

Opportunities and Challenges for Luxury Goods Companies in the Era of Social Media

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Abstract: With the deepening of the era's informatization and technological advancement, the world has been enveloped by the realm of big data and greatly influenced by it. Among them, "social media" has become a particularly active component, playing a crucial role in various industries and undergoing significant expansion of its functions. This paper takes "social media" as a medium to explore the opportunities and challenges for the development of the luxury goods industry. It aims to leverage its competitive advantages to achieve the sustainable development of enterprises.

Keywords: Social media, Luxury goods companies, Opportunities, Challenges.

1. Introduction

The extensive reach of social media provides a favorable prerequisite for luxury brands. Utilizing social media for promotion and marketing enables information dissemination to a larger audience without geographical limitations. "In the era of social media, for the luxury industry, it is crucial to keep up with the trends, innovate continuously in terms of technology, management, and service, actively expand online channels, and ultimately maximize brand benefits."^[1] Promotion becomes an essential means in this context. During the pandemic, luxury enterprises faced significant challenges, with many offline stores closing temporarily, indicating the potential of transitioning to social media for promotion and sales. This article explores the opportunities and challenges luxury brands face in the era of social media, using a combination of case study and literature analysis methods to provide insights and recommendations for the luxury industry.

2. Literature Review

Dr. Liu Junhai believes that corporate social responsibility involves targeting the maximization of shareholder interests while also enhancing the interests of other stakeholders in society.^[2] Therefore, the luxury goods industry should not only focus on achieving economic benefits but also consider the interests of consumers and society to ensure long-term business development. Proper utilization of social media, as indicated in most studies, can significantly impact a company's development and provide increased exposure. In summary, considering the context of this article, it is more appropriate to utilize the medium of "social media" to achieve this goal, thereby attaining sustainable development. This article delves into the luxury goods industry, expanding the research scope to explore not only economic benefits but also the influence of external factors on these benefits.

3. Opportunities

3.1. Enhanced Brand Influence

Social media has gradually infiltrated various industries, and scholars have found that platforms like Weibo can achieve explosive growth in information dissemination in a

short period of time.^[3] To keep up with the times, more and more luxury brands have established their presence on social media. Through platforms like Douyin (TikTok), Facebook, etc., they engage in business operations, product promotion, and even release videos of offline events. These videos convey more details and concepts to consumers, providing a more intuitive understanding of the brand. For luxury brands, their promotion and reputation are crucial. Exposure is a significant factor in social media, and increasing followers and attention has become a measurable indicator, allowing more people to become potential consumers of their brand.

Compared to other businesses, luxury companies focus more on the feelings and experiences their products bring to consumers. They believe that products are not merely commodities but also "artworks" with stories and emotions. This emotional connection is established through storytelling, gradually reaching into consumers' hearts and resonating with their souls. Brands like Chanel incorporate storytelling into their core, basing each product launch on life's inspiration and emotional collisions. Chanel's founder, Coco Chanel, infused the brand with her ideas of female independence, pursuit of beauty, and definition of art, imbuing products with new value propositions.

Incorporating stories into brand concepts is a favorable approach for publicity. It not only shapes a unique brand image but also builds consumer confidence and attachment to the brand. Apart from promoting the company's own stories, concepts, and products, external factors can be utilized to enhance publicity. Sharing information about regional brand ambassadors on social media generates significant responses. The influence of a good spokesperson can create a "ripple effect," bringing immeasurable economic benefits. A company's image is not just about its reputation; societal evaluations of a company are also crucial. Companies can organize charitable activities, support marginalized communities, and establish dedicated departments for sustainable development, fostering a positive corporate image that attracts and gains consumer trust.

Some luxury brands have even developed their own brand apps to provide specialized and systematic services to consumers, enhancing brand belonging. Through data analysis of interviews, eight sets of valid data were collected after eliminating contradictions and irrelevant responses. The

analysis indicated that 75% of people use social media platforms to gain further insights into luxury brand products. Additionally, 62.5% of respondents expressed a desire to purchase after seeing promotional content, but this doesn't necessarily mean they will become consumers due to the high prices. The choice of brand ambassador influences 62.5% of respondents, particularly those aged 18 to 35, although the extent of influence varies. External reputation impacts purchasing impulses for most people, albeit depending on the scale of the event. The brand's essence varies for each individual, but it's generally considered an added value for the product. Overall data analysis shows that most people gain further insights into luxury products through social media and more than half of respondents believe it influences their purchasing decisions to varying degrees in various aspects.

3.2. New Sales Channels and Interaction Methods

Luxury enterprises have embraced a new sales channel through social media, allowing consumers to order products online. However, initially, this mode of sales might not have been readily accepted by consumers. The emotional value associated with purchasing luxury items is a significant factor in their willingness to buy. In the era of social media, introducing new sales channels requires substantial investment in time, manpower, and systematic planning to achieve positive feedback. Improvements must be made to address the lack of online experiential value, and a keen sensitivity to customer needs and experiences is essential.

Enterprises can enhance the online experience by offering personalized one-on-one customer service and customized products. This approach enhances the purchasing experience, adds value to the products, and can be combined with doorstep delivery services. Additionally, online reservations for product maintenance can be introduced to provide added experiential value online.

As luxury products are often distributed in limited quantities and have offline stores primarily in tier-one and tier-two cities, some consumers influenced by geographical constraints might encounter challenges obtaining genuine products through other online channels. The emergence of online brand stores might offer these consumers a more reliable option. Companies can also provide extra incentives online to stimulate consumer spending on this channel, thereby encouraging its growth.

Brands can create their own exclusive apps to communicate with consumers through online surveys and interactions, gaining insights into consumer psychology, increasing user engagement, and better understanding their market. This perspective allows them to upgrade and improve their products effectively.

With the continued expansion of social media applications, luxury brands can effectively enhance product value, thereby boosting profit margins.^[4]

4. Challenges

4.1. Stricter Content Review Requirements

When enterprises release promotional content, it must undergo meticulous review due to the uncontrollable nature of social media, coupled with its rapid dissemination speed. Inappropriate content can swiftly trigger public discussions within a short period, making it challenging to remedy. This can significantly impact a company's reputation and image.

Placing a company within the realm of social media essentially exposes it to a more open and transparent environment, leading to higher expectations for corporate behavior and discourse.

Furthermore, the amplification of discourse is a characteristic of the social media medium. Facing more stringent scrutiny, any content can provoke debates and misconceptions. "Even if a company has done nothing wrong, it can be defenseless against malicious attacks on social media."^[5] For instance, in 2018, Dolce & Gabbana faced intense backlash after releasing three inappropriate videos on social media platforms. This sparked outrage among the Chinese population, leading to strong protests and boycotts against the brand. Consequently, the annual fashion show scheduled in Shanghai was canceled, and numerous offline stores in China were shut down. Even prominent Chinese brand ambassadors and celebrities terminated collaborations with the brand. Many major online retailers also removed the brand's products from their platforms. While the company later issued an apology and engaged in public relations efforts, the enduring impact was undeniable. Despite initially enjoying a promising outlook in the Chinese market and significant economic gains, this incident led to severe repercussions, including the loss of the Chinese market and a substantial blow to the company's overall development. This case illustrates that any inappropriate discourse on social media can be magnified, demonstrating the immeasurable influence of powerful public opinion on a company's trajectory.

A recent incident involving Bulgari underscores the influential power of social media. Netizens noticed that the Bulgari brand website failed to label Taiwan as part of "China" while adding such labels for Hong Kong and Macau. This perception was interpreted as disregarding China's sovereignty and territorial integrity by treating Taiwan as an independent entity. Although Bulgari promptly issued an apology and committed to rectify the situation, these events emphasize the significant influence wielded by social media.

Hence, enterprises must exercise extreme caution when posting content on social media platforms. Since any information shared on these platforms can be amplified, enterprises need to carefully assess their statements to prevent negative outcomes. Given the immense impact of social media, it's crucial to establish a robust and systematic public relations department to navigate the challenges of this era effectively.

4.2. Brand Image Vulnerability from Inadequate Marketing Strategies

In the era of social media, many new sales channels have been opened up, which poses a significant challenge to luxury goods enterprises. Unlike other industries, luxury brands target high quality, high-end audiences, and have higher entry barriers. However, to adapt to the social media era, they have had to undergo transformations and concessions, which undoubtedly serve as a means of self-preservation and enhancement in this era.

For instance, conducting live broadcasts to showcase more product details, craftsmanship, and even displaying how the products look when worn can enhance customer understanding and increase sales. Virtual fashion shows with strong interactivity allow consumers to gain deeper insights into a company's product information, leading to increased sales and economic benefits. Driven by the times, luxury

brands, like other industries, can collaborate with internet celebrities to boost brand awareness and generate more interest, thereby enhancing product reputation from multiple angles.

Certainly, the trend of live streaming sales driven by internet celebrities can stimulate purchasing impulses through its "pitch-style" broadcasts and limited-time, limited-quantity offers. However, this approach has its limitations in promoting the luxury goods industry. Firstly, the high prices of luxury goods make it challenging to sell products through this method. Additionally, maintaining the right balance is difficult; if taken to excess, it can damage the brand's value and image, causing it to diverge from its target audience and potentially alienating its existing customer base.

For example, Louis Vuitton (LV) attempted a live streaming sales event featuring popular celebrities and internet influencers. However, due to neglecting factors like the appearance and lighting effects of the streaming room, the outcome was less than desirable, which consequently affected the brand's image.

In the era of social media, luxury goods enterprises are compelled to integrate, but they must be cautious in expanding their sales channels and ensure they don't detach from their consumer base. Does this mean that the live streaming format isn't suitable for the luxury goods industry? Certainly not. It's not just about implementing live streaming, but doing it better and innovating new forms of it. This includes introducing more online shopping guides, personalized one-on-one live broadcasts, and so on, to add value to the brand.

In essence, the integration of luxury brands into social media necessitates a process of exploration and continuous search for suitable and unique approaches tailored to their industry.

4.3. Escalating Competition Pressure

On social media, the diversity and richness of information presentation enable us to relatively easily analyze the information belonging to the consumer group of luxury goods as well as their preferences and interests. Therefore, luxury goods enterprises need to maintain a high sensitivity to information to avoid being surpassed by other competitors. Furthermore, due to the rapid sharing and dissemination of information on social media, the demand for product updates and replacements continues to increase. Enterprises must shorten the product development cycle and introduce new products more quickly to meet the ever-changing demands of consumers. This also implies that competition within the

luxury goods industry will become even more intense, and companies will gradually face increased challenges in terms of survival and development.

5. Conclusion

For the luxury goods industry, its products are distinct from those of other sectors. Firstly, luxury goods are not essential for daily life and can be substituted with alternatives. Secondly, they come with high price tags, creating a significant entry barrier for potential buyers, which consequently leads to a relatively smaller market demand. Therefore, products of this nature require a strong emphasis on instilling consumer confidence and aspiration towards the brand. This involves attributing values that go far beyond the physical product, disseminating ideas and stories, all of which aid in expanding the market. Additionally, external reputation and the company's image are crucial, making publicity even more essential for the luxury goods sector.

However, even though the luxury goods industry leverages its advantages in the realm of "social media," it also faces numerous challenges. The development of new channels is essential for luxury enterprises in this era, yet it is equally vital to find the right, suitable avenues. Regardless of the industry, any company must meticulously review content before publishing, acknowledging the power of public opinion. In an era of information abundance, seizing opportunities and staying in tune with trends while leveraging the brand's strengths is crucial for standing out in the fierce industry competition.

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