

How the existence of luxury brands' digital fashion in a metaverse influence consumers' perception of luxury brands

Mo Zhou, Chuanlan Liu, Louisiana State University

Keywords: Luxury brands, Digital fashion, Metaverse, Consumer perceptions, Brand engagement, Brand loyalty, Digital transformation, Virtual experiences

In the discourse of digital transformation, as articulated in <The Great Narrative> (Schwab & Malleret, 2022), the World Economic Forum, during the Davos Forum, emphasized the profound challenges humanity faces, namely climate change and biodiversity loss (Charles Philip Arthur George, 2020). To address these imminent threats, there is a call for the reconstruction of a new, sustainable economic order. These imperative gains significance within the context of the Metaverse, where the amalgamation of digital transformation aligns with the demand for innovative and sustainable solutions. The ongoing evolution of the Metaverse presents a unique opportunity to integrate sustainability principles, reshaping our digital narrative towards a more environmentally conscious future. Consumer spending choices have changed over the past few years, with online sales accounting for 24.2% of all sales in 2019. By 2025, this figure is expected to grow to 43.1%, underscoring that consumers' need for traditional shopping methods is diminishing and their shopping behavior is becoming increasingly digital (Statista, 2021). Recently, metaverse, referred to as virtual worlds for individuals and organizations to connect with others for personal and business purposes, has become a buzzword. This type of emerging digital virtual space also offers a unique opportunity for virtual marketplace operations, such as expanding the brand into virtual spaces to reach and change consumer perceptions and behavior (Barrera & Shah, 2023). Extending luxury brands into the metaverse is an emerging area for academia and practitioners to explore, examine, and expand branding theories and practices (Yoo et al., 2023). However, so far, the intersection of virtual space marketing (i.e., metaverse marketing) reality and customer experiences and engagement with luxury brands is still understudied.

The topics related to digital fashion such as virtual fashion shows, NFTs, blockchain technology, and virtual worlds in gaming have become hotly discussed (Gonzalez *et al.*, 2022). The trend towards virtual and online experiences, accelerated by the COVID-19 pandemic, has led fashion brands to establish their digital fashion presence in the physical worlds (dressing screen selves) and metaverse (dressing digital selves/ avatars) (Bousba & Arya, 2022). This trend is seen as a new way to connect with consumers (Kaufmann *et al.*, 2019). This new interactive and mixed reality-activated virtual community is also pushing the fashion industry toward new dimensions (Gonzalez *et al.*, 2022). The Metaverse is one of the virtual platforms where created digital fashion collections could be experienced through individual consumer-created avatars (Nobile *et al.*, 2021).

In the Metaverse, consumers can create their own virtual identities (i.e., avatars), shop in virtual stores, and consume, and wear digital clothing (Breiter & Siegfried, 2022). When consumers and brands come together in the metaverse, greater access to a brand's offerings, or experiencing a creative process with the brand are made available to individual consumers (Amorim *et al.*, 2022).

Brand engagement is defined as a state of mind that occurs in the process of individual interaction with a brand and customer experience (Brodie *et al.*, 2011). Brand engagement is often regarded as a key foundation for a customer to achieve utilitarian, hedonic, or socially relevant goals through active participation in their brand interactions, which helps reduce perceived risk and build brand loyalty (Hollebeek & Macky, 2019). Brand engagement might be improved when consumers immerse themselves in an interactive environment with luxury brands in the Metaverse (Gonzalez *et al.*, 2022). It seems that the metaverse creates the opportunity for fashion brands to create immersive experiences for younger and more tech-savvy consumers to experience brands and hence increase brand awareness, improve brand perceptions, and eventually develop brand loyalty (Wongkitrungrueng & Suprawan, 2023). Also, the Metaverse may specifically bring opportunities to all the luxury brands that have challenges to trade between accessibility and exclusivity in the physical world (Jang & Hsieh, 2021). Luxury brands often rely on exclusivity and scarcity to maintain their brand image, and consumer perceived value some research suggests that virtual scarcity, which can be achieved through blockchain technologies, may be more powerful than physical scarcity because it is easier to control and manipulate in the digital space (Barrera & Shah, 2023).

However, virtual environments are usually highly social spaces, and this high level of social interaction is likely to make luxury a ubiquitous presence in the metaverse. Therefore, the existence of a luxury brand's digital fashion in a metaverse may have a positive or negative influence on consumers' awareness, and perceptions of the luxury brand, and eventually generate mixed influence on brand image and brand loyalty. Although consumption is the second most discussed topic in digital, and Metaverse fashion research (Baek *et al.*, 2022), the continuously changing consumer experience reshaped through fast-developing digital transformation in fashion retail/business needs to be examined constantly (Baek *et al.*, 2022). Specifically, it has not been systematically examined how the existence of a luxury brand' digital fashion in a metaverse influences consumers' perceptions and consumption of luxury. To this end, this study is to fill the gap with the research purpose of exploring answers to the following research questions: (1) How does the ubiquitous presence of luxury brands affect brand engagement in the Metaverse? (2) How could brand engagement be influenced by Metavers' brand experiences? (3) How does brand engagement in Metaverse affect brand loyalty in Metaverse shopping or normal online and physical shopping?

The researchers define ubiquitous existence as accessibility, media richness, and brand image. Further discusses the impact of ubiquitous existence on metaverse on brand engagement. This step is based on Social Presence Theory (STP), which describes the set of associations that arise when consumers interact with brands in the Metaverse (Hollebeek et al., 2020).

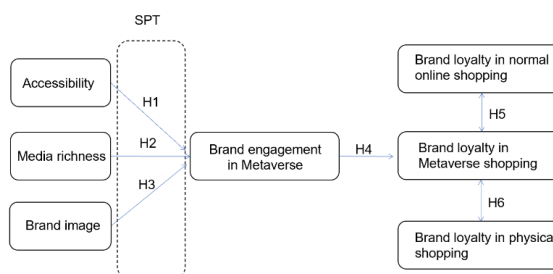


Figure 1: Conceptual Model

Based on the above discussion and review of the literature, we developed a conceptual model (figure 1). Also, we proposed hypotheses:

- H1: Accessibility of a luxury brand in Metaverse will positively impact consumers' brand engagement in Metaverse.
- H2: The media richness of a luxury brand in Metaverse will positively impact consumers' brand engagement in Metaverse.
- H3: The brand image of a luxury brand in Metaverse will positively impact consumers' brand engagement in Metaverse.
- H4: Consumers' brand engagement of a luxury brand in Metaverse will positively impact consumers' brand loyalty in Metaverse.
- H5: Consumers' brand loyalty in Metaverse shopping and normal online shopping have significantly different effects.
- H6: Consumers' brand loyalty in Metaverse shopping and physical shopping has significantly different effects.

In conclusion, luxury brands in the metaverse increase their accessibility with consumers, but whether this accessibility will have beneficial brand engagement and brand loyalty still needs further exploration.

Reference

- Amorim, I. P., Guerreiro, J., Eloy, S., & Loureiro, S. M. (2022). How augmented reality media richness influences consumer behaviour. *International Journal of Consumer Studies*, 46(6), 2351-2366. <https://doi.org/10.1111/ijcs.12790>
- Brodie, R.J., Hollebeek, L.D., Juric, B., & Ilic, A. (2011). Customer engagement: conceptual domain, fundamental propositions, and implications for research. *Journal of Service Research*, 14(3), 252-271. <https://doi.org/10.1177/1094670511411703>

- Barrera, K. G., & Shah, D. (2023). Marketing in the Metaverse: Conceptual understanding, framework, and research agenda. *Journal of Business Research*, 155. <https://doi.org/10.1016/j.jbusres.2022.113420>
- Breiter, D., & Siegfried, P. (2022). The Metaverse: Exploring Consumer's Expectations, Their Attitudes, And It's Meaning To The Fashion Industry. *Tekstilna Industrija*, 70(2), 51-60. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4191523
- Baek, E., Haines, S., Fares, O. H., Huang, Z. H., Hong, Y., & Lee, S. H. (2022). Defining digital fashion: Reshaping the field via a systematic review. *Computers in Human Behavior*, 137, 1-16. <https://doi.org/10.1016/j.chb.2022.107407>
- Bousba, Y., & Arya, V. (2022). Let's connect in metaverse: Brand's new destination to increase consumers' affective brand engagement & their satisfaction and advocacy. *Journal of Content Community Communication*, 14, 276-293.
- Charles Philip Arthur George. (2020, January 22). Special Address by H.R.H. presented at the World Economic Forum, Davos.
- Gonzalez, P., Bertola, P., & Vandl, A. (2022). Digital Fashion in the Metaverse. <https://www.politesi.polimi.it/handle/10589/188809>
- Hollebeek, L. & Macky, K. (2019). Digital content marketing's role in fostering consumer engagement, trust, and value: framework, fundamental propositions, and implications. *Journal of Interactive Marketing*, 45, 27-41. <https://doi.org/10.1016/j.intmar.2018.07.003>
- Hollebeek, L. D., Smith, D. L., Kasabov, E., Hammedi, W., Warlow, A., & Clark, M. K. (2020). Customer brand engagement during service lockdown. *Journal of Services Marketing*, 35(2). <https://www.emerald.com/insight/content/doi/10.1108/JSM-05-2020-0199/full/html>
- Jang, Y. T., & Hsieh, P. S. (2021). Understanding consumer behavior in the multimedia context: incorporating gamification in VR-enhanced web system for tourism e-commerce. *Multimedia Tools and Applications*, 80, 29339-29365, <https://link.springer.com/article/10.1007/s11042-021-11149-8>
- Kaufmann, H. R., Filho, C. G., Silvia, C. R., & Monteiro, P. R. R. (2019). Consumer-brand relationship development in the automotive market: an integrative model. *Automotive Technology and Management*, 19(3-4), 321-340. <https://doi.org/10.1504/IJATM.2019.100910>
- Nobile, T. H., Noris, A., Kalbaska, N., & Cantoni, L. (2021). A review of digital fashion research: Before and beyond communication and marketing. *International Journal of Fashion Design, Technology and Education*, 14(3), 293-301. <https://doi.org/10.1080/17543266.2021.1931476>
- Statista (2021). Bekleidung-Weltweit. Statista. [https://de.statista.com/outlook/cmo/bekleidung/weltweit\(2022-02-01\)](https://de.statista.com/outlook/cmo/bekleidung/weltweit(2022-02-01))
- Schwab, K., & Malleret, T. (2022). *The Great Narrative*. Forum Publishing.
- Wongkitrungrueng, A., & Suprawan, L. (2023). Metaverse Meets Branding: Examining Consumer Responses to Immersive Brand Experiences. *International Journal of Human-Computer Interaction*, <https://doi.org/10.1080/10447318.2023.2175162>
- Yoo, K., Welden, R., Hewett, K., & Haenlein, M. (2023). The merchants of meta: A research agenda to understand the future of retailing in the metaverse. *Journal of Retailing*. Advance online publication. <https://doi.org/10.1016/j.jretai.2023.02.002>