



Has the Metaverse a Strategic or Operative Role in Luxury Fashion Brands' Marketing?

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Abstract. Nowadays, the Metaverse is one the most discussed concepts as it could offer excellent opportunities to companies. Although the fully immersive and interoperable metaverse platforms have not been achieved yet. Therefore, this study aims to examine how the Metaverse can change the marketing activities in the luxury fashion industry by analysing the main characteristics and motivations of the brands that adopted a first mover approach. Furthermore, this research aims to explore the awareness of companies about the metaverse contributions to offering a unique customer experience which will create a competitive advantage. To that end, an exploratory design with an interpretivist approach is adopted in this research. Qualitative content analysis is utilised to infer meaning from interviews with the CEOs and representatives of well-known luxury fashion brands. The findings support that despite the high interest in the topic and the correlated hype, luxury fashion brands do not consider this tool central to their strategy. Instead, they plan to use it as an operational tool to reinforce their strategies.

Keywords: Metaverse · NFT · Customer experience · Virtual platforms · Luxury · Fashion

1 Introduction

Metaverse is one of the most critical debates on today's agenda (Dwivedi et al., 2022). It attracted much attention, especially after Mark Zuckerberg's statements regarding the Metaverse and rebranding Facebook as Meta. According to him, the Metaverse will be the successor of the Internet and offer more immersive experiences (Zuckerberg, 2021). It will disrupt our lives in every imaginable way and change our daily habits and way of life. Metaverse was first mentioned in 1992 by Neal Stephenson in his novel "Snow Crash". The word consists of a combination of "meta" (a prefix that indicates transcendence and virtual) and "universe", and it implies a virtual world connected to the physical world (Lee et al., 2021).

The research aims to understand what Metaverse is expected to offer in terms of customer experience in the luxury fashion industry. To understand that, the researcher will examine the primary motivations of the brands investing in Metaverse, the benefits for customers and brands in terms of customer experience.

2 Literature Review

The Metaverse is a bridge between the virtual and physical worlds. However, given that it is a new concept, there is not a single definition of Metaverse commonly agreed upon. Damar (2021) explains the Metaverse as a 3D virtual world where all the activities are carried out with augmented and virtual reality technologies. According to Hollensen et al. (2022), the Metaverse adds a 3D dimension to the traditional 2D Internet, creating an immersive and interoperable 3D world. For everyone to understand, Meta Platforms, Inc. Defines the Metaverse as a collection of virtual worlds where you can interact and explore with others even though they are not physically present with you (Bosworth, 2021).

Therefore, this research explores how Metaverse can change marketing practices as its predecessor, the 2D Internet, changed it substantially. Some luxury fashion brands have already started positioning themselves on these platforms to reach younger generations, such as Generation Z and Generation Alpha, which were born in the middle of technological advancements. Therefore, it is pretty crucial for brands to explore the Metaverse and test what it can offer in terms of customer experience (McKinsey, 2022). Besides, they started generating disposable income and did not hesitate to spend on fashion (McKinsey, 2022).

Right now, fully immersive, persistent, and connected virtual platforms do not entirely exist. However, some examples can represent the early forms of the Metaverse and are currently in the gaming industry (Kshetri, 2022). By looking at them, one can better understand what the virtual worlds will look like. Some of these are Second Life, Ready Player One, Meta Horizons (Facebook), Fortnite (Epic Games), Decentraland, Nvidia Omniverse, Roblox, The Sandbox, Pokémon Go, and Otherside (Marr, 2022).

Brands like Balenciaga, Louis Vuitton, Forever 21, Gucci, Ralph Lauren, Dior and Burberry have already positioned themselves on some of these platforms (Joy et al., 2022). For example, Gucci tested the Metaverse with its Gucci Garden project. Gucci Garden was virtually open for visitors on Roblox for two weeks, and users could buy limited-edition Gucci collections for their avatars (Kshetri, 2022).

Avatars are our digital representatives in the virtual world; therefore, they are an essential part of the Metaverse. Since they symbolise us as we shop, work, learn and socialise on virtual platforms, some people have already started spending money to customise their avatars (Marr, 2022). For instance, in 2018 and 2019, Fortnite earned \$9 billion in income as the users spent on their avatars (Damar, 2021) and in the first quarter of 2021, more than 42 million people were online in Roblox every day and spent \$652 million on buying digital products (Kshetri, 2022).

Moving users' digital assets from one virtual platform to another makes metaverse commerce possible (Lee et al., 2021). This is the main focus of marketers as it changes the customer experience immensely (Kovacova et al., 2022; Shen et al., 2021). For example, in Minecraft, gamers can hold onto their avatar's skin when changing the platform (Lee et al., 2021). In this way, users can build an emotional relationship with their avatars and thus customise them as they wish. Therefore, these online games have created unique venues for companies to position their brands and interact with potential customers.

NFTs are tokens that prove ownership of rare items as there is only one owner at a given time and are secured by blockchain technology (Ethereum, 2022), making

counterfeiting impossible, thus making it unique and authentic and therefore valuable to both buyer and seller (Chohan & Paschen, 2021). Hence, NFTs are pretty convenient for virtual platforms as they revolutionise how content is generated, monetized, traded, preserved, and authenticated (Belk et al., 2022).

One of the issues to make commerce possible in the Metaverse is creating a trading system for digital assets so that users can trade between them. This problem can be solved with the help of cryptocurrencies and NFTs. NFT are used to prove the ownership of digital items and collectables. Also, with NFTs, physical products can be linked with their digital twins, enhancing the customer experience.

Generation Z comprise almost 60% of the metaverse users (Inlet, 2022). Generation Alpha is embracing the digital world and consequently, living in the Metaverse is more acceptable to them than previous generations (McCrindle & Fell, 2020). Therefore, organisations are looking for ways to communicate with them and leveraging the Metaverse or virtual platforms. For example, most Roblox users are under 16 years old; thus, Metaverse has become the most efficient platform for reaching young customers (Kshetri, 2022).

This study aims to examine how the Metaverse can change the marketing concept in the luxury fashion industry by analysing the main characteristics and motivations of the brands that adopted a first mover approach regarding investing in the Metaverse. Furthermore, this research aims to explore the awareness of companies about the metaverse contributions to offering a unique customer experience which will create a competitive advantage. This exploratory research has focused on the following research questions.

RQ1: What are the main thematic issues relevant for the brands investing in Metaverse, and what motivates them to do so?

RQ2: Has the Metaverse a strategic or operative role in Luxury fashion brands' marketing?

3 Research Methodology

This research will be exploratory as Metaverse is a new concept for marketers. Qualitative research method with an inductive approach will be utilised. In this research, data will be obtained from the interviews. The population consists of luxury fashion brands, and a convenience sample from them has been chosen to analyse the research question. As Appannaiah et al. (2010) suggest, interviews of representatives of Gucci, Burberry, Dior, Balenciaga, Kering Group, and LVMH have been chosen as a sample since they can rather accurately represent the features of the population, and these are the ones available online. We identified eight videos (Table 1) available on the YouTube platform related to Metaverse and its role in the communication and growth strategy of the brands. All the videos were uploaded on the YouTube platform between July 2021 and June 2022.

Content analysis method is used to analyse and interpret the data since content analysis is a way of examining verbal, written and visual communication messages, and it offers a systematic and objective way of describing the phenomena (Elo & Kyngas, 2008). Furthermore, through content analysis, words can be condensed into fewer content-related categories to have the same meaning. This will allow the researcher to draw

repeatable and valid conclusions from the data, providing more profound knowledge and new insights regarding the phenomenon (Krippendorff, 2018).

An inductive approach is adopted since the themes are derived from the data. First, the researcher conducted an online search to find the interviews. Then, after reaching adequate interviews, the researcher started the coding process by watching the videos, transcribing them, and making notes to identify the interview sections related to the researched topic. The authors used the embedded transcription tools available on YouTube to get the transcript and analysed the eight text blocks obtained from the videos.

To analyse the data, the authors utilised Leximancer software that transforms lexical co-occurrence information from natural language into semantic patterns in an unsupervised manner. It is used to analyse textual documents in electronic format and their content. The extracted information is analysed statistically and visually without pre-existing assumptions about the meaning of the words; therefore, the software reduces the possible subjective bias from the researcher.

The software uses a machine-learning technique to determine the main concepts in a text and how they relate to each other (Rooney, 2005). This allowed us to perform two types of content analysis: conceptual (thematic) and relational (semantic) (Smith & Humphreys, 2006). In the thematic analysis, texts were analysed according to the presence and frequency of the concepts contained; these concepts could be words, phrases or more complex definitions, such as a set of words representing a concept. Moreover, the relational analysis measured how specific concepts related to one another, representing them through conceptual maps. Themes that were physically closer together or overlapping on the map were more closely linked in the text, and brighter circles on the map indicated the increased importance of that concept (Robson et al., 2013). Leximancer overcomes some common problems of qualitative research, such as subjective coding, doubtful inter-coder reliability and disputable interpretations, because it is highly consistent in the analytical process and requires minimal manual intervention from researchers. The files were cleaned of repetitive and out-of-scope text (Table 1).

4 Results

The following maps identify the predominant indescribing in analysing the Metaverse's luxury industry role and scope. It is interesting to underline that the technical aspects of Metaverse are transparent and that the analysis identified them as minor, although they were discussed in detail in the interviews.

The themes correlated to Metaverse are “community” and “brand”. The relations that created the themes for the community is underlined in Fig. 1, and the link between the community and the brand is vital as well as the one towards engagement and experience.

The Metaverse itself is only a marginal consideration, and its presence in the maps is due to the author forcing the system to consider it to verify even every minor link to the principal themes, evidently weak links. So, the metaverse tool is only marginal and supports Gucci's overall strategy limited. Analysing the concept maps, it looks clear that Gucci is using several different digital tools to increase its brand equity, gaming, social media and NFT and that Metaverse has been included in the overall operational plan without a strategic positioning.

Table 1. Video list

Brand	Title	Date	Length	Link
Gucci	Inside Gucci's strategy: gaming, metaverse and NFTs	18 March 2022	42'24''	https://youtu.be/wzOJBx8nKV8
Burberry	Rachel Waller, VP Channel Innovation, Burberry - Brands in the metaverse: the limitless opportunity	14 July 2022	28'00	https://youtu.be/TBfGJRly-Yk
Balenciaga	Cédric Charbit: "Balenciaga from Hype to Timelessness" BoFVOICES 2021	17 December 2021	23'21''	https://youtu.be/zuvWlre0w4M
Kering	Kering CEO: 'We have a full team' dedicated to metaverse, Web3	17 February 2022	3'34''	https://youtu.be/BGC03SIupXk
Dior	Dior CEO on Pandemic Recovery, Inflation, China	10 December 2021	12'39''	https://youtu.be/4hh8jwwXPVs
LVMH	VivaTech 2022: Luxury group LVMH and beauty giant L'Oréal on embracing Metaverse and new tech	17 June 2022	17'10''	https://youtu.be/4yoCzvj3uR4
LVMH	VivaTech 2021 #1 LVMH's digital transformation during and after the pandemic	21 June 2021	12'48''	https://youtu.be/oulaNarz404
LVMH	VivaTech 2021 #14 LVMH's blockchain secures luxury products: Hublot and Bulgari cases	21 June 2021	19'55''	https://youtu.be/sMIg4ARwBoQ

The second concept map (Fig. 2) derives from the speech made by Rachel Waller, VP Channel Innovation, Burberry—Brands in the Metaverse: the limitless opportunity, 14 July 2022 Even in this case, the brand and community-related aspects are more relevant than the tools themselves.

Metaverse importance is low compared to the Analyst Synopsis tab (Fig. 3), which shows the themes ranked by relative importance. The Hits column denotes the number of text blocks in the project associated with the theme.

The different concepts associated with the themes are illustrated in Table 2. it is clear that the metaverse theme is isolated even in this case and that the topic is not related to

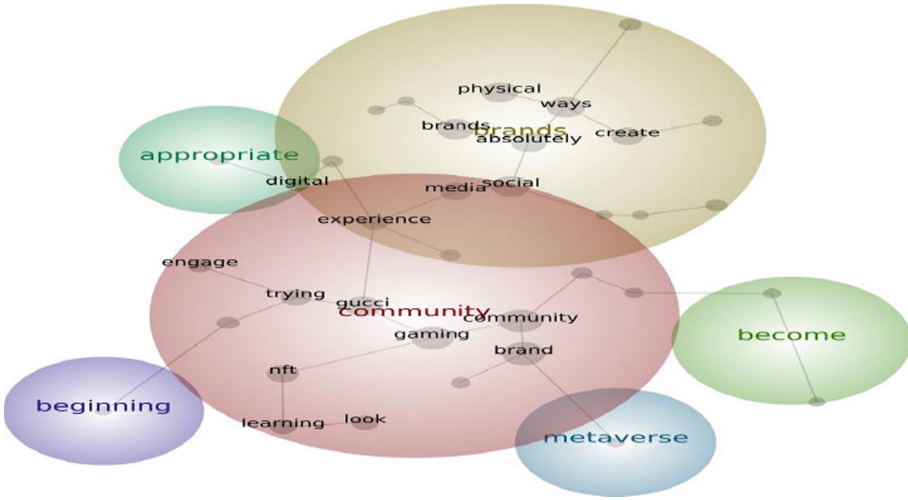


Fig. 1. Gucci concept map

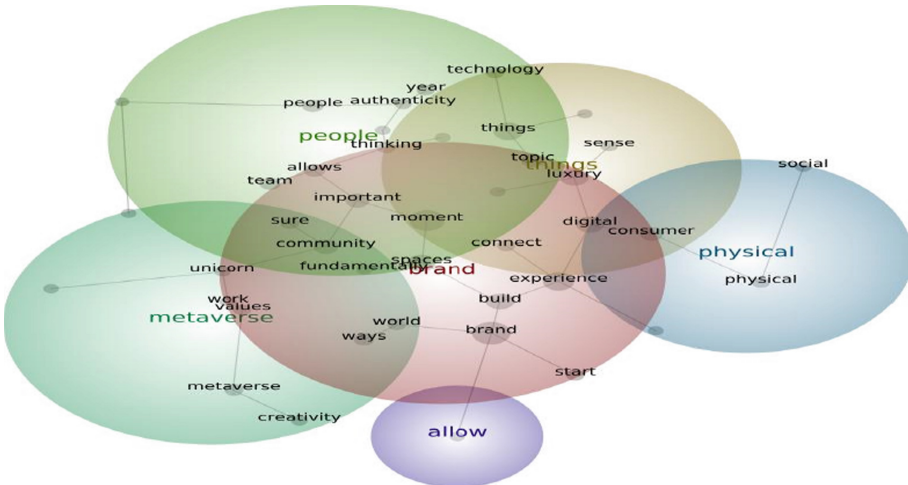


Fig. 2. Burberry concept map

a strategic design. The brand theme has concepts like experience, community, world as predominant components while Metaverse stand alone.

5 Conclusions

Despite the high interest in Metaverse and the media hype that correlated it to the luxury fashion brands, it is evident that the notable luxury brands do not consider Metaverse central for their strategy and are planning to use it as an operational tool to reinforce their

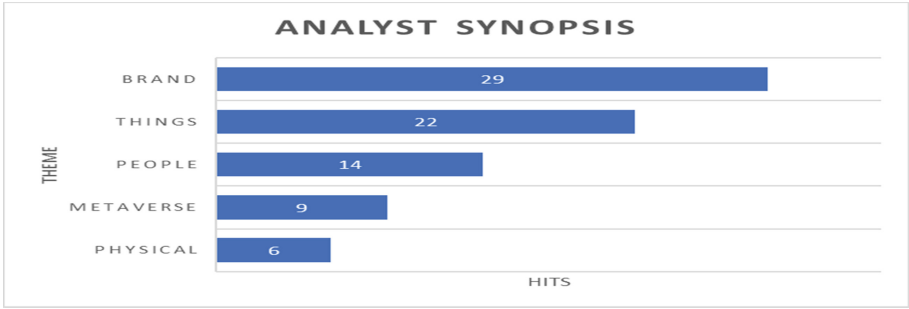


Fig. 3. Burberry analyst synopsis

Table 2. Themes and concepts analysis for Burberry

Theme 1	Concepts	Theme 2	Concepts	Theme 3	Concepts	Theme 4	Concept
Brand	Brand	Things	Things	People	People	Metaverse	Metaverse
	Moment		Luxury		Team		
	Experience		Digital		Thinking		
	Build		Topic				
	Spaces		Consumer				
	Community		Technology				
	Important						
	Allows						
	Ways						
	World						
	Correct						
	Start						

strategies. It is found that brands investing recently in the Metaverse want to pioneer this disruptive behaviour, shape the future of luxury, and create closer relationships with younger generations. The Metaverse offers limitless opportunities to be more creative in proposing customer experience and engaging with customers in entirely different ways that are more immersive and engaging.

The researcher used the existing interviews of the brands’ representatives found online and conducted by journalists regarding the Metaverse. Therefore, the scope of the research had to be narrowed down to the questions they asked. This situation has limited the research results since the researcher could not ask questions that were more related to the research question and objectives. Another limitation is derived from the limited number of interviews that were found online. However, the results can still provide valuable insights since they represent a significant part of the luxury fashion industry.

Future research could compare customers' and companies' opinions about Metaverse and its possible applications in strategic and operative marketing.

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