



## The “Social Media New Deal” for Luxury Brands

**The rise of social media has put more power in the hands of a diversity of stakeholders who now shape for a large part of what is viewed as luxury. As a result, luxury brands have to learn how to negotiate their identity by striking new deals with these stakeholders at three levels: the brand image, the brand content and the brand ambassadors.**

Social media has upended the way many industries operate, and luxury is no exception. In this sector, brands traditionally relied on creating a perception of distance between themselves and their customers – the brand dream. With new powerful tools aiming to connect people with people, or people with brands, luxury brands have no choice but to reconsider this age-old luxury principle to capitalise on increasingly digital customers. While their power is waning, the challenge now lies in negotiating their luxury identity with increasingly influential online stakeholders, while preserving their unique cachet.

To successfully negotiate their online identity, luxury brands need to learn how to strike “new deals” with digital actors on three key dimensions: how their image will be represented (i.e., image deal), what content will build their stories (i.e., content deal) and who will help them spread and communicate their values (i.e., people deal). Each of these dimension represent a strategic area for growth that luxury brands need to manage, balance, and constantly redefine and evolve.

### **The new image deal**

By offering online consumers the opportunity to give their own representation of brands online (by

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posting brand images in Facebook, tweeting in relation to a brand etc.), the digital revolution has led to more fragmented, bottom-up, multifaceted impressions of luxury brands. These can greatly threaten how the brands intend to be featured, from misrepresentations (e.g. a Facebook image featuring a Hermes bag with flashy clothes) to overrepresentations (e.g., an important number of tweets about Louis Vuitton damaging the brand’s exclusivity). Luckily, brands still have the opportunity to create their own voice by selecting platforms that highlight their own identity. Particularly important to this choice is the extent to which the brand might push for images that complement and connect with organic impressions (as opposed to contradicting them).

The Burberry Facebook page for example, while being very product driven also features the brand’s music influences. In contrast, their Instagram posts are much more “backstage” driven, with behind the scenes photo shoots, and live pictures from runway shows, they appeal to more visual and artistic customers who crave instant gratification of staying updated and plugged in real time. Similarly, the Mulberry blog while very lifestyle driven with a lot of posts related to styling influences, travel stories, events and even food recipes, features products –

especially those that are more affordable. This is important as it drives traffic to the e-commerce platform, encourages purchases and generates more revenues.

### **The new content deal**

As guardians of the heritage, craft and history of a brand, publishing skills now need to extend into the digital realm in order to thoughtfully cover the content creation, the content curation and content dissemination spectrums. As the instant gratification of a store purchase does not exist in the digital sphere, brands have to lure them indirectly.

Hermès, for example, has resisted selling any of its “core”, highly sought after collections online, and emphasises that its brand website is more of a channel for consumers to explore the world of Hermès, from its seasonal inspiration to its heritage, art and museum collaborations and exhibitions. The same is seen on its Facebook page. Hermès has also embraced the mobile application channel but only with their Silk Knots app that educates consumers on how to vary their scarf tying techniques. In doing so, Hermès increases its authority and prestige in this product category by showing customers they also care about habits associated with their products – the Hermès way of using scarfs.

Net-a-porter, an online fashion retailer, has taken a more editorial way to shop via its in-house trend magazines, net-a-porter TV, and even an official hashtag (#THENETSET) on their Instagram account for customers to post their latest purchases from the website.

### **The new people deal**

This leads to our last power duality, that of the power of the people, and often in luxury and fashion, a subset of very powerful influencers. The digital world has levelled the playing field and given these individuals sometimes more sway and energy than an entire brand. Their followers can count in millions. Traditional fashion editors who started out in print but are now plugged in like Anna Dello Russo who has about 430,000 followers on Instagram, compared to retailers like Neiman Marcus with 330,000. Even traditional fashion print authorities like Harpers Bazaar only has 290,000 followers, compared with models like Cara Delevingne has about 4,800,000 followers, or famous bloggers like Chiara Ferragni who also has her own shoe line and has an audience of 2,100,000.

By pushing their own content and speaking “in their own name”, influencers appear more authentic and trustworthy than corporate brands and are particularly influential in the purchase of accessories, often featured in their blogs. As a

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result, luxury brands need to learn how to co-create their stories and communicate their unique values with these new powerful personalities. Put simply, luxury brands should now strategically think about how to leverage and curate the tripartite balance of power and content creation between the brands, the style personalities and their legion of followers. Many opportunities to get influencers involved exist, but these need to be thought about as part of a relationships strategy. For instance, famous bloggers can be invited to fashion shows and fittings, but brands also need to carefully select personalities who are in line with their positioning, and who have the right demographic profile of followers.

Opening the door to such influencers has also opened up opportunities for co-product creation. Louis Vuitton has a digital customisation atelier, except that it is only accessible in store (their new Townhouse in Selfridges London) and reaffirms the need for brands to engage customers digitally in a physical environment. Similarly, in a rare collaboration between an online shoe company and a major retailer, Shoesofprey.com, an Australian company that gives consumers the ability to digitally design their own shoes in 3D and order them has most recently worked in the reverse path by offering to their customers the opportunity to interact with 130 physical swatches of leather in David Jones’ flagship Sydney store. These examples attest to the fact that the power of digital co-creation should also be capitalised upon and synergised in stores to create a seamless brand experience for customers who are adept in both realms.

The dilemma of the duality between digital and physical is more entrenched than ever, and whilst many may see one in competition with the other, the opportunities and benefits to cohabit both spheres simultaneously far outweigh the risks and challenges. Acknowledging the challenges as described above and address them strategically will give a significant advantage to luxury brands and give traction to their future successes both online... and offline.

*This article is a summary of a **three-part series** by David Dubois and Debbie Teo (INSEAD MBA '12J)*



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