Chapter 5
Digital Transformation of Luxury Brands:
Omnichannel Strategies and Implementations

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ABSTRACT

Competition among brands has become quite severe due to recent technological developments. These developments can bring some companies to an end, while for some companies they can turn into an opportunity, or the innovations brought by technology can open new ways for companies to work. While capturing these technological developments, companies have begun to transform these innovations into strategies. In addition to the classical marketing strategies and implementations, there are now also companies that use digital transformation in their marketing plans and actions, and they try to integrate the customer with these new types of marketing. Luxury brands have a lot of distinction from other categories with their marketing approaches and tools. Therefore, it is obvious that luxury brands must adapt to this digital transformation. This study aimed to draw a framework for their omnichannel strategies and implementations considering the characteristics of luxury brands and customers.

INTRODUCTION

Technological developments in recent years have not only improved communication channels, but also introduced new, integrated or not, marketing channels (Pauwels & Neslin, 2015). Companies have also attempted to shape these channels to provide competitive advantage for both existing and potential customers and to use them in their daily operations. Each new channel also means a new way to reach consumers. It has also enabled consumers to access alternative products and services faster, easier and at affordable prices (Melero et al., 2016).

It is obvious that luxury products and brands have different strategies and practices in terms of marketing compared to other product categories. The products launched by luxury brands may not always follow the classical product development steps. Neither the launch of the product on the market nor the reasons for its preference by consumers cannot be evaluated always within the framework of rational criteria (Penz & Stöttinger, 2012). Luxury brands have a lot of distinction from other categories with their marketing approaches and tools. At this point, the new strategies and implementations present the tools offered by technological transformation will undoubtedly bring different strategies and implementations for luxury brands.

However, one of the issues that needs to be discussed before all this is whether this technological transformation is right for luxury brand customers who are more classical and used to face-to-face communication. There are new discussions in the literature on this subject (Okonkwo, 2009). Although middle-aged and older people come to mind when luxury product customers are mentioned, today the millennium generation, which is experiencing rapid career and income growth, is also among the luxury product consumers. The number of customers in the young profile continues to increase day by day. Considering the prevalence and intensity of young people's access to and use of technological tools, it does not seem possible to say that the marketing strategies of luxury brands will continue with classical approaches (Giovannini et al., 2015; Han & Kim, 2020; Timperio et al., 2016). In addition, although the use of technological facilities is quite common among people above middle age, it is also increasing for older age categories. It is possible to say that digital transformation is now a part of the daily routine for all age groups, with technological products and services reflected in daily life and with easier user interfaces.

Omnichannel examines the consumer in all digital and physical channels (Bell et al., 2014). Data from all channels is collected in a pool. These data are merged, and all channels are optimized for personal communication as a result of processing information. It is a system that allows users to analyze physical stores and e-commerce stores in an integrated way to provide a single experience on all platforms. Specially, in today's world of marketing, where the use of social media and e-commerce is increasing, omnichannel aims to interact with consumers in each channel and in the most effective way. With the strategy that makes the physical store a whole with mobile applications, social media accounts, e-commerce site etc, companies can reach superior market performance by interacting with a larger audience (Gao & Su, 2018). Thus, the awareness and loyalty of the customers on the brand is increasing. For omnichannel marketing, besides recognizing the customer in digital environment, it is also very important that the customer can reach the luxury brands in the desired platform.

Therefore, it is obvious that luxury brands must adapt to this digital transformation. Omnichannel marketing is one of the most up-to-date issues of the reflection of this digital transformation on marketing strategies. Although omnichannel marketing has gained increased attention in recent years, it has not yet matured enough in its scope and applications. Especially when considered in terms of consumer behavior and business practices, the above issues are more critical for luxury brands. At this point, handling omnichannel strategies in terms of luxury brands is expected to be a guide for both researchers and practitioners. In this study, it is aimed to draw a framework for their omnichannel strategies and implementations, considering the characteristics of luxury brands and customers.

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