

Marketing Failure Case Study — Dolce & Gabbana as an Example

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1. Introduction

1.1 Background of the Incident

In November 2018, Dolce & Gabbana took to social media to warm up for its fashion week in Shanghai by releasing a controversial video in which Dolce & Gabbana models had extreme difficulty eating Italian food — pizza, cannoli, etc — with chopsticks while the video's narration used a disgusting tone to explain. The video was released to widespread attention and controversy, as it was deemed to be disrespectful of traditional Chinese culture and racist, causing a huge reaction in China, where Dolce & Gabbana cancelled a fashion show scheduled for Wednesday following a boycott by celebrities and social media users, while retail websites around the country such as Jingdong and Alibaba took down Dolce & Gabbana's products. On top of this, the situation has been further complicated by negative comments about China by Dolce & Gabbana's designer Stefano Gabbana, which have been widely circulated online. Pressured by the situation, Dolce & Gabbana apologised and claimed that its accounts had been hacked in an attempt to save the Chinese market with this action, but it did not produce any positive trends.

Dolce & Gabbana is a luxury brand of Italian origin, which is widely popular worldwide for its unique designs and baroque Mediterranean style, which is different from other luxury brands. It entered the Chinese market in 2005 and in 2018, it has 44 shops in China alone, while major e-commerce websites sell it. In its financial report for mid-2017-2018, it showed a turnover of €1.3 billion (Glyn Atwal et al.).

1.2 Causes of the Incident

One of the reasons for the boycott of the ad is the brand's arrogance. In the video, a Chinese woman is shown wearing Dolce & Gabbana's expensive costumes and jewellery, but is at a loss as to how to eat a traditional Italian pizza, which was seen by many online as racist and arrogant towards the Chinese, in addition to the brand's designer's statements on social media, which also showed its arrogance and brought the incident to a head. Secondly, the designers lacked a certain understanding of traditional Chinese culture, they did not understand the status of chopsticks in the hearts of Chinese people and the importance of respecting the traditional culture of other countries. In the film, chopsticks are given the traditional Chinese values of 'inheritance', 'gratitude' and 'mutual care' (Xu, J, 2018).

1.3 Consequences of the Incident

After this incident, the official Chinese newspaper People's Daily stressed that "if you do not want to understand China, you will eventually lose the Chinese market and the benefits it brings" (Bloomberg, 2018). This brought official confirmation of Dolce & Gabbana's crisis and made it more difficult for the brand to gain a foothold in the Chinese market. This has led many celebrities to boycott Dolce & Gabbana as a brand on social media, and its brand endorsers Wang Junkai and Diligible have rescinded their contracts with it. Restrictions are still in place on major consumer websites, while its offline shops remain closed. More serious is the loss of customers and the decline in brand sales. According to a research report, Dolce & Gabbana's market share in Asia Pacific has slipped from 25% to 22% as of March 2019 and will continue to trend downwards (Cristoferi, 2019). In the

midst of its decline, its competitors such as Louis Vuitton under LVMH and Gucci under the Kering Group have gained a higher share of the Chinese market, making its future development more difficult. The Chinese luxury consumer market accounts for a third of the global luxury consumer market and this percentage is still increasing (McKinsey & Co, 2017) and due to the importance of the Chinese market, Dolce & Gabbana's overall sales have taken a hit as this failed marketing event has unfolded.

2. Digital Portfolio

2.1 Adopting a New Marketing Strategy

Due to the continuous fermentation of the "chopsticks incident", Dolce & Gabbana's share of the Chinese luxury goods market continues to decline. In order to win back consumers and reduce the company's losses, Dolce & Gabbana can adopt new marketing strategies to attract consumers and increase brand awareness, and at the same time adopt various marketing strategies to show its attitude of admitting its mistakes and save its corporate image. The next two marketing approaches will focus on social media and omni-channel marketing.

2.1.1 Social Media Marketing

With the advancement of technology, many well-known social media have emerged and are entering people's lives on all fronts, such as Instagram, Shake, and WeChat, where people share their lives and communicate with their family and friends, all of which take up a large part of our lives. Many companies have realised the importance of social media and have integrated their product marketing with social media, which has become an important link between the company and its customers. For the luxury industry, the use of social media is a newer form of communication that is more in line with its emphasis on timeliness and effectiveness (Vinerean et al., 2019). According to research, as millennials have increased their spending power, they are becoming the main consumers of luxury goods, and in the survey, 20.5% of them said that they generally look to social media to learn about the latest luxury designs and products when shopping (Deloitte, 2017). This proves that social media has become an important way for people to find out information about products and the importance and effectiveness of social media marketing.

Instagram, for example, as a platform where videos can be shared and has a large number of users, fits in better with luxury goods' desire to showcase their products through short videos to better attract consumers (Instagram, 2017), so we often find many promotional videos placed by companies when we browse Instagram, such as Dior, Hermes, etc.

The reason why this Dolce & Gabbana incident developed so quickly is also that the videos it posted on social media, and the wrong comments made by the designers on social media, made the situation more serious due to the wide spread of social media. In order to redeem the brand's reputation, Dolce & Gabbana also took advantage of the spread of the platform and the two founders posted an apology video on social media platforms to rectify their attitude and redeem the brand image. In order to restore its original position in the Chinese consumer market, the communicative nature of social media can be utilised, such as posting videos of the brand's products on social media to raise brand awareness in order to stimulate viewers to spend. It is also important to focus on the interconnectedness of social media and to listen to consumers' opinions in a timely manner by observing what social media users have to say about the brand and to strengthen the connection with consumers. Well-known luxury brands such as Dior, Chanel and Gucci have already used social media marketing to connect well with consumers (Lee & Watkins, 2016), and there is even research data that shows that Burberry, one of the first brands to use social media, achieved a 39.8% increase in company revenue in 2011 (Phan et al. (2011), it is clear that social media marketing is an extremely important marketing approach and plays an important role in the growth of a company.

2.1.2 Omni-Channel Marketing

With the development of technology and digitalisation in this day and age, consumers' needs for shopping have become diverse, for example they now place more emphasis on convenience, speed and after-sales service (Verhoef et al., 2015). With the advancement of the supply chain, the single offline shopping format has also changed, with the rise of the main online shopping platforms, which has led to a change in the original form of marketing, resulting in omnichannel marketing in order to better meet the needs of customers.

By now, omnichannel marketing has been used by most companies, with brick-and-mortar companies such as Walmart and Best Buy creating applications and websites to compete with online shopping platforms such as Amazon (BestBuy, 2021; Walmart, 2021). At the same time, many online shopping platforms have added offline pick-up, fitting and return options in order to improve the customer experience, which completes the omnichannel marketing approach.

As a result of the Dolce & Gabbana's insulting incident, its online shopping channels on online platforms such as Alibaba, Jingdong and Vipshop were forced to close, and relying on offline shops alone did not sustain its

market share well, even as sales dropped significantly. In order to better increase the company's revenue, the adoption of omnichannel marketing was essential for Dolce & Gabbana. First of all, after actively admitting its mistakes and actively connecting with online shopping platforms after the incident subsided, Dolce & Gabbana entered the online platform as soon as possible, while promoting the online platform in its offline shops and also using social media to promote it, so as to interconnect the online and offline, while making the interaction between online and offline stronger, enabling customers to shop without traces and enhancing their shopping experience. Like Coach, it was the subject of a similar 'regional incident' in 2019, when it listed Hong Kong and Taiwan as separate countries in its products, causing discontent among consumers in mainland China, but Coach quickly removed the products and apologised, so it did not affect its. The offline and online shop operations were not affected and the impact on the Chinese market was not significant. If Dolce & Gabbana had made a sincere apology, focused on the customer experience, and utilised omnichannel marketing, its position in China would not have declined so quickly.

2.2 Adopting a New Brand Strategy

Dolce & Gabbana and other luxury brands basically have businesses all over the world, so they have to face the current situation that different countries have different cultures, and can develop different brand positioning for different countries and cultures, for example, when it comes to redeeming the Chinese market, it can integrate traditional Chinese elements in its design, like LV in its 2016 design, it launched limited necklaces and bracelets for Chinese consumers in the traditional Year of the Monkey, and Hermes also launched "Chinese red" silk scarves for Chinese consumers. Hermès also launched a "Chinese red" silk scarf for Chinese consumers. When there is consumer dissatisfaction due to cultural differences, different products can be released depending on the region to resolve the issue, as in the case of Dior's horse-faced dress in 2022.

Secondly, in order to stop the damage as much as possible, Dolce & Gabbana's appropriate price cuts were necessary after the incident. Although this may have a certain impact on the company's brand reputation, the short-term price cuts are more beneficial to the company's development than the loss of market share and the decline in the company's revenue. In normal times, like most brands at the same level, run large out-of-season product promotions at mid-year and year-end, which not only help the company to consume memory but also ensure the brand's customer stability and market share.

In addition to this, brands can also develop different consumer strategies according to different consumer segments, the same strategy adopted by one of the better known Italian luxury brands, Maxmara. It divides its brands into a main line (Maxmara) and a secondary line (such as S'Maxmara and Maxmara Studio). Prices range from £300 to £3,000, which makes it possible to reach a very wide audience and make the brand more visible. In addition to having different sub-brands, more companies prefer to differentiate their prices by using what is known as "Ole" and "Classic". The former is essentially cheaper, while the latter is more in line with the brand's reputation. The more famous Bicester shopping villages, Burberry London and outlet shops are all based on this branding strategy. The special, lower prices compared to the usual ones can attract a group of consumers who do not usually pay attention to the brand, increasing the brand's audience and helping the brand to better attract and retain customers, Dolce & Gabbana is already using the move into Bicester to lower prices to raise brand awareness, and its brand audience would be even higher if it could set up a branding strategy with different design styles or different price levels of rebranding.

3. Literature Review

3.1 The Concept of Omni-Channel Marketing

Omni-channel marketing is commonly referred to as the process by which company operators adapt their services and products to meet the needs of relevant customers, who generally decide whether or not to make a purchase based on connections across many channels (Picot-Coupey et al., 2016). Omni-channel marketing generally incorporates multiple channels to provide customers with a good and consistent shopping experience (Rigby, 2011). When referring to omni-channel marketing, it is often inevitable to associate it with multichannel marketing and Integrated marketing communications (IMC), seeing it as a development on top of multichannel marketing, but not as a simple overlay of multiple channels, but as an integration of them to form a more unified experience (Shahrlar Akter et al., 2021). And to ensure consistency in omnichannel marketing, IMC plays a very important role in this, it ensures synchronisation across channels, it fuses and aggregates numerous messages from consumers, and although there are many experts who disagree on the approach to the effectiveness of IMC's messages, they maintain a unified view on its ability to ensure consistency in delivering messages across platforms (Elizabeth Manser Payne et al., 2017).

3.2 Previous Research

In reference to previous literature, omni-channel marketing is mainly based on the development of information technology in today's era, which has led to a broadening of shopping channels and a shift in the way information

is collected, but the ultimate goal is to ensure consistency in the information customers receive and the services they enjoy (Tony Haitao Cui et al., 2020). For example, Teixeira and Piechota (2019) state that the prevalence of omnichannel marketing is due to the emergence of the need for customers to have physical goods and deliveries at different times of the day, which has resulted in omnichannel marketing in order to ensure a consistent purchase and evaluation experience for customers. Meanwhile, Banerjee (2014) suggests that the content contained in different marketing channels of the same company should be consistent, and when the price, quality, return service, and promotional efforts therein are not consistent across the different channels enjoyed in the company, it will cause customer dissatisfaction resulting in loss of customer base. However, other studies have shown that the development of information technology and the formation of interactive data can have a negative impact on omnichannel marketing. Hossain et al. (2020) argue that the implementation of interactive data is still very stressful for many companies and that customers do not want to have duplicate information when enjoying a service, and if companies do not have the ability to process omnichannel information, then the customer experience will be greatly reduced. Companies still face a number of challenges when dealing with large amounts of data, such as difficulties in integrating data and determining data availability (Tony Haitao Cui et al., 2020). Although there is now a growing body of research on the adverse effects of information technology on omnichannel marketing, this paper continues to focus on the beneficial effects of information technology.

4. Conclusion

4.1 Analysis of Strengths and Weaknesses

4.1.1 Analysis of Marketing Strategies

First of all, it is necessary for Dolce & Gabbana to adopt a new marketing strategy in order to get rid of the negative impact of the “chopsticks incident” in the Chinese market as soon as possible. In terms of social media marketing, the advantage is that it has a wider reach and can better attract customers and directly communicate the brand concept to them. Dolce & Gabbana also has a certain social media marketing base, which makes it easier and less costly to implement. However, there are still limitations to social media marketing, as the Dolce & Gabbana Chopsticks incident was quickly fermented due to the wide and rapid spread of social media, i.e., when a company makes a publicity mistake or a poor decision, it has already spread through social media and has a wide impact on society, which makes it difficult for the company to recover its losses and corporate image. It is very costly and difficult to recover the damage and corporate image.

Furthermore, the advantage of omni-channel marketing is that it can change the old single offline marketing approach and use technological developments and the era of big data to combine both online and offline marketing approaches. For customers, this brings a better shopping experience and improves customer satisfaction; for companies, this allows them to better analyse customer preferences, customise their content according to their preferences and enhance their competitiveness. At the meantime, some studies have shown that customers who adopt an omnichannel shopping approach are more loyal, have a 23% increase in repurchase of the same brand over time, and are more willing to share this brand with family and friends (Sopadjieva et al., 2018). However, due to the complexity of omnichannel marketing, like the need to consolidate sales information from multiple platforms, etc., this makes it easy for inconsistent information to occur, such as different prices for items on two shopping platforms, offline and online. There can also be inconsistencies in service levels, such as fitting services that are available offline but not online. This is highly likely to cause customer dissatisfaction and make customers switch to other brands (Shahriar et al., 2021).

4.1.2 Brand Strategy Analysis

In order to gain the goodwill of the source countries, Dolce & Gabbana can develop products related to the elements of the source countries to enhance the competitiveness of the brand. The discount promotions not only help the company to deplete its inventory but also to attract customers, while developing different product lines can expand the range of clientele, create brand awareness and increase brand sales. Yet with the brand’s discount promotions, its characteristics as a luxury brand, such as its high prices and brand tone, are vulnerable to impact, which has an impact on the brand’s status and brand reputation in the world of fashion.

4.2 Macro Environment Analysis and Recommendations

4.2.1 Politics

Dolce & Gabbana is basically in a “blocked” state in China due to the principles involved, and so far no search on shopping sites for its related words, in order to achieve omni-channel marketing, to comply with local policies and respect local culture.

4.2.2 Economy

With the COVID-19 epidemic under control globally and the global economy picking up further, people’s purchasing power has increased, providing more opportunities for the market (Chi Suen Lai, 2022), and if this

phase can be grasped by keeping up with the economy and adopting new branding strategies, there are opportunities to increase market share.

4.2.3 Technology

Technology mainly encompasses online promotion and shopping connected forms. The use of mobile devices has led to the popularity of social media platforms, which most companies use as a platform to promote themselves, which not only attracts potential consumers but also allows for better collection of information such as customer reviews (Chi Suen Lai, 2022), and the development of technology has made it possible to make omnichannel shopping possible, seamlessly connecting multiple methods and ensuring a sense of customer experience. Using technology wisely, keeping up with the trends and focusing on customer satisfaction will enable businesses to thrive in the long term.

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