

Chapter 10

Building Brands Digitally: How Brands Create the Luxury Experience Using O2O

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ABSTRACT

Luxury brands took to online selling belatedly, but they realized that they must be where their customers are. But this posed a problem for them: how could they maintain their aura of exclusivity in an online world, where e-commerce portals selling discount items are just a click away? By combining the elements of O2O worlds, luxury brands have achieved a synergy with their physical stores. Luxury brands have been able to convey their aesthetic appeal, store trust, shopping experience, customer service, and sense of power online as well. Online presence helps in displaying products, providing information, selling, and linking inventories of various stores. In that sense, the omni-channel experience has helped build customer experience for luxury brands as well. This chapter explains how O2O integration helps luxury brands combine their exclusive aura with online capabilities to deliver customer engagement and service, thereby building brands in the long run.

INTRODUCTION

Luxury brands are built upon the idea of exclusivity. Their products, branding, stores, locations and employees – all exude a singularity which sets them apart from other companies and brands. They have an “aura of luxury” apart from their physical attributes, as stated by the Court of Justice of the European Union. This distinguishes them from other similar products and brands.

The aura is built by all the elements in the communications mix, including packaging, style, display and store ambience, contributing to the image and reputation of the brand. The air of exclusivity is thus maintained by luxury brands.

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Building Brands Digitally

It was believed that it is difficult to maintain the aura of exclusivity on the internet, where discount stores are just a click away. Okonkwo (2010) explains that luxury brands have feared digitization as it would disturb the dream factor of luxury which is built by the store atmosphere, sensorial experience, and superior service understanding.

But customers have changed: even those of luxury brands start their consumer decision journeys by going online. The brands, thus, had no option but to go online. They have done so quite well, and have now succeeded in establishing online presence without diluting their brands. They have successfully combined O2O brand experiences across channels to deliver the experience that luxury customers looked for. Both user experience (UX) and customer experience (CX) have been used effectively by these brands.

Because of the branding and the online experience, customers are more than willing to pay the very high prices demanded by luxury brands, and even buy their 'virtual' products. In fact, customers pay for the exclusive 'one of a kind' products that they flaunt both in terms of physical and virtual products. Customers are happy that they are treated like royalty, and get access to exclusive products, and luxury companies have reaped the profits from their low-volume, high prices model of business.

The chapter addresses the question of democratising luxury in an online environment. Since the internet is 'open access' – to borrow the analogy from the research papers publications industry – how could the brands maintain their aura of exclusivity when discount stores were just a click away? Can customers be made to feel good when essentially they were sitting in front of their computer screens? Could luxury brands extend the same brand experience to in the O2O world that they offer in stores to their online properties?

LUXURY BRANDS: ONLINE OR OFFLINE

For years luxury brands have faced a dilemma of whether to go online or not. These brands have maintained their aura of exclusivity and avoided going online. Their stores are found on high streets of fashion, their interiors, design, people and experience – all emit luxury at every step. Luxury brands spell class the world over.

The online environment posed a dilemma for them. Should they limit their presence to physical stores only and maintain their exclusivity or should they go online and risk rubbing shoulders with lower-end brands, and face the danger of losing their exclusive appeal? Moreover, the Internet is replete with sites selling imitation or fake luxury goods. Would customers trust anything purchased online? High-end companies also face the risk of losing control over their brand image and storytelling since customers yield more power online. Kapferer (2017) writes that the democratizing interactive nature of the internet compels a change in traditional luxury communication strategies.

Another problem is exclusivity, which can be maintained in physical markets by having stores in high-end retail streets and in five-star hotels. There is no such distinction online – one website is as good as another. A discount store site is just a click away from a luxury site, hence it is difficult to maintain an aura online. Devoid of store experience and fawning store assistants, online posed a real problem for luxury brands. But online does offer an advantage: high-end customers can browse and shop from the privacy of their homes. By not going online, luxury brands realised that they would be losing out on their customers in a big way.

Though luxury brands resisted going online in the initial years, they realised that the new technologies could well be deployed to build their brands online. While it is true that search engines do not differentiate

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