Exploring Marketing Approaches and Market Impact of Luxury Brands

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Abstract. Overview, this dissertation discusses a few new challenges in the digital age and some luxury brand marketing strategies respectively, based on a number of rigorous research. In this context, traditional marketing strategies are not practicable and feasible. If luxury brands continue to develop the retail and off-line advocacy, they may lose the future market possibly. Hence, luxury should follow trends and build their reputation online, but also keep scarcity. Mix-methods, including case study, interview, investigation of social platform, are used in this dissertation to illustrate a new theory which can be applied in the factual luxury market. Finally, the three-dimensional framework of "controlled scarcity x cultural narrative x digital community" is addressed. By adopting this theory, luxury brands will thereby be able to have more marketing share, and develop more actual or potential customers with the limitation of scarcity. Media can spread advertisements of their products, by celebrities or influencers. Thus, brands' reputation can increase significantly compared with those do not take such actions. Moreover, luxuries have social functions, implied their owners are in high class and rich, like special business cards. From this aspect, a plenty of people will persuade a dream to have their own luxury items. Consequently, the price will grow dramatically, but scarcity never disappear. In a short word, luxury brand will be the biggest stakeholder, they can both get the reputation and high profits.

Keywords: Luxury brand, marketing, digital community, cultural narrative, scarcity

1. Introduction

Nowadays, the global market share of luxury goods improves significantly and has surpassed €1.5 trillion in recent years. However, this period also witnesses some declines and deficiencies of luxury brands because of the overexposure in online communities [1]. Therefore, a large number of scholars start to focus on exploring more possibilities of luxury marketing strategy due to development of digital economy, without scarcity dilution [1]. For instance, some top-tier brands sustain ultra-high premiums and rejuvenate their clientele through a dual lever of "scarcity narratives + digital communities" [2]. In this context, this essay will discuss the root causes and effects of these new challenges in global luxury market brought by the digital economy, based on a substantial number of studies before. Furthermore, it is going to analyze twin real cases and show sufficient data from social platforms. Finally, there will be some solutions and recommendations for this issue.

This essay will use mixed-methods to illustrate how luxury brands can expand their market influence without diluting exclusivity, including case study, investigation of social platforms and interviews. This paper adopts the case study method, using Chanel and Dior, two well-known luxury brands, as case examples for analysis. As two typical luxury brands, their newest development and changes have more representative and universal meaning.

2. Case analysis

2.1. CHANEL case

In October 2024, CHANEL debuted its first digital collectible “Perfume Passport” in China. Users completed a five-city offline scent quest via mini-program and then minted an Ant Chain-based NFT passport. Nevertheless, people who did not get the NFT passport had to buy in a extremely high price in the secondary-market. Consequently, the users who snatched passports immediately had exclusive identity and they could have a sense of belonging in the community. In addition, holders could enjoy one year of free in-store refills. From the perspective of the result, there were more than 180 k participants in 72 h and the secondary-market premium peaked at 6× in a short time. This application combined marries scarcity (limited mint) with narrative (city quest), closing the online-offline loop successfully.

2.2. DIOR case

SS25 Men’s Show was held on a giant “Dior Vibe” treadmill runway over Seoul’s Han River. A week prior, TikTok challenge #RunWithDior let users upload running videos to auto-generate AI “runway guest” posters. As the same, there were plenty of data could illustrate the success - 780 M hashtag views; live-stream peaked at 10 M; B33 sneakers sold out in 48 h. DIOR gamified scarce runway access via AI UGC, converting digital buzz into physical sell-through. Finally, the numerous exposure and advertisements of luxury goods online gained a hit and welcome instead.

2.3. Strategy analysis

Through two events, CHANEL and DIOR applied advanced technology in advertisements to interact with younger users on social platform [3]. As the development of digital economy, luxury brands must adapt to the trend and join in the online community, otherwise they may lose the huge market in the future [3]. For one thing, young people, especially millennial, regard social platform as an essential channel for discovering fashionable trends and making purchasing decisions [3]. Taken TikTok as an example, with its core of "pictures+short videos," is naturally suitable for telling "visual stories," and luxury brands are best at "storytelling [3]. Hence, DIOR chose to make up their brand story by TikTok and give it on goods, such as some promotions of influencers and challenge shots. Influencers gave much exposure and recommendations to their followers and they used or worn the DIOR products in their channels [4]. After the efficient promotions, products were spread by all users like virus. This is why all the products sold out in such a short time.

For the other thing, CHANEL demonstrated the digital marketing strategy as a role model in the luxury industry, too. A compelling piece of evidence is that overexposure of luxury brands may lead to the scarcity dilution [5]. The goal of luxury brands is not "broad coverage", their brand positioning has "selectivity", and broad reach may conflict with existing brand strategies [5].

CHANEL avoided this issue by limiting the number of collection items. People have to wait online and grab the purchase quota, unless they need to by in double or triple times price. Moreover, CHANEL developed the fashion and personality at the same time. A study shows that customer did not mind the high price and they were willing to pay for the brand cost of digital promotion [6]. CHANEL realized that if there were sufficient choices for customers, online personalized customization will be helpful [6]. They gave the freedom for people to choose the details, like the smell, shape and color. The fact was that their digital collection of N ° 5 perfume sold out more quickly.

In conclusion, CHANEL and DIOR can be treated as twin cases to illustrate some efficient way of digital luxury marketing strategies, without scarcity dilution. They guarantee the scarcity of brands and popularity of products in a wise way, excellent promotion online but limited numbers.

3. Luxury brands' approaches to expanding market influence online

3.1. Platform data

Luxury brands lean towards investing higher and higher in advertisements recently. These brands which have more influence on social platform are more likely to gain higher market share, even if their relationship is not always stable. However, things would must go terrible if brands do nothing for online promotion. BOTTEGA VENETA did not post any advertisement after 2021, so it had lowest effect online and sales volume. In the counter part, CARTIER and DIOR that invite some idols or celebrities to endorse their products gained a new era and popularity. JISOO is a Korean idol and she has a huge number of fans. In the ad, she is walking in the DIOR handicraft workshop to explore some brand secrets. Many followers and fans chose to buy their products even though they are not familiar with the brands. At least, users who do not consume can also give likes to the videos or ads to promote products. Thus, their products can be seen by more people, the brand penetration has also increased accordingly [7]. From this perspective, luxury bands can also improve their sales and the effect can be better compared with development of loyalty and repurchase rate [7].

3.2. Interview data

People aged in 18 to 30 years buy luxuries due to various reasons, but there are three main causes, emotional demand, social need and object itself. First of all, customers can get happiness and satisfactory when they click the bottom to pay and receive the goods. In this process, their brains will release dopamine so that they can relieve mental exhaustion and sometimes the objects have special meanings to them. Secondary, luxury can be a potential business card in the public occasion. People will not lose face if they have many expensive luxuries because they think they have ability to get into the upper class [8]. Additionally, they are more likely to get others approve if they have the same brands' products. They reflect their wishes and own assumed personas on the products and have a deeper attachment to such luxury brands, despite there may be differences for privacy and publicity [8]. At last, people may also buy luxury only owing to the object itself. For example, smooth texture and unique design can both push customers to buy it [9]. Nonetheless, it just occupies a few proportion in all reasons.

In the online luxury community, users will share their feelings while they are using the luxury products. In a short word, they choose luxury because of the three main causes referred before. However, there is still a necessity to discuss why some luxury communities exist. In general, a number of customers can be attracted by the visual contents, like pictures and videos, and they have more significant possibility to make the purchase decision if the post quality is attractive and touching enough [4]. Some users may be many brands' fans, but they would choose favorite one to interact at the first time [4]. This can be called brand passion and you can be the member of the brand community, if you have that [4]. Overall, the luxury community can be a beneficial thing for both customers and brands. On the one hand, people can go better with the brands. On the other hand, brands can improve their influence and sales. In the changing market environment, some loyal customers have begun to turn to other brands. Brands need to actively innovate distribution channels and adopt new strategies to maintain their competitive advantage [5].

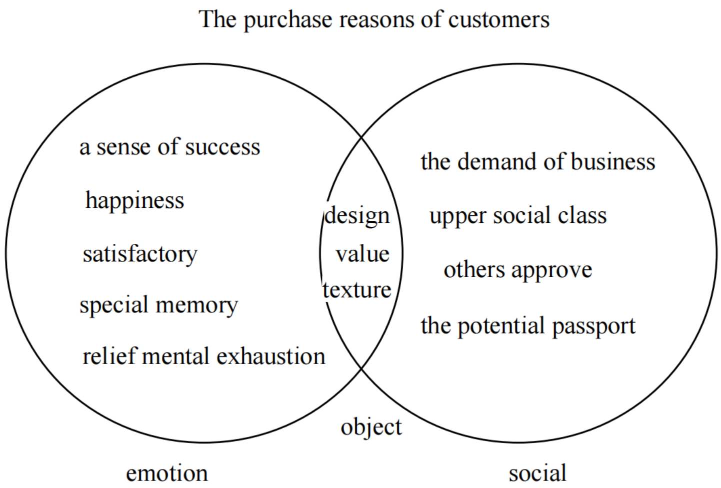

Figure 1. 30-40 samples who are 18-30 years old

4. Results

Luxury brands can build a "high-premium flywheel" based on controlled scarcity, cultural narrative and digital community. Brands cannot rest on the laurels, but adapt to the new trends of times [4]. Despite of the successful storytelling before, luxury brands should also focus on the users' portrait and the application occasion. They should not focus on building an abstract brand persona, but to think about their customer' demand and personalities [10]. It is different from people to people, so choosing and developing a suitable cultural narrative can be deeply crucial. If not, these brands are likely to lose a lot market share, because customers now have more choices actually [10]. With controlled scarcity and digital community, luxury brands can realize the high profits and huge popularity at the same time. Hence, the key finding is that a luxury "high-premium flywheel" is built on controlled scarcity × cultural narrative × digital community.

5. Discussion

Firstly, luxury brands need profound history to develop their cultural narratives. There will be two typical examples, both from CHANEL and DIOR. CHANEL uses "their own equestrian history" to talk about women's autonomy in style, while DIOR uses "external scientific symbols" to talk about women's diverse abilities. Both shows have turned gender equality into a scenario based narrative that can be experienced, checked in, and promoted.

Secondly, luxury brands need to build the art personas in galleries or shows, with various strategies. CHANEL held an immersive art exhibition in 12 cities with "100 year N ° 5", turning perfume into a cultural symbol that can be heard, seen and punched, and driving 89% of the limited edition products to sell out. However, DIOR collaborated with Kyoto Centennial Workshop to create the "Dior Kyoto" kimono collection, incorporating intangible cultural heritage techniques into the runway. All 12 items at the Nijo Castle exhibition were collected for 2.8 million yen per piece. In conclusion, the former is 'classic revitalization', while the latter is 'cultural co-creation'.

Thirdly, luxury brands need some rituals to finish their cultural narratives. CHANEL uses "Coco A.I." to turn its founder into a chat friend for Generation Z, while DIOR uses interactive novels to make users the female lead of "MISS DIOR". As a result, one with 1.2 million friends and a filter sharing rate of 23%, and one with 6 million reads and a 40% increase in sales, both transformed the brand story from "watching" to "playing".

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6. Conclusion

Overall, this essay upgrades the classic scarcity model to a three-dimensional framework of "controlled scarcity x cultural narrative x digital community". For the first time, this essay explains how luxury brands can continuously amplify their market influence through integrated online and offline narratives without diluting exclusivity.

Besides, this study addressed some practical and effective methods for the further development of luxury brands, based on the CHANEL and DIOR twin cases. Social media not only did not dilute luxury, but can also amplify brand stories and reach young customers. Luxury brands can create buzz through celebrity endorsements and daily penetration through internet celebrity content. The combination of the two becomes the core strategy. Moreover, if luxury brands want to increase customer stickiness, in addition to consolidating traditional brand assets, they should also strengthen their "fashion sense" and "luxury desire", making the brand both classic and fashionable. In addition, luxury brands should distinguish between public and private scenes, highlighting their "ideal image" or "true self" respectively to strengthen consumers' emotional bonds.

Nevertheless, this study still needs to be improved in some perspectives. There should be more samples to make the theory more adaptable to any situation and more universal. Further research should do some quantitative analysis with primary data. In the future, this study can focus on cross-culture aspect and gather more users’ comments.

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