

**Time for a**

# Luxury Retail Reinvention

A 360-Degree View From Inside  
Luxury Retail, After a Seismic  
Shift in the Sector



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## Foreword

# The World has Changed for Luxury



For luxury retail, Covid-19 has been an incredible catalyst for change, accelerating the move towards a digital-first, customer-centric approach for many businesses in the sector. At the same time, digitally-native brands have thrived.

Over the past 12 months, eCommerce has been the only form of commerce, with brands rolling out virtual catwalks, e-vents around fashion weeks, virtual after parties, 'see now, buy now' eCommerce buttons, and social media-leveraged product drops.

The pandemic has allowed luxury brands to articulate projects in ways that they never thought possible pre-Covid, particularly those focused on digital transformation and the deployment of new technology. It's also exposed legacy systems, aging infrastructure, disconnected customer services, and the need for something different. Right now, the need to innovate is palpable.

Digital should now be the foundational bedrock for any luxury experience, but this means brands must rethink how they operate. Tacking on a digital channel to the main business is no longer an option. Numerous Covid-induced lockdowns have exposed the perils of such a strategy.

Brands can get there in an agile and incremental way or reinvent themselves at their core. Some legacy companies are already on a journey to achieving this. If they aren't digital-first going forwards they are unlikely to be as competitive as those that are.

Covid has driven a fundamental change in consumer behavior over the last year. Younger, digitally-native customers now expect different types of experiences. They're looking for more engagement, digitally-curated events and social-media fueled, branded storytelling. Tech savvy and affluent Generation Z and Millennials are a crucial audience for the future of luxury.

Let's not forget high-end consumers have access to state of the art technology, the latest top dollar smartphones and giant 4K TV screens in their homes, as well as access to superfast broadband. This lends itself well to an enhanced digital offering when it comes to luxury.

This is why many products must have innovative digital twins, so that younger consumers can get up close and personal with brands online. It is why savvy high-end retailers are rethinking the store experience as economies around the world reopen. Those brands that blend the physical and digital experience seamlessly will thrive. The trick will be to maintain exclusive access to content, products, events, Zoom consultations and concierge services in a digitally enhanced way.

“Digital should now be the foundational bedrock for any luxury experience, but this means brands must rethink how they operate”

Eventually, digital will disrupt the entire luxury value chain. It will lead to a redesign of the whole luxury ecosystem, with a much greater emphasis on experiences over products. Modern digital experience platforms, based on MACH (Microservices, API first, Cloud native and Headless) technologies are adept at supporting these ecosystems.

The brands that will succeed in 2021 are already rethinking and reimagining their technology architecture and how they interact with their customers, making sure their offering is fit for the 21st Century luxury market, where more sophisticated high-end experiences differentiate a brand from the competition. This shift has the potential to generate an exciting and innovative future. Watch this space.

James Brooke,  
*Founder and CEO, Ampliance*



Insight

# The Digital Transformation Imperative for Luxury Retail

In processing this new state of affairs, it would be easy to succumb to a blame culture - blaming legacy technology, high rents, fierce competition online, Covid-19 and property taxes for closing stores, poor customer retention and a slump in sales. However, many businesses just aren't looking at their operations in the right kind of way.



Let's face it, luxury retailers spend a lot of money on the wrong things. They allocate large budgets to digital marketing, but they don't get it right. They inject huge sums on new fixtures and fittings in stores to wow consumers, but are unable to meet real customers' expectations. None of these activities are going to drive the brand forward in the long-term.

At the same time, customer expectations in luxury are going through the roof—and it's happening on a day-by-day basis. Every time a luxury consumer has another groundbreaking and great brand experience, digitally or otherwise, it sets the bar even higher and others must follow.

Luxury brands need to be less risk-averse, take a step back and articulate a vision of where they want to be. Being safe doesn't buy you anything in the cutthroat luxury market of the post-Covid era. What happens if there are further Covid-related incidences? Are you ready to close down stores again and rely solely on eCommerce? How do you navigate a future dominated by online?

A digital-first, customer-centric, data-driven approach will future proof your business. However, getting there is the challenge. Many brands have legacy systems, siloed approaches and tech stacks that need upgrading or reconfiguring. They think they need digital transformation

first, but often they need a business transformation to start with.

Short-term technological changes can yield incremental gains which can be reinvested in longer term initiative to eventually achieve digital-first, omnichannel experiences. So called cost-based transformation is a strategic approach that allows you to make incremental changes, without threatening your future success. The aim is to build a leaner and fitter business, so you can run your operations better.

Luxury brands need to look at the issues through three lenses: A strategic lens—what do we want to achieve? An operating lens—how do we achieve it? And an efficiency lens—how do we want to do it?

In 2021, brands need to realize that digital isn't just a channel for marketing and product delivery. Digital should be at the heart of everything a brand does, knitted into the fabric of a business. A lot can be achieved, if we just act smarter.

Graham Broomfield,  
COO, *Neve Jewels*

# The Great Rethink at the High-End for Luxury

The first contraction in over a decade for luxury retail was inevitable in 2020,<sup>1</sup> the global pandemic made sure of that. Along with travel and hospitality, luxury purchases were one of the worst hit sectors. However, this industry has proven incredibly resilient throughout the Covid-19 crisis,<sup>2</sup> with this seismic event changing the relationship between brands and their customers in profound ways.

From canceled fashion weeks to repurposed exclusive catwalk webinars, with the high-end shops of Fifth Avenue and Bond Street standing empty, luxury retailers have had to connect in novel ways with loyal followers. Trends once expected to play out over a decade unfolded in a quarter or two. Brands have had to think differently, with Instagram influencers at home not able to fuel the hype.

There is no doubt Covid-19 has been an accelerator for the inevitable - successful luxury retailers have disrupted themselves, evolving from being brand-centric and less engaging, to being more customer-centric and appealing directly to consumers with a significant focus on digital channels. The world has changed; there is no alternative but to rethink what the luxury brand experience looks like through a digitally-first, customer-centric lens.

Those brands that were quick to adapt to lockdown and maximize opportunities have been the real winners. Businesses that rolled out virtual try-ons and styling appointments, as well as 'try before you buy'

concepts prominently displayed on their websites did well. As did those that deployed apps across their marketing channels. Digital-first strategies that elevated convenience scored highly.

As the world of luxury gradually comes out of hibernation, staying relevant both digitally and physically will be a continuing and important theme for 2021. Affluent consumers may potentially buy fewer investment pieces this year and in the process they will expect better quality and extended use.

Luxury brands continue to adapt to this evolving, new normal, which involves revamping their product lines and service delivery at speed. Developing more casual options and everyday luxuries are key trends in response to changing consumer behavior, since the work from home, stay at home, and flexible working lifestyle is here to stay.

"Successful luxury retailers have disrupted themselves, evolving from being brand-centric and less engaging, to being more customer-centric"

## What's Changed? Why Now?

1. The world is now a different place to when we entered lockdown in early 2020
2. Customer behavior and mindsets have shifted with huge implications for luxury brands
3. Luxury brands have had to review legacy infrastructure and organizational constraints
4. The pandemic-induced shift to digital led to a rethink on how to achieve customer centricity
5. Digital transformation is taking place within luxury, spurred on by a rise in eCommerce
6. There's a race by brands to step up digital innovation, as competition online intensifies
7. Data and data analysis has become even more crucial in a bid to know the luxury customer



## The Big Questions

- What are the key strategies to consider in a post-Covid world?
- Where do physical stores fit in a digital-first world?
- If the pandemic was an acceleration event, what exactly has it accelerated in luxury?
- What are the key strategies and tactics to consider going forward?
- Is it about digital transformation or more about real business transformation?
- How can luxury brands move to a digital-first approach?



## Drivers of Change: An Era of Great Expectations

Currently, the luxury sector is undergoing a transformation. There's the move from physical bricks and mortar stores to digital platforms. Online sales were €49 billion in 2020, up from €33 billion in 2019, according to research from Bain. The proportion of sales online nearly doubled from 12% to 23% during this period. This represents five years of growth.<sup>3</sup> Digital is expected to become the main channel for luxury purchases by 2025.<sup>4</sup> Therefore, it is not surprising that physical stores are shifting from transactional to experiential.

“Digital is expected to become the main channel for luxury purchases by 2025”

There are also other movements in the luxury sector. Customers increasingly demand personalized shopping experiences, and they expect outstanding customer service across all touchpoints. We are now in an era of greater expectations set by the likes of by Amazon, Netflix, Tencent, Alibaba and other global online players. Now high-spending shoppers increasingly want choice, convenience and competitive pricing, along with club lounge style assistance.

## Time for a Shake-up in Luxury: The High Street Isn't Dead, Just Bad Retail

To date, many luxury retailers are still not putting the customer first, they also are not working hard enough with their customer data. Brands now need to think about the 'art of the possible' and re-engineer what good actually looks like.

Often the direction of a luxury business is based on opinion from the boardroom or a management cohort who 'know the sector.' This may be based on gut feel, experience and knee-jerk reactions.

Right now, in the digitally-led retail environment, almost anything can be tracked. The direction of businesses in the luxury sector should be determined by real data that has been recorded, identified, analyzed and translated into key actions. These actions are based on longer term and robust strategies that have been developed with the customer at center stage. Key strategies should also be underpinned by changing consumer behaviors. The data doesn't lie.

Brands need to adapt to a newer, affluent audience and the differing demands and behaviors of the digital native consumer - think Generation Z and Millennials. In this process, tracking the right KPIs or key performance indicators is therefore vital, as is understanding relevant customer touchpoints.



# Challenges and Issues

## A Seismic Shift in Customer Experience

There are two seismic challenges going on right now, in parallel. Both have a huge influence on the luxury sector. First, brands are struggling to define what customer experience really means to them or their customers in the digital age. Second, this comes at a time when customer expectations are rising.

Customer experience is widely considered the next competitive battleground; nowhere is this more prevalent than in the luxury goods market. A customer's tendency to move their purchases online is often triggered by a poor in-store service experience.<sup>5</sup> It doesn't help that the luxury sector as a whole has not reacted sufficiently or quickly to their customers' evolving needs. Putting the customers' needs at the heart of any new strategy is therefore vital.

## The Wholesale Shift to Digital

The digital transformation of the luxury sector is happening in parallel with a wholesale shift in customer expectation and experience. This is confusing the issue. It also muddies the waters in terms of what needs to change. The growth of eCommerce and the seamless blend between online and offline channels is here to stay. It offers a lot of potential. Yet many brands are only starting to master their digital presence and digital shopping capabilities. Brands are only starting to understand how online channels compliment the physical store experience as well.

## A Massive Shake-up in Luxury on the High Street

A combination of Covid-19, high rents and business taxes have put intense pressure on high street stores. High fixed costs have hit physical luxury hard. In 2020 the overall luxury market, encompassing both luxury goods and experiences shrank by 20% to 22%, according to research by Bain, estimated to be worth €1 trillion globally. This is back to 2015 levels. In 2021 the market is expected to recover 50% of the profit loss of 2020—but still remain below 2019 levels.<sup>6</sup>

“The luxury sector as a whole has not reacted sufficiently or quickly to their customers' evolving needs”



Exiting the pandemic, these retailers will be saddled with significant debt, which they've taken on to pay rents and bills for stores that were forced to shut. At the same time, online-only rivals have enjoyed a sales boost without the dead weight of retail stores with no customers.

Those with large store estates have been the least flexible during recent times. However, physical stores still have a huge part to play in the long-term future of luxury brands, they just need reinventing. Analytics have shown that closing stores negatively affect digital sales and opening stores increases sales.

Already pure-play, digitally native brands have opened physical stores or concessions to support their digital growth. Flushed with cash from new funding rounds, strong online sales during Covid-19, and a buoyant, emboldened tech stock market, digital-first brands have firepower to further expand into bricks and mortar.

The craving for personalized, physical retail in city centers is not going away any time soon. High Streets and Fifth Avenues will become a destination again over time, however, expect a reinvented space with more social, entertainment and leisure facilities mixed in with the usual shopping experiences.

The future is one of shoppertainment, including indoor golf, ski slopes and climbing walls, restaurants and physical stores alongside each other with more interactive retail experiences. Expect brands to utilize their prized outlets as showrooms, showcasing product ranges rather than as cash generating machines. There's an opportunity to create events for a more social lifestyle, too.

“The craving for personalized, physical retail in city centers is not going away any time soon”

## Lack of Joined up Strategies and Systems

The speedy evolution and rise of online luxury, while legacy stores have continued to operate, has led these two focal points of the business to work in silos, not as integrated systems. However, the offline and online luxury customer journey should not be mutually exclusive. Internal education and a culture change is needed within organizations. In some cases, the pandemic has accelerated a mind shift in the right direction.

Legacy systems also exist, as does the manual management and input of product data and content. There are also many dated processes such as buying teams not coordinating online and offline systems. Buying and merchandizing platforms are often managed separately with many siloed databases. Third-party logistics companies will use one system, and there can also be separate enterprise resource planning platforms (ERP) and electronic point-of-sale (EPOS) systems sitting alongside, yet separate to clunky eCommerce solutions. This creates a serious issue when it comes to knowing the overall stock position of the company at any one time.

This can lead to mass discrepancies when physical stock counts are undertaken across the business, with limited or no loss prevention strategy in place. Historically, these kinds of issues are reflected at the boardroom level as well. There has been a lack of IT and digital understanding amongst the C-suite, and this is reflected in limited investment in technology platforms. However, this is now changing and at speed.

## Chronic Issues With Stock

Stock control can be a significant challenge; often inventory is sitting in different locations in warehouses. Other times merchandizing teams move stock from warehouse to store, then from store to store, and then from store back to the warehouse – all in a day's work. Each movement adds

to a significant carbon footprint, more staff time, and lower margins.

Getting stock levels correct is a key area that brands need to focus on as part of their digital transformation. Yet many have failed to get this right. More than 50% of experiences of out of stock products on a brand's website or online advertisement result in the same product being found in one of the brands physical stores, outlets or concession partners. This results in a lost sale.

Brands need to focus on their supply chains and account for stock. Customers now want to check stock availability on their mobile phones and locate stores where that product resides, but many retailers are failing to have a single view of their inventory across their business.

In recent years, there have also been many challenges with asset-based lending (ABL), with some brands going through challenging times where digital stock accounts are not synchronized with the actual physical inventory. In some cases they are reported as being 30% less—devaluing brands and their lending capabilities.





# A Roadmap for Real Change in Luxury

## Know Your Audience and Target Markets

**K**nowing your audience and target markets is a good place to start when convening a roadmap. The savviest luxury brands are increasingly engaging with younger groups right now. This involves having a better idea of how Generation Z or Millennials function. Millennials make up over 32% of the personal luxury market in terms of sales, and by 2025, it will be 50%. Generation Z makes up over 4%, and by 2025, it will be 8%, according to Boston Consulting Group<sup>7</sup> and Altgamma. Gen Z will drive up to 180% of the market growth by 2025.<sup>8</sup>

The tech-savvy Chinese will also represent 40% of the market by 2025, as the affluent classes are growing at double-digit rates. This is significant because consumer behavior, especially from younger groups, and in Asia, changes over time. Take TikTok for example, which is popular among Generation Z and Chinese consumers. This social platform requires customer engagement across multiple touchpoints. Marketing budgets need to work much harder, and a scatter gun approach does not work when social platforms are in play.

Brands need to understand which people are customers, as opposed to just visitors. It's less about how much traffic you can drive to a luxury website and more to do with the right kind of traffic. Targeting is essential and knowledge about purchase intent is vital. A personalized approach wins versus one that captures all and does not convert.

Tailoring services to different aged groups now matters. For instance, the adoption of 'buy now, pay later' through payment providers such as Klarna, Clearpay, Afterpay, and PayPal has allowed luxury brands to target the younger customer with lower disposable incomes. However, some see this tactic as lowering the value of a luxury brand and reducing its exclusivity, especially when it becomes more affordable. At the same time, this reduces friction for purchasing.

“It's less about how much traffic you can drive to a luxury website and more to do with the right kind of traffic”

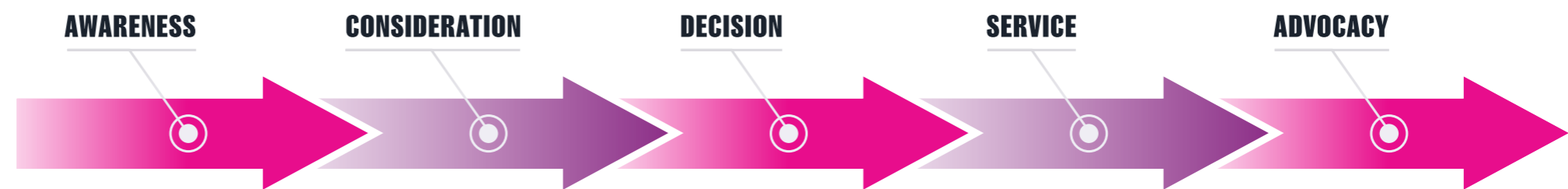




“Mapping out the customer journey is crucial”

## Map Out the Customer Journey

Once you have a better handle on your consumer base, mapping out the customer journey is crucial. It is worth considering what the shopping experience looks like from start to finish, and at what points sales, marketing, after-sales, customer support, content, and email campaigns compliment this process. This also allows businesses to create an omnichannel strategy, knowing which channel is important when, whether its digital services, experiential physical retail or click and collect. The correct route to purchase needs to be offered up.



## Rethink Customer Engagement Strategies

There are many questions luxury brands need to ask when rethinking their customer engagement. 'How can I acquire new customers' is a big question, as are 'how do I motivate them and drive people to interact and transact?' and 'what channels should I utilize to maximize engagement and sales, drive customer acquisition, boost retention, build brand loyalty and brand awareness?' Many brands will utilize a plethora of different channels and strategies. Here are some to consider.

### PAID SEARCH

Many brands are continuing to advertise products in their product shopping feeds on Google, Bing, Facebook and Instagram. These link through to a home page or category listing page. Often it doesn't feature the product that has been clicked on. It is worth linking advertisements to a listing page that includes the product or directing the customer to the product detail page itself, with key cross-selling functions.

### PAID SOCIAL FEEDS

As with paid search or any form of advertising, brands need to direct the potential customer to the most engaging destination webpage. This content must be designed to convert the customer. If it doesn't, test again, learn and optimize. If a customer is taken to any generic listing page, this is a poor shopping experience.

### SMS

More brands are utilizing SMS marketing and notifications to reengage their customer, especially since emails can get lost. Mobile APIs and notifications are becoming more engaging and popular to stay in touch with customers.

### DISPLAY ADVERTISING

Reconsider what content is used for advertisements and whether the information is up-to-date. How will the customer feel when they see or interact with the content of the advertisement? Is it engaging? Luxury brands can again test, learn and optimize display ads to engage with potential customers. Targeting look-alike customers and learning from this data can also prove invaluable.

### EMAIL STRATEGIES

A request from the CEO for that extra email campaign and digital blitz to a customer database in order to drive sales is a dated approach. This is often done with little understanding on the impact it has on customer relations. If a business has something worth sending, send it, if not then don't do it. There is a right time and a right place. Sending emails out to a segmented and targeted audience to drive sales at a precise point in time with discounts, if needed, or to elicit behavior at the right time can work. But not when a customer has purchased the item a few days before at full price or when they have returned the item, saying they didn't like it. Be smart and be relevant.

### PLAS (PRODUCT LISTING ADS), DPAS (DYNAMIC PRODUCT ADS) AND PRODUCT SHOPPING FEEDS

Right now, it is surprising just how many retailers still waste money advertising out of stock products, with no product feed management. Brands need to maximize their efforts to make their marketing budgets work better. This involves updating product feeds with relevant and updated information. Product feeds always need optimizing, which includes titles, descriptions and attributes. Remove products from the feed if they have low margins and optimize the products shown when a customer searches your listings.

### MARKETPLACES AND OTHER SHOPPING CHANNELS

The savviest of luxury brands are starting to see the real value of marketplaces such as Amazon, Tmall, eBay, Secret Sales, and OnBuy. It is antiquated thinking to believe that marketplaces degrade and devalue a brand. New audiences are using these platforms to search for products. These marketplaces represent new sales channels that are easy to navigate. Brands that use these channels well are selling more, but they are also owning and protecting their online reputation. Businesses can also manage and detect counterfeit products more easily. In effect, brands active on marketplaces are taking back control and ownership.

### CONCESSION PARTNERSHIPS

Many brands engage with resellers through concession partnerships. The aim is to drive brand awareness, take advantage of a larger or newer audience that the multi-brand retailer commands through their high volumes of traffic, and in the process, generate sales. This comes with its own challenges such as managing different feed formats or different processes and procedures that the concession partner has. There are also marketing challenges within concession partners, such as bidding on keywords within paid search. This can raise the cost per click. Managing content for multiple concessions can be time consuming. Consider the ROI and whether it warrants the effort, not to mention understanding the full processes of getting stock into and out of these concessions, including returns.





## Review Your Content Strategy

### ENGAGING CONTENT WINS

The right lifestyle, images of models, and sharp, inspiring photography enhances product detail pages. If brands add dynamic content, video and social proofing within the product pages, conversion rates can double and lower a brand's return rates. A lot can be achieved when brands display the right content at the right time for the customer with a personalized and targeted approach.

### MANAGE PRODUCT CONTENT PROPERLY

A single digitized view of product details is needed across the business, therefore the management of product content is essential. The continuation of manual inputs from master spreadsheets that are shared between different teams can lead to a multitude of incorrect content being uploaded to a website and within product shopping feeds.

Missing product information, incorrect details of sizes, obscure uses of color, poor spelling, and incorrect materials used in designs are just some of the mistakes that can occur with poor content management. There can also be an issue with tracking product changes that occur from the initial sample stage to signed-off products. When incorrect details are listed online, it can impact the customer experience significantly and lead to an increase in returns, the reason given being 'product not as described.' Managing product content carefully and methodically is crucial.

### CREATE A BUZZ ABOUT NEW PRODUCTS AND LIMITED EDITIONS

Product categories are expanding all the time. Continuous consumer engagement involves luxury brands launching new categories of products within a collection frequently. At the same time, more brands are allowing customers to pre-order products months before they can be shipped to customers. Creating a buzz around this process is vital. Utilizing exclusive limited editions is a great tool for the luxury sector. This can sometimes involve strategic collaborations with other partner brands or celebrities. Creating a continuous cycle of hype and valuable social media content is a core part of the luxury sector's attraction. The power of this process should not be underestimated.

### PRODUCT TAGGING AND TAXONOMIES NEED MORE FOCUS

Category taxonomies and filtering can be painful to manage internally. They are complicated, yet they are essential to get right because they define a brand's product catalog, how customers search and reference what they see on screen. Businesses must make sure they check and refine how products are searched for.

What brands do not want is searches showing different sets of products for similar customer searches. This can occur with poor manual tagging and can lead to a sub-standard customer experience and lost sales. It can also cause issues for SEO and rankings.

Brands must make sure filters, product taxonomies and tagging is set up correctly. A systematic and thorough approach is needed. This requires excellent data and content management. Brands need to match customer searches with categories and dynamic

“A lot can be achieved when brands display the right content at the right time for the customer with a personalized and targeted approach”

content – providing a wide range of choice. This allows for a more enhanced customer engagement. It is also worth creating destination landing pages with relevant dynamic content. This must engage the customer and show products that they would expect – and has to be intuitive as well.

### REVIEW HOW CUSTOMERS NAVIGATE WEBSITES

The homepage is not necessarily the most important page of the experience when it comes to generating actual sales. However, many brands still spend the majority of their time adding content to this page, especially below the fold, which is hardly seen by consumers.

The big question to ask is whether potential customers are converting at the same or differing rates. This depends on the issues above. There can also be challenges with the experience on certain devices or browser versions. Understanding how customers navigate a site helps brands optimize webpages, reduces any friction to purchase, and increases conversion rates.

It is crucial for businesses to track and see if their content is engaging with customers. It helps content managers be more efficient and effective with the content they generate. There are a number of metrics and questions that are relevant here, such as:

- How long does a customer spend on a site?
- Is the site easy to navigate?
- Are customers finding what they're looking for?
- Is the content engaging?
- Is a visitor being directed to the correct destination page?
- Is the webpage what they expected to see?
- What pages do they visit?
- Are they searching the categories and using filters on the webpages?
- Are they trying to view all products on one page using a mobile or desktop device?
- What browsers are they using?

Right now, it has never been easier to see what customers are doing online, and utilizing this data to make customer experiences friction-free at scale is important. The focus should be on putting the customer first across all types of device they may be using.

### RECONSIDER HOW CUSTOMERS TRANSACT ONLINE

Website usage raises questions on transactional elements, such as—has the business been upfront about delivery costs? Is it obvious how to pay or return items? Understanding why customers add products to their basket but never purchase now triggers a set of tactics that are followed by a number of smart luxury brands today.

There are already abandoned basket CRM programs. These can involve onsite pop-ups when customers are about to leave the site, live chat concierge assistants that can be used to win back a sale, and emails reminding consumers that they ‘forgot something’ in their cart. Brands can also use retargeting campaigns to entice customers back to purchase. All these tactics can increase conversions significantly.

Even though many luxury retailers have an ‘add to your wish list’ feature, few do anything with this data. Reimagining the wish list is vital. Brands can send this list to their customer’s friends leading up to their birthday. Friends can then give money to put towards products the customer really wants, creating an online wallet for that brand. A wish list can also be used with push notifications to inform customers that the store they just walked past has their size available to try on.

Where customers have challenges filling out a form, tracking issues within the checkout journey can be a major challenge. This can involve the purchaser explaining the process and challenges they are experiencing to a customer service team. The development team can then try to work out issues with browsers and devices to replicate the issue. With the right technology, well-trained customer relations teams, and a smooth inquiry process, these issues can be ironed out easily.

Then there is the question of exit pages – generally brands want exit rates on pages to be as low as possible throughout the buying process until the customer commits to a transaction.

## Reconsider Digital Marketing and What It Achieves

Effective spending of marketing with no wastage and boosted ROI can be a game changer. Getting this right saves money. Any savings achieved can then be reinvested and used to upgrade legacy systems and processes. It’s a win-win situation—consider the following:

### NEW MARKETS SHOULD MEAN NEW MARKETING BUDGETS.

Often brands expand into new countries, but they do not have separate digital marketing strategies and allocations for this expansion. Brands often expect customers will just visit the site when it is created. Many brands don’t even consider allocating budget for localized paid search, for example.

### LOWER VOLUMES OF TARGETED TRAFFIC IS A GOOD THING

Many brands think low traffic is a bad thing, but if focused, it can lead to increased conversion rates. Focused marketing budgets that track the right KPIs from the start are vital. Too many retailers capture and

report on the wrong KPIs. Brands must make sure they track and utilize them in the right context.

### SCATTER GUN MARKETING STRATEGIES DON’T WORK.

It’s not about what sticks. Brands need to understand their customers and their behavior, and use data to target people correctly and efficiently. The aim is to increase sales.

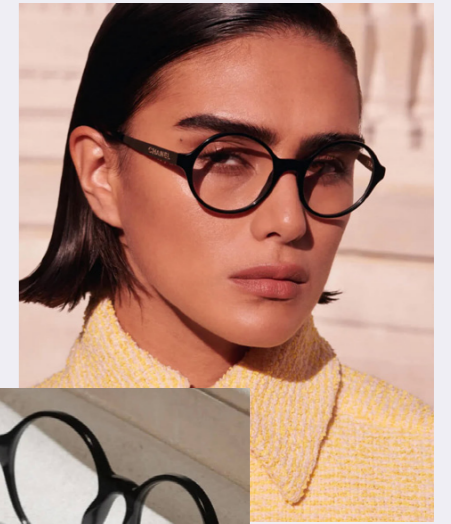
### AFFILIATE MARKETING HAS PROS AND CONS.

Some brands will actively seek opportunities with content publishers. However, others are put off by the voucher code and cashback sites as they see this strategy as devaluing the brand or think it is considered

## Photos Play a Crucial Role in Luxury

Yes, brands may want an uber-cool lifestyle photo and photo shoot that obscures the actual product for sale. But it’s worth using this as an additional shot rather than the lead shot. Utilize images very carefully; engaging mouseovers entice customers to want more. Weighing up the brand versus commercial opportunity is an issue.

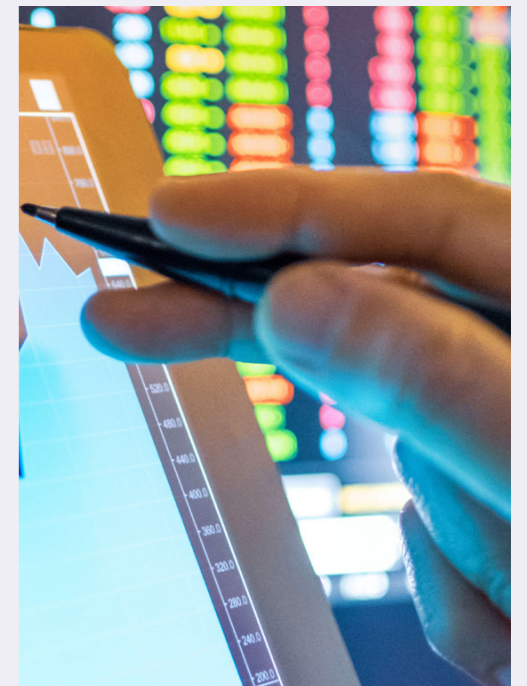
You want a website to be aspirational, but the goal is to sell products. ‘A picture paints a thousand words’ rings true. Use images and zoom features so the customer can almost feel the fabric, touch and engage the product on offer. Show the details and elements of movement, but do this in the context of the brand. There is a fine balance.



## The Importance of Attribution Modeling

Attribution modeling is a method used to measure the monetary impact a piece of marketing communication has on real business goals, for example: sales, customer retention, revenue or profit.

Many brands aren’t thinking hard enough about the budgets and precise communications they are attributing to which digital marketing channel. Most aren’t tracking attribution as a KPI to ensure marketing budgets are spent wisely. Some brands have spent double their marketing budgets during the Covid-19 pandemic yet have little idea what channel is working best in terms of driving sales beyond data found on Google Analytics. Creating a robust attribution dashboard should be an important part of a brand’s digital transformation strategy.



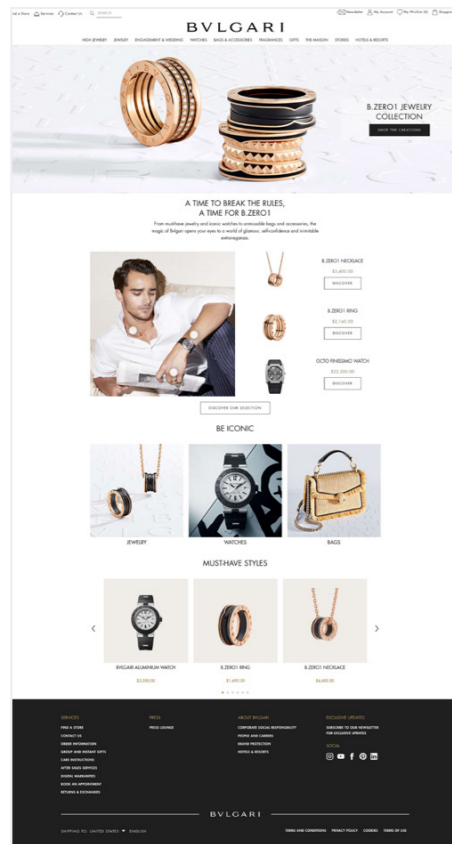
‘not on brand.’ Many luxury businesses have adopted an affiliate marketing strategy to gain more online coverage and engage with different audiences to generate sales on a commission-based model.

This involves brands relinquishing some form of control. Hence why it has pros and cons.

# Merchandizing for a Digital Age

## PRODUCT POSITIONING IS VITAL

Many brands still continue to struggle with merchandizing. There are issues with positioning their products in an order that is relevant to the user. Some are continuing to show out of stock products on the first page of their product listings. This can result in poor conversions and customer experiences.



Product positioning is crucial. There are now many opportunities to utilize AI [artificial intelligence] and machine learning in order to achieve greater personalization. Luxury brands can utilize data, dynamic content, and position products and images across the site for each customer experience at scale. Businesses can test and learn in the process.

Upselling and showcasing products in detail that a model is wearing can be a challenge for some brands. Customers may like the jumper the model is wearing, however it's not easily visible and shoppable on the webpage that they are currently visiting. This can result in a missed opportunity to convert. Showcasing the right content and keeping the page dynamic is an opportunity to increase basket sizes.

## TACKLE STOCK CONTROL

Loss prevention, or as its sometimes called 'profit protection,' is something that is becoming more common. The focus is on brands utilizing key data and analytics to prevent stock loss and to maximize stock availability in stores or online. It is crucial that luxury brands have a single view of their inventory in real-time, wherever it sits. This allows for a seamless, omnichannel experience. It also allows brands to maximize stock availability and meet customers' needs.

## TURN TO PRODUCT PERSONALIZATION

Made-to-order and personalized products have experienced growth over the last few years in the luxury sector. This bespoke service captures the creativity and imagination of customers. It also enhances the customer experience. The digital environment is increasingly allowing consumers to personalize products using online tools, such as color changes, adding monograms, and other details. Expect to see more of this over the next few years as brands try to engage more deeply with customers and offer something unique and exclusive.

## DISCOUNTS IN AN AGE OF PRICE COMPARISON

Many luxury brands consider blanket discounts and promotional activity as a so called 'race to the bottom.' However, luxury brands on the expensive streets appear to be moving towards offering a deal every week. This tactic can generate quick cash for the business, but it can damage the brand in the longer term, upsetting loyal customers. Other customers over time then learn to never shop for full price items. Purchasing at full price one day only to receive a discount for the same product a day after can be devastating for a brand.

Mass discounts offered on new arrivals without giving the product range a chance can also be an issue. This has now become a norm for some luxury brands. The challenging times of the Covid-19 pandemic pushed some businesses to a tipping point when they were prepared to sell stock at any price.

Brands no longer need to offer blanket discounts to their entire customer base. It can be used as a short-term proposition and a rare event to generate the right behavior and also cash. Discounts can be used strategically to increase baskets values and volumes. Free delivery is an effective discount. Enticing a customer with money off to purchase from different categories than the one they have shopped from previously can work. Incentives of this kind can be used to deliver email sign-ups using customer engagement tools.

Tracking discounts and promotional activity correctly across the business online and in physical stores has equally been a challenge for some brands due to EPOS and eCommerce platforms that are not linked and instead rely on correct human intervention. When this occurs, brands are not able to calculate the full cost and what the uplift in traffic or sales has achieved. Good data and excellent tracking allows brands to calculate whether a promotion has really worked.

One key answer is to develop a unified commerce platform. A single system that captures consumers' shopping behavior, interests, and purchase history in full. When data from all channels is collected in one place, it is much simpler to link it and create a complete, 360-degree view of the customer. In an omnichannel retail environment, this is important.

## CONTROL OF DELIVERY OPTIONS IS CRUCIAL

Guaranteed next day delivery can increase conversion rates by up to 20%, yet some brands

are being left behind. Customer expectations are moving towards same day delivery. Collections from in store before the pandemic started to grow to around 25% of a brand's total online orders. Over the

“Brands no longer need to offer blanket discounts to their entire customer base”

last 12 months, fewer people have wanted to go into stores. The 'try before you buy' model at home has therefore become increasingly important.

Third-party providers such as Harper Concierge offer a 'you try, we wait' service where customers get an hour slot to try on clothes, pay for what they want to keep via a payment link, then the unwanted items are then left on the doorstep for the company to take away at the end of the hour. This last-mile luxury delivery service helps to boost basket sizes by upselling to customers in the comfort of their own home. It also significantly reduces return rates. As economies open up, this service is likely to remain for busy consumers.

Customer interactions do not stop at the point of sale either. Luxury businesses who incorporate the logistic experience and ensure in-flight options are joined up and brand focused are winning. Some are utilizing APIs with their logistics providers to take back control. Businesses who wash their hands of product delivery with no or limited visibility of what's happening during this process are starting to lose customers, or worse, they are increasingly having to replace or refund misplaced parcels at significant cost.

## The Power of Language in Luxury

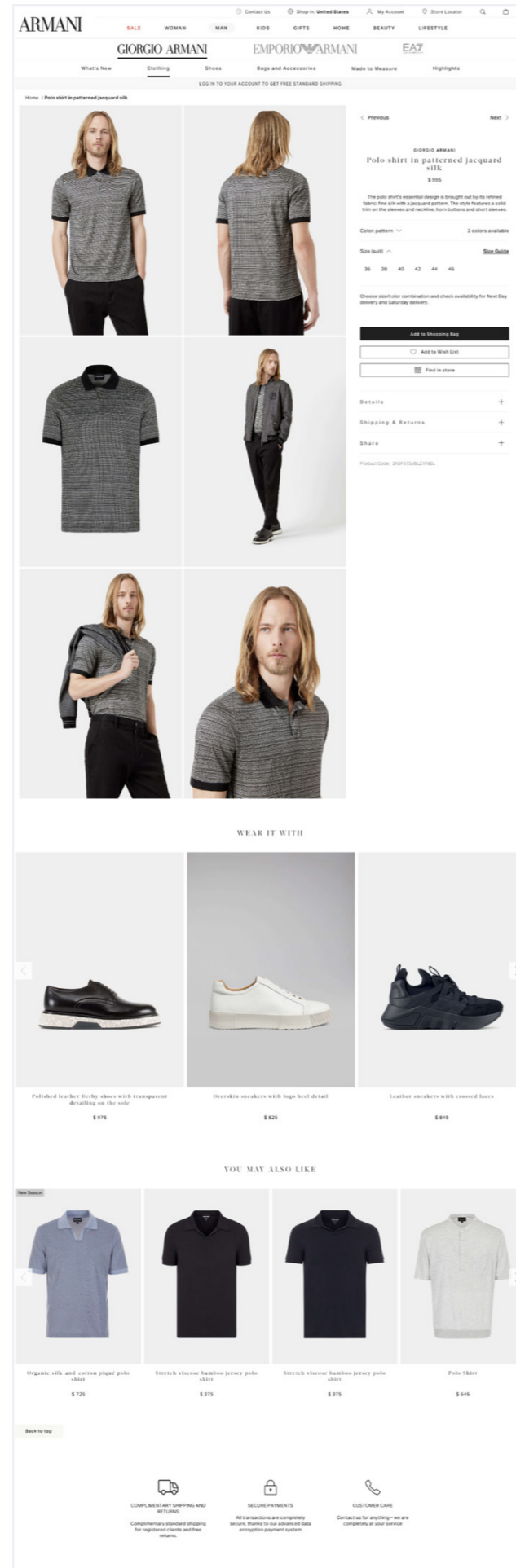
The way luxury brands talk about their products within titles, descriptions and the language used across a website can impact conversion rates by 0.5%. Brands need to describe their products and services based on what customers are searching for. Consumers use real day-to-day terminology and language, not marketing terms. A 'black dress' is not a 'midnight dress' because the product and marketing department think it's more on brand. Everyone needs to think how their customer base thinks. Obscure terms and references do not work or convert to sales. Simplify messaging and language used at all times.

Generation Z might not fully identify with or understand the word 'complimentary.' Some luxury brands use 'free' in their Google ads and then 'complimentary' on their websites – a tactic used to increase click through rates for advertisement and to get customer on the site. These terms are not the same. Keep it simple, use the words 'free' for 'free delivery' if it is free across the website.

## On-Site Search Should Not Be Neglected

Customers who use on-site search convert to sales ten times more when compared to those who browse through categories or who use filtering. However, less than 5% of customers in general will search. Maximizing search results to show relevant pages and dynamic content within your search query can really help save a sale. On-site search has been neglected. This is one area luxury retailers can up their game with little investment.

So many brands show no results with their on-site search for simple misspellings or show a different number of results if a customer searches or browses a category. Management of data and content is critical to ensure the site is in sync with searches and the shopping experience is intuitive, as well as seamless.



With large catalogs, finding products quickly can also be an issue. Yet shoppers today expect a 'Google quality' response. Artificial intelligent-powered search is now having a radical impact on conversion rates. Search results using algorithms and machine learning can now sift through vast amounts of data, ranking them in milliseconds. This provides much greater relevance for customers.

AI-powered search learns over time and can correlate both product tags and searches with customer data. This mapping is vital and provides what is called contextual search.

On-site search results certainly need to be fully optimized. This ensures that customers find what they are looking for intuitively and that minimal null result pages are shown. It also ensures that dynamic and engaging content is always shown, triggering and maximizing selling opportunities.

## The Ease of Payment Options

Customer experiences can be enhanced with the use of different payment options. Typically most luxury brands will have a suite of payment options available for the customer to transact with the brand. Increasingly there are more options available with the rise of Open Banking. These allow direct money transfers without a card present.

American Express has sometimes been a bone of contention with its higher-than-average credit card fees. The feeling is that if American Express was not offered, a Visa or Mastercard would easily be used by the customer. At least 25% of customers who want to pay with their American Express card will find the product elsewhere where American Express is offered, probably with a concession or wholesale partner. Payments need to be seamless—

they need to be frictionless to some extent and not create any barrier to sales.

Over 12 months since the first lockdown, there's been an increasing number of older 'digital first timers' who are making purchases online. Among Millennials and Generation Z shoppers, there's an even greater shift when it comes to payments. An increasing number of younger shoppers now choose to use fingerprint or face ID rather than enter card details to make payments.

Luxury brands need to look at developing local customer experiences that utilize local currencies, dedicated websites and a mix of cross border trading with transparent tax and duties. This is another key challenge. There are now banking services that reduce these costs, while others offer instant refunds so that customers have piece of mind and can shop again at speed.





# Tackling the Future

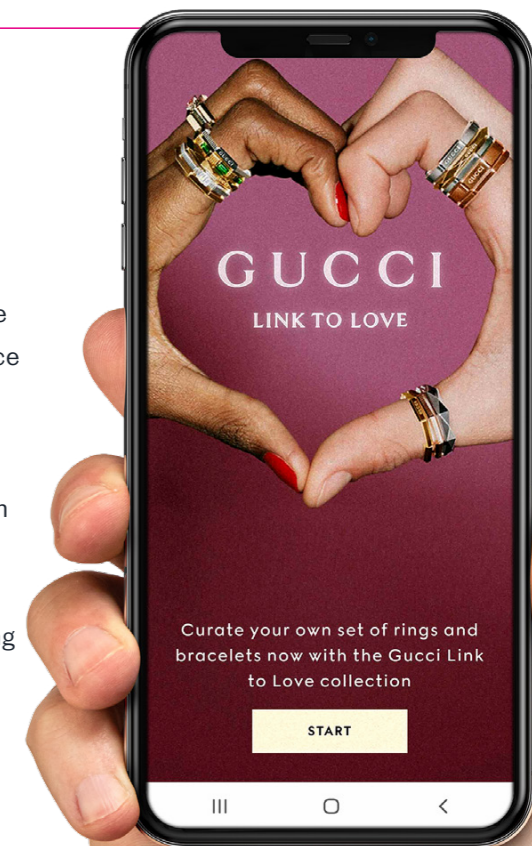
## Is It Time to Go Mobile-First?

For years, many brands have been talking about building mobile-first strategies as customers on smartphones have overtaken desktop usage. Mobile devices now, on average, account for 75% of traffic. However, conversion rates are still lower as the checkout experiences have been poor. During the pandemic, desktop traffic started to rise again as many customers started working from home.

Many luxury retailers still don't have responsive websites, and some have separate mobile apps. The question is, do customers really use many shopping mobile apps? The app market is oversaturated. More sales are likely to be done through mobile web or progressive web applications (PWAs), as well as social platforms.<sup>9</sup>

## How Do Native Apps Work for Luxury?

- The use of native apps gives brands the capability to convert customers all the way through to checkout, with push notifications and sticky navigation to help enhance customer experiences
- They are great for creating experiences that can't easily be achieved via web applications
- They are good for loyalty schemes as a separate application
- Luxury businesses will see the adoption of apps utilized more while in-store as the physical space adapts to the changing customer with more experiences
- They allow for 'virtual try-ons' with wedding and engagement rings, as well as virtual shopping wardrobes, which are experiencing growth across the jewelry and fashion sectors







## Why Physical Stores Still Matter

Physical stores still have a significant part to play in the long-term future of luxury brands. Bricks and mortar are still a brand's biggest marketing channel and an opportunity to engage with customers emotions much more than online.

But in 2021, businesses need to think differently.

“A store isn't just a bunch of products and a cash register - it's a lot more”

A store isn't just a bunch of products and a cash register - it's a lot more. Physical retail continues to drive digital sales through click and collect services, and offer convenience when it comes to returning orders made online. They also provide exchanges with real sales assistants who can offer a personalized touch and

the chance to upsell and drive brand loyalty. Generally, customers spend more money in physical stores than they do online, even when customers return items, a sizable majority spend the refunded money in-store.

Stores are also experiential showrooms, to showcase products and luxury brands. They should be utilizing endless aisle technology to show alternative products that can be ordered online in store. In the 21st Century, staff can be considered the new influencers and styling assistants driving compelling engagement with the customer. This personal touch cannot easily be achieved online.

Future brick and mortar spaces will certainly become more hybridized. In the near future, expect to see brands shift stores toward studio concepts where retail spaces become the media and communications canvas themselves. Rich, immersive experiences are also being trialed.

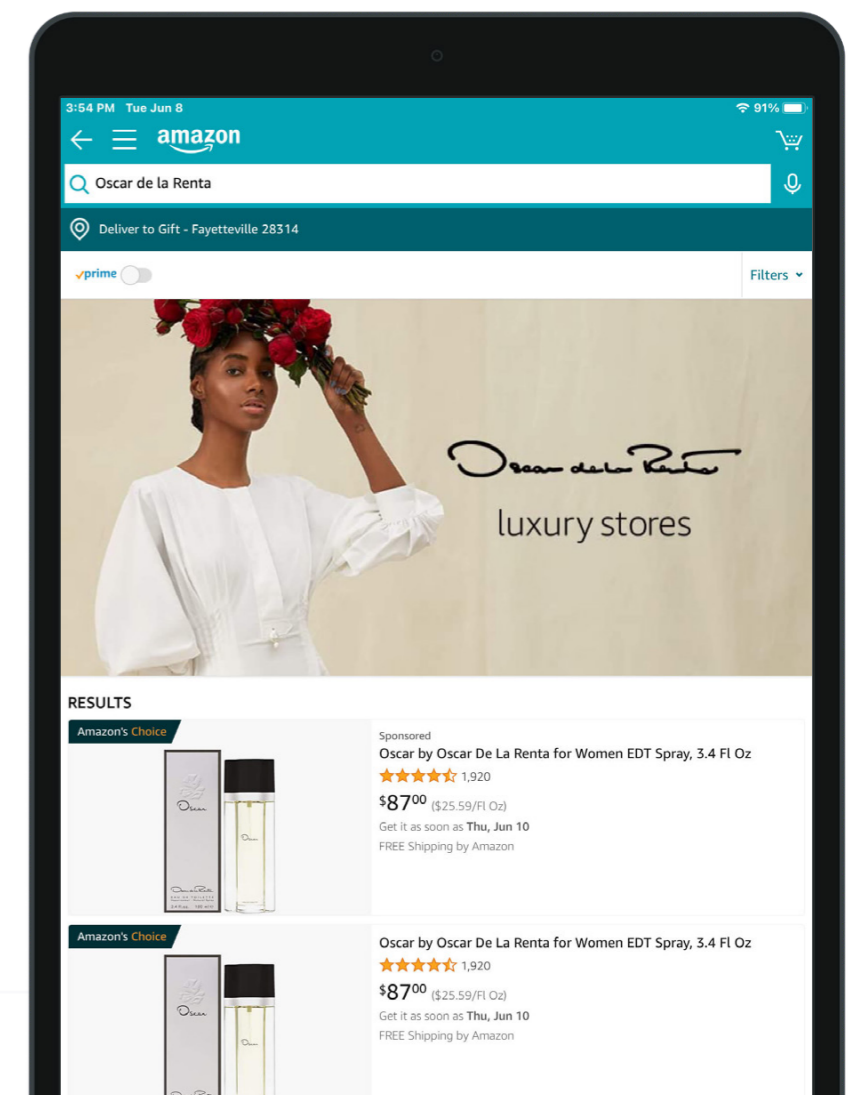
## How to Tackle the Global Marketplaces

Amazon and eBay marketplaces and luxury don't really go hand-in-hand, however, a large volume of customers are on these platforms and it is an opportunity to sell to a different audience and drive incremental sales.

Oscar de la Renta and La Perla, two luxury brands, think there is an opportunity. Both have launched stores on the new luxury Amazon fashion channel. They appear to be capitalizing on new audiences to generate sales. Brands need to develop a marketplace strategy and utilize this sales channel to target customers. It is an opportunity to sell to a different audience and drive sales.

When physical and digital stores are aligned and complement each other, there will be a significant breakthrough in terms of what's on offer. It will allow store staff to access a customer's digital profile, likes and dislikes, as well as past purchases, and then offer something extra in-store.

Technology can now be used in-store to track customer behavior. Face recognition can be used to match customer profiles informing the store about the presence of VIP customers. This is the future, yet simple footfall counters that just track and benchmark stores aren't being used enough.



## Expanding Into New Markets

Cross border trade across Europe, US, Canada, Australia, and China has seen significant growth with the introduction of third-party technology providers that allow brands to easily switch when it comes to local currencies, localized payment capabilities and a full range of logistics and last-mile delivery options. This allows customers to see costs in full, with no unexpected duty and tax concerning products held at customs. Transparent customer experiences like this help luxury brands grow globally.

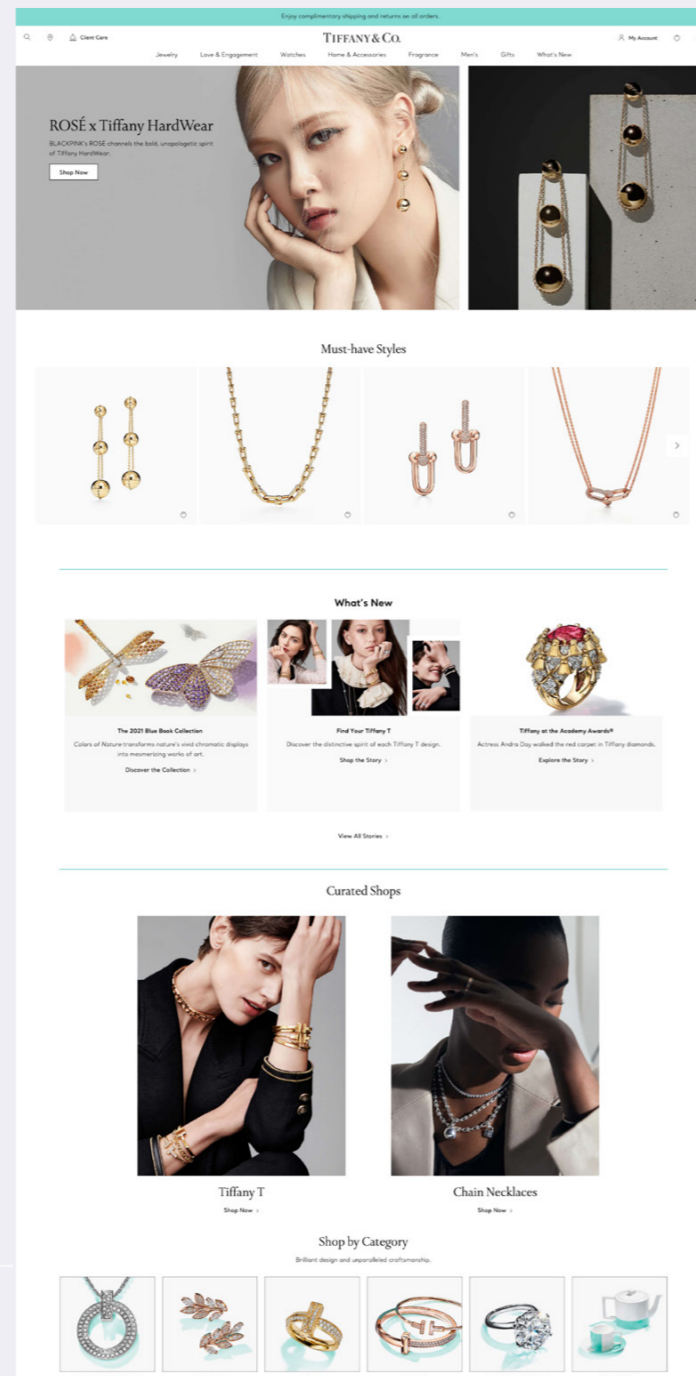
Opening new markets has its challenges in terms of showing the right content and pricing across the website. Luxury brands should be looking for dedicated sites to improve in-country customer experiences and increase conversion rates with a complete translated website. However, it can be a significant investment.

Certainly, implementing third-party technology is a quick win for many luxury brands to capitalize on traffic already shopping with them and converting that traffic on average 30% to 50% more with localized currencies, payment facilities and improved in country last-mile delivery networks.

Unfortunately, where brands let themselves down is not having a separate digital marketing strategy for the new countries they launch in. Separate site adoption is more commonly used by very high-end luxury players. This allows for more flexibility across each of the websites' CMS. However, more resources are generally required to manage multiple sites, since it means separate product catalogs, marketing calendars and different third-party integrations and customer experiences.

Testing local currencies and local payment options with third-party technology providers and payment gateways is a no-brainer. This reduces risk, and if the opportunity within a different country is significant, the opportunity can be realized before embarking on a bigger investment.

The Chinese market has proved to be a very successful one for luxury brands. Many have utilized marketplaces like Tmall and JD.com. Chinese are known to be big spenders when it comes to luxury and with changes in shopping behavior and less travel from China to Europe, the move to digital and online platforms is a clear trend for 2021. Adding relevant payment options like WeChatPay and Alipay for the Asian market is also critical.



## New Frontiers for Customer Service

“The brands that get all these elements right will be in a good place to answer the needs of the next-generation luxury consumer in the 21st Century”

There's no doubt that the future of luxury will rely on more non-physical, added value services, above and beyond product sales and inventory stacked in stores. Retailers have already been elevating the shopping experience in a Covid-conscious world

by introducing reservations for more intimate and safe physical shopping consultations and experiences. Expect more dedicated VIP lines and club lounges from luxury retailers.

Technology has a role to play - think chatbots used for frequently asked questions online. Take the new iPhones and iPad Pros - they all now come with LiDAR - Light Detection and Ranging sensors. These can assist in scanning customer sizes much more accurately at home. There's no need for a physical store.

Take a walk around Burberry's first social retail store, which has opened in Shenzhen, Southern China - it is a flavor of what stores of the future could look like. With a specific program on WeChat, the country's most popular messaging app, customers can click on exclusive content and personalized experiences while they are in-store, then share details with friends. This is blurring the lines between the physical and the online world of luxury retail.

Every item in-store has a tag with a QR code, which customers can scan for more storytelling. Each customer is also given a playful animal character via Snapchat that evolves as they walk around the store. The gamified experience takes retail to another level. The more that customers engage with this form of augmented retail, the more rewards they get through Burberry's social currency.

This new frontier is only possible if luxury players get all the right elements in place. This involves many factors coming together, from data and its correct analysis and strategy implementation, a digital first, omnichannel approach across the business from sourcing to purchase, and world-class customer service. The brands that get all these elements right will be in a good place to answer the needs of the next-generation luxury consumer in the 21st Century.



# What is the Blueprint for Future Success in Luxury?

There are many short-term solutions discussed throughout this report, but fundamentally the main goal is a long-term digital transformation strategy and eventual total immersion in a digital-first, customer-centric, omnichannel approach to business.

This will create many more opportunities for companies to rethink the playbook on luxury and change the way they interact with customers. The goal isn't about achieving a little more flexibility by replacing bits of technology, or upgrading platforms that allow more wiggle room or capacity. It's about reimagining the customer experience through technology.

Many luxury brands are moving in the right direction. They do a good job with large volumes of high-fidelity video, model imagery, product shots and brand storytelling online. But this is just the first base in a long-term game. Creating immersive and interactive, as well as personalized experiences fit for the present-time that will delight digitally native consumers and meet rising expectations is the main goal.

If a brand wants to create greater interactivity, a buzz and gamification around a fashion week, where Millennials and Generation Z can interact fully with social influencers, designers and the products themselves, luxury companies need total flexibility in terms of the technology stacks they deploy. They also need to be in control of their customer data and the insights it brings.

Already, 80% of luxury sales today are 'digitally influenced.'<sup>10</sup> This means consumers hit one or more digital touchpoints in their shopping journeys. As the competition heats up in 2021, with brands vying for consumer spending, and as economies open up and ramp up, luxury retailers will have no choice but to embrace digital transformation.

Brands have now realized that high-end consumers are willing to pay premium rates online. This is also a channel that luxury players can learn the most about their customers. Those brands that take advantage of this and leverage data, analytics and machine learning to find out more about their consumer base and act decisively on these insights will win.

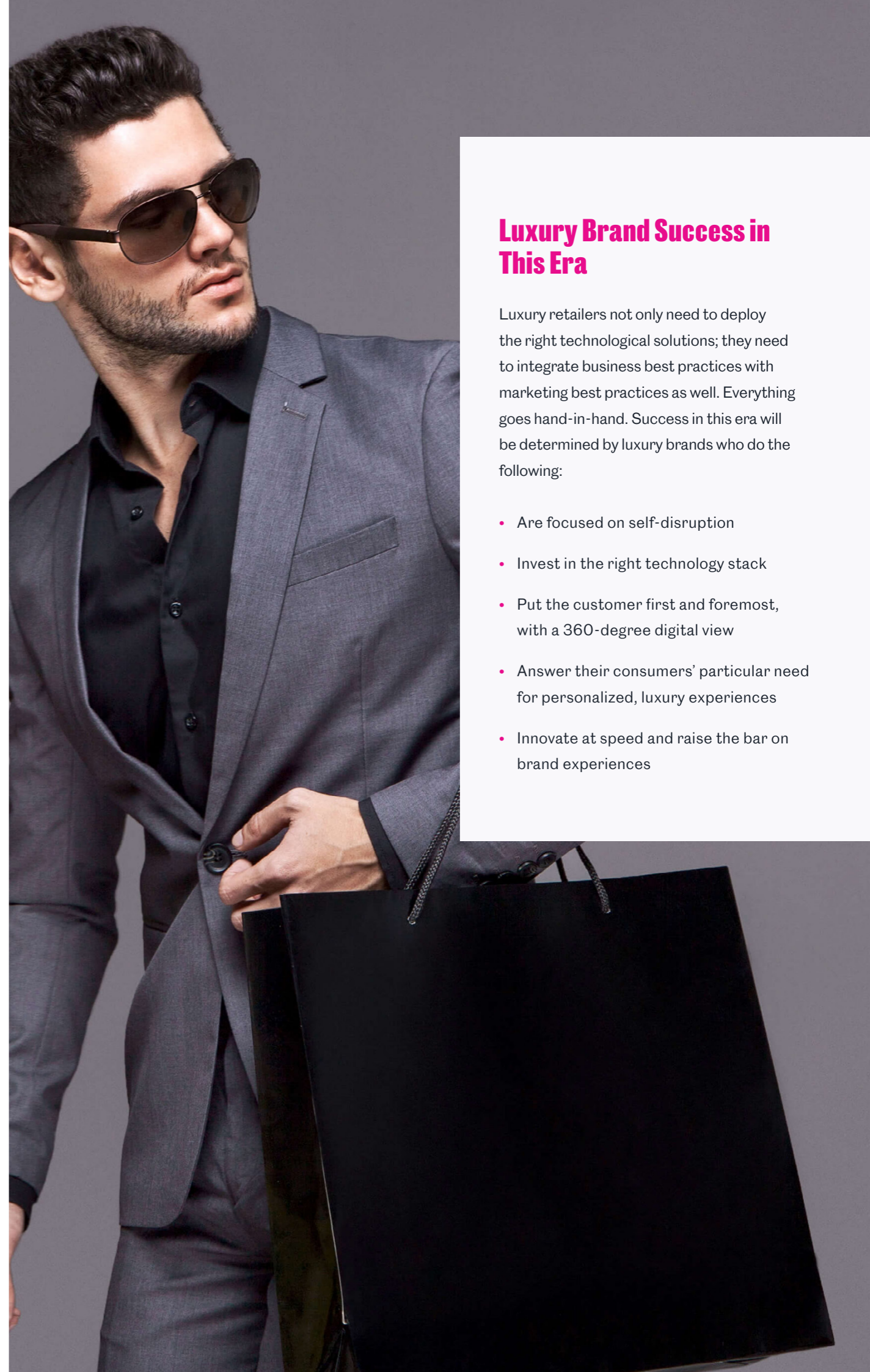
This level of insight can only be achieved with a digital transformation program. It requires ambitious aspirations, a clear plan, and concrete milestones, as well as strong support from management and the boardroom. This report shows that digitization is much more than just selling products online.

Digital must be at the center of a brand's operating model.<sup>11</sup> It will allow luxury brands to have a competitive advantage and strengthen their hand for an omnichannel, digital-first new normal. This is the blueprint for the future of luxury.

## Luxury Brand Success in This Era

Luxury retailers not only need to deploy the right technological solutions; they need to integrate business best practices with marketing best practices as well. Everything goes hand-in-hand. Success in this era will be determined by luxury brands who do the following:

- Are focused on self-disruption
- Invest in the right technology stack
- Put the customer first and foremost, with a 360-degree digital view
- Answer their consumers' particular need for personalized, luxury experiences
- Innovate at speed and raise the bar on brand experiences



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