Chapter 13
Play It Like Burberry!
The Effect of Reputation, Brand Image, and Social Media on E-Reputation – Luxury Brands and Their Digital Natives Fans

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ABSTRACT

Some firms and industries were not willing to take full advantage of the internet and its endless opportunities, mainly because they rather focused on the inherent risks and challenges. However, when taking into consideration the specificities of the connected generation, the question is not anymore whether to go online or not, but rather to understand how, when, and where, especially in a luxury context. More specifically, the digital natives represent tomorrow's customers. This new market segment represents a main reason for luxury firms to adopt online strategies. Still, further analysis is needed to uncover the main objectives when firms decide to engage in digital activities. The authors herein investigate the concept of e-reputation. The authors expand on their initial study that focused on brand image and social media as determinants of online reputation. Recommendations and future research directions are suggested.

INTRODUCTION

Social media is the phenomenon of our era. In 2015, more than 211 well-known social media websites were accounted (Erkan, 2015). The number of social networking users attained 2.46 billion in 2017, and is expected to reach 2.95 billion by 2020, which would represent about 40% of the Earth overall population (Statista, 2017a). Social media is also the place where almost every Internet user can be reached as well. More than 94% of digital consumers have at least an account in one social network site (GlobalWebIndex, 2017). Last but not least, social media is the place where people spend almost one third of their daily Internet time on social networking and messaging (GlobalWebIndex, 2017). But,

DOI: 10.4018/978-1-5225-7214-5.ch013

more importantly, social media is becoming paramount for marketing activities. Indeed, more than 70% of consumers have visited social networking sites to collect information; nearly half of them decide to purchase based on the information gathered through social media sites (DEI Worldwide, 2008). Moreover, 60% of consumers stated their likelihood to use social media websites to pass along the online information they got; and two-thirds of them confirm the influence of the online Word-of-Mouth on their perceptions of a brand and on their purchase decision (DEI Worldwide, 2008).

Social media and the luxury business were long term foes. On the one hand, social media is known for its immediacy, extreme speed and widespread sharing (Kaplan and Haenlein, 2010). Also, thanks to its versatile and unpredictable nature, social media serves as virtual brand and anti-brand community, rendering positive and negative UGC (User-Generated Content) simultaneously co-exiting (Annie Jin, 2012). Moreover, customers are more and more using wikis, blogs and social networking to create, modify, and discuss Internet content, thus dramatically impacting companies' reputation and growth (Kietzmann et al., 2011). On the other hand, the luxury world is known for its heritage, immutability and exclusivity (Kapferer & Bastien, 2009). Luxury brands are unique, selective and exclusive (Chevalier & Mazzalovo, 2008); such attributes are evoked through high quality, premium pricing and a strictly controlled distribution (Annie Jin, 2012). Hence, nothing is fast in luxury; everything is held on to in time, is preserved or is aged. Nothing is shared, and everything is exclusive, secret and reserved for a selected clientele. Furthermore, while social media involves facts, delivering raw contents without any artifice, luxury involves fantasy, in which the luxury brand *"[…] goes beyond the object: it is constructed from the reputation.*" (Kapferer, 2012, p.142), delivering products on a silver dish with the required ceremony. All in all, social media and luxury seem being part of two opposite worlds. Yet, one can wonder why Chanel is Instagramming, Dior is twitting, and Burberry is snapchatting!

The luxury business is the one of the mature sectors that has resisted the best to the economic decline, and where companies are demonstrating strong growth figures, whether in volume or in value. Indeed, the luxury market is a high-value-added industry (Kim & Ko, 2012), in which luxury brands still represent a noteworthy portion of consumer product sales, especially in emerging markets such as India, China and the Middle East. The sales revenue of LVMH, the world's largest luxury group owning around 50 of the most well-known luxury brands worldwide, have reached €37.6 billion in 2016, exhibiting a 5% growth progress (LVMH, 2017). Also, LVMH's operating margin is more than 18% and the net profit reached more than 3.9 billion, an 11% increase (LVMH, 2017). Moreover, the global personal luxury goods market, the core of luxury, is expected to reach almost €260 billion in 2017, and to gain 3-4% growth per year, by 2020 (Bain & Company, 2017). Nevertheless, the luxury sector is becoming more and more competitive with the recent arrival of many luxury and premium brands. Hence, traditional luxury brands can no longer rely on their brand symbol, but need to better emphasize their brand legacy, quality, aesthetic value, and trustworthy customer relationships in order to prosper (Kim & Ko, 2012).

One major reason explaining luxury brands' engagement in digital activities is to reach their future consumers, namely, the digital natives (Kennedy et al., 2008). Indeed, luxury brands' future success will be built on the younger generation, as millennials and Gen Z will represent 45% of the global personal luxury goods market by 2025 (Bain & Company, 2017). Still, this young generation is complex and requires additional insight (Hargittai, 2010).