New Marketing Model of Fashion Luxury Industry

--- Metaverse Marketing

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Abstract: Metaverse, a concept that brings together highly sophisticated technologies from several major fields, is essentially a virtual, digitized process of the real world. It has received attention from people from all walks of life in the past years. Many fashion luxury brands have also seized this opportunity to innovate a new marketing model - metaverse marketing which has created many benefits for brands, including increased media exposure and public attention, as well as rejuvenation and deepening of the brand's premium image in ways that traditional marketing models could never achieve. Simultaneously, due to the scientific and technological limitations and legal restrictions related to metaverse, brands face many risks in metaverse marketing. Therefore, in this process, the luxury industry needs to always keep the marketing concept with consumers as the core, cooperate with technically mature enterprises for the development of technological products, and also develop diversified marketing plans to optimize the use of metaverse marketing to serve brand building on the basis of not damaging consumers' interests and destroying their own brand positioning.

Keywords: metaverse, metaverse marketing, fashion luxury industry, brands rejuvenation, brand positioning

1. Introduction

The concept of metaverse has received great attention in 2021, becoming one of the top ten buzzwords of the year, with companies such as Facebook, Microsoft and Apple joining the metaverse and its development prospects becoming clearer by the day. The metaverse is a virtual world that uses technology to link and create, mapping and interacting with the real world, a digital living space with a new social system.

So far in 2020, the recurring epidemic and international turmoil have led to a sluggish consumer end, coupled with a series of reasons such as the declining recognition of luxury brands by the younger generation, many brands have seen their sales plummet. In such a situation, every brand needs to actively seek changes, and the metaverse is providing a new direction for brands' marketing. Many businesses are using metaverse to market their brands, such as creating virtual idols and spaces, producing and selling digital artwork. The fashion luxury industry is no exception. Gucci, for example, one of the blue-blooded brands of luxury accessories, has collaborated with Genies, a virtual image technology company, to design hundreds of virtual outfits just last year; and Balenciaga

has designed a video game, Afterworld, debuting its Autumn 2021 collection using Epic Games' Unreal engine.

For a long time to come, metaverse marketing will be applied to more brands and industries. This article is to analyze what kind of marketing objectives have been achieved by brands in the fashion and luxury industry through metaverse marketing, what impact it has on the company's positioning, brand culture and customer renewal, and what implications it has for other industries when applying the methods of metaverse marketing, as well as what risks need to be prevented in the future of metaverse marketing.

2. Literature Review

The term "Metaverse" was first coined by the American science fiction author Neal Stephenson in his novel Snow Crash. The Metaverse, a combination of the words "meta" and "verse" ,is a digital world that seamlessly and deeply integrates the virtual and the real, and can generate significant value beyond the real world. The metaverse is a "digital twin" world including both digital replicas of the real world and autonomous creations of the virtual world, built using mature digital technologies.

As an advanced product of virtual reality, the metaverse will become the latest form of the next-generation Internet, integrating VR/AR/MR, 5G, cloud computing, artificial intelligence, digital twin and other emerging information technologies, and human society will then enter a new era of networking. Roblox, an online creation game platform, believes that the basic elements that make up the metaverse include identity, friends, immersion, low latency, diversity, anytime, anywhere, economic system and civilization. These eight elements will constitute a 3D simulation world that is a fusion of reality and reality, ubiquitous and interconnected, intelligent and open, and decentralized [1].

Nowadays, more and more brands in the fashion industry have found new business opportunities, and the multiple dimensions of technology, content and social covered in the metaverse have become the entry point for brand marketing. The three major directions of metaverse marketing are mainly divided into three dimensions: "people", "goods" and "field".

The first dimension is people. The emergence of virtual digital people has shown us the prospect of using "virtual idol endorsers" in digital marketing. 2021 has seen scandals in both Netflix and premium idols, which has caused a major crisis for the brands they endorse. In contrast, virtual digital personalities are more "reliable" and are therefore favored by many brands. For example, L'Oreal launched "M" and "Ou", in addition to Vaseline, Cazeline, Watson's and other brands have created virtual images that fit their brand characteristics.

The second dimension is goods. Another idea for brands to try meta-universe marketing is NFT digital collectibles marketing. NFT is a concept that exists relative to homogenized tokens and belongs to a kind of token in the blockchain, which has the advantages of uniqueness, scarcity, traceability, indivisibility, non-tamperability and forgery, and transferability. Brands are willing to export their ideas and values by creating unique NFT digital collections [2].

The third dimension is fields. With the influence of the epidemic and the gradual breakthrough of metaverse technology, more and more brands have started to adopt the virtual scene approach to provide users with diversified experiences. Scene marketing communication can not only realize the reflection of the real world, but also create interactive scenes with real feelings through the three core technologies of XR technology, VR technology and AR technology, enabling consumers to interact with other consumer scenes [3]. For example, Gucci opened Gucci Garden Experience, a Gucci flash store on the gaming platform Roblox, which created a virtual location with a swimming pool, including a shopping space. The shopping space featured a digital version of the Wine God bag, which was more expensive than the real thing.

Today, "AR/VR", "NFT" and "digital avatars" offer more possibilities for brand marketing, and increasingly new and interesting marketing methods are enhancing consumers' attention to brands. Among them, the luxury industry is a leader in using metaverse for marketing.

Luxury brands mainly have the following characteristics: rare and precious raw materials, advanced customization; producer-led pricing, expensive and stable prices, strong premium capacity; audience groups are upper-class people and elites with wealth and status; brand history is long, with high artistic added value; brand positioning is well known to the public, niche buying. Luxury goods are based on the core concept of rarity, unique products and privileged life, and are "goods beyond the basic needs of the people".

3. Main Body

3.1. Metaverse Marketing in Fashion Luxury Industry

Today, many in the fashion luxury industry are already using the technology of the metaverse to market their brands. in May 2021, Italian luxury brand Gucci launched its first NFT artwork, a four-minute fashion film called Aria, which sold for $25,000 at Christie's. in February 2022, Gucci partnered with toy and digital collectibles company Superplastic In June, Gucci has filed five trademark applications for its name and logo, spanning NFT-enabled media, virtual clothing, vehicles, real estate, fashion shows and currency. 2021 In November, luxury brand Coach announced the launch of its first NFT collection called Snow City In November 2021, Givenchy Creative Director Matthew M. Williams collaborated with Mexican artist Chito to launch the Chito x Givenchy NFT collection, featuring Chito's iconic graffiti style In August 2021, French luxury brand Louis Vuitton released its own free-to-play episodic handheld game, Louis The Game, and embedded 30 NFTs in the game, 10 of which were created by Beeple, a renowned digital artist; Balenciaga created the most popular NFTs for the Fortnite" game's most popular characters Ramirez, Knight, Doggo and Banshee produced new clothes, including the launch of a set of game clothing props, as well as a limited physical clothing collection. The Parisian house also transformed the runway designs into digital models.

In addition, AR technology is also being used in luxury brands' metaverse marketing. 2020 saw Jingdong release a new augmented reality feature for its app "AR Try on Shoes" that allows users to virtually try on shoes. Berluti, the LVMH-owned shoe and custom leather goods maker, has opened a flagship store in Jingdong to enter the augmented reality space, offering AR shoe fittings for select items. This investment allowed Berluti to offer AR fittings to customers during the "Double 11 shopping spree". Luxury brands Tod's and Hogan also participated [5].

These show that the fashion luxury industry is moving fast on the path of meta-universe marketing, and the use of high-end technology is giving them more opportunities for development.

3.2. The Benefits of Metaverse Marketing to Fashion Luxury Brands

According to a team of analysts from Morgan Stanley, luxury companies have an opportunity to sell virtual goods in a metaverse, a market that is expected to reach up to 50 billion euros ($57 billion) by 2030 and is expected to help luxury companies increase their revenues by more than 10%, with a 25% increase in EBITDA for the industry as a whole [6].

Nowadays, the fashion and luxury industry has entered the era of metaverse marketing, and many facts show that this new marketing method has indeed brought many benefits to brands.

3.2.1. Enhancing the High-end Tone of Luxury Brands

People often understand luxury goods as rare products of high quality and high price, and many scholars believe that luxury goods also contain emotional experiences such as feeling of superiority and hedonism when buying them. In terms of Maslow's human needs structure, luxury goods play an important role in the process from survival needs to self-actualization needs. In short, buying luxury goods can symbolically enter a specific privileged society.

And the meta-universe covers major high and sophisticated science and technology, such as VR/AR/MR, 5G, cloud computing, artificial intelligence, as well as digital collectibles and other scarce features, all of which are in line with the high-end tone of luxury goods. "NFT can give digital products uniqueness and make them more scarce, and scarcity is the most effective pricer, so NFT drives brand premiums." According to Pan He Lin, professor of Zhongnan University of Economics and Law [6], NFT represents the new form of future assets, and its inherent scarcity coincides with the concept of luxury esteem, and the deep integration of the two has rubbed a new spark for brand positioning. Meta-universe marketing can be said to have greatly enhanced the high-end image of luxury brands.

3.2.2. Rejuvenation of Brands

According to the report "2020 China Luxury Market Consumer Digital Behavior Insights" released by BCG in cooperation with Tencent, luxury consumers under 30 years old account for over 50% of this research and 47% of the contribution to luxury retail sales. Some research shows that by 2025, millennials and Generation Z will account for 45% of the global personal luxury market. Therefore, occupying the huge market of young consumers has become the core of the marketing strategy of many luxury brands, and learning to communicate with young people has become a necessary stage of brand building. Most luxury brands have shifted their focus from older consumers to millennials (those born in 1984-1995) and "Generation Z" (post-95 and post-00) in recent years. The "Generation Z" group needs to be highlighted, as they have been influenced by mobile electronics and the Internet since birth, and are the native generation that wanders between the electronic virtual and real worlds. In the era of rapid technological development, the Internet has deeply influenced the ideology and self-identity of the "Z Generation". The "Z generation" is good at communicating with the outside world through online social media and likes to express their opinions freely in the online space. At the same time, they are more open and tolerant in their perceptions and more fragmented in the way they receive information, and they are more likely to be influenced by various opinions and value choices on the Internet [7].

In order to cater to the preferences and consumption styles of this group of people who represent the future of the world, and to achieve marketing purposes, luxury brands have made drastic efforts to renew their brands and innovate their products in recent years, including cross-border co-branding, endorsement by celebrities, brand design transformation, new media promotion and so on. For example, Gucci has chosen Alessandro Michele, a creative director who places great emphasis on personality; LV's creative director has applied street culture to design and collaborated with artists to create gimmicks; in order to adapt to the trend of young and digital Chinese consumers, luxury brands have continued to invest more in digital marketing in China, paying special attention to enhancing direct interaction with consumers through social media and platforms and expanding online consumption. For example, French luxury brands Dior and Chanel have both officially opened their ShakeYin accounts to fully enter the market of young consumers.

In the year of meta-universe, the major luxury brands have seized this opportunity tightly. Millennials and GEN Z are the customer groups most likely to accept and have the ability to buy meta-universe products. Growing up in the era of mature Internet technology and smart electronics,

they are familiar with the application of the Internet, like the second generation, like big brands, and they will do a lot of behavior to show their individuality. Therefore, the younger generation is more likely to accept a series of products under the concept of meta-universe than the older generation of consumers. Therefore, major luxury brands choose to gain the attention of the younger generation through a series of meta-universe marketing. Gucci, for example, has been working for several years to strategically rejuvenate the brand and has already released digital collections of its iconic clothing and merchandise on Roblox, Zepeto and Giphy. It has also integrated the SDK of avatar creator Genies directly into its app so that consumers can dress their avatars while purchasing physical clothing [8]; Louis Vuitton, the French luxury company, has launched a video game to win over the Z generation, which includes an exploration of the brand's founder's journey across real-life fantasy locations and the digital world, involving cities such as London, Beijing, Paris, Tokyo and New York. The game also includes the non-homogenized token NFT, and the venerable luxury brand Valentino has also experimented in the virtual world of Animal Crossing [9].

In this way, these old fashion luxury brands changed the old-fashioned image they used to have in the minds of some consumers, and their own image became more and more youthful, attracting more and more millennials and GEN Z groups, which was a very favorable move for the brand's youthful positioning and largely drove the growth of sales.

3.2.3. Increasing Media Exposure and Public Attention

The concept of metaverse marketing is a very new concept, and no matter which brand uses this technique for brand and product marketing, it will attract a lot of media attention as well as coverage. Exposure increases, and brand awareness will increase again. The core of the virtual economy is traffic, whether the brand is profitable or not, as long as the exposure reaches a certain level and attracts enough public attention, the brand has achieved the purpose of metaverse marketing.

3.3. The Immaturity of Metaverse Marketing and Risk Prevention

Although metaverse marketing has brought many benefits to the fashion luxury industry, at the same time, there are still many security and legal hidden dangers due to the immaturity of this technology, and there are still many difficulties to be solved. For example, NFT virtual currency supported by blockchain technology is decentralized and fragmented, if the share of NFT interests is split, it will attract more people to invest, which may involve illegal fund raising, money laundering and other issues that should be regulated by law; furthermore, virtual property can be transferred in any virtual identity, and there are problems of identity theft and abuse behind the digital identity, and the transfer of property may involve network fraud. . Algorithmic recommendations may also be used by criminals, in addition, the weak geographical space restrictions of the virtual world may lead to increased social risks [10]. How to gain consumers' trust in this emerging concept and further expand the user base are challenges that need to be addressed and require thorough consideration and risk assessment and prevention by brands when using metaverse marketing.

Therefore, in the process of metauniverse marketing, first, the brand needs to always take the consumer as the core and maintain the positioning of the brand; second, focus on the protection of brand trademarks and patents; comply with legal regulations and do not do marketing measures that cross the border; furthermore, the brand should choose companies with mature technology to cooperate, to avoid the immaturity of technology that damages the interests of consumers and thus the brand image, etc. Most importantly, it is essential to keep innovating and creating diversified metauniverse marketing programs so as to attract more young consumers, while also always safeguarding the interests of consumers as well as their privacy.

4. Conclusion

All in all, in the context of metaverse, the use of metaverse marketing is quite beneficial to fashion luxury brands, which is conducive to brand rejuvenation, enhancing the scarcity and uniqueness of the brand, increasing media exposure and public attention, etc. However, simultaneously, there are many risks in metaverse marketing due to the immaturity of technology and legal restrictions. This requires luxury brands to pay attention to the evaluation of risks and prepare corresponding countermeasures to avoid damaging the interests of consumers and the brand's own image, so that metaverse marketing can be truly useful for brand building.

However, this article is lack of the analysis of metaverse marketing from a comprehensive perspective and is just limited in fashion luxury industry which cannot provide practical suggestions for all industries. Therefore, future studies may use more scientific researches and theories to get an overall analysis of metaverse marketing to make it more meaningful and applicable.

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