

Chapter 7

Digital Marketing and Digital Retail Strategies in the Luxury Sector: Critical Factors and Opportunities

Giuseppe Colella

University of Bari, Italy

Cesare Amatulli

University of Bari, Italy

ABSTRACT

Contemporary marketing strategies have shifted from unidirectional to bidirectional logic, according to which the rise of digitization and of social networks are changing the concept of marketing itself. The most impactful digital technologies have been digital platforms and brand communities, which have exposed companies and consumers alike to new challenges, such as online purchasing experiences. As a result, luxury retailers, who have traditionally resisted rapid adoption of market trends, have begun embracing digitization as part of their marketing strategies. This chapter highlights how understanding this topic is crucial amid changing global economics that are reshaping how luxury consumers interact with retailers. Through a qualitative approach based on semi-structured one-to-one interviews with experts from a leading digital marketing company, this chapter intends to illustrate the critical factors (and related opportunities) that luxury brands will look to exploit in the near future. The results highlight the pervading separation between digital technology and luxury brands.

INTRODUCTION AND RESEARCH CONTEXT

Internet expansion, digitization, and the development of social networks have disrupted the modern economy, prompting new digital business models focused on meeting the constantly evolving needs and expectations of new consumers (Teece, 2010; Wirtz, 2019). The number of people using the Internet

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increased by 7% between 2019 and 2020, with 5.19 billion unique mobile users and 3.80 billion people using social media on mobile devices (We Are Social, 2020). Readily available access to the web of tablets and smartphones (Bruggeman et al., 2019) has brought people into greater contact with digital media (Rathnayaka, 2018). Crucially, these changes are altering the very concept of marketing itself: marketing paradigms have shifted from Marketing 2.0, oriented exclusively to consumers and based on unidirectional logic, to Marketing 4.0, of which the development of digital technologies is the key driver (Kotler et al., 2010, 2017), to the extent that a re-conception of the figure of the consumer is required. Moreover, these technologies have exposed all companies to new challenges, such as how to adopt technological innovations to better understand and address consumers' needs with respect to brand involvement, interactivity (Yu et al., 2017), and purchasing experiences in a digital context (Mosca & Chiaudano, 2020).

Digital technologies, innovations, and social media marketing activities have proliferated across the full spectrum of retail sectors (Alalwan et al., 2017; Jacobson et al., 2020)—even within the luxury sector, which has traditionally eschewed such advances (Godey et al., 2016; Kim & Ko, 2012). Such shifts have transformed the means of communicating and selling luxury brands, often transposing these activities into completely virtual contexts. This rapid growth has broad implications for companies, especially those in the luxury sector that have begun embracing digitization further redefined by technological advances in communications (Kapferer, 2015; Kim & Ko, 2012; Liu et al., 2019). However, according to Liu et al. (2019), from the perspective of accessibility and democratization, the use of digital technologies for retailing and marketing activities could conflict with the air of exclusivity that luxury brands work so hard to cultivate. In particular, luxury companies are concerned that they will be unable to guarantee key brand attributes such as quality, exclusivity, and tradition, which are considered crucial to their retail and digital marketing mix (Mosca & Giacosa, 2016; Mosca & Chiaudano, 2020). Moreover, luxury marketers have long been committed to designing a coherent luxury retail strategy that is capable of conferring uniqueness, a reputable image, and the perception of quality (Desmichel & Kocher, 2020; Kapferer & Bastien, 2012). Luxury brands must therefore strengthen their relationships with digital retail channels to offer new shopping experiences and secure their market-dominant positioning (Desmichel & Kocher, 2020; Tarnaud, 2019).

Several studies have addressed the challenges of digital transformation in the luxury sector, mainly with regard to communications (Arrigo, 2018; Colella et al., 2019; Godey et al., 2016; Kim & Ko, 2012; Kapferer & Bastien, 2012; Okonkwo, 2009). However, few studies have investigated the role of digital technologies in the luxury sector's retail strategies (Jain, 2016; Mosca & Chiaudano, 2020; Passavanti et al., 2020). Given the relative scarcity of insight, this chapter will focus on further characterizing digital transformation in the luxury retail sector. To this end, the authors develop a theoretical framework that captures the reasons behind luxury companies' decisions to delay implementing digital retail strategies. In turn, this study addresses a gap in the existing literature around the critical factors and opportunities that luxury companies must grasp when translating their retail strategies into a digital context. Therefore, it aims to explain how the digital marketing mix of luxury brands can work to encourage more luxury companies to adopt digital technologies. The research in this chapter uses a qualitative-exploratory approach, based on semi-structured one-to-one interviews with experts from a leading digital marketing company. It focuses on three contributions. First, it aims to synthesize the existing literature on digital marketing in retail, particularly for luxury brands. In this way, it delineates the existing progress and gaps in the literature regarding luxury brands' implementation of digital retailing strategies, while highlighting the importance of adopting digital technologies in the luxury context. Second, it provides a comprehensive

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