

Luxury and the Metaverse

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Abstract. The Metaverse serves as a new emerging field in the field of marketing, the concept of the Metaverse is being used by different companies to increase their sale revenue. Most luxury brands see this as a new opportunity to rebrand themselves to attract the young generation of customers from online communities. In this article, two brands Gucci and Givenchy will be discussed and compared in terms of their perspective field: Feedback, Target, and Profit. After examination, it is believed that the Metaverse can gain some discussion and topics from the online communities and serves its purpose to attract online customers. However, the Metaverse is developed too fast in its initial stage in which the basic setting and virtual communities are not perfect which results in its decline in 2022.

Keywords: Metaverse; Luxury.

1. Introduction

Luxury goods can be traced back as far as Roman times when people spent large amounts of money on expensive goods. It is sure that some of the major luxury brands have a history that is over 200 years. It almost seems like it is a completely unrelated subject to metaverse which is a futuristic concept that only become the new trend until recent years. However, luxury brands such as Gucci and Tiffany & Co. are making their way into the metaverse through the world of NFTs, or non fungible tokens, and made a considerable amount of profit through selling their very own NFTs. The interaction between Old fashion brands like Gucci and the new trending concept of the metaverse launches conversation and people's expectations toward the future of metaverse. More and more people from the younger generation are willing to embrace the metaverse by buying their own digital goods. The concept of metaverse is being used more than ever by different companies to rebrand themselves to attract the younger generation to create a space where they can create, buy and sell goods. People are able to buy an NFT, or non fungible token from luxury brands and gain the authenticity to show their bags or dress on online platforms such as VRchat. In there, thousands upon thousands of internet users display their personal outfits called "skin" through their avatar to establish their online identity. On online platforms, luxury goods are no longer bounded by limited material and labor force. Companies do not need to worry about things like overstocking and eventually discount to decrease the brand's value.

Nevertheless, the metaverse also has caused some controversy among the public. Since tracing back to the last century, luxury products are mainly serviced by royal families and people from the upper class. They are regarded as a symbol of nobility, power, and luxury. However, integrating with metaverse means that these old luxuries are exposed to the public and follow the latest trends worldwide. In addition, middle-aged and elderly consumers may be hard to understand the form of metaverse compared to the traditional exhibition. When studying the relationship between metaverse and luxury brands, questions about how luxury brands can attract new consumers and keep older consumers by metaverse can be answered.

Based on the two research objects of luxury brands in the Metaverse market, this paper analyzes the new marketing methods and influences of Metaverse on luxury brands; through different marketing models in the Metaverse environment, it studies the effect of Metaverse on luxury goods. Influence and refine the core elements of its process.

2. Main body

2.1 Gucci

2.1.1 Virtual Currency

Nft (how Gucci uses NFTs to attract unreachable consumers).

Gucci, is a brand that is known for its luxury products such as handbags, footwear, and ready-to-wear [1]. The first Gucci minted NFT was launched in June 2021 through Christie's platform for the 100-year anniversary of the brand and marked Gucci as the first luxury brand to launch NFT through Christie's (Umer & Kishan, 2021). NFT or non-fungible tokens play an important role in contributing to the future market of Gucci. To see how important NFTs are to Gucci, there is evidence that shows NFTs of Gucci share the same early access benefit as the physical product of Gucci, meaning that Gucci value NFTs product as their offline physical product. With the brand name of Gucci, it is possible that NFTs have the ability to form a social community of their own and further advertise themselves through online media such as Discord and Reddit. NFTs can be used to attract consumers who are not reachable previously by creating NFTs or non-fungible tokens of the brand [2]. Therefore, it is safe to say that NFTs have huge potential in growing the market outside of their own field.



Figure 1. The marketing funnel.

According to Colicev, A., the table shows that there are three stages of the marketing funnel of NFTs: pre-purchase, purchase, and post-purchase stage [3]. The post-purchase stage and the purchase stage will be focused on in this paper since they are the stages that impact the intention of consumers to purchase and create discussion of the product of the brand Gucci. In the purchase stage, NFTs of Gucci generate positive feedback from the customer and highlight the attractiveness of their products which allows more consumers to include consideration of buying their products in the decision thinking process. For example, Gucci funded an online themed room on Roblox that let people from the online community of Roblox view, try, and purchase clothing of Roblox for their avatar [2]. Surprisingly, a virtual handbag of Gucci on Roblox is sold for the price of 4115 USD compared to

the physical product of the same handbag which only has the price of 3400 USD [4]. It is believed that putting a high price on a virtual handbag of Gucci, not only breaks the stereotype of virtual items by increasing the value of the virtual product, but also creates conversion on the topic of NFTs and the brand itself which attracts more customers. Allowing the consumer to try out the clothing of NFTs, automatically creates a bonding between the consumer and Gucci which creates a gateway for the previously unreachable consumers to have more interest in buying physical products from Gucci. In the Post-Purchase stage, NFTs can help brands in influencing their customers in two ways: loyalty and story building (Colicev, 2022). After buying the NFTs from Gucci, the customers will surely have an attachment with the brand Gucci since they are now perceived to be an owner of the NFTs product which enables them to stay loyal to Gucci and serves as brand ambassadors of Gucci. Finally, through NFTs, consumers are able to create multi-sensory and vibrant stories and share these stories through online platforms which allow the expansion of the online brand communities on different social media platforms [5]. For example, Gucci is able to use Snapchat filters to allow customers to try out their clothing virtually and connect customers to others with similar tastes to expand the online community.

2.1.2 Virtual Interaction

The underlying technology and socioeconomic structure of the metaverse comes from online gaming worlds like Fortnite, Roblox, and Minecraft, and the scale of interaction on these platforms is astounding. [6] The rapid development of Metaverse has also attracted many brands, and Gucci is one of the first brands to enter the virtual world to explore. In the development of the virtual world, Gucci has certain advantages, and it already has a certain influence in the metaverse. Gucci started to build its own GOOD GAME ecosystem in 2019, and built its own brand framework in Metaverse. It includes many virtual interactions and virtual exhibitions. For example, Gucci launched the "Gucci Arcade" retro game arcade section on the official app; Gucci has cooperated with Tennis Clash to implant its own new fashion in the game scene, and players can give the game The role of Gucci is replaced with a full-body Gucci item, which greatly attracts the interest of players, and also enhances Gucci's brand influence, which can expand the marketing market to a certain extent, and virtual interaction can increase the relationship with customers and gain the goodwill of customers, Publicizing the brand's products in the virtual world will also affect the sales of real products, which greatly increases the brand's profitability. Gucci has entered into a two-week partnership with Roblox called Gucci Garden, where consumers can purchase virtual Gucci products using Robux, the Roblox cryptocurrency [7]. There are many other forms of this kind of virtual interaction. For example, Gucci and Snapchat released two new filters, which allow customers to try on Gucci sneakers online from a VR experience, which can increase the intuitive feeling of customers, which is more conducive to publicity. Expand influence.

2.1.3 Result

Gucci officially entered Metaverse marketing (virtual marketing), creating a larger market and expanding the marketing of Gucci's products. The virtual market is very beneficial to Gucci. Gucci's virtual exhibition in Metaverse has certain advantages. Innovation also improves brand awareness, breaks the limitations of pre-sales exhibitions, and new marketing channels allow companies to gain more profits. Consumers are also optimistic about the development space of luxury goods in the Metaverse. The marketing of Gucci Town is getting better and better, and the marketing in the metaverse continues to increase, which also has a good impact on the physical market, which greatly increases Gucci's profits. In the future, Gucci will continue to increase product categories and expand product marketing in the metaverse, which is a good development direction for Gucci and is more conducive to their development.

2.2 Givenchy

2.2.1 Virtual Currency

NFT has unique identification characteristics, so loaded with NFT text, picture, and video is equivalent to a unique identity in the digital world. In an era where everything can be NFT, NFT has a wide range of application space and value. It can be said that the field of NFT is as wide as the imagination of people: from digital art, collectibles, virtual property to cultural entertainment, identity verification, insurance, infrastructure, NFT has a wide range of application space and value. Currently, most of NFTS are used in digital art and games, and NFTS are likely to be the biggest revolution in the art industry in recent decades. French fashion and luxury brand Givenchy has teamed up with Mexican digital artist Chito to launch an NFT collection featuring 15 different versions, foreign media reported on November 23. The collaboration is a follow-up to the fashion house's spring 2022 pre-collection, where Givenchy creative director Matthew M. Williams has commissioned Chito to create a series of graphic prints for its streetwear related pieces and accessories, some of which are now available as unique NFTS. Williams and Chito's collective vision aside, Givenchy's forthcoming version of the NFT also has sustainability in mind. NFTS will be cast on Polygon, an Ethereum-compatible network that allows for more efficient transactions. In addition, all proceeds from The sale will go to The Ocean Cleanup, a Netherlands-based charity that works to extract plastic pollution from The Ocean. The NFT launched this time combined with the current hot topic environmental pollution can greatly improve the attention of the public and make people quickly associate with the previous relationship between the two to improve the transaction rate

2.2.2 Virtual interaction

As early as 2020, Givenchy joined hands with Animal Crossing: New Horizons to release relevant makeup products and provide players tattoo of the brand logo. Players can download the ID code from the Instagram account of Givenchy Beauty. Still, in June 13, 2022, Givenchy announced a new online intraction game, Givenchy Beauty House, with the corporation with Roblox, a sandbox game. Roblox has a great number of user for more 200 million people, including half of them are youngsters. The underlying principal of Roblox is that it can build environment in a virtual space by players themselves, which is simple and attracting. In fact, current use of sandbox mostly focus on playing and education, some luxury brand already built relation with Roblox, including Givenchy[8]. Immersive space Givenchy Beauty House is a tribute to the former residence of Hubert de Givenchy, the late founder of the brand and allows users to create their own virtual face and play games to win reward. The garden is a start for every players, including the irresistible dance floor and the L'interdit forbidden stations, whose names come from Givenchy's iconic perfume. The menu on the right side of each players shows the players how to join the play and list some requests and adventures: Dance on the dance floor, Claim free UGC, Collect 10 symbols, Join in some shows. As long as players complete each request in the list, they can get some rewards. In addition, players can also participate in the makeup competition through virtual characters with specific themes and display on the T-stage. The players with the most vote can gain the winner with several rewards.

2.2.3 Result

The game Givenchy Beauty House has the number of collectors with about 12,000 and visits of 1.4 million+ in almost 4 moths. Romain Spitzer, CEO of Givenchy, said the launch of the first metaverse beauty salon is part of Givenchy's brand strategy to indirectly stimulate product purchases that allow users to display virtual world makeup as much as possible in the real world.

2.3 Comparison

2.3.1 Feedback

Both Givenchy and Gucci can be seemed as the pioneer of fashion brands in the fireds of Meta verse. Similarly, the motivation for them to join in the metaverse is to attract youngsters, the main consumption force in today's world, even though Givenchy and Gucci are old fashion brands. In

addition, one main reason for consumers to purchase luxury is to seek uniqueness [9]. Therefore, the marketing strategy relating to metaverse does attract some young people who are favored in novel production. Givenchy and Gucci seems to Trans the old image of luxury brands to a new one: more exciting, trendier. Being the first beauty brands entering the metaverse, Givenchy has already gained some more attraction online. Givenchy hoped that this kind of vivid virtual landscape can provide new consumers with a unique immersive experience and sense of interaction. However, for some loyal consumers in Givenchy, they have never heard from Givenchy Beauty House or related activities in NFT. As well as Gucci, there are some people to purchase expensive virtual NFT products with more than thousands dollar and join in Gucci Town, but they still cannot compare with real bags or clothes. For one, it seems that the Givenchy and Gucci do not fully participate in metaverse and offline consumers are hard to access in online activities; for another, some consumers have no understanding of NFT, metaverse and Roblox, or they do not interest in any form of game. Also, feedback from people who have already played shows that even though scene in Givenchy Beauty House and Gucci Town is fancy, the programming and game design is basic and is easily to get bored of playing compared with other games in Roblox. All in all, it is believed that joining in metaverse is unavoidable in today's market, the choice made by Givenchy and Gucci is farsighted and smart.

2.3.2 Target

Both Gucci and Givenchy have different purposes for minting the NFT. The purpose of Gucci is to create a new way for new customers to buy luxury products online as compared to the traditional way of buying products and advertisements and Gucci used all the sales from Aria NFT to buy vaccines for the pandemic thus further familiarizing the brand to the public [10]. Another purpose of Gucci is to form an attachment between the customers and the brand which gives opportunities for physical products of the brand Gucci to increase their sales since the online themed rooms allow customers to view, try and purchase Gucci items. Another way to look at the purpose of the launch of NFT by Gucci is to see it as the solution to the COVID-19 pandemic in which people were not able to go out to the public as they pleased therefore Gucci transformed its brand into the digital online world to explore new sources of revenue [11]. The brand Givenchy, the same as Gucci, use the sale revenue from NFT for charity purpose thus familiarizing the brand to the public. It is believed that the action of using the revenue of NFTs products to do charity is beneficial for both companies since the early revenue of NFTs tends to be low and the action of donating it to charity can serve as an advertisement for the brands. Different from the brand Gucci, Givenchy uses NFTs as strategic resources to take advantage of other competitors. This is because NFT provides a new way for the brand to get sales from new customers. Unlike Gucci which only released their NFTs on existing games such as Roblox and try to break the limit of pre-sales exhibition to gain more profits, Givenchy not only joined games like Animal Crossing and Roblox, the brand also developed its own game called the Givenchy Beauty House to attract more potential customers from the young generation. We believed that Gucci's purpose to release NFTs is to allow people from the online community to view Gucci's clothing in order to connect people from the online community to the brand thus increasing the sale revenue of Gucci's physical products, whereas the purpose of Givenchy to release NFTs is to gain extra profit from the game they developed.

2.3.3 Profit

In August 2021, Gucci launched its first digital Dionysian bag on the gaming platform Roblox. The bag will start at just \$5. The bag became more and more expensive. Some netizens even resold it for \$4,115, which is much more than the real bag. This isn't the first time Gucci has publicly sold virtual goods. Back in March 2021, Gucci released its first digital sneaker: Gucci Virtual 25. The sneaker, designed by Gucci creative director Alessandro Michele and priced at 78 yuan, was presented by AR. And then even to celebrate the brand's 100th anniversary, Gucci filmed its first NFT digital encryption art film. The four-minute film was sold at auction for \$25,000. And these moves of Gucci also prove with strength that in the metaverse, luxury goods can be found gold.

Givenchy teamed up with Mexican digital artist Chito to release 15 different versions of the NFT collection. "Chito X Givenchy NFT" collection. Featuring cartoon characters and symbols, the collection was inspired by Givenchy creative director Matthew M. Williams and Chito's spring 2022 collection. In addition to the picture version, there are also animated versions, all bearing the Givenchy logo. Its use is as digital art, to be stored or resold, or, more pragmatically, as a profile picture or profile photo.

This year, Givenchy debuted an immersive beauty experience in the metaverse game platform Roblox with the opening of the virtual space beauty salon Givenchy Beauty House, available June 13. According to Givenchy CEO Romain Spitzer, the move is part of the brand's strategy to "explore new worlds, digital games and social platforms in this metascosmogonic beauty salon with a house architecture scene inspired by the brand's late founder, Hubert deGivenchy's mansion features a swimming pool and a subway station, and a dance floor modeled on L'Interdit perfume. Users can participate in a virtual fashion contest by obtaining Givenchy makeup and fashion items to create their avatars. Givenchy's immersive metaverse experience is a brand new experiment for cosmetics brands, which satisfies users' interest in novelty and at the same time creates a new trial experience and consumption model. While applying makeup to the virtual image, users can experience new makeup created by different makeup and product combinations. Then users can reproduce the makeup designed in the metaverse into the real world by purchasing Givenchy products offline, which is a win-win situation for both users and the brand.

3. Conclusion

The Metaverse as an emerging field brings a larger market for luxury brands, allowing them to increase sales and awareness, provide opportunities for brands to innovate in content, and bring new experiences to consumers, the Metaverse is changing in the global business market, and more and more brands are entering the Metaverse, especially luxury brands. Most luxury brands entered the Metaverse earlier, and now is an excellent opportunity for the digital transformation of luxury brands, but the industry still needs continuous development to mature.

Gucci is one of the first luxury brands to enter the Metaverse development, and NFTs play an important role in contributing to Gucci's future market. Gucci treats NFT products as its offline physical products, sells them through various marketing methods, and plays a good role in the Metaverse. NFT has the ability to form its own social community, and develop the social community to a certain scale through the entry of different brands. Gucci can collect customer feedback from NFTs, which can allow more consumers to incorporate the consideration of purchasing its products into their decision-making thought process. Gucci's virtual sales break people's stereotypes about virtual items, which can effectively enhance the value of virtual products, and the topic of NFT can enhance brand awareness and attract more customers. This has played a very good publicity effect, and also expanded the brand influence.

The underlying technology of the Metaverse is intricate, and Gucci was one of the first brands to explore the virtual world. Gucci already has some roots in the virtual world, and that's good for them going forward. Gucci's use of virtual interaction has greatly promoted the influence of brand awareness. The rapid development of the virtual world has also expanded the marketing of real products to a certain extent. By continuously adding new sales methods and promoting new virtual products in the Metaverse, Gucci's product sales and popularity have been greatly improved, which is a good development direction. Givenchy has also launched many new products in NFT, and more consideration is given to the sustainability of the virtual world and the uniqueness of products. They attract people's attention by combining NFT with hot topics, which can effectively promote and increase brand awareness, and can drive the development of physical products through virtual sales and publicity.

Through games and virtual makeup products, Givenchy has gained a large number of young users, which is good for the brand's development. Attracting a large number of customers through gorgeous

design and interesting content, they will think of Givenchy when they play games or see related things. This is a very good marketing tool and has played a big role in Givenchy's sales.

In virtual marketing, both Gucci and Givenchy have achieved great success by comparison. Gucci's first entry into the Metaverse gave him an advantage, and he maintained a good development through various cooperative marketing; but Givenchy's design details and catching commodity collectors also made him successful. Sell quickly and increase brand power.

In 2020, the NFT market experienced rapid growth, quadrupling its market cap to \$250 million. In the first 3 months of 2021, over \$200 million was spent on NFT transactions. In the second half of 2021, some excellent Metaverse works were auctioned and sold at high prices, attracting more attention from Metaverse information, and people's interest in NFTs continued to increase. According to the statistics of NFT data website NonFungible, the average daily sales of NFTs in September 2021 is about 153,000 (the highest single-day sales reached 224,000), so it seems that the sales of the Metaverse market are very successful and very fast. The settled brands are very good, new sales are made and brand awareness is increased. But unfortunately, sales in 2022 will begin to drop significantly. The average daily sales in 2022 will only be 36,000 NFTs, a 76% drop in April; the monthly total sales in April 2022 are also lower than those in September 2021. About 22%. According to a podcast interview with The Wall Street Journal, the decline in NFT sales has left many holders with the value of their digital assets in the virtual world well below the price they are actually paying, leading to a limited number of buyers facing such a large volume. This is very detrimental to the development of the Metaverse.

We believe that the Metaverse developed too quickly in the initial stage, resulting in some basic settings and virtual communities not being perfected, so it began to decline sharply in 2022. Once the popularity and people's curiosity about it pass, the virtual world will be falling into a long period of silence is very detrimental to the development of the virtual world. Therefore, major brands need to improve their infrastructure and virtual communities to form a wider group construction, which can better ensure sustainable development. At the same time, companies that have settled in the Metaverse can cooperate with other companies that have not settled in to expand the influence of the Metaverse, which can quickly promote the development of the virtual world, expand virtual marketing, improve infrastructure, and expand the content and scale of the Metaverse.

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