury brands have created a market of their unique kind. In this brand-driven market, people buy the products due to the perception and popularity of the brand. Luxury can be a product to wear/carry; it can be the service that one experiences or can be

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the assets like cars, houses, and so on. Approximately luxury market is growing at 5% worldwide and becoming the preference or desire of each individual.

Earlier, this market was exclusive, but digitalization has made it possible to make the luxury market accessible to all. Increasing incomes, easy consumer credits, changing lifestyles, and so on have made luxury brands more affordable to a broader category of people across the world. Mostly, ultra-high net worth (UNHWI) and high net worth (HNWI) individuals like to purchase luxury brands, and this small segment is even less than one percent of the total world's population. But due to the evolution of the luxury market, new generations are turned into more active, knowledgeable, and demanding. They are getting younger and diverse. They are writing the new rules of this industry. As a result, brands are behaving proactively to the customer's needs and complaints. Luxury is not only about the high price, it's all about the unique experience. The customers want an emotional attachment and trust while investing in these expensive brands. There are eight pillars of luxury brand marketing: pedigree, performance, public figures, paucity, placement, persona, pricing, and public relations (Arora, 2013). Out of these, paucity and performance are the most important (Dhaoui, 2014). Arora (2013) defined paucity as the perception of a brand's scarcity and performance as its brand experience.

Due to the change in the segments of the luxury brands, the mode of targeting has been shifted from offline to online mode. Digitalization increases connectivity that allows access to anyone from anywhere. Brandt and Henning (2002) also stated that digitalization has made people communicate irrespective of time/pace and get exposed to worldwide knowledge. The customer is now not only using this digital channel for searching or downloading movies, photos, music, and so on, but he is engaging himself online by sharing, uploading his own views on different digital platforms. Being digital is the need of the hour for customers as well as for the brands. As per internet world stats Table 1, the total number of internet users in the world reached 4,949,868,338 as of 31<sup>st</sup> December-2020. China, India, and the US are the top countries in terms of internet users. Out of all world regions, Asia is having 51.8% [calculated as (Internet Users/World Internet users) \* 100] of Internet World percentage, has 51.8% [calculated as (Internet Users/World Internet users) \* 100] of Internet World percentage, which is much higher than other regions. The penetration rate in North America is 89.9% (calculated as (Internet users/ North America Population) \* 100) which is highest compared to all regions. In Asia, China is at the top with 37.1% of internet users, India is holding the second rank by having 24.3% of internet users, Indonesia (7.4%), Japan (5.2%), Bangladesh (4.2%), Philippines (3.4%), Pakistan (3.1%), Vietnam (3%), Thailand (2.5%), South Korea (2.1%). It is found that 400 million people approximately from countries like Singapore, Indonesia, Malaysia, Vietnam, the Philippines, and Thailand came online for the first time in the year 2020. An increase in digital financial services, online health services, educational services, e-commerce sector, online health consultations, remote learning, and so on have contributed a lot to increasing Internet usage. As per a report by Livemint, India has the highest data usage per smartphone in the world, with consumption of over 11GB per month, and it is expected that it will rise to 18GB by 2024.

People are available more online rather than offline. The young purchasers have shifted their purchasing preference from traditional to digital. The customers are becoming more and more digitally engaged. So, making an online presence has become a mandate by the companies and brands. Marketers need to take into consideration how they are portraying their luxury brands in context to the Internet revolution. Belatedly, luxury brands have also realized the importance of being online and started using the Internet as the medium for communication to increase profits. Okonkwo (2010) also emphasized the importance of e-business in the luxury market. Nunes and Cespedes (2003) stated that organizations face the challenge of understanding the customer's needs through digital channels. Adding to this,

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