

# Digital Transformation and Sustainable Growth: The Luxury Fashion Sector's Post-Pandemic Strategies

## Abstract:

**Purpose:** This study examines the critical factors for brand growth in the €283 billion luxury fashion market during and after the COVID-19 pandemic. The research aims to identify how luxury brands have sustained and enhanced their value and digital presence in response to the crisis, contributing to an under-researched area crucial for luxury fashion companies.

**Methodology:** The study employs a qualitative approach, incorporating critical analysis of existing literature and in-depth interviews with senior luxury brand managers. The challenges faced in securing interview data highlight the sector's secretive nature, yet the obtained insights provide valuable perspectives on brand performance and success factors.

**Findings:** The findings underscore the importance of digital innovation, balanced omnichannel strategies, and enhanced customer experience in driving brand growth post-pandemic. The study reveals a significant shift in consumer behaviour towards online engagement, necessitating luxury brands to adapt quickly and rethink their digital strategies.

**Originality:** This research contributes to the limited literature on luxury brand growth during crises, offering practical recommendations for luxury brand managers to achieve sustainable growth in a post-pandemic world.

**Keywords:** Luxury Fashion, Luxury Sector, Brand Growth, Brand Performance, Luxury Brand Manager.

## 1. Introduction

The luxury fashion sector has undergone significant transformations over the past decades, evolving from small, family-owned businesses to globally recognised, publicly traded brands. This shift, marked by strategic innovations and market expansions, has been driven by the need to adapt to changing consumer behaviours and economic challenges.

The COVID-19 pandemic presented an unprecedented crisis for the luxury fashion market, leading to a substantial decline in sales and forcing brands to rethink their traditional strategies. Unlike previous economic downturns, the pandemic necessitated a rapid transition to digital platforms and a re-evaluation of consumer engagement practices. Despite these challenges, the luxury sector demonstrated remarkable resilience, quickly recovering to pre-pandemic levels by leveraging online sales and digital engagement.

This study aims to explore the critical factors that have influenced brand growth in the luxury sector during and after the pandemic. By examining successful cases and identifying key strategies, this research seeks to contribute to the limited literature on luxury brand management in crisis contexts. The findings will provide valuable insights for luxury brand managers aiming to achieve sustainable growth in a post-pandemic world.

## 2. Literature Review

The luxury fashion sector has always been characterised by its exclusivity, high quality, and significant symbolic value. Over the decades, luxury brands have had to navigate various challenges, including economic downturns, technological changes, and shifts in consumer behaviour.

### *2.1 The Evolution of the Luxury Fashion Industry*

In the 1980s, the luxury fashion sector began to transform significantly. This era marked a shift from small, family-owned businesses to larger, publicly traded entities. The introduction of the vertical integration business model by Henry Racamier at Louis Vuitton, which streamlined production and sales under one roof, was a pivotal change that was later adopted by many other luxury brands (Thomas, 2013). This model enhanced brand control and product quality, which contributed to the growth of the sector (Manlow, 2018).

The 1990s saw luxury brands becoming global commodities. Major conglomerates like LVMH and the Gucci Group began to dominate the market. The consolidation under these conglomerates led to a more organised understanding of customer behaviour and a surge in luxury goods sales (Donzé & Fujioka, 2017). However, this growth did not come without challenges. For instance, brands had to maintain their exclusivity and manage the delicate balance between expanding their market and retaining their luxury image (Moore & Birtwistle, 2005).

### *2.2 Pre-Pandemic Market Dynamics*

Before the COVID-19 pandemic, the global luxury market was valued at €281 billion in 2019, with significant contributions from regions such as Europe, the US, and Asia (Kering Financial Document, 2019). The growth in these markets was driven by factors such as increased disposable incomes, the rise of the middle class in emerging economies, and the growing influence of Millennials and Generation Z (Cabigiosu, 2020).

The importance of physical retail remained prominent even among younger, tech-savvy consumers. Studies showed that a significant portion of luxury purchases still occurred in physical stores, highlighting the continued relevance of in-person customer experiences (Kering Integrated Report, 2019). However, there was a noticeable trend towards digital engagement, with online luxury sales showing a steady increase (Business of Fashion & McKinsey & Co., 2020).

### *2.3 Impact of COVID-19 on the Luxury Fashion Industry*

The onset of the COVID-19 pandemic in early 2020 brought unprecedented challenges to the luxury fashion sector. The pandemic caused widespread lockdowns, travel bans, and the closure of non-essential retail stores, which significantly disrupted the global supply chain and consumer behaviour (Cucinotta & Vanelli, 2020). The luxury market experienced a 23% decline in 2020, with the second quarter being the worst on record (D'Arpizio et al., 2021).

Despite these challenges, the luxury sector demonstrated resilience. Historical data suggests that luxury brands have often weathered economic downturns better than other sectors due to their strong brand equity and the symbolic value they offer to consumers (Reyneke et al., 2012). During the pandemic, this resilience was tested as brands had to quickly pivot to digital platforms to maintain customer engagement and sales (Kapferer & Bastien, 2013).

## *2.4 Digital Transformation and Consumer Behaviour*

The pandemic accelerated the digital transformation in the luxury sector. Brands had to enhance their online presence and develop more engaging digital experiences to compensate for the loss of physical retail interactions (Eger et al., 2021). This shift was not just about e-commerce but also about creating a seamless omnichannel experience that integrated online and offline touchpoints (Business of Fashion & McKinsey & Co., 2023).

Consumer behaviour also changed significantly during the pandemic. With physical stores closed, consumers turned to online platforms for their luxury purchases. This shift necessitated a rethinking of traditional marketing and customer engagement strategies. Brands that successfully navigated this shift were those that could offer a compelling and consistent customer experience across all channels (Thapa et al., 2022). The shift also highlighted the importance of social media and influencer marketing in reaching consumers and maintaining brand loyalty during times of physical disconnection (Jung et al., 2021).

The post-pandemic future of the luxury sector will likely continue to be shaped by digital innovation and changing consumer preferences. Brands will need to invest in advanced technologies, such as augmented reality (AR) and artificial intelligence (AI), to enhance the online shopping experience and maintain their competitive edge (Fetis et al., 2022). Additionally, there will be a greater focus on sustainability and ethical practices, driven by increasing consumer awareness and demand for responsible luxury (First Insight, 2020).

## *2.5 Theoretical Frameworks and Relevant Theories*

Several theoretical frameworks can help explain the observed trends in the luxury sector during the pandemic:

1. **Luxury Value Perception Theory:** This theory posits that the perceived value of luxury goods is derived from a combination of functional, experiential, and symbolic benefits (Wiedmann et al., 2009). During the pandemic, the experiential and symbolic aspects became more challenging to deliver through traditional means, necessitating innovative digital strategies.
2. **Consumer Culture Theory (CCT):** CCT explores how cultural meanings are created and maintained through consumer practices (Arnould & Thompson, 2005). The shift to digital engagement can be understood through CCT as brands attempted to recreate the cultural and experiential value of luxury in online environments.
3. **Omnichannel Retailing Theory:** This theory emphasizes the importance of providing a seamless customer experience across multiple channels (Verhoef et al., 2015). The pandemic underscored the necessity for luxury brands to integrate their online and offline channels effectively to maintain customer engagement and satisfaction.

## **3. Research Methodology**

This study employs a qualitative research design, adopting an interpretive paradigm to explore the critical factors influencing luxury brand growth during and post-pandemic. The research utilises two primary methods: a comprehensive review of existing literature and in-depth semi-structured interviews with senior luxury brand managers and other key stakeholders in the luxury fashion industry. The research questions for this study are:

*RQ1. What are considered growth factors in the luxury sector post-pandemic?*

*RQ2. What influences these new growth factors in the decision-making process of luxury brand managers?*

### *3.1 Participant Selection*

Participants were selected using purposive sampling to ensure they had significant experience and insight into luxury brand management. The interviewees included high-profile industry experts:

<b>Participants</b>	<b>Role Descriptor</b>
Expert 1 (E1)	Product Development Manager from a luxury design agency in Mayfair, London
Expert 2 (E2)	Flagship Store Manager from a luxury brand based New Bond Street, London.
Expert 3 (E3)	E-commerce Manager from a leading luxury brand based in Oxford Circus, London
Expert 4 (E4)	Marketing Director from a prominent luxury fashion house with head office in Paris.
Expert 5 (E5)	Supply Chain Manager overseeing production and distribution
Expert 6 (E6)	Luxury Retail Consultant with broad industry experience from strategy to marketing management

The selection criteria focused on their roles in managing luxury brand strategies and their ability to provide detailed insights into the sector's response to the pandemic.

### *3.2 Data Collection*

Due to the sensitive nature of the topic and the confidentiality required, securing interviews was challenging. However, six comprehensive interviews were conducted via Zoom between November 2023 and March 2024, each lasting approximately one to two hours. The interview protocol included open-ended questions designed to elicit detailed responses about the impact of COVID-19 on luxury brand management, strategies for digital engagement, and future growth factors.

### *3.3 Data Analysis*

The interview data were transcribed and analysed using thematic analysis. NVivo software was employed to facilitate coding and identify emerging themes. The analysis focused on understanding the key strategies luxury brands used to adapt during the pandemic and the critical factors contributing to their growth post-pandemic.

By integrating insights from both literature and primary data, this methodology provides a robust framework for understanding the resilience and adaptability of luxury brands in crisis contexts.

## **4. Findings**

### *4.1 Digital Innovation and Engagement*

All interviewees emphasised the pivotal role of digital innovation in sustaining brand growth. The shift to online platforms was essential for maintaining customer engagement during lockdowns. The E-commerce Manager (E3) highlighted the implementation of *"virtual shopping assistants"* and personalised online experiences that mimicked in-store services. E3 stated, *"We had to create an online experience that was as close to the in-store experience as possible. Virtual shopping assistants played a crucial role in bridging that gap."*

The Marketing Director (E4) discussed the importance of leveraging social media platforms and targeted digital campaigns to maintain brand visibility and customer loyalty. E4 mentioned, *"Our social media strategy became more aggressive during the pandemic. We used targeted campaigns and collaborations with influencers to keep our brand at the forefront of consumers' minds."*

#### *4.2 Balanced Omnichannel Strategies*

A key theme that emerged was the importance of balancing e-commerce and in-store experiences. The Flagship Store Manager (E2) noted that providing a seamless customer experience across both channels was crucial. E2 explained, *"We need to get that balance correct between e-commerce and in-store selling, ensuring that the client doesn't lose out one way or another."*

E2 elaborated on their approach, *"We launched a wide range of activities from offering 'Buy Online From Store' options, consignments, remote sales, and other various ways to keep our clients retained and to avoid them buying solely online for convenience."*

The Luxury Retail Consultant (E6) added that integrating online and offline channels through unified customer profiles and consistent branding was essential for a cohesive customer journey. E6 stated, *"Creating a unified customer profile allowed us to personalise the shopping experience, whether the client was online or in-store, ensuring consistency and satisfaction."*

#### *4.3 Enhanced Customer Experience*

The pandemic prompted a re-evaluation of customer service strategies. Both the Flagship Store Manager (E2) and the Marketing Director (E4) highlighted the need for a heightened focus on customer experience. E2 mentioned, *"With travel restrictions in place, local clients received more attentive service, which significantly increased their loyalty to the brand."*

The E-commerce Manager (E3) noted the introduction of augmented reality (AR) features to enhance online shopping experiences, allowing customers to visualise products more realistically. E3 stated, *"AR technology enabled our customers to see how products would look in real life, making their online shopping experience much more interactive and satisfying."*

#### *4.4 Adaptation to Changing Consumer Behaviour*

The interviews underscored the significant shift in consumer behaviour towards online shopping. E2 pointed out that the luxury sector had to adapt quickly to this change, leveraging digital campaigns and personalised communication to attract customers back to physical stores. E2 said, *"We had to be proactive in our communication, using digital campaigns to remind customers of the unique value of in-store shopping."*

The Supply Chain Manager (E5) discussed the challenges faced in adapting supply chain operations to meet increased online demand and ensure timely deliveries. E5 explained, *"The sudden spike in online orders required us to rethink our supply chain processes, ensuring we could meet delivery expectations without compromising on quality."*

The Product Development Manager (E1) noted the ongoing impact of the pandemic on production timelines and the need for brands to be agile in their response. E1 stated, *"Production schedules were heavily disrupted, but our ability to quickly adapt and make necessary adjustments was key to maintaining our product flow."*

#### *4.5 Supply Chain Resilience*

The Supply Chain Manager (E5) provided insights into the importance of building resilient supply chains to withstand future disruptions. E5 emphasised the need for diversified sourcing strategies and closer relationships with suppliers to mitigate risks. E5 stated, *"Diversifying our supply chain and strengthening relationships with key suppliers helped us mitigate risks and ensured continuity during the crisis."*

This sentiment was echoed by the Luxury Retail Consultant (E6), who suggested that brands should *"invest in technology to enhance supply chain transparency and efficiency."* E6 added, *"Transparency in the supply chain allows for better decision-making and quicker responses to any disruptions."*

Overall, the findings indicate that luxury brands that successfully integrated digital innovation, balanced their omnichannel strategies, enhanced customer experience, adapted to changing consumer behaviour, and built resilient supply chains were better positioned to achieve growth post-pandemic.

### **5. Discussion**

Following the findings, the study connects these insights back to the research questions and literature review, grounding them in relevant theories. The critical factors for brand growth post-pandemic include prioritising digital innovation, balancing omnichannel strategies, enhancing customer experiences, adapting to changing consumer behaviours, and ensuring supply chain resilience.

#### *5.1 Digital Innovation and Engagement*

The findings on digital innovation align with the Luxury Value Perception Theory, which emphasises the importance of functional, experiential, and symbolic benefits in luxury consumption (Wiedmann et al., 2009). The shift to digital platforms allowed luxury brands to maintain the experiential and symbolic aspects of their offerings. This aligns with the theoretical understanding that digital innovation can sustain brand value even in times of crisis.

#### *5.2 Balanced Omnichannel Strategies*

The importance of balancing e-commerce and in-store experiences is supported by the Omnichannel Retailing Theory. Verhoef et al. (2015) argue that a seamless customer experience across multiple channels is crucial for modern retail success. The integration of online and offline channels, as discussed by the interviewees, highlights the practical

application of this theory in maintaining customer engagement and satisfaction during the pandemic.

### *5.3 Enhanced Customer Experience*

The re-evaluation of customer service strategies during the pandemic reflects principles from the Service-Dominant Logic (Vargo & Lusch, 2004), which emphasises the co-creation of value through interactions between firms and customers. By enhancing customer experiences both online and offline, luxury brands were able to co-create value and maintain customer loyalty, thus supporting the theoretical framework of Service-Dominant Logic.

### *5.4 Adaptation to Changing Consumer Behaviour*

The significant shift in consumer behaviour towards online shopping underscores the relevance of Consumer Culture Theory (CCT). CCT explores how consumer practices and cultural meanings evolve (Arnould & Thompson, 2005). The adaptation strategies employed by luxury brands to cater to changing consumer preferences during the pandemic are reflective of the dynamic nature of consumer culture, as posited by CCT.

### *5.5 Supply Chain Resilience*

The emphasis on building resilient supply chains aligns with the Resource-Based View (RBV) of the firm, which highlights the importance of strategic resources in achieving competitive advantage (Barney, 1991). The diversification of sourcing strategies and investment in technology to enhance supply chain transparency are practical applications of the RBV, ensuring that luxury brands can mitigate risks and maintain operational efficiency. These findings not only align with existing theoretical frameworks but also provide practical insights for luxury brand managers on how to navigate future crises and achieve sustainable growth.

## **6. Conclusion**

This research paper set out to address the critical factors for brand growth post-pandemic with the critical analysis of the luxury sector providing a guiding framework and further insights from in-depth interviews with six luxury brand managers and experts. Although the legacy of COVID-19 continues to have a lasting impact on the luxury sector, findings from this research provided a first glimpse into this under-researched topic, identifying key critical growth factors that will be useful tools for luxury brand managers not only for this specific pandemic but other crises to come.

After analysing the literature review and comparing it against the findings from the interviews, the growth factors in the luxury sector post-pandemic are: prioritising the consumer experience both in-store and online, developing better and more engaging digital platforms, finding the correct omnichannel balance suitable for the brand or company, and ensuring supply chain resilience.

Luxury brand managers must be able to deliberately identify who is the consumer shopping through the digital commerce platforms versus the one that continues to come in-store and why. This deeper knowledge will allow for the consumer experience to be tailored individually to their needs while the company remains different from other general non-luxury brands.

Another key component for growth in the years to come is to develop a steady high-performance digital website and to take part in social media platforms. A great example of how luxury brands can infiltrate social media platforms while remaining true to their principles and heritage is Hermès. The ultra-luxury brand puts its focus on creative content that is being pushed out across Facebook and Instagram while regularly and always quietly releasing content — from quirky illustrated videos to pop-up e-stores — that are associated with the brand's centennial value of storytelling therefore never diluting the brand's value (Arthur, 2020). Furthermore, luxury brands should be able to balance their in-store sales with e-commerce sales while keeping the customer informed and satisfied on both ends: As the example provided by E2 elaborates how his brand F. achieves this balance by allowing the customers to browse and research the product online but to purchase they are immediately linked with an in-store personal advisor.

These results conclude that the growth factors impact all aspects of the business having a heavier weight on the decision-making process of luxury brand managers that must consider these along with current economic activity and any worldwide and national crisis.

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