

# Efficacy of Social Media in Luxury Goods Industry

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## Abstract

*Marketing environment has changed drastically in the last two decades. The last decade specially has been marked by the emergence of social media marketing. Social media marketing has been immensely influential for businesses. It provides new and innovative opportunities for brands and businesses to be a part of relatively low cost marketing.*

*Through this research, we plan to study the impact of social media marketing for jewellery, watches and other high end accessories. Till date the knowledge is insufficient about the extent to which social media marketing affects the jewellery and watch industry. The purpose of this study is to get to know the theoretical and systematic approach to social media marketing for the jewellery and watches industry. Jewellery and high-end watches are considered to be luxury products making them carve a niche in the social media marketing arena. Stats prove that hits to websites via the various social media sites are more likely to turn into sales.*

*Control over information has clearly shifted from the hands of the manufacturers to the hands and minds of the consumers. Consequently, marketers have had to change their ways of marketing to a more customer centric and customer oriented process. As the social networking sites customize the information for each user, the users guided towards the jewellery and watches website through them typically show more interest than those who arrive via a search engine.*

*The study intends to find a new empirical connection between variables such as efficiency of social media marketing, customer satisfaction/brand awareness and revenues and profits of the jewellery and watch industry. The study would be aimed at testing of the hypotheses generated based on the variables and measure the efficiency of social media marketing for the mentioned industries.*

**Keywords:** *Social Media, Brand Awareness, Purchase decisions, Jewellery, Watches*

## 1. Introduction

Word of mouth (WOM) has always been a key factor in product sales [1]. It not only helps in increasing awareness amongst the consumers but also perceived as one of the most reliable resources

for acquiring information about the quality of goods, especially those whose characteristics are difficult to observe prior to consumption. Jewellery is one such product and is categorized as experience product. Therefore in case of experience products WOM communications play a very significant role in shaping consumers' attitudes and behaviours, being particularly influential in the formation of consumption decisions [2].

With the advent of the Internet, WOM has become the central strategy element of social media marketing and interactive IMC [3]. Social media marketing has made it possible for a brand to communicate with hundreds of thousands of people at the same time. The reach of the World Wide Web/Internet has increased exponentially. In this age of internet, people trust their "click". In a recent survey by Times of India (April 2012), an average Indian spends around 8 hours of the day using Internet browsing various social media sites. So it becomes very necessary for the companies to make their presence felt on these sites.

As per the Social Media Marketing Industry Analysis [4] 93% of the companies use Social media as a marketing tool. Out of this, over 45% of the companies have just entered or have ventured into the arena of social media marketing in the last year [5]. This shows that more and more industries are now getting into social media marketing. But this sudden growth does not hold true for all the industries. Jewellery industry is one of the biggest luxury laggards online. Only 6% of the brands actually exploit the opportunity of making their presence felt through social media marketing which is 41% and 42% for travel and speciality retail industry respectively [6].

## **2. Variables**

Through this research we aim to study how efficiently can social media marketing be used in jewellery and watch industry. The first variable we plan to study is the efficiency of social media marketing. Now this brings us to main question of how would one measure the efficiency of social media marketing. The first thing that comes into our minds to measure efficiency is sales/profits or the ROI generated. But it is not so, more than ROI it the brand awareness and the motivation to buy is how the efficiency of Social Media Marketing should be measured [7]. Along with this, the customer satisfaction is also an important factor that comes to play when we talk about the efficiency of social media marketing.

### **2.1. Variable 1: Efficacy of Social Media Marketing**

Construct:

- A significant 63% of marketers are using social media for 6 hours or more and 39% for 11 or more hours weekly [8].
- Provision of adequate information more easily and with less effort
- Analysis of information seeking behaviour that customers exhibit while browsing through the website pages, blogging, etc.

Causes (Other Variables that affect Variable)

- Accessibility of internet
- Gray market concerns
- Counterfeit fears

- Limited pricing transparency
- Retailer conflict

Consequences (Other Variables affected by Variable)

- Reduced marketing costs
- Credibility of the Brand
- Established presence of the brand
- Reach to greater number of customers
- Reduces the costs and addiction to print
- Brands have the opportunity to excise publisher's tax

## **2.2. Variable 2: Awareness of a Brand in Jewellery Market**

Construct:

- Word of mouth (WOM) communication has always been the key driver to increase brand awareness.
- Brand awareness in jewellery industry stems out of brand image, credibility and reputation, post purchase services quality of the product, and now-a-days online presence for the tech savvy customers.

Causes (Other Variables that affect Variable)

- Product reviews by other customers
- Creating a company name, logo, and slogans
- Adding value through packaging, location, service, special events, etc.
- Advertising
- After-sale follow-up and customer relations management

Consequences (Other Variables affected by Variable)

- Increased visibility and reputation
- Influence on buying behaviour
- Easier to identify and reach potential customers
- Enhanced customer loyalty

## **2.3. Variable 3: Purchase Decisions of The Customers**

Construct:

- Thought process that goes while making a decision to buy a product
- Purchase decision is mainly driven by the need. When it comes to jewellery , watches and high end accessories, the occasions such as weddings, festivals create the need that lead to purchase decision.

Causes (Other Variables that affect Variable)

- Credibility of the brand

- WOM communication by personal sources
- Post purchase guarantees and services
- Perceived cost by the customer
- Competitors in the industry

Consequences (Other Variables affected by Variable)

- Increased sales
- Repeat purchases
- Increased customer engagement
- Customer satisfaction
- Positive WOM through loyal customers

### 3. Hypothesis

**Statement 1:** Efficient social media marketing leads to increased brand awareness in the jewellery and watch industry.

Justification: Social media marketing is known to generate exposure for a business. This is achieved by the means of various social media and networking tools such as Facebook, Blogs, Twitter, etc. In case of jewellery and watches it becomes all the more important to build closer relationships with their customers, as well as to expand the market to the customers that they could not reach before. This can be well attained by the means of social media. Brands can use social media marketing to build the required relationships with customers and strike a personal cord with the existing customers and at the same time attract the new customers.

Based on these observations we assume that social media marketing should be having a significant effect on brand awareness for jewellery and watches.

**Statement 2:** Efficient social media marketing does not have a significant effect on purchase decisions and in turn online sales in jewellery and watches industry.

Luxury goods are not only associated with affluence but also the desire for social recognition. Their luxury is marked by quality, stylish appearance, and durability. They play a role of status symbols. High priced products such as jewellery and watches fall in this category. While purchasing such products the customer not only actively seeks information about the manufacturing brand but also visits the brand store to touch and visualize the product in reality. The customer is not very keen on buying expensive products online even when the brand has an established presence on the web.

Hence we assume that social media marketing does not have a significant impact on online purchases.

### 4. Method

To assess the social media marketing efficiency and how vendors utilize this feature to enhance brand image, awareness and purchase decisions, we evaluated them on predefined criteria mentioned below.

### Evaluation criteria

After examining past work and research, we decided on an exhaustive set of evaluation criteria. The finalized criteria were grouped into three bundles which correspond to our three variables in the study i.e. Efficiency of social media marketing, brand awareness, purchase decisions.

We conducted a survey to measure the effectiveness of social media marketing in the jewellery and watch industry. The survey measured the impact of social media marketing on building brand awareness and also on purchase decisions made by customers.

The set of questions that were floated was based on the following criteria.

<b>Efficiency of social media marketing</b>	Indulgence in online shopping	Authenticity	Pricing transparency	Credibility
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<b>Brand Awareness</b>	Brand Image	Market reach	Customer engagement	Reputation
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<b>Purchase decision</b>	Factors Affecting purchase behavior	Reason for repeat purchase	Reason for no purchase
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We used likert scale to measure people's involvement and their perceptions about social media marketing. For measuring Brand awareness we used likert scale to measure the increase. Also for measuring the influence of purchase decisions we used ordinal scale, in order to get a rank order of the various factors that come to customer's mind while making a purchase for jewellery online.

Since we now have the relative ranking of the factors influencing buying behavior we are able to have a picture of the various reasons that are a hindrance to online shopping especially for jewellery and watches. Further we had an open ended question that included comments from the buyers for never indulging in online shopping. This has given us insights into the various reasons that prohibit customers from online shopping.

We conducted the survey on small sample of respondents, and then reframed the questionnaire based on the cronbach alpha. Based on which the set of questions was finalized. The finalized set of questions was floated for being answered by a sample of 120 people spread across the country. The profile of respondents that we selected was tech savvy high income young adults who look for watches and jewellery online before making a purchase decision. These are the people who are the target market for any luxury product trying to build an online presence. The range and mean for the demographic variables that we included in the survey are:

#### Respondents' Profile

Demographic Variables	Statistical Variation	
	Range	Median
Age	15 – 40	23 - 29 years
Income	5 Lpa - 20 Lpa	5 Lpa – 10 Lpa

## 5. Results

The hypothesis drawn on the basis of group discussion stands justified. As per our hypothesis 1 efficient social media marketing leads to increased brand awareness. This is proven by the fact that the brand awareness is found highly dependent on the social media marketing variables as indicated by the high beta coefficients in the following table.

### Brand Awareness Dependence on Social Media Marketing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Please mark your responses to the following questions keeping JEWELLERY AND WATCHES in mind.-Do you indulge in online shopping for jewellery and watches?	0.781	0.082	0.791	0.983	0.328
Please mark your responses to the following questions keeping JEWELLERY AND WATCHES in mind.-How would you rate your trust on online portals?	0.668	0.116	0.662	1.452	0.149
Please mark your responses to the following questions keeping JEWELLERY AND WATCHES in mind.-Do you feel the prices on the online portals are justified?	0.264	0.106	0.266	2.499	0.014
Please mark your responses to the following questions keeping JEWELLERY AND WATCHES in mind.-Are you aware of the various taxes and surcharges over and above price when you buy online?	0.109	0.062	0.155	1.759	0.081

Also the second hypothesis which states that social media marketing does not lead to purchase decisions stands correct. To support this, we analyzed the dependence of purchase decision on the social media marketing and found that not more than 6% people who were frequent visitors made an actual purchase. Further the factors that people considered while are ranked as follows:

#### Factors affecting Purchase decisions

Factors	Rank
Ability to touch and feel	1
Counterfeit fears	2
Value to money	3
Convenience of buying	4
After sales follow up and service	5
Online product reviews	6

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