

Research on the Traceability, Data Sharing and Interactivity in Marketing Strategies of FARFETCH

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Abstract. In the age of new media marketing, the fashion industry aimed to keep growing its market share while preserving the high quality of its products and preventing brand dilution. E-commerce is inevitably gaining ground. Farfetch was established in 2007 as an online platform for retailing luxury products. It is a tremendous player in the fashion and luxury industries. The business wants to be the industry leader in the world for luxury fashion technology platforms that link customers, companies, and designers. This research concludes that Farfetch has a strong grasp of exploiting the traceability of customers and transactions in the age of new media marketing through study analysis and comparative analysis. As a result of the traces left by people's actions and movements on social media, Farfetch can predict every customer's purchase and likes by boosting interaction in marketing. In conclusion, the three key components of Farfetch's success in digital marketing in this new media era are traceability, data sharing, and interactivity.

Keywords: FARFETCH, Traceability, Data Sharing, Interactivity.

1. Introduction

1.1 Research background

The fashion and luxury goods industry has been recognized as an important cog in the wheel of international commerce since the beginning of the study of development economics. Regarding marketing through new media, the fashion industry has meant to continue increasing its share of sales while maintaining the high value of its merchandise and preventing brand dilution. Fashion companies typically enter into agreements with online multi-brand platforms to adapt to changing times and attract a larger number of young customers and potential consumers. Fashion companies can broaden the scope of their business and increase the distribution channels by purchasing luxury goods more accessible to more people and making the process faster and easier.

According to a preliminary e-commerce investigation conducted in 2015, China has the largest leading e-commerce market (405 euros), followed by the United States (363 euros). In third place was the United Kingdom, which is also the country where Farfetch was founded [1]. Furthermore, an e-commerce projection in Europe stated that income increased from 265 euros in 2011 to 609 euros in 2017, implying that e-commerce has been gaining the lead.

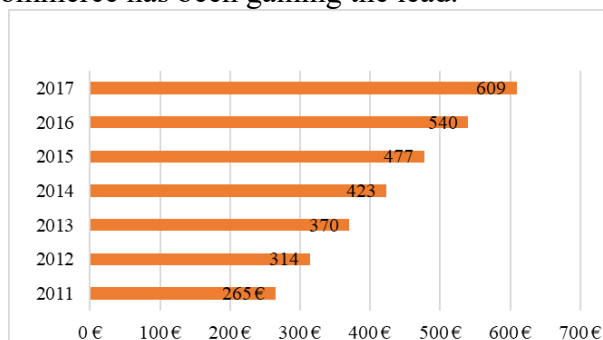


Figure 1. Forecast E-Commerce in Europe in Billion euros

Farfetch was founded in 2007 as an online platform for retailing luxury goods, making it one of the most successful e-commerce companies in the fashion and luxury industries. The company's long-term objective is to become the leading global provider of a digital platform for the luxury fashion

sector that connects consumers, designers, and brands. In 2008, Farfetch began selling items from a total of 25 shops situated in five countries. A few years later, in 2015, Farfetch made news when it announced the acquisition of Browns, a major UK retailer, as well as the formation of its “Future Shop” and “Black & White” business units, which together provide digital solutions for brands. In 2016, Farfetch had 500 boutique partners and 200 direct brand partners. In 2017, Farfetch established its first brand, debuted its future store technology, started 90-minute delivery in ten cities across four continents, and acquired Style.com, the top fashion website in the United States.

Moreover, Farfetch introduced its future store technology. In addition, it has struck a relationship with Jingdong to launch a luxury-brand-focused website in China. In addition, in 2018, Farfetch partnered with the Middle Eastern luxury store Chalhoub Group to create the leading luxury platform in the Middle East. At the same time, it welcomed Harvey Nicols, one of the most successful consumer fashion companies in London, as its first department store partner. The company announced the launch of its “Dream Assembly” technical accelerator program in addition to filing paperwork for an initial public offering. Farfetch has sold luxury goods from over 700 different boutiques and brands situated worldwide, reaching buyers in marketplaces all over the globe. With its amazing digital marketing abilities, in this age of new media, it is always changing and challenging how people purchase fashion goods, both online and offline. In order to further examine new media marketing techniques, it is vital to investigate how Farfetch maintains its attraction among young clientele worldwide through optimizing its digital marketing. Specifically, this essay examines the strategies Farfetch employs for search engine and social media marketing. A more comprehensive evaluation of the skills required for digital marketing will enable fashion retail platforms like Farfetch to thrive in the new media environment and even take the lead.

1.2 Literature review

Examining the available literature reveals that the next step in the evolution of marketing will be digitized marketing, commonly known as “DigiMarketing.” One of the most remarkable characteristics of digital channels is their “addressability.” The following are some of the benefits of digital marketing. According to the book *DigiMarketing: The Essential Guide to New Media and Digital Marketing* by Kent Wertime and Ian Fenwick: The usage of digital media enables a continuous, two-way, and customized dialogue between each marketer and consumer. For digital marketing to succeed, people must be consistently engaged, which requires superior planning and a well-defined concept [2]. In addition, marketers are responsible for determining the appropriate channel distribution based on the needs of their businesses [3]. In recent years, cutting-edge technology has also contributed to optimizing the fashion industry’s overall strategy, including Farfetch’s operations. In 2018, Ferreira examined the concept of visual recognition for fashion photographs utilizing an end-to-end architecture that directly incorporated the hierarchical nature of the annotations into the model. This action was taken to achieve this objective [4]. Harba delivered 2019 a comprehensive discussion of the innovative methods to customer experience in the luxury fashion industry within the framework of a contemporary economy significantly impacted by disruptive technological innovations [5]. This conversation occurred in the context of the contemporary economy. Pathak will submit the solution he built for the ECML PKDD Farfetch Fashion Recommendation Challenge in 2021 [6]. Das built a one-of-a-kind context-aware system in the same year. This system ranks products more accurately by considering how similar a product is to the environment in which it will be utilized [7]. Then, in 2022, Barroca describes applying existing approaches to enhance Farfetch’s large-scale Fashion Knowledge Graph (FKG) [8]. One could therefore conclude that Farfetch has invested much in its marketing technologies, artificial intelligence, and data science.

Much of the prior literature has focused on the impact of artificial intelligence on Farfetch’s product ranking and scale enrichment. However, few studies have examined the specific digital marketing measures fashion platforms such as Farfetch have implemented, such as social media marketing and search engine marketing strategies. In addition, being a global platform for the retail

of fashion goods, Farfetch faces the challenge that partners worldwide may not maintain a consistent brand voice, resulting in a divergent customer experience.

1.3 Research framework

This article begins with a brief overview of the recent history of Farfetch to provide the framework for a more in-depth and comprehensive examination of these concerns. The second chapter focuses on the principal technique, which is the literature analysis method for this study. This method covers research and a comparison analysis between Farfetch and other fashion retail platforms highly comparable to Farfetch. The third section discusses the results of the data analysis and the replies to the problems generated by the results. In the concluding portion, a conclusion is derived from the statistical analysis and findings presented throughout the study.

2. Method

This paper's major literature analysis method consists of study analysis and comparative analysis between Farfetch and a similar Chinese fashion retail platform-Secoo.

2.1 Study analysis

Multiple factors promote and influence the development of e-commerce, which is brought about by social and economic progress and technological innovation. Basic Marketing is a masterwork from the middle of the twentieth century. The author, Rom McCarthy, ingeniously proposes the 4P theory, the core of which is 'product.' The 4P theory comprises four components: product, pricing, promotion, and distribution channel [9]. This idea is geared to the seller's market and the current economic climate. In the new media period, however, the flaws of the 4P theory were revealed: it cannot be applied to a market when supply exceeds customer demand, as the presence of customers was overlooked. The 4P principle no longer meets the requirements of e-commerce businesses or the market. Unexpectedly, though, Farfetch survives this marketing pivot. According to Farfetch's key financial data report for the fourth quarter and full year of fiscal 2021 [10]. Since its IPO, Farfetch's annual gross merchandise transaction (GMV) has tripled in three years from \$1.4 billion in 2018 to \$4.2 billion today, but the annual GMV growth rate has slowed year over year. Its EBITDA (earnings before interest, taxes, depreciation, and amortization) has been red, with the EBITDA deficit extending to \$121 million in 2019. However, in the fiscal year 2021 that just ended, Farfetch's annual EBITDA became positive for the first time, totaling \$1.63 million.

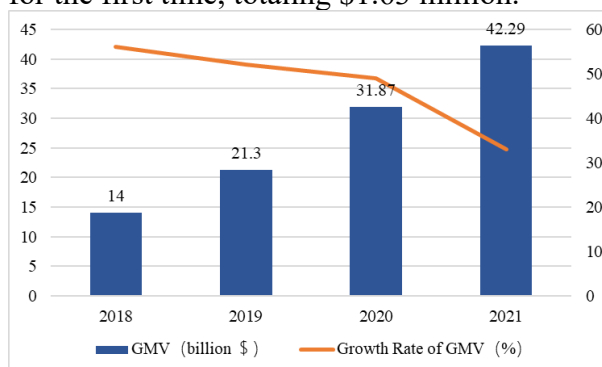


Figure 2. The Trend of GMV of FARFETCH from 2018 to 2021

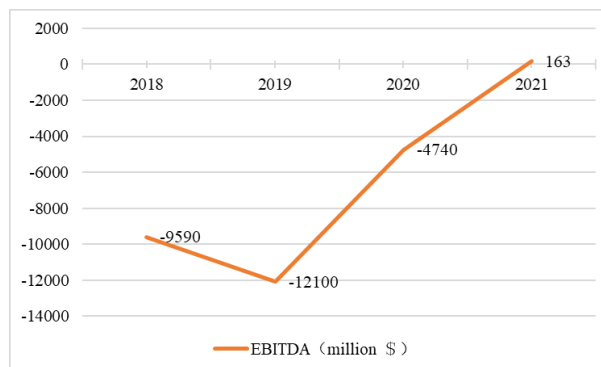


Figure 3. The Trend of EBITDA of FARFETCH from 2018 to 2021

Comparing the 2018 operating data disclosed at the time of Farfetch's IPO to the 2021 operating data reveals a nearly threefold increase in the number of active users, from 936,000 to 3,687,000, a slight decrease of 1.3% in customer unit price, from \$620 to \$612, and an increase of 200 brands to 3,400. In addition, the number of stock-keeping units (SKUs) rose by 16.4 percent to 390,000.

So here are the three main questions:

I. How can Farfetch attract fashion lovers worldwide and provide brands from around the world and boutiques with various products?

II. How can Farfetch precisely target consumers and maintain its user viscosity?

III. In what ways can Farfetch better operate its brand locally and globally?

2.2 Comparative analysis

Secoo is one of the most successful e-commerce retail platforms in the world. It has established high-quality databases covering various brands and products, expanding the alternatives available to clients. The products supplied by Secoo can be broadly categorized as either luxury brands or light luxury brands, based on their price positioning. In contrast to Farfetch, Secoo's sales strategy relies on buyouts, future sales, and a novel consignment system. To be more precise, the consumer selects the desired product, following which Secoo will purchase it with full payment and switch to inbound sales. In this method, Secoo can raise its clients' level of trust. Membership systems have been introduced by both Secoo and Farfetch, which is the same thing. Farfetch, on the other hand, tends to use digital media to target and attract clients.

So here comes the question: What result does the difference between Farfetch and Secoo's marketing strategies lead to?

3. Results and Discussion

3.1 How can Farfetch attract fashion lovers worldwide and provide various luxury brands and boutiques?

Farfetch has been devoted to growing its business reach to increase consumer value and profitability instead of limiting itself to luxury buyouts. Since its founding, Farfetch has acquired several fashion industry suppliers. As of September 2018, the Farfetch marketplace included over 3,200 companies, including classic brands such as Gucci, Chanel, and Dior, and new designer brands such as Off-White and Staud. In categories such as women's clothes, men's clothing, children's clothing, fine jewelry, and maritime, Farfetch has a significant customer base from 190 different countries. To boost its popularity, client base, and market share, Farfetch has entered into various strategic alliances with industry titans. Examples include French luxury brands Chanel, French luxury firm Kering, Swiss luxury group Richemont, and Chinese e-commerce groups, like Jingdong and Alibaba. Farfetch has launched its first cooperative digital service experiment with Chanel, the Boutique of Tomorrow, intending to deepen the relationship between customers and sales associates. Online via an app, clients may contact the brand's advisers at any time, from any location, and

preview products; in-store via a digital “mirror” to show customers videos of the show and product specifications, saving sales clerks’ time.

This demonstrates Farfetch’s awareness of brands’ quick evolution and diversity in the digital media era. Farfetch has extensive knowledge of the luxury fashion ecosystem. It utilizes the Digital Service Pilot Project to increase the relationship between customers and shop personnel and strategic cooperation in developing a digital marketing system in many countries and export logistical capabilities. In other words, Farfetch has mastered customer and transaction traceability in the age of new media marketing.

3.2 How can Farfetch precisely target consumers and maintain its user viscosity? (What result does the difference between Farfetch and Secoo’s marketing strategies lead to?)

As previously stated, the 4P hypothesis no longer applies to the new media era. Then, in 2005, Pro. Philip Kotler’s concept of precision marketing became visible to e-commerce businesses, including Farfetch’s marketing managers. This novel concept emphasizes the outcomes of marketing actions and the predictability and precision of e-marketing activities. Precision marketing emphasizes that all economic outcomes must be verifiable, a characteristic shared with digital marketing. Moreover, precise marketing is the key to Farfetch’s success in sustaining customer and user loyalty.

Farfetch prioritizes internet media over conventional outdoor media. Its primary promotional victories are on platforms where young people congregate, such as Instagram, Facebook, Twitter, Snapchat, Pinterest, YouTube, and Google Plus.

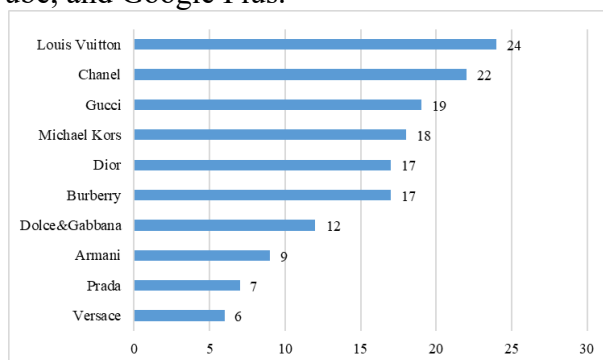


Figure 4. Leading luxury brands with the most followers on Facebook in 2020 (in millions)

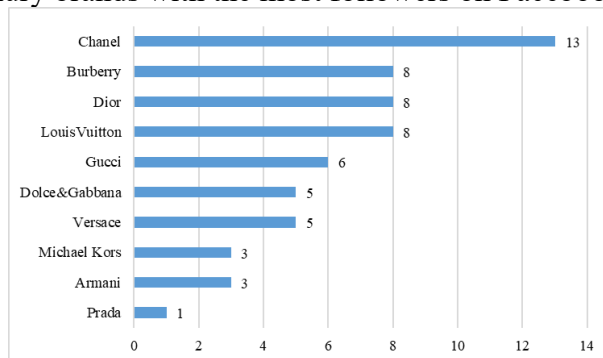


Figure 5. Leading luxury brands with the most followers on Twitter in 2020 (in millions)

This can generate exposure for the brand in any regional setting. Then, clients who bring their friends to Farfetch.com will receive a \$40 credit, a \$40 promo coupon, and a 10 percent discount. This “refer-a-friend” strategy incentivizes current and prospective consumers to shop on Farfetch.com and provides personalized and customizable referral codes that may be utilized for various purposes. Personalized and customized referral codes, with each referrer having their unique referral code, giving Each referrer receives a unique referral code, allowing for a more personalized user experience.

Farfetch has built its brands to demonstrate its clever use of consumer database sharing. Last October, Farfetch partnered with New Guards to launch its womenswear brand-There Was One, available exclusively on its website. The company focused on sustainable basics for women's clothes priced between \$90 to \$1,200 and was developed based on consumer buying data. Unlike other brands operated by New Guards, There Was One does not have its website, instead of relying on the Farfetch.com website.

In conclusion, Farfetch's marketing characteristics and success stem from its combined mobile and digital marketing strategy. Farfetch is adept at promoting via social media, giving the company exposure in any geographical setting and accurately targeting existing and future customers. The traces of individuals' actions and movements on social media serve as the foundation for Farfetch's persona data. This distinguishes Farfetch from other comparable e-commerce shopping platforms, such as Secoo.

3.3 In what ways can Farfetch better operate its brand locally and globally?

Farfetch is a typical vertical e-commerce business for luxury products. In other words, Farfetch's fundamental stance in the e-commerce industry is fashion and luxury. It has a well-defined brand positioning strategy. Using this as a starting point, Farfetch has a more intelligent use of automation, individualized interactions, and continual innovation and is always searching for new ways to engage customers. For example, Farfetch uses chatbots that perform very similarly to human customer support on its website to boost its level of automation so that it can assist consumers whenever they need it.

Regarding user insights, Farfetch has created an interactive marketing strategy that allows customers to express their preferences fully. On Farfetch, consumers can express their preferences by picking the categories they are most interested in, such as women's, men's, or children's apparel; selecting their preferred designers; and setting email preferences and communication options. Farfetch also promotes shopping by gender, wish list, and preferred designer and offers members early access to promotions and specials and quick access to the newest arrivals.

As stated in the book Predictive Marketing: Easy Ways Every Marketer Can Use Customer Analytics and Big Data, the growth in interaction in Farfetch's digital marketing expands the global reach of the retail platform, allowing Farfetch to predict the purchases and preferences of every consumer [13]. This interaction in marketing reduces the danger of not keeping a consistent brand voice, which could result in a divergent consumer experience, allowing Farfetch to operate its brand successfully locally and worldwide.

4. Conclusion

4.1 Findings

Farfetch profoundly understands brands' rapid evolution and diversity in the new media era. It has an in-depth knowledge of the luxury fashion ecosystem. Digital Service Pilot Project has been implemented to strengthen the connection between customers and store personnel, establish a digital marketing system in multiple countries, and export logistics capabilities through strategic cooperation. In addition, Farfetch's marketing features and success stem from its integrated digital, mobile, and social marketing. Farfetch is adept at promoting via social media, giving the brand exposure in any regional setting and precisely targeting existing and potential customers. Lastly, the increase in interactivity in Farfetch's digital marketing expands the retail platform's global reach. This interactivity in marketing reduces the risk of not maintaining a consistent brand tone, resulting in a disparate customer experience, allowing Farfetch to operate its brand successfully locally and globally.

In other words, Farfetch has mastered customer and transaction traceability in the age of new media marketing. The traces of people's actions and movements on social media naturally become the basis for Farfetch's persona data. By enhancing marketing interactivity, Farfetch can predict every

consumer's purchase and likes. Traceability, data sharing, and interactivity are the three most important aspects of Farfetch's digital marketing success in the new media era.

4.2 Limitations and Future studies

Limitation 1: To determine Farfetch's e-marketing approach, this research relied on websites that provided objective data analysis, such as statistics. However, this survey does not directly represent or provide feedback on how Farfetch operates from the standpoint of its customers. Future research should pay greater attention to consumer feedback surveys. For instance, future studies can count customers' online and offline buying preferences.

Limitation2: The utilization of digital marketing tools for individualized targeting and product push is the major emphasis of this study. However, the study did not explicitly examine its push impact, frequency and effect. Whether Farfetch has issues like excessively sensitive search keyword identification leads to crudely categorizing and homogeneity of clients. Farfetch needs to be contrasted with other integrated luxury retail platforms in this regard. Further research should concentrate on setting up the Farfetch trial accounts to regularly control the variables to click on some search keywords, seeing the Farfetch push frequency, the factors that push the change, and the number of clicks on certain keywords start the relevant product push. They are all aimed at measuring the mechanism of the Farfetch platform.

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