

Evaluation of consumer behaviour on the Internet under the conditions of pandemic shock based on search activity in the luxury segment

Valentina V. Gerasimenko¹, Ekaterina Golovanova²

¹ *Lomonosov Moscow State University, Moscow, 119991, Russia*

² *L'Oréal, Moscow, 119180, Russia*

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Abstract

The article provides an overview and assessment of consumer trends that emerged during the COVID-19 pandemic from both a global and local perspective (Russia). The authors investigate perception of change and adaptive consumer behaviour, as well as the tactical capabilities of luxury brands interested in expanding the market while maintaining a premium brand with its values and history.

First of all, the market in the luxury segment is shown through the lens of changes that have arisen in consumer behaviour in connection with the development of digital technologies. Taking this factor into account, the authors study the reactions of consumer behaviour that appeared in the new pandemic reality, and with the use of statistics of search queries based on Google and Yandex data, they show how global trends are manifested in the Russian market.

The study reveals that against the background of global trends in consumer behaviour there was a more significant adaptation of the Russian population to new conditions, and in some cases specificity of consumer behaviour manifested itself in the local market at different stages of the dynamics of coronavirus spread. Based on the analysis of new trends, recommendations are given on what technologies luxury brands can use in the conditions of pandemic decline in the Russian market to match consumer requests in new realities. The research may be of interest to marketing and management professionals, as well as researchers in this field of sociology and industry management.

Keywords

consumer behaviour, pandemic, COVID-19, consumer adaptation, luxury brands

JEL codes: M31

In the last decade, the annual growth rate of businesses operating in the luxury segment has steadily exceeded 10%, and this market has been constantly expanding (Luxury Goods... 2018). The growth was largely driven by the large scale of purchases made by consumers from emerging economies, which, however, have failed to contain the market's decline in a climate linked to pandemic changes. Negative market trends have been identified in a number of studies, in which the following was noted:

- during the Eurozone blockade, economic activity as a whole decreased by 27%, and the estimate of the annual decline of the global economy in 2020 is at -3% (Copenhagen Economics 2020; Gopinath 2020);
- the luxury industry, which presents its products mainly in an offline format on trading platforms that do not offer essential goods, recorded a decline in sales of up to 70% (example of fashionable spring collections; Corzine 2020);
- worldwide, e-commerce, becoming almost the sole active sales channel during this period, has shown growth of about 26%, but this did not offset the decline in total retail sales, which was estimated at -6% in 2020 (Topline 2020; Goetzen 2020).

Purpose and objectives of research

In the described context, the study of current trends of consumer behaviour on the Internet and the assessment of adaptation of consumers to the conditions of the crisis on the example of changes observed in the market of luxury brands become relevant. Luxury goods are one of the least flexible segments of the market, characterized by conservativeness of consumer opinions and valuations, relative narrowness of scale and options of consumer choice, and also high demand constraints due to high prices. For this reason, the authors suggest that consumer adaptation in the luxury segment during the pandemic may be difficult. The dynamics of the main indicators of the luxury markets, as well as the prospects for their recovery, are the subject of this paper.

Based on this purpose, the aim at studying the following:

- forecasts of international researchers about the decline in user interest in the luxury segment,
- claims that the markets for elite luxury brands will decline particularly strongly during the pandemic crisis,
- and the thesis that in the face of high uncertainty and declining employment during the pandemic, consumers should switch from luxury goods to cheaper goods of other segments (Quelch and Jocz 2009).

To solve these problems, the authors monitor the changes in consumer behaviour on the basis of data on search activity on the Internet in 2020.

The modern luxury goods market has a number of specific features. Luxury brands, depending on the level of income and life experience of the consumer, are associated with various elitist images and trademarks. More generally, luxury items are defined as inessential, desirable items which are expensive or difficult to obtain (Oxford Dictionary 2020). Although there is no consensus among researchers on the universal definition of *luxury*, it is generally consistent with the traditional classification of luxury goods which includes: superior quality, a high price tag, exclusive distribution and production, brand history or heritage, and premium level of service. Having been highly privileged over the years due to middle-class expansion, the luxury market has begun to grow, increasing the

number of brands that bring value to consumers and help establish long-term relationships (Rigaud-Lacresse and Pini 2017).

A new phenomenon has emerged in the luxury market over the past decade: the so-called «new luxury» or affordable luxury segment that includes more affordable products but is built on the «DNA» of luxury brands (Kapferer 2017). It should be noted that the term *brand DNA*, proposed in 2002 by Iain Ellwood (Ellwood 2002: 18–19), reflects the essence of a brand as a set of key characteristics of its uniqueness — inherited internal and external advantages of vintage goods. This is especially evident in the luxury segment, in which brands rely on their history, principles of preservation and transmission of unique features. Today, many marketers recognize the brand DNA model as most accurately reflecting key aspects of a brand in a number of other models (Gerasimenko and Ochkovskaya 2016).

New digital-savvy consumers have transformed the luxury landscape by compelling luxury brands to move into online communication channels and introduce digital services (Kleinjohann and Reinecke 2020). They grew up in a very different technological era, which has had a strong impact on their expectations, consumer habits, and purchasing behaviour. These new social media-focused consumers are more influenced by community and established opinion leaders, they organically combine online and offline channels, expecting that and brands will be omnichannel (Gigovskaya et al. 2018).

Thus, it could be argued that the luxury market faced the challenges of digitalization even before the pandemic began. To follow the demand of a new generation of consumers and establish long-term relationships with them, brands are re-building their strategy and learning how to embrace digital technologies. It is important to note that the younger generation demonstrates new behaviours not only in their community, but also shapes future trends for all generations and certainly has an impact on the purchasing habits of all consumers (Barton et al. 2012).

In recent decades, the global luxury market has grown mainly due to consumers from emerging markets: primarily China, whose contribution is already about 35% of total sales volume of luxury goods, as well as through the booming upper segment of the middle class and the steady acceleration of luxury goods consumption in the United States and Japan (Personal luxury... 2020). Travel retail with attractive discounts and validated product authenticity has been an important channel for the industry all these years as 20–30% of consumers shopped outside their home country (Achille and Zipser 2020). Historically, luxury has been very slowly included in the field of e-commerce: in 2014, about 40% of brands had yet to sell online (Bourne 2014). In 2019, the share of e-commerce grew by about 12% in luxury markets worldwide (Personal luxury... 2020).

Taking into account the above-mentioned trends, let us turn to the changes taking place in these markets and note the leading arguments about the main causes of the sharp fall in the luxury market during the first wave of the COVID-19 pandemic:

- The online channel in the luxury sector was poorly developed compared to other categories (Personal luxury... 2020; Lipsman 2019).
- The fall is similar to the recession of 2008–2009, when during the economic and financial crisis, luxury consumption fell by 4–15% under the influence of reduced purchasing power and inflation (Lipsman 2019).
- Retail sales in China, which had the largest segment of luxury consumers, fell by 21% during the quarantine restrictions in 2020 (Rogers 2020).
- During the pandemic, the luxury brand tourist retail trade was completely shut down, and its recovery is slow — at the pace at which transport links resume.

Revenue from the sale of luxury goods in Russia accounts for only about 2% of global sales, but 45% of Russian luxury goods consumers contribute to world statistics by making purchases outside the country (Statista 2020; Gigovskaya et al. 2018). Consumption of luxury goods is mainly concentrated in Moscow: residents of the capital account for about 70% of the local market (Deloitte 2019). The economic climate in Russia, as well as various geopolitical and macroeconomic changes, led to a downturn in the economy, which, however, did not radically affect the luxury market. Since 2015 there has been a withdrawal of Russians from foreign markets, where their expenditure had traditionally been made. That being said, if we turn to the e-commerce channel, we will see that key luxury distributors such as *Mercury*, *Bosco*, *Crocus* and *Jamilco* appear there, which previously weren't as advanced in online sales. There are several reasons for this. First, there was always a problem with logistics across the country and a low level of service. That is why some major e-commerce players in Russia began to develop their own courier companies (for example, *LaModa*, *Wildberries*, and *Ozon*) in Moscow and in other regions. In addition, for some types of luxury goods, such as jewellery and alcohol, Russian law retains a number of restrictions on online sales. Due to the complexities of the online trading process, its share in the luxury market was only about 7% (Gigovskaya et al. 2018). Nevertheless, during the lockdown period, players in this market attempted to advance in digital sales. For example, *TSUM* (Central Department Store in Moscow, one of the main sites offering luxury brands in the capital city) offered additional online services: free fitting of 20 items in one order and the services of a professional stylist at home. Beauty segment merchandise retailer *Golden Apple* reduced delivery time from 2–4 days to 2–4 hours and transferred some retail staff to work as couriers.

The limited opportunity to shop abroad in a pandemic can be a good impetus for the development of online sales in domestic companies, since at an unstable exchange rate they can offer more attractive deals than cross-border players. At the same time, the economic climate is becoming more complex, the market volume is shrinking, and players need to win over the consumer amid fierce competition.

According to international studies of Russian consumers and their purchasing decisions in 2020, 45% of luxury consumers are influenced by social networks and pay attention to factors such as social responsibility and sustainable development of brands. Collaboration between luxury and mass market brands (e.g., collaboration of *Kenzo* with *Vans* or *Louis Vuitton* with *Supreme*) is also considered a strong driver for consumers: «90% of luxury segment product buyers in Russia declared awareness of such promotions, and 42% took part in them» (BCG and Altgamma 2019). In general, the dynamics of preferences of Russian consumers are consistent with global trends.

According to the BCG survey of the top 10 countries in luxury spending, including Russia, the most optimistic forecasts suggested a fall in the global luxury market of up to 45–60% in 2020. Consumers of luxury goods felt the impact of the crisis on their finances, which affected their behaviour and spending. 57% of consumers noted that economic uncertainty prevented them from shopping and making investments they had previously planned (BCG and Altgamma 2020). In the light of major economic and consumer shifts and the expected long recovery period (up to 2–3 years), market participants faced the need to adapt and reduce potential losses (Goetzen 2020).

The population being home-bound and forced to change their lifestyle by sanitary measures has transformed consumer behaviour across all market segments. This was evident in the consumption of individual product categories (e.g., the boom in demand for sportswear and home equipment, home decor, etc.) and changes in entire market segments (e.g., the surge in content consumption — video, online education, social media, etc.).

In addition, *Google Trends* enables recording the following global changes in consumer behaviour during pandemic restrictions:

1. Shifting consumer interest, which can be traced to internet search keywords, from retail shopping queries to «home delivery» queries.
2. Online study of other users' experiences through content on «do with me» queries. This content promotes self-education and development of different skills (for example, «cook with me», where people learn how the content creator prepares food; or content labelled «how to»).
3. Support for different communities, which is manifested through search in areas such as assistance to frontline staff (health care and social workers), as well as charity (assisting the elderly, etc.).
4. «Live broadcasts» online: trending for «virtual visits» or «online marathons» (Walpert-Levy 2020).

These trends represent the basis for shifts towards a new reality. Are these changes applicable to the consumer in the Russian market? Are they relevant to consumers in the luxury segment? In the given study, the authors attempted to answer these questions through online data analysis.

Research Methodology

To assess changes in consumer online search activity, the authors analyzed the search history in the Russian Federation during 2020 (01.01.2020 — 31.12.2020) in comparison (where appropriate) with 2019 based on various keywords related to consumer behaviour, the COVID-19 pandemic, as well as luxury and premium brands in Russia.

At the end of 2020, the share of the *Yandex* search engine in Russia was 59%, and *Google* accounted for 39%, therefore the authors primarily collected and analyzed *Yandex* data — using the *Yandex WordStat* tool (<https://wordstat.yandex.ru/>). This source enabled extracting absolute volumes of consumer queries based on a specific keyword on a weekly or monthly basis to track the dynamics of interest of network users.

The *Google Trends* search engine (<https://trends.google.ru/trends/?geo=RU>) provides similar statistics, though it is relative, and also offers comparisons based on geographical location or worldwide data accumulated. Therefore, in cases where a global comparison was required, the authors used *Google* statistics.

Although neither of the two data sources can narrowly filter data by consumer segment, they provide an understandable notion of the overall interest in the topic, which is what constitutes the subject of this article. It is also important to note that these resources are available on a free basis, and therefore the methodology of the study may be recommended for future application in undergraduate and graduate students' research to track changes and behaviours of Internet users.

In order to assess the **general behavioural response** of the population to the new pandemic challenge, the authors primarily compare total search query volumes from January 2019 to December 2020, irrespective of a particular market segment. The authors tested the same **keywords** suggested in the aforementioned study by Tara Walpert-Levy (Walpert-Levy 2020), published on the *Think with Google* platform, in order to assess the relevance of these parameters for the population in Russia. In the following parts of the work, the authors analyze **the specifics of adaptation** of consumer behaviour and of the recovery of leading **luxury segment** brands against the background of the identified general trends.

Results of the study

General dynamics of pandemic search queries

Search query statistics show that higher interest in the four key words of search queries during the pandemic (home delivery, how to, donate, virtual visits) was relevant for the Russian consumer only during the first wave, when offline shops and entertainment venues were completely shut down. During the second wave with milder restriction conditions (when self-isolation was applied for the elderly and children; work carried on, albeit with restrictions, in retail and catering companies) there is a different dynamic.

The highest user activity on *home delivery* queries, *online tours* and search for content on *how to* was observed in April, with the start of the first wave of covid restrictions, and then there was a period of downward dynamics (although not to the baseline of late 2019; see Fig. 1). Minor changes related to charity have occurred — in queries with the keyword *donate*, where overall dynamics and volumes have become quite low. At the same time, the habit of shopping in online stores with home delivery, which emerged as an adaptation strategy, has taken hold in consumers, and brands must also adapt to this reality. These trends are of interest and should be taken into account by companies and researchers specializing in consumer marketing both in Russia and overseas.

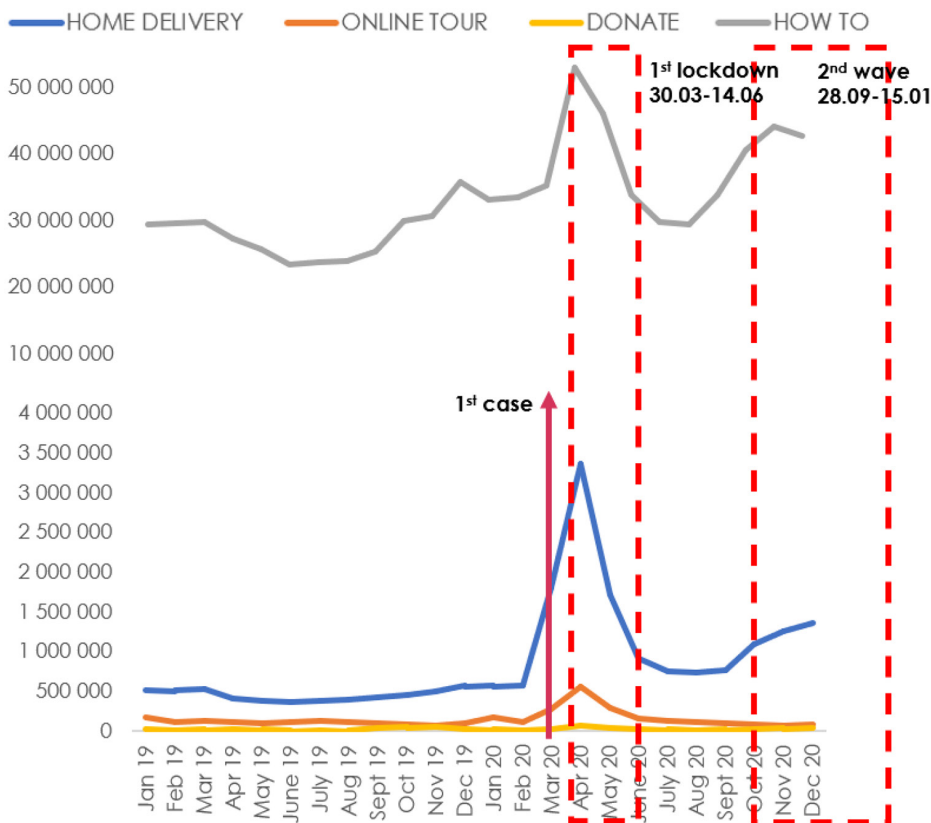


Figure 1. Dynamics of search activity of Russian consumers in 2019–2020. *Source:* compiled by the authors according to *Yandex WordStat*, 01.01.2019 — 31.12.2020.

Stage of economic recovery: changes in consumer search queries

Taking into account the impact of the second wave of the coronavirus on the economic situation and in the absence of a forecast about the end of vaccination, it is too early to predict the exact time of the consumer market recovery. Data on online activity of Internet users show that search interest in COVID-19 in the world decreased during the recession of the first wave of the pandemic, and then increased again with the arrival of the second wave — and remains high until the end of the observation period. However, in relation to Russia, we can observe a slightly different and even opposite situation: the chart shows a downward trend (see Fig. 2).

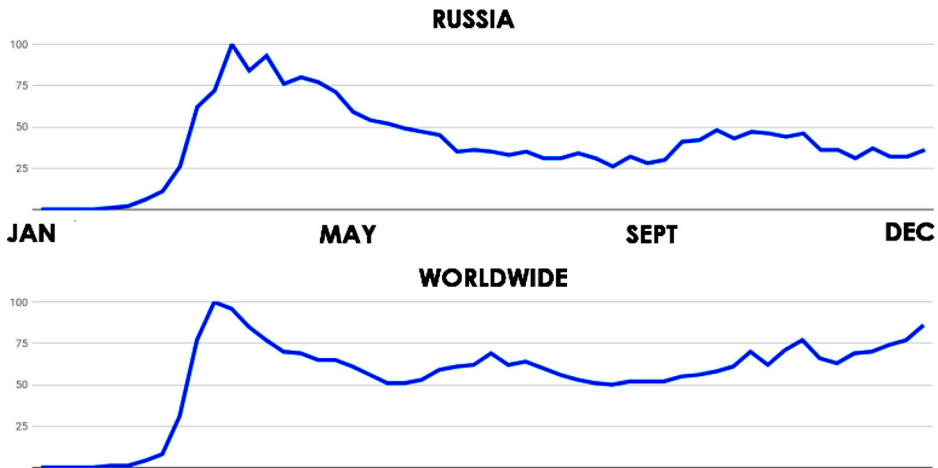


Figure 2. Search trend by keyword «COVID». Worldwide data. *Source:* compiled by the authors according to *Google Trends* 08.01.2021.

Does this mean consumers are returning to standard consumption habits? To answer this question, let's return to the consumer trends emerging in 2019. Based on *Facebook* reports, which constantly analyze the activity of users in social networks, we can, in our opinion, note not a return to traditional stereotypes, but rather the development of new benchmarks and consumer behaviour vectors that will have an impact on all market segments, including luxury. These include the following:

- Responsible consumption, changes towards minimalism and lifestyle changes to support «green movements».
- Continued transition from traditional channels of communication (television, cultural events, etc.) to social networks, podcasts, etc.
- Development of communities promoting healthy lifestyles, such as jogging clubs, racewalking, etc., for people who share common social values (The 2020 Topics 2020).

To understand the peculiarities of perception of these trends by the Russian population in the global context during the pandemic and, on this basis, their possible influence on consumer behaviour in relation to the «new luxury» category, the authors tested several keywords related to the above-mentioned topics. To track changes in consumer thinking, new keywords «minimum consumption» and «recycling» were used as an example; for the media shift — the «podcast» keyword; for the communicative ideological community — the «running club» and «online marathons» keywords (see Table 1). Data shows that the «green» agenda during the COVID-19 crisis was somewhat losing its popularity, but at the same time, a higher number of queries related to the *minimum consumption* category is noticeable during the pandemic.

In times of crisis, the population appears to be giving priority to more pressing needs, so the population is more consciously reaching the basic minimum required level of consumption.

Table 1. Examples of keyword query dynamics

Keywords	2019	2020	Dynamics
Podcast	1 074 565	2 018 255	88%
Recycling	274,196	254,58	-7%
Running Club	44 020	35 587	-19%
Minimum consumption	16 657	29 855	+79%
Online Marathon	143,075	1 180 348	+725%

Source: compiled by authors according to *Yandex WordStat*. Comparison of intervals 01.01.2019 — 31.12.2019 and 01.01.2020 — 31.12.2020.

To understand whether consumer shift trends are relevant to the luxury and premium goods market, based on population search activity, the authors identified and analyzed the dynamics of interest in search for luxury brands in the Russian market (see Table 2) according to *Brand Finance luxury brands rankings* in 2020, accumulating these data to calculate the dynamics of user search in *Yandex* (Brand Finance 2020).

Table 2. Dynamics of search TOP-20 luxury and premium brands in Russia

Position in the rating 2020	Brand name/ keyword	Russia		Dynamics
		Number of searches, 2019	Number of searches, 2020	
1	Porsche	2 215 021	2 652 366	+20%
2	GUCCI	2 956 593	3 021 133	+2%
3	Louis Vuitton	1 093 500	1 123 813	+3%
4	Cartier	725,130	760,713	+5%
5	Chanel	2 808 989	2 918 284	+4%
6	Hermès	1 436 547	1 422 599	-1%
7	Ferrari	1 715 422	2 870 068	+67%
8	Rolex	729,509	809,220	+11%
9	Dior	2 589 628	3 378 402	+30%
10	COACH	667,155	776,828	+16%
11	Estée Lauder	691,922	810,458	+17%
12	Tiffany & Co.	993,989	1 156 771	+16%
13	Guerlain	856,144	859,911	0%
14	Shiseido	598,967	700,028	+17%
15	Burberry	1 053 377	1 033 060	-2%
16	Prada	1 074 242	1 073 140	0%
17	Lancôme	838,783	864,677	+3%
18	Omega	1 825 405	2 064 500	+13%
19	Armani	1 647 912	1 690 150	+3%
20	Clarins	956,907	1 282 588	+34%
	TOTAL	27 475 142	31 268 709	+14%

Source: compiled by authors according to *Yandex WordStat*. Comparison of intervals 01.01.2019 — 31.12.2019 and 01.01.2020 — 31.12.2020.

Despite the fact that luxury goods suffer most from reduced consumption during crisis periods, statistics show an increase (+14%) of consumer interest in luxury brands in 2020 (Table 2). Here it is worth noting that when analyzing search activity, the keyword used by the user is taken as a basis. If the word (in our case — the name of the brand) has several meanings, it is impossible to separate what exactly the user was looking for in the meaning. A more detailed analysis can be carried out in conjunction with clarifying keywords, such as «Omega watch». However, in the framework of this study, the primary object of analysis is the general trend of the category, not the study of specific brands and their activities, so the general name of brands was taken, without additional keywords.

For a more detailed analysis of changes in attitudes to luxury brands caused by the COVID-19 pandemic, the authors conduct comparative analysis of the general dynamics in the search for TOP-20 brands in 2019 and 2020 (Fig. 3).

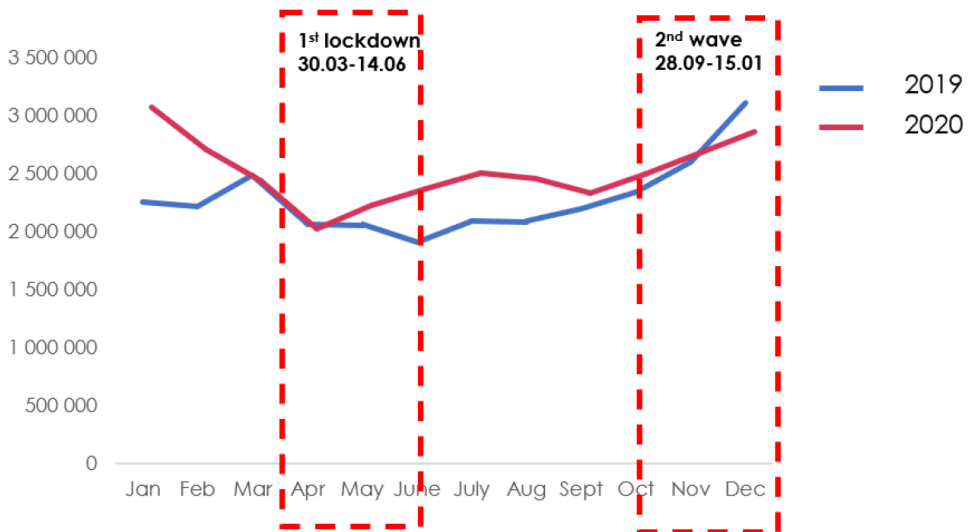


Figure 3. Search dynamics of interest in TOP-20 luxury brands on the Russian market in 2019 and 2020 by month. *Source:* compiled by authors according to *Yandex WordStat*. Comparison of intervals 01.01.2019 — 31.12.2019 and 01.01.2020 — 31.12.2020.

Conclusions and recommendations

According to the study, the hypothesis formulated on the basis of data on the first wave of the pandemic was not confirmed in relation to the Russian market by the end of 2020: the population demonstrated an impressive capability of adapting to the new reality in the crisis as a whole, as well as the significant potential for recovery of demand in the luxury segment.

Based on the analysis, it is logical to question whether consumer behaviour will return to the pre-crisis trend, whether the market growth trends observed before the crisis of the COVID-19 pandemic will resume, or whether the luxury entrepreneurship strategy should be completely reinterpreted based on the new reality, as there have been significant shifts in consumer values. As the first lessons of the pandemic have shown, changes are inevitable, some trends will be less visible due to the impact of the economic crisis and declining con-

sumption, but companies will adapt to new realities (Gerasimenko 2021). The population may also have new consumer preferences as the environment continues to be unstable. In this context, the question arises in relation to the research topic: how should luxury brands respond to these challenges?

Historically, to protect corporate identity and heritage, the luxury industry has been very slow to embrace digital opportunities and new trends. Worries about maintaining the conservative foundations of luxury brands have held back entry into the online marketplace. However, new consumer shifts will result in luxury brands having to adapt their strategy. Focus on pricing, limited distribution, superior customer service will still be the top priority for most luxury companies, but this market needs to quickly adapt to the new world.

As the study has shown, in dynamics we do not see much correlation between market restrictions during COVID-19 and interest in luxury brands in the Russian market. Does this prove that interest in luxury brands is less susceptible to new consumer trends emerging today? Although we made such an observation as part of our research, it should be noted that less volatility does not negate the need for adaptation. Luxury brands that are at the forefront of innovation need to embrace new and emphasize existing promotion tools to succeed in business over the long term.

Based on both the key features of luxury brands and on described modern shifts in online consumer behaviour, the authors suggest exploring relevant prospects for adapting the luxury segment to new pandemic challenges:

1. Work with the customer base. Luxury is built on loyal consumers, and it takes all players years to achieve it; with digital technology, companies can benefit from this data in a crisis period.
2. Transition to openness of video content. Storytelling has always been a key point of differentiation for high-end luxury brands as it incorporates uniqueness in the consumer experience. Now video content is one of the most striking ways to convey the history of a brand and at the same time a good solution for promoting the «with me» and «how to» formulas.
3. Emphasis on e-boutiques. E-commerce, being a high-margin business, could help companies once again boost their return on investment. Thus, the beauty segment in the luxury segment has already used video chats during the lockdown, which helped to maintain the involvement of sales staff and brought business figures of +32% conversion and +28% average basket growth (Adindex 2020). Locally in Russia, brands of this segment also tested various types of online consultations and online fitting (e.g., *Lancome*, *Clarins*).
4. Omnichannel shops. At present, omnichannel sales management technologies can help not only improve product characteristics, but also to combine customers' online and offline experiences, fully embracing new opportunities with cashless payments, face recognition and augmented reality.
5. New product concept. Luxury consumption is changing, and companies also need to change the way products and services develop, focusing on the values of sustainability. A recent example is the fashion brand *The Pangaia*, created by the Russian digital entrepreneur Miroslava Duma, which offers simple designer sports and everyday fabric made of eco-materials, promoted by global celebrities and booming in sales during the pandemic with a persistent lack of unsold stocks and waiting lists.

Today, in the conditions of emerging from the pandemic, consumer behaviour inevitably changes, which provokes shifts in the work of business. This article analyzes the

current trends of consumer behaviour in the premium market segment, which could be observed during the pandemic shock on the basis of online search activity, and recommendations are given to brands on how to stay relevant for digital-savvy customers during the exit from the pandemic crisis. Clearly, the economy is entering times of even more dynamism, stiff competition, uncertainty and vulnerability, so new business models must emerge in it, even in the conservative luxury segment with its immutable value pillars. Many organizations face the question: how to adapt to radical changes in the future? The issue remains open and should be subject to further research as the transformation has only just begun.

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Information about the authors

- Valentina Gerasimenko, Doctor of Sciences (Econ.), Professor, Head of the Marketing Department of the Faculty of Economics of Lomonosov Moscow State University, Moscow, Russia. E-mail: vv_gerasimenko@mail.ru
- Ekaterina Golovanova, L’Oreal, Head of Consumer Experience, Moscow, Russia. E-mail: egolovanova042@gmail.com