

1. Purpose and Research Structure

The topic of this research is on the subjects of luxury fashion brands' online marketing strategies and the effects on customer equity. The study tries to explain and elaborate the importance of the topic, and provides background that covers several related crucial issues in the present day. Moreover, the first section consists of an introduction and relevance of the topic, research objectives, research problem, and research questions.

1.1 Introduction & Relevance of the Topic

Since the 1990's, the luxury market has been increasing at a rapid speed. In 2017, the market has reached the value of an estimated \$1.2 trillion globally (D'Arpizio, Levato, Kamel, & Montgolfier, 2017). Since that time, the market for luxury brands has reached the maturity stage, together with the market's persistent expansion in economies of scales and a high rate of growth in the number of consumers. As stated by Robertson (1992, as cited in Seo & Buchanan-Oliver, 2015, p. 84), globalization is a mysterious phenomenon and is considered as a continuing process. The world has given immense attention to the spectacle since two decades ago. Mainly, for the luxury fashion brand industry, the trends of globalization have a significance in delivering positive influences.

One of the examples of the trend is a growing appreciation of international luxury fashion brands (e.g. Louis Vuitton and Gucci) by consumers from different markets in different regions in Asia, BRIC (Brazil, Russia, India, and China), CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey, and South Africa), and other emerging countries (Seo & Gao, 2014, as cited in Seo & Buchanan-Oliver, 2015, p. 84; Truong et al., 2008; Kastanakis & Balabanis, 2012, as cited in Boenigk & Schuchardt, 2012, p. 102). As a result of this on-going trend, customers are becoming more culturally diverse, and this brings new opportunities for luxury companies. Since the current trends of increasing incomes and the availability of credit exists, more and more customers can afford luxury goods than before (Wu, Chen, & Chaney, 2012, p. 209). This prospects allow luxury products to exist in new markets and attract new customers as

potential buyers through the brands' advanced business strategies (Kapferer & Valette-Florence, 2016, p. 120).

As opportunities for the luxury fashion industry exist, some challenges follow. Few problems arise from the recent penetration of various fashion brands into the luxury market, following an increase of supply and demand, and high level of competition between companies, giving signs of unexpected changes in the luxury market (Eunju & Sunmin, 2008, p. 22). One of the significant problems is decreasing sales caused by global economic recession made luxury companies evolve and develop (MINSKER, 2013, p 22; Parrott, Danbury, & Kanthavanich, 2015, p. 361). Luxury fashion brands cannot merely depend on their symbol, but they have to expand their focuses on quality of products, brand legacy, aesthetic value, and honest relationships with their customers to survive and thrive. Now, the most important fundamental to the luxury industry has turned into providing values to customers through their advanced business strategies (Kim & Ko, 2012, p. 1480).

Several research organizations named luxury brand marketing as one of the steadiest growing industries and emphasized its significant market value (Wu, Chen, & Chaney, 2012, p. 209). Many luxury brand companies have used several types of offline marketing strategies by word-of-mouth communication (WOM) to acquire new potential customers. The examples of this are mass media, personalized contacts, newspaper, articles, reviews, and many more (Villanueva, Yoo, & Hanssens, 2008). According to Wu, Chen, & Chaney (2012, p. 209), nowadays, luxury brands have acknowledged the changing era moving from old-fashioned marketing methods to the use of the internet as one of the leading communication media. Companies can use the internet as a way to increase sale volumes, reaching out to target markets internationally, and create their online presence for potential successes. Another benefit of implementing e-business as one of a brand's strategies is that it will become more efficient as the younger generations of 2 billion people are adept at using technology. (Wu, Chen, & Chaney, 2012, p. 209). Additionally, to maintain customer assets, luxury brands

have tilted their focus towards online marketing communication through websites and social media platforms in the digital era.

Marketing principles and practices have become increasingly customer-centered since the 1960s (Vayra, 1997, pp. 6-8, as cited in Yoon & Oh, 2016, p. 653). Customers should be considered as a company's intangible asset that needs to be received, maintained and nurtured just like other assets (Blattberg et al., 2001, as cited in Kim & Ko, 2012, p. 1481). To manage and maintain effectiveness in customer assets, customer equity management (CEM) could be the answer. Rust et al. (2004, p. 82) explained that the definition of customer equity is "the totality of discounted lifetime values summed over all of the firm's current and potential customers." Also, there are three key point drivers of customer equity, and they are; brand equity (BE), value equity (VE), and relationship equity (RE). Thus, Kumar and George (2007, as cited in Kim & Ko, 2012, p. 1481), stated that the value of a customer brings to the company should not be looked as one transaction, but as the overall total transactions that the customers may provide over the duration of the relationship with the brand.

1.2 Research Objectives

This thesis will examine the luxury industry of fashion brands, and aim to deepen the understanding of prospects of the luxury business environment. The purpose of this research is to explore luxury fashion brands' perceived online marketing strategies and to investigate the influence of those strategies on the three key drivers of customer equity; brand equity, value equity, and relationship equity. Also, this study intends to measure customer equity focusing on successful luxury fashion brands and clarifying the characteristics of them in influencing a customer's purchase intention. For this research, five luxury fashion brands have been chosen based on Brown (n.d.) and BOF (2018) they are: Louis Vuitton, Gucci, Balenciaga, Burberry, and Prada.

The scope of online marketing strategies consist of companies' digital marketing platforms; websites, marketing channels with and without intermediaries, digital technologies (mobile technologies), social media and its influencers (Armstrong, Kotler, & Opresnik, 2017, p. 460; Commander, n.d.).

Furthermore, the findings should allow luxury fashion brands to manage their customer equity in maintaining their old customers and reaching new potential customers globally.

1.3 Research Problem

Offline (traditional) marketing trend has reached a stage of decline, resulting in some of the platforms are substituted by new modern medias. Considering the internet has grown into a considerable part of individuals' life, online (digital) marketing benefits from this cause and the digital term has developed into one of the best marketing approaches globally. Companies' businesses have switched their marketing ideas and putting their strategies on the web, as it is more affordable and more global (Anish, 2016; Raude, 2017). For instance, Thomas et al., (2007, as cited in Parrott, Danbury, & Kanthavanich, 2015, p. 361) stated that the overall fashion industry had taken its attention on online marketing approaches as the growing trend continues to rise, making a result of new ways of marketing to spread. Because of the increased popularity of using the conventional digital marketing strategies, it is important and crucial to study the causes and effects of online marketing. As the topic is still a new phenomenon, it is still not yet fully exposed and explored. Thus, the research problem lies on the lack of knowledge, and it is still difficult to forecast the outcomes from using the new ways of marketing on businesses, certain customer's behaviour and equity, while there are no enough findings about the study.

1.4 Research Questions

This bachelor thesis will cover the following research questions;

1. What online marketing strategies do luxury fashion brands utilize to maintain and reach their existing customers and new potential customers?
2. How do the online marketing strategies of luxury fashion brands strengthen customer equity?
3. How does customer equity influence purchasing intention of a customer?