

# **The Impact of Social Media on the Fashion Industry**

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*The purpose of the paper is to address social media as a marketing strategy to manage market shrinkage in fashion and luxury markets. During the financial crisis of 2008, retailers faced a dilemma relating to both the economic environment and psychographic issues: how to convince consumers of fashion and luxury goods to purchase when even the wealthy cut back, and how to plan for spring when sales are declining at retail stores. To understand further social media, as a marketing strategy for managing marketing shrinkage for an upscale segment, a study was conducted on attendees of Mercedes Benz Fashion Week in New York to examine the relationship between social media and fashion and its relationship to fashion week. The author synthesizes extant knowledge on the subject, and provides recommendations for future research.*

## **INTRODUCTION**

During the financial meltdown in 2008, retailers were faced with a dilemma that is partly economic and partly psychographic: How to convince upscale consumers to purchase when the wealthy are cutting back? How to plan for spring when sales are off in stores like Neiman Marcus, Saks Fifth Avenue, and Nordstrom? Luxury goods seemed all but resistant to economic downturns. Even in Paris, the mood at the time turned cautious. Retailers informed designers they would delay orders for spring, and place smaller orders. Neither designers nor retailers expected improvements. Consequently, a growing number of designers sought new marketing strategies to appeal to customers' emotions.

Fast forward, after years of paralysis as a result of the recession, on Madison Avenue, a gage of New York retail health, business improved. Nearly fifty stores opened, including a diverse mix of European luxury labels, contemporary brands, hipper American designers, concepts stores, and long lasting stores (Wilson, 2012). According to Clifford (2011), even in hard economic times, the high-end, inconspicuous, and fully priced products sell. The recent economic crisis prompted the affluent population—the top 20% of income earners representing 60% of the market—to refocus on real value and great classics, and to pay the expected price (Kapferer, 2012). Says Max Azria, the fashion designer of BCBGMAXAZRIA, known for dressing top celebrities, "Today we have to be totally crazy and make stuff that stands out," he said. "It takes so much more to get a consumer's attention because they're more careful about how they spend their money" (Lutz, 2012). In hard economic times, customers tend to cut back on purchases, since they lack confidence in their future.

The purpose of this paper is to examine social media as a marketing tool for connecting brands with their target market, an approach for tackling market shrinkage in the luxury segment, and as a 'missing link' in existing business models. A study was conducted on attendees of Mercedes Benz Fashion Week in New York to examine the relationship between social media and fashion and its relationship to fashion

week. The author synthesizes extant knowledge on the subject, and provides recommendations for future research.

## **LUXURY, FASHION, AND SOCIAL MEDIA**

The usage of social media technology by luxury brands surged in 2009. Technology encourages customers to interact with brands. These customer interactions build the brand by increasing awareness, involvement, and engagement; thus, adding to brand recall and stimulating purchases. Tweets, blogs, and social networks like Facebook, Twitter, YouTube, Instagram, and Pinterest offer fashion brands ways to connect with audiences. Though many fashion brands initially believed social networking would weaken the relationship with consumers, social media is now viewed as an opportunity to improve customer relationships and to ultimately capture a larger audience. For example, the timing was right for Gucci's multicultural social network site, "Guccieyeweb.com" for the launch of a new sunglasses collection targeting digital generation customers. Gucci updates its Facebook site several times a day and sends Twitter tweets (Kim and Ko, 2012).

The emergence of social media (e.g., Facebook, Twitter) has boosted interest in word of mouth and viral marketing among luxury brands. Word of mouth (WOM) – interpersonal communication about products and services between consumers – is one of the most influential sources of marketplace information for consumers (Arndt, 1967; Alreck & Settle, 1995). When WOM travels on the Internet, it can be viral and most powerful, regardless of whether the information is good or bad. For followers, it is becoming increasingly challenging to sort out the facts, since the immediacy of information is extreme with no standard to determine the truth. The spread of information brings people to a common sphere to exchange views. Los Angeles day-to-day celebrity wear, for example, has become a worldwide phenomenon, partly due to social media legitimizing the casual look. Vintage stores, showcasing T shirts and jeans, permeating the Los Angeles casual style, are the retail niche of consumers found now throughout the world.

Fashion is everywhere, mostly due to the internet. "Blogs" offer consumers an almost unlimited space for self-expression on the Internet (Kozinets, 2006). Blogs are defined as personal websites, "usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video, where entries are commonly displayed in reverse-chronological order" (Wikipedia, 2009). Unlike fashion-focused magazines and television shows, there are millions of fashion blogs worldwide that are updated regularly with new fashion trends. The blog's effectiveness is due to its strong individual, personal, popular, and elitist point of view. Its engaging experience offers readers the opportunity to voice opinions and challenge fashion critics.

Brands view popular bloggers as the new journalists and influencers. The advent of agencies representing bloggers points to the evolving influence of fashion blogs. Once considered fashion-obsessed amateurs, style bloggers have matured into fashion trendsetters and the savvy marketers command four- and five-figure fees from brands. New agencies like Digital Brand Architects in New York represent fashion and lifestyle bloggers, brokering endorsement deals with fashion labels, signing up advertisers and, in some cases, booking lucrative television commercials. Nowadays even mainstream agencies like Creative Artists Agency represent powerful bloggers (Kurutz, 2011).

In the past two years, there is a growth in fashion apps for the iPhone, iPad, and iPod. These apps offer customers up-to-the-minute deals, information on the latest fashion trends, the convenience of shopping directly from an iPhone, iPad or iPod, and ease of social sharing. Pose, for example, is a fashion app full of blogger images and ideas. Users can score the latest looks from fashionistas and trendsetters as well as share favorite fashion finds and outfits. Even more, like Facebook, users interact with styles, and share Twitter Pose tweets.

## LUXURY BUSINESS MODELS

A multitude of business models are now embraced by the fashion industry: the luxury business model, the fashion business model, and the premium or super premium business model. Fashion houses that dominate worldwide, such as Louis Vuitton, Chanel, Gucci, Hermes, and Ferrari share a common unique business model which differs from other industries (Kapferer, 2012). The popular luxury business model rests on strict principles that maintain the uniqueness of luxury and preserve the non-comparability of those luxury brands that follow these guidelines (Kaprik and Scott, 2010). Interestingly, there are companies not classified as luxury like Apple; yet, still apply elements of this model (Kapferer, 2012). Kapferer and Bastien (2009) offer these principles, the anti-laws of marketing, as follows:

- Luxury represents the local culture and refined art de vivre.
- Do not advertise to sell: Luxury communicates a dream.
- Communicate to non-targets: non-owners must recognize the quality craftsmanship.
- Maintain full control of the value chain: luxury quality can only be delivered if the brand has 100% control.
- Maintain full control of distribution: Distribution is one-on-one service. The experience must be exclusive.
- Never issue licenses: Licensing translates in loss of control and increases the risk of consumer dissatisfaction.
- Always increase the average price: never trade down nor cut the luxury brand's prices.
- Develop personal relationships with clients: Luxury means treating all clients as VIPs.

A second business model among high-end labels includes the fashion business model, which delocalizes production in search of low-cost labor forces. Unlike the luxury business model, fashion does not sell timelessness. Instead, once the fashion season ends, stores slash prices to eliminate inventory in order to replenish with new merchandise. As for pricing, in the luxury business model, average prices should always go up because there are enough newly rich consumers to buy the product.

A third business model among more high-end labels is the premium or super-premium business model that is based on a brand's willingness to create a premium "best" product. Makeup, for example, increases its popularity by earning prizes through magazines like Allure, The Oprah Magazine, Cosmopolitan, and others. Unlike luxury, an art which refuses to bear any comparison, super-premium brands build their fame and social media following from it.

Despite the value in these business models, within an ever-evolving luxury landscape, firms must continually find new ways to connect with customers, build strong relationships, and increasing social engagement to drive growth. New Innovative business models must incorporate social media to allow firms to build strong customer relationships and encourage loyalty, and interact with customers through new channels, formats, or revenue models. It is imperative for luxury marketers to continue to build up their presence on social media platforms that they already use and look to expand to new platforms to engage audiences. Additionally, luxury marketers must think how they can reach key customers with each social media platform, harness it to suit the needs of both the brand and the consumer, and how to tailor their message to compel customers to explore deeper, and on the path to purchase or to opt-in to ongoing communication.

## **METHODOLOGY**

The objective of the present study was to gain specific insight about fashion professionals' usage of media in evaluation of fashion, and its relationship to fashion week. Mercedes Benz fashion week was selected as the context of study. This research context was selected because of the concentration of fashion experts attending the event. For the majority, attendees either have to be members of the press or fashion industry. This elite group is social hub in itself, requiring membership through a rigorous application demonstrating work in the industry.

Mercedes-Benz Fashion Week is New York City's single largest media event, taking place twice a year (February and September) at Lincoln Center, one of the most well-known arts and cultural institutions in the world. The event provides top designers an international platform to showcase their collections to more than 100,000 industry insiders from around the world, including buyers, editors, retailers, celebrities, VIPs, etc. With more than 80 designer shows over eight days, it is known as the premier event worldwide where style, beauty, supermodels, and celebrities come together to celebrate the best in fashion.

### **Data Collection and Analysis**

A study was conducted between 5/17/11 to 6/15/11 on Mercedes Benz fashion week attendees to examine the influence of media on fashion views, and its relationship to Mercedes Benz Fashion Week attendees. A total of 2,082 email invitations to Mercedes Benz Fashion Week attendees, of which 134 questionnaires were initiated, and the final including 74. Sample T Test was performed to analyze the influence of media on fashion week attendees. One-way frequency tables for the variables in the data set were created to understand the relationship between media and Mercedes-Benz Fashion Week.

### **Findings**

In general, the study showed strong, positive, significant effect of fashion related media, including social networks (e.g., Facebook, Twitter, and MySpace), magazines, newspapers, and blogs in intensifying fashion week attendees views about fashion. To add, the information provided by all media was found to be essential and important. Even more, the influence of the media identified was essential and important in evaluating the quality of the shows and/or designers.

The majority sought advice or information prior to attending Fashion Week, sought advice or information after attending Fashion Week, and sought advice or information before and after attending Fashion Week. When seeking out the media in evaluation fashion during Fashion Week, the majority of respondents noted the information provided was either essential or important. As far as usage of media in the evaluation of the quality of the shows seen and/or designers in general, there was a strong influence. Most interesting is that attendees found the evaluation of media prior to the show accurate in assessing the quality of the show. These attendees visit the media sites often, classify themselves as influential in fashion, and consider themselves a good source of fashion advice, offering a great deal of information, and convincing others of their fashion ideas.

### **Limitations**

Though the relatively low response rate makes it difficult to draw significant conclusions, this initial study suggests that further investigation be carried out to increase our understanding of the relationship between social media, fashion brand evaluations, and influence on new fashion trends. Given the strong impact of social media in molding the opinions of professionals at Mercedes Benz Fashion Week, coupled with their influence in impacting the opinions of bloggers, this initial study calls for further research to increase the understanding of this influence for improving fashion business models.

## **FUTURE RESEARCH**

Though the research results are limited, it is clear based on this initial study that it is critical for new business models to incorporate ways to connect with customers, build strong relationships, and increasing social engagement to drive growth. Thus, further investigation should be carried out to better understand the social media association with luxury products to build strong customer relationships and to encourage loyalty, and to interact with customers through new channels, formats, or revenue models. It is imperative for luxury marketers to continue building their presence on social media platforms they currently use, and expand to new platforms for engaging audiences.

A review of the literature indicates that while researchers have explored the relationship between social media and viral marketing, research has focused on its impact (i.e., on diffusion and sales; Godes and Mayzlin, 2004, 2009; Goldenberg et al., 2009). Less attention has focused on the causes of viral marketing, what drives people to share content, and why certain content becomes viral.

Most recently, Burger and Milkman (2012) investigated the link between article characteristics and blogging. Their research suggests that similar factors drive viral marketing and blogging: emotional, positive, interesting, and anger-inducing and fewer sadness-inducing stories are likely to drive the most blogged list. Additionally, they found practically useful content is marginally *less* likely to be blogged about, which may be partly due to the nature of information. The researchers point out that while movie reviews, technology perspectives, and recipes all contain useful information, it is a commentary so there may be less blogger added value in contributing his or her spin on the issue.

Future work should examine how fashion media content characteristics become viral. When attempting to generate word of mouth, marketers often target influentials as in the case of Mercedes Benz Fashion Week attendees (e.g. media professionals, celebrities, socialites). To the extent that these influentials have strong social ties, their influence is greater than others. Rather than targeting these influentials, Burger and Milkman (2012) indicate that it may be more beneficial to focus on crafting contagious content so it becomes viral. Future work might examine the relationship between online content and viral marketing in shaping customer behavior in the luxury marketplace, and incorporating these elements into new innovative business models.

## **CONCLUSIONS**

The paper focused on a particular challenge faced by many marketers of luxury brands – how to attract new customers in a shrinking marketplace. This paper first outlined the relationship between luxury, fashion, and social media. Next, the paper addressed how technology development benefits the world of fashion by attracting customers to interact with the brands. After, a multitude of luxury business models were identified: the luxury business model, the fashion business model, and the premium (or super) business model.

Despite the value in these business models, this paper pointed to their limitation in failing to address social media as key in connecting and building strong relationships with customers, and increasing social engagement to drive growth. New innovative business models must incorporate social media to allow firms to build strong customer relationships and encourage loyalty, and interact with customers through new channels, formats, or revenue models. Given that social media has a strong impact among media professionals of Mercedes Benz Fashion Week, and the fact that their views spread on line, offering opportunities for bloggers to formulate second tier expert views of fashion, it is essential that we develop a deeper understanding of this influence to improve fashion business models.

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