Investigating KOLs' Influence on Luxury Brands' Advertising Strategies in China

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Abstract

In recent years, with the rise of the middle class and the improvement of the purchasing power of young consumers, the luxury market in China has shown a growing momentum. In addition, due to the increasing maturity of information technology, it is important for luxury brands to use social media to carry out advertising strategies, and carrying out social marketing through KOL (key opinion leader) is an emerging way. This paper aims to explore and analyze the strategy and effect of KOL on Chinese luxury brand advertising marketing on social media platform. Through the introduction of the luxury brand market, this paper illustrates the shortcomings of traditional luxury marketing models. Then, this paper uses the content analysis method by selecting ten representative brands in the luxury industry and making statistics on their 2019 microblog ads. Based on the KOL type, number of followers of the KOL, and advertising themes, the communication effect is analyzed, and suggestions are put forward in the end. This study finds that the numbers of followers are not statistically correlated with the effectiveness of advertisement. Instead, the theme of the advertisements highly influences how successful the advertisement is. Different luxury brands also tend to work with different types of KOLs depending on their brand images and brand positionings.

Keywords

Luxury; KOL; Content analysis; Advertising strategy.

1. Introduction

Luxury is often defined as "a kind of consumer goods with unique, scarce, rare and other characteristics beyond the range of people’s survival and development needs, also known as non-necessities of life." [1] The concept of luxury goods is constantly extended, and it changes with time. [2] With the development of Chinese economy, Chinese consumers’ luxury purchasing behavior is becoming more and more routine. Luxury goods transition from the exclusive possessions of the rich to the possessions of more and more middle-class citizens. Its purpose also changes from showing off and showing a sign of status to satisfying consumers’ own needs and displaying their unique personalities. Thus, more and more people begin to consume luxury goods.

According to McKinsey’s China luxury report, in 2018, Chinese luxury consumption at home and abroad reached 770 billion RMB, accounting for one-third of the total global luxury consumption. From 2012 to 2018, more than half of the growth of the global luxury market benefited from China. China’s consumption capacity of luxury goods is growing at an amazing speed, and China’s market consumption potential has greatly exceeded the expectation of luxury brands. At the same time, according to the statistical report released by CNNIC (China Internet Network Information Center), by March 2020, the number of Internet users in China was 904 million, 75.08 million more than the end of 2018, and the Internet penetration rate
reached 64.5%, an increase of 4.9 percentage points compared with the end of 2018. It can be seen that China is entering the Internet era quickly. In addition, the scale of online payment users in China is expanding, reaching 768 million in March 2020, 168 million more than the end of 2018, accounting for 85% of the total Internet users. Confronted with the rapid change of marketing channels in the Chinese market, the luxury goods industry at the top of the retail industry also realized that "those who win Chinese win the world", and wanted to adapt to the more mature and complex Chinese market through lower marketing costs and more accurate customer positioning.

The modern Internet world has changed the way people connect with each other and the way we interact with certain products. Under the background of the information age, the traditional media has encountered the difficult situation of the gradual reduction of the audience. With the continuous development of all kinds of new network media, it has gradually surpassed the traditional media in a lively and novel way of information dissemination, becoming the main way for modern people to obtain information and entertainment. Social network services, represented by Facebook, Instagram and Twitter, have grown with the participation of more and more daily users and KOL. [3] In China, the most representative platform is Microblog. Many companies have seen KOL as a potential stock to enhance their position in the market and improve business communication. With them, luxury companies that used to be on the top are closer to their consumers than before.

A key opinion leader (KOL), sometimes called an influencer, is a member of a community who holds authorities on a specific topic; they usually have a targeted audience specific to their niche. KOL has always existed in human society, and the way to reach specific groups through KOL’s marketing activities is not the product of the Internet era. However, with the development of media technology and environment, the concept of KOL gradually transits from offline groups to online groups, and constantly derives more abundant connotations, forms and characteristics. The development of the media environment drives KOL’s marketing market to mature continuously. The development of KOL can be divided into three stages: traditional media era, PC media era and mobile media era. [4] In traditional media, KOL existed more in the form of social celebrities. At that time, there was no Internet, and it mainly transmitted brand information through mass media such as TV. In the era of PC media, with the popularity of the Internet, all kinds of social networking sites have emerged. For example, Douban, Renren and Sina Weibo, founded in 2005 and 2009, have provided online channels for KOL to publish content, and at the same time, a more vertical fan base. The brand side began to distribute brand information through various KOL content, which is also the main content of this paper. In the era of mobile media, KOL has more and more diversified forms of existence, and professionalization and entertainment have become an important feature of KOL. Tiktok is a typical WeChat official account platform established in 2012, and a short video of quiver in 2016. The mobile Internet has deepened the interactive channels and ways between KOL and its fans, and has built a new model of paying for social contact and content. The at the same time, some live streaming platforms have reached cooperation with e-commerce. E-commerce giants have high expectations for the effect of live streaming, while live streaming provides users with a more convenient way to pay through e-commerce. Both sides take what they need and complement each other’s advantages to maximize their interests.

According to Nielsen, 92% of consumers say that they’re more likely to trust personal recommendations over ads. KOL, with its advantages of high-quality content, fans’ influence and professional ability in the field of segmentation, will directly influence consumer behavior. According to the survey data of AdMaster, the types of platforms with KOL’s presence are obviously more favored by advertisers, among which the proportion of advertising intention of social platforms in KOL’s native place is as high as 69%. In the survey of intention to choose
social marketing methods, KOL's marketing ranks first with 60%. It can be seen that currently KOL marketing has become one of the most recognized ways in all social media marketing. Therefore, we need to take the platform as the carrier, make use of KOL to let the luxury brand lay down, so as to maintain high-end positioning, and effectively market as well. This paper mainly analyzes KOL's marketing on social media in the luxury industry and provides suggestions for the marketing of luxury brands. [7]

The research on advertising communication of luxury goods has developed perfectly. The relevant literature mainly focuses on how to measure the effect of luxury advertising. For example, Wang established the evaluation model of luxury advertising. According to the characteristics of luxury itself and its industry, the evaluation indexes of luxury advertising effect are divided into advertising economic effect, advertising psychological effect and advertising social effect, and through the questionnaire survey of advertising audience, the differences of these three indexes in the evaluation of different types of luxury advertising are analyzed. [5] Chen's master thesis provides strategies for integrated marketing and online marketing of luxury brands in China. He revealed some key difficulties faced by luxury brands, such as limited market, brand image maintenance, etc. Related to this article, Chen mentioned that 59% of luxury customers will pay attention to social media, especially the ads on microblogs. Then he discussed how Cartier, a particular brand, uses social media and video advertising. [6] Similarly, He made targeted suggestions on LV's advertising strategy in China. He believes that the brand needs to grasp new trends, readers and the specialization of the media, which provides a richer theme for the launch of luxury advertising and different combinations. [8]

However, studies about KOL is not very rich at home and abroad. Wang Ning believes that the characteristics of microblog KOL advertising are based on the audience, with strong interaction of information communication and multi-level communication mode running through it. Qian Yu takes the beauty industry as an example to discuss the challenges and solutions of KOL. Katrina Wu's paper on the effectiveness of YouTube's marketing approach reveals different ways of sponsorship and collaboration between content creators and brands. Although Youtube and KOL are not exactly the same, they have a lot in common. When analyzing how KOL advertises luxury brands, the paper can definitely refer to YouTube's behavior. Wu divides YouTube marketing into three categories: explicitly sponsored YouTube videos, YouTube videos with affiliate links, and free product samples. [9] Xu's article also classifies different KOLs and analyzes their respective roles. Fashion KOL can be divided into information oriented blogs, shopping consultants, life bloggers, celebrities, fashion experts and retailers on e-commerce and brand managers. He suggested that luxury brands should work with different KOLs. For example, if a brand wants to increase its exposure, it should work with information oriented blogs and celebrities. When there are promotions, it may be more effective to work with shopping consultants and online retailers. [10]

This paper mainly classifies and discusses the specific ways of KOL publicity, finds out what is the most effective way through the data, and then inspires luxury brands to adjust the publicity methods. Theoretically, this study enriches the research on the strategies and effects of KOL publicity and social media marketing to a certain extent. From the social and practical perspective, it can help luxury brands make better decisions in the new media environment in China, and provide reference for social media marketing of luxury brands.

2. Main Discussion

2.1. Deficiency of Traditional Luxury Marketing

Different from the large-scale marketing mode of general consumer goods, the target of luxury marketing is a specific high-end consumer group. Therefore, luxury brand marketing must
maintain artistry and scarcity, which increases the value of products and consumers’ desire for consumption. However, the traditional marketing method has the following defects, which also explains the importance of modern network marketing.

1) The additional cost of goods is high
Constrained by their own high-end positioning, luxury brands tend to cooperate with well-known artists and designers to endow the brand with artistic charm. It is also very common to make posters or publish magazines for product release. At the same time, luxury brands need to choose shop decoration in the central area of the city, and the decoration style needs to be carefully designed, which is consistent with the brand. [11] The rent is high, ranging from one million to ten million RMB depending on the size of the store. For example, the image style of Hermes is introverted but not grandiose. In order to match this style, the renovation of Hermes flagship store on Bond Street in London took 15 months and a lot of effort. This decoration reduces the use of metal materials and square pattern. The indoor lighting is more bright, and soft color systems such as dark brown, light coffee and milky white are used, which provides a more comfortable shopping environment for customers.

For luxury goods, this kind of marketing investment is necessary, but the cost is high. Heavy expenses will lead to the extension of sales cycle and lower profits.

2) The commodity is restricted by region
Famous fashion magazines and periodicals, such as Vogue, Elle and Bazaar, are mainly distributed in the first tier cities in China, compared with the circulation in the second and third tier cities. According to Nielsen’s 2017 online luxury consumer insight report, 26% of luxury users are in first tier cities, 29% in second tier cities, and 45% in third tier and below cities. This is because consumers in the second tier cities are relatively comfortable and have a higher acceptance of luxury goods. Therefore, the delivery mode of magazine journals fails to reach the target consumers effectively. For a long time, the commodity information of second and third tier cities is not circulating, and it is not uncommon for consumers to invite people to Hong Kong, Macao and other regions to purchase goods on behalf of them. Although many luxury brand stores have been opened faster in the second and third tier cities, and luxury brands have the trend of channel sinking, it is undeniable that there are still differences between different regions in view of China’s huge luxury consumer market.

3) Lack of interaction between brands and users
Once upon a time, people believed that only the rich could afford luxury goods. However, in today’s China, the post-80s are the main force of luxury purchase, with young people paying more and more attention to individuality and fashion trends. The problem of traditional marketing is that there is a distance between luxury brands and consumers, who passively accept and spread information. More and more consumers hope that through online shopping, luxury brands can deliver personalized product information, and bring consumers the ultimate online shopping experience in combination with VR. In addition, due to the prevalence of various social media marketing, the single traditional marketing can no longer meet the market demand. Luxury companies adopt flexible online strategies to provide users with a better experience.

For the luxury industry, although the traditional marketing channels have the above shortcomings, luxury will never give up this channel, because it has its own advantages. But we must realize that in the current information age, network marketing is an indispensable supplement.

2.2. Research Methodology
The research method used in this project is content analysis. Content analysis is "a kind of objective, systematic, quantitative and descriptive research skill for the spread of manifest
content”. [12] Content analysis, as a common method to study the media content, is a kind of non interventive existing data compared with experimental method, questionnaire method and interview method, which will not interfere with the evaluation object due to the measurement behavior of researchers, resulting in the research being affected. It is applied in the research of media content to find out the behavior mode, attitude and basic values of the people who create these materials. Even through the analysis of specific time cycle, we can know whether there have been significant changes over the years and find out the development trend.

This paper selects 10 brands, including high-end, low-end, clothing, jewelry brands, etc. Table 1 shows basic information of these 10 brands. For each microblog advertisement of these brands in 2019, the KOL types (celebrities, magazines or fashion blogs), number of KOL fans, theme strategies, advertising effects (comments, likes, reprints) are counted. We systematically and quantitatively code and analyze these data, with a total of 631 records. Among them, the topics of celebrity microblog include brand exhibition, activity advertisement, product advertisement, personal interview, and magazine microblog has more magazine cover and information promotion. Bloggers have rich types of microblogs, including brand activities, product grass planting, star inventory, invited shows, life records, vlog. Products and vlog videos may also be accompanied by a lottery.

On the basis of quantitative research, our work will deeply explore the content of microblog advertising, interpret the typical luxury brand KOL advertising, analyze the characteristics of KOL marketing mode, and put forward suggestions for the marketing of luxury brand social network.

![Table 1. Basic information of 10 luxury brands in 2019](image)

<table>
<thead>
<tr>
<th>Number</th>
<th>Name</th>
<th>Market positioning</th>
<th>Country</th>
<th>Establishment Time</th>
<th>Number of microblogs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tiffany</td>
<td>High-end</td>
<td>America</td>
<td>1837</td>
<td>43</td>
</tr>
<tr>
<td>2</td>
<td>Chanel</td>
<td>High-end</td>
<td>France</td>
<td>1910</td>
<td>103</td>
</tr>
<tr>
<td>3</td>
<td>LV</td>
<td>High-end</td>
<td>France</td>
<td>1854</td>
<td>79</td>
</tr>
<tr>
<td>4</td>
<td>Dior</td>
<td>High-end</td>
<td>France</td>
<td>1905</td>
<td>105</td>
</tr>
<tr>
<td>5</td>
<td>Gucci</td>
<td>High-end</td>
<td>Italy</td>
<td>1921</td>
<td>83</td>
</tr>
<tr>
<td>6</td>
<td>Bvlgari</td>
<td>High-end</td>
<td>Italy</td>
<td>1884</td>
<td>58</td>
</tr>
<tr>
<td>7</td>
<td>Fendi</td>
<td>High-end</td>
<td>Italy</td>
<td>1925</td>
<td>71</td>
</tr>
<tr>
<td>8</td>
<td>MK</td>
<td>Low-end</td>
<td>America</td>
<td>1981</td>
<td>39</td>
</tr>
<tr>
<td>9</td>
<td>Coach</td>
<td>Low-end</td>
<td>America</td>
<td>1941</td>
<td>27</td>
</tr>
<tr>
<td>10</td>
<td>Kate Spade</td>
<td>Low-end</td>
<td>America</td>
<td>1993</td>
<td>23</td>
</tr>
</tbody>
</table>

2.3. Research Results and Discussion

In the work, we infer that there is a positive correlation between the effect of microblog advertising and the number of KOL fans. That is to say, we link the number of likes, comments and reposts of each post with the number of KOL fans of the microblog, then, we use the thermal correlation diagram to reflect the relationship between them, as shown in Figure 1.
Surprisingly, the results found that in the thermal correlation diagram, the color of the squares showing the advertising effect and the number of KOL fans is light, which means the correlation coefficient is low, all of which are below 0.4. This shows that there is no obvious relationship between the communication effect of microblog advertising and the number of KOL fans. The communication effect of a microblog advertising depends more on its advertising content. Of course, this is not to say that luxury brands do not need to care about KOL’s level and the number of fans, because they need to increase their interaction with users and understand their real ideas while maintaining their high-end positioning.

The content and theme of advertisement is very important to the promotion effect of a luxury brand. This work will divide the theme of human microblog into brand exhibition, activity advertisement, product advertisement and personal interview, among which the opening ceremony and video activity advertisement are specially marked. Figure 2 shows that in the marketing of microblog and broadcasting of famous people, the number of advertising themes accounts for the most is 126 event advertisements, accounting for 48%, that is, celebrities or models use brand products to participate in large-scale activities or film festivals of fashion companies, and take photos or videos to promote products. This is related to the work of stars. Luxury brands need to enhance their exposure through stars in high-end occasions, not only maintaining their high positioning, but also raising their attention to celebrity jewelry and clothing through the attention of consumers. [13] Therefore, it’s not surprising that activity advertising accounts for more than half of the human advertising themes of luxury brand names.

**Figure 1.** Thermal correlation diagram between the number of followers and likes/ comments/ reposts
As shown in Figure 3, in the magazine microblog broadcast advertising marketing, the classification is more detailed, the number of advertising themes accounts for the most is product advertising, which is 39, accounting for 24.5%, closely followed by information. This is because fashion magazine is an important battlefield for luxury brands to advertise, and the golden position of each issue of fashion magazines will be sought after by major luxury brands. The number of event advertisements is also high, that is because the information update speed on social media microblog is fast, and brands need to constantly push through the old and bring forth the new to meet the needs of the continuous development and transformation of contemporary consumers. Therefore, the magazine KOL will release the latest product information in time and share the most cutting-edge brand information.

As an important feature of the era of self-media, two-way interaction has also been taken seriously in the field of KOL advertising. Before that, luxury brands kept a wait-and-see attitude. Now, bloggers like KOL are more and more popular, especially low luxury brands. Compared with celebrities, bloggers interact with fans more frequently. Through comments or forwarding, it is more conducive to establish emotional connection, form a common emotional atmosphere, generate a sense of trust and closeness to bloggers, and then generate identity and trust to their micro blog content. Figure 4 shows that in the marketing of microblog broadcast advertisement of bloggers, product advertisement still accounts for the most, accounting for 33%. However, through the distribution of advertising themes, we can see that the way that blogger KOL cooperates with brand marketing is more flexible, and the forms of invite show, star inventory and vlog are more evenly distributed. Through the freshness and innovation of advertising forms, bloggers create unique personality charm, increase fans' viscosity, ensure traffic and enhance brand image.
In this paper, the effect of KOL advertising is explored with social media microblog as the media. In the aspect of microblog communication effect, some scholars point out that the communication ability of microblog should be determined by the ultimate behavior of the information receiver, which is embodied in forwarding, commenting and praising. Therefore, it is advisable to quantify the advertising effect from the number of likes, forwards and comments. We will continue the KOL classification method in the previous article, and analyze the advantages and disadvantages of the advertising theme strategy from the average number of likes, comments and reposts of microblog ads.

For celebrity microblog ads, this paper classify the themes. It is found that consumers are more interested in short video product advertising than image product advertising. In addition, the average number of likes and reposts of the opening ceremony of the brand exhibition reached the highest. As shown in Figure 5, the average number of likes for video ads is 71,148, 5 times higher than that for photo ads. The average number of comments for video ads is 8,218, and the average number of comments for photo ads is 5,633, 31.46% lower than the video ads. Video ads were reposted 30,302 times, 1.12 times higher than photo ads. It can be seen that the repeated release of the same content advertisement will cause the aesthetic fatigue of consumers, only the advertisement of product pictures will be relatively rigid, it is difficult to impress consumers, thus causing the decline of communication effect. Video ads often appear at the top of the page, which attract users’ attention and have a strong sense of visual impact. Watching videos can give full play to the value of brand products and show things that pictures can’t express. In addition, the brand’s microblog often supports the jump of the external chain, which is conducive to the new publicity on the big brand. With some purchase links, when users see the advertisement, it can effectively stimulate users’ purchase desire.
Through the observation of magazine microblog ads in Figure 6, it is found that the communication effect of the opening ceremony of brand exhibition is still very good, and the average number of likes ranks first, which will not be discussed here. The highest average number of comments was on the magazine cover. From mainstream entertainment to fashion magazines, the cover of each issue can easily attract many people’s attention and discussion, so magazine editors are all dedicated to the cover. Who to use as the cover person and how to raise the sales volume are all under consideration. Fashion circles are linked to high-end endorsements, such as big brand clothing, famous brand perfume cosmetics and precious watches jewelry, etc. so it is very important for luxury brands to get on the front cover of top fashion magazines.

Figure 6. Magazine microblog advertising communication effect

Figure 7. Blogger microblog advertising communication effect
It can be found in Figure 7 that vlog with raffle has the highest number of likes and comments, at the same time, product advertisement with raffle has the highest number of repost. In this era of Internet, drawing a lottery has become a more and more popular way. It can expand the number of fans and attract more attention. After giving out bonus or products, it promotes luxury brands invisibly. Simple product advertising can no longer attract the attention of consumers. Businesses need to work closely with these bloggers and get closer to consumers.

2.4. Limitation and Challenges

First of all, although we use likes, comments, and reposts as indicators for the effectiveness of KOL’s advertisement, this is not a direct measurement. There is no accurate answer to how to measure the conversion rate of advertisements. The numbers of likes, comments, and reposts may also be unveracious in some cases. Some KOLs buy followers and comments in order to make themselves look more popular and attractive for business corporations and sponsorships. Therefore, we try to use a larger sample size in order to prevent such false data. We used more than 600 posts from 10 different brands to minimize the error. However, the correlations will be more precise if we extend the sample size to 1000.

It is also hard to measure the effectiveness of advertisements by looking at the number of comments alone. Our categorization is also a rough one. For the purpose of data analysis, we categorize all KOLs into celebrities, magazines/experts in the fashion industry, and bloggers/vloggers. These three types of KOLs each have their own expertise and advantages. The key function of celebrity KOLs is to utilize their popularity and fame to attract new and potential customers. This is also a part of the fan economy. The unique characteristic of magazines/informational bloggers is their expertise. Although they are less popular and down-to-earth than other KOLs, using magazines/experts for advertisement enhances the highbrow brand images of luxury brands. On the other hand, bloggers and vloggers are more approachable and down-to-earth to a larger audience. Their posts and vlogs can bring the brand to a larger and younger market as luxury brands are trying to rejuvenate. However, there are many other KOLs that cannot be fully categorized into these three categories, such as those who specify on e-commerce. Furthermore, in order to draw correlations, we categorize the themes of the posts. For instance, raffles, fashion shows, vlogs, and etc. Nevertheless, there may be overlaps of themes in one ad post, and this causes chaos in data gathering.

We cannot eliminate all possible confound variables, including how recent news about the brand or the KOL will influence the effectiveness of communication of the posts. For instance, Dolce & Gabbana had benign and frequent cooperation with many different KOLs in China, and their brand publicity increased significantly. Notwithstanding, the founder of Dolce & Gabbana made some insulting remarks about China, and this caused a wide dissatisfaction and boycott of the brand. According to the 2019 financial report of Dolce & Gabbana, its total sales decreased by 7.5% as a result of losing the Chinese market. Thus, news and public opinions have a huge impact on the effectiveness of advertisement of a brand.

3. Conclusion

In summary, there are several problems in the traditional marketing of luxury brands. First of all, the additional cost of goods is high, brands have to spend a large amount of money on television, magazines, shop decoration and rents. Besides, the commodity is restricted by region, which leads to price imbalance in different regions. Last but not least, traditional marketing of luxury brands is lack of interaction between brands and users. Therefore, many luxury brands have begun to look for opportunities in online marketing, especially utilizing the influence of KOLs. From our study, this work concludes a few key patterns:

1. Compared with high-end luxury brands, low-end brands prefer to use more blogger KOLs.
Statistics show that low luxury brands are more willing to cooperate with blogger KOL, while high-end luxury brands rarely use blogger KOL for marketing and prefer to work with celebrities. Blogger KOLs rarely appear on the posts of high-end luxury brands. However, low-end luxury brands often have posts about their cooperations with bloggers. Part of the reason may be that blogger KOLs often create a daily life scene and shoot vlogs, which does not really fit the brand images of luxury goods and the target consumer group.

2. This work classifies the theme of the advertisement, summarize the number of likes, reposts, and comments, and find the following rules:
   a. Consumers are more interested in fashion shows/brand activities for the advertisements of celebrity KOL
   b. In terms of magazines/expert KOLs, consumers pay more attention to the cover of magazines;
   c. For ads from blogger KOLs, consumers are more interested in lottery/raffles;
   d. There is no obvious correlation between the communication effect and the number of followers.

3. In general, celebrities and blogger KOLs are more effective (in terms of likes, comments, and reposts) than expert bloggers/magazine KOLs.

It is found that there is no significant relationship between the effect of microblog advertising and the number of KOL fans. Consumers prefer advertisements about brand exhibition, lottery can also produce obvious effects. Based on this, this paper proposes the following strategies for luxury advertising: (1) promote brand online marketing, strengthen brand interaction, and increase customer stickiness (2) enrich brand activities, and use KOL to improve popularity, quality and quantity of advertising; (3) improve the conversion rate, and explore a new consumption mode guided by e-commerce.

References
