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LUXURY on the WEB







How Global E-Commerce Is Moving Upscale

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Online is a Growth Engine, But Not for All

At a time when overall luxury sales are flat, online growth is a bright spot for many luxury brands and retailers. But some are adjusting their online strategies to reduce discounting.

By Don Davis

The rich may inevitably get richer, but that's not the case for the retailers and brands that sell them luxury goods. Even online, which remains the fastest-growing sales channel for luxury merchandise, growth is not as robust as it once was. And some brands are pulling back on offering discounts online, lest they undercut their own stores' prices, and that trend could further slow the growth of luxury e-commerce.

Overall, however, selling luxury goods online remains a success story. The 73 luxury retailers and brands covered in this global report increased their web sales by 16.7% in 2015 over 2014. That's better than the 13.5% growth among the Top 1000 retailers in North America and the 13.6% growth among the 500 leading e-retailers in Europe. Only the growth of Asia's 500 leading web retailers outpaced the growth in global luxury e-commerce, at 31.2%, a figure skewed by outsized growth in online shopping in China.

That's solid growth, considering that global sales of luxury goods only grew 1% in constant-currency terms in 2015, according to consulting firm Bain & Co. Bain estimates online sales of luxury goods are growing at 15% annually, which suggests the leading e-commerce sites covered in this report are outpacing the market by a small margin. Collectively, the 73 luxury e-commerce sites in this report accounted for 4.5% of the global luxury personal goods market, which Bain estimates totaled 253 billion euros ($283 billion) in 2015.

16.7%

Online sales growth in 2015 of top luxury e-retailers.

Still, the global slowdown in luxury sales shows up even

Luxury Websites Help Drive Global E-Commerce Growth

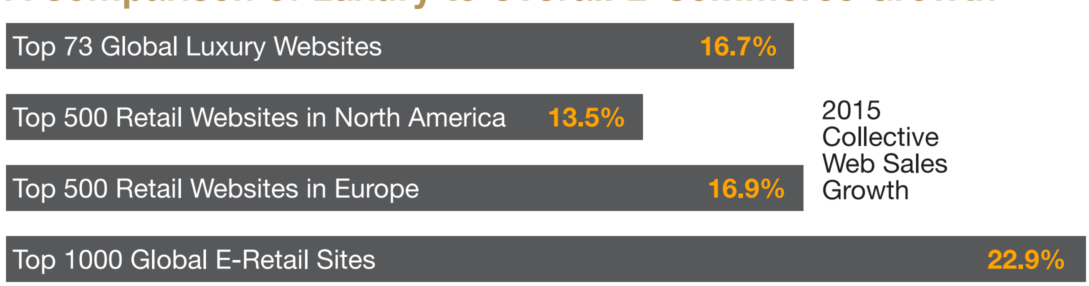
Source: Top500Guide.com

among the leading web sellers of high-priced merchandise. Growth among the top online luxury retailers and brands slowed down a bit in 2015: that growth rate was 18.9% in 2014 over 2013, well above the 2015 increase of 16.7%. And the median growth rate among the 73 leading luxury e-commerce sites was only 14.0% in 2015 versus 14.6% in our 2014 analysis of top online retailers and brands. (Internet Retailer each year analyzes the web sales of e-commerce sites with high average order values that primarily sell luxury goods. For more detail on how we select these companies see the explanation on this page 6.)

Bain attributes the slow growth in overall sales of luxury goods in 2015 to a mediocre U.S. holiday shopping season, decreased tourism to European luxury goods capitals, instability in China and a downturn in luxury goods in China, where economic growth has slowed and a government anti-corruption campaign has put a damper on conspicuous consumption. "The luxury market is stuck in a holding pattern for the foreseeable future," observed Claudia D'Arpizio, the Bain partner who authored the spring 2016 report.

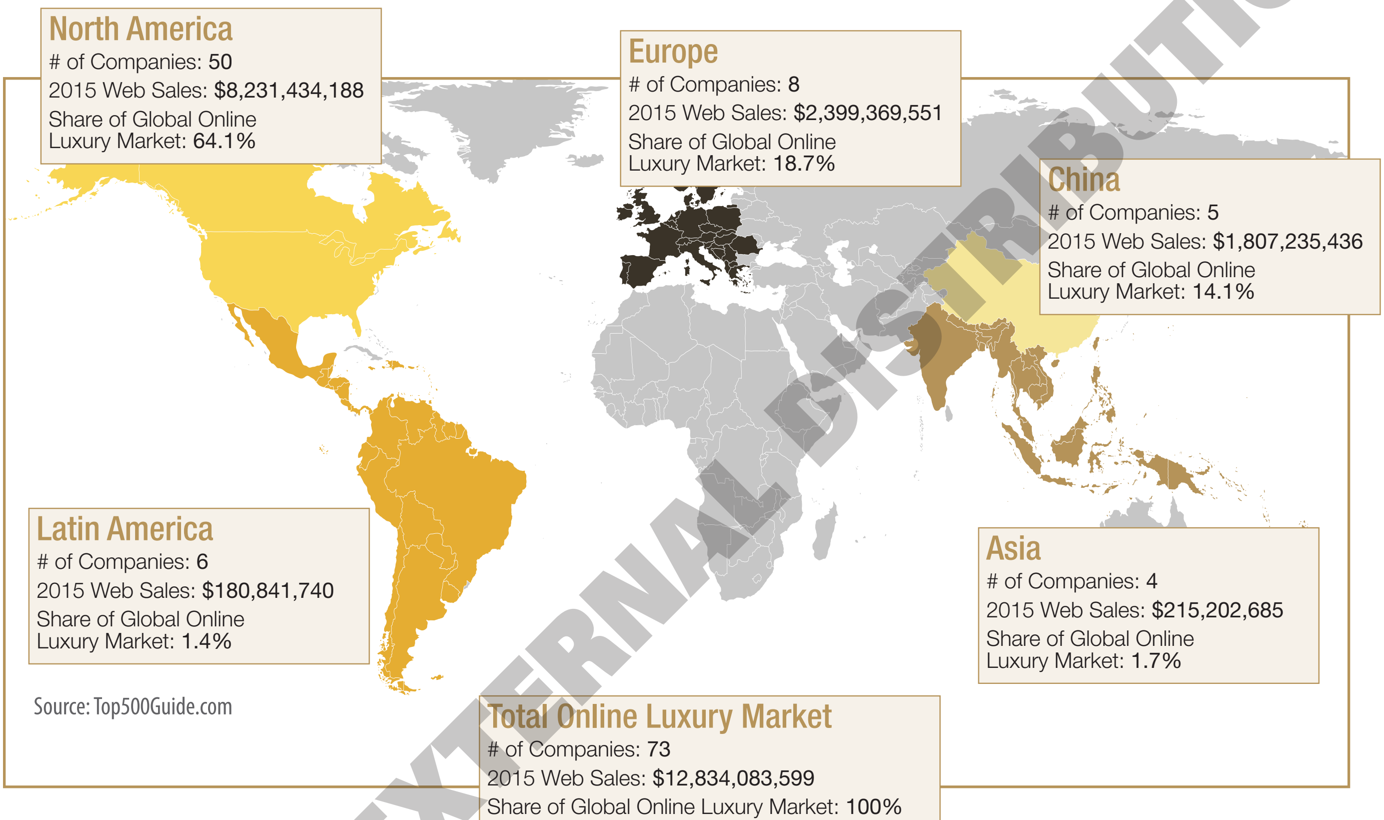
But if wealthy consumers are traveling less

A Comparison of Luxury to Overall E-Commerce Growth



Source: Top500Guide.com

U.S. and Europe Dominate Growth of Luxury E-Commerce Market



Source: Top500Guide.com

and walking into fewer Tiffany and Prada shops in Paris, New York and Tokyo, that creates a pent-up demand for luxury goods that e-commerce sites are filling.

That's particularly true in China, as the five Chinese e-retailers in this survey increased their online sales in 2015 by 79.5%. Collective growth for the four luxury brands based elsewhere in Asia was only 12.1%. The seven Europe e-commerce operators grew their sales by 16.2% and the half-dozen Latin American companies by 15.3%. The slowest growth was among the largest group covered by this report, the 51 retailers and brands based in North America: Their online growth was only 8.7% in 2015.

Pulling back on discounts

Some of that slowdown was intentional. Coach Inc., in particular, has made a decision in reason years to cut back on discounting its handbags online. That led to a 60% decrease in its global web sales in 2015 versus 2014. "You've seen us put a lot of emphasis on bringing innovation to Coach.com as a full-price vehicle as well as to everything that we're doing digitally," CEO Victor Luis told analysts early in 2016.

Many luxury brands have recognized that online discounting has hurt their business, says Fflur Roberts, head of luxury goods at market research firm Euromonitor International. "As online discounting continues to spiral out of control, there is a real threat to luxury brand equity, which is the long run could cause more damage to a brand than pulling back on online discounting in the short term," Roberts says.

But even as it cuts back on discounting, Coach keeps investing in e-commerce as a complement to its physical stores. The handbag and accessories brand moved to a new e-commerce platform provided by Demandware (which subsequently was acquired by Salesforce Inc.) in early 2015 and by mid-2016 was selling online through six e-commerce sites serving the United States, Canada, the United Kingdom, China, Japan and Australia.

Ralph Lauren Media is going through a similar

How we selected the luxury web merchants

To identify the websites that make up the 73 leaders of the global online luxury market,our researchers accessed six core e-commerce databases of the Top500Guide.com—the Top 500 and Second 500 in North America, and the Top 500 e-retailers in each of the Europe, China, Asia and Latin America. In each of these databases, they set the average order filter at $300 and above, to identify those web merchants with average orders that are at least two to three times the median average order of $125 recorded by the Top 500 web merchants in North America, the most mature of all e-commerce markets.

They further trimmed the resulting list by eliminating websites that exceeded the $300 bar, not by selling luxury items to the rich, but by focusing on goods that carry high prices but are clearly not targeted solely to affluent consumers. These include retailers of computers and other electronic gear, home appliances and furniture. Finally, the research team scoured the list of all 3,000 e-retailers in the core database to find sites that sell mostly branded luxury items but which failed to make the $300 cut-off used in the initial screen.

Sponsored Insight

Epsilon sees the individual in its luxury customers

The concept of luxury is often in the eye of the beholder. Epsilon uses a data-driven approach for marketing, fusing data, technology, content and design to help brands connect with customers in the moments that matter. A global leader in turning data-marketing into lasting relationships, Epsilon knows the best ways for luxury retailers to reach their customers.

"Just because you meet a certain demographic requirement doesn't mean you necessarily buy luxury," Epsilon's vice president of retail business development, Jean-Yves Sabot says. "From location, to lifestyle interests and shopping patterns, we have deep consumer insights on an individual level and at scale," he says. These insights help luxury brands identify the important information required for long-term engagement, and these insights coupled with Epsilon's digital network can help brands find new potential customers, including those who might not be expected luxury buyers.

Epsilon aims to help retailers find the right customers more efficiently by identifying consumers via the device they use to purchase, rather than a cookie-only approach, which tracks devices used to visit a site. By combining offline and online data sources, Epsilon is able to garner consumer insights and determine the way customers shop and buy. Sabot says that once customers start getting inundated by ads, they begin to disregard the messages due to a poor customer experience. In addition to over-messaging being a nuisance to the customer, it also results in overspending from the retailer. Epsilon refines the process to help streamline spending by crafting the most efficient message as well as the most effective. Using Epsilon's cross-device recognition capabilities, retailers can understand which device a potential customer is using, so they can tailor the best time to reach them with the most appropriate message.

Epsilon wants to help clients gain a more holistic knowledge of the entire purchase journey. "One of the limits of online luxury is understanding what happens behind the scenes. Ultimately, what's going to happen is that not all purchases are going to be made online. Online is only one way of engaging the customer, and retail stores are still where they will eventually buy" Sabot says. With Epsilon, retailers are able to get a more specific look at the ways customers are researching and buying both online and offline and are able to measure the impact of online campaigns on brick-and-mortar sales in addition to online sales.

"We strive to help our clients be better marketers," Sabot says. "Luxury retailers often think they know who their customers are and it's like working with blinders on sometimes. What we want is for the retailer to start understanding that their customers are individuals, with individual thoughts and needs, and that there are specific moments to engage that customer with the brand."

The majority of marketers struggle with customer recognition across devices. Do you?

90 percent of marketers prioritize providing an integrated customer experience across devices, but ***a mere 12 percent have achieved a true single customer view.***

Our new report, *Customer Recognition: How Marketing is Failing at its Top Priority*, co-authored with Econsultancy and Conversant, explores the stark gap between perception and reality of how well the industry is doing at obtaining a single customer view.

Learn how to stay competitive at engage.epsilon.com/CXreport

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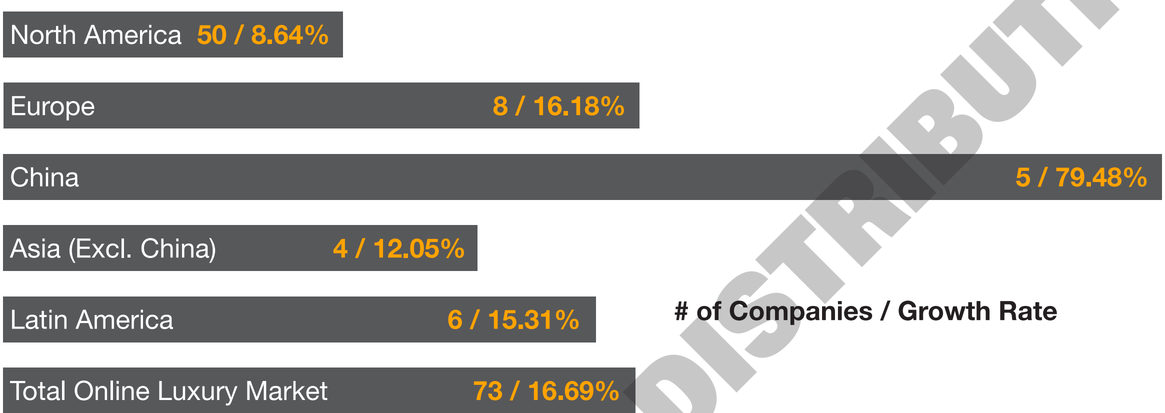
China Leads in Luxury E-Commerce Growth



Source: Top500Guide.com

transition, cutting back on online promotions but investing more in e-commerce as it set out in 2016 to close about 10% of its bricks-and-mortar stores. The fashion brand reported in August 2016 that its e-commerce sales had declined 6% during its latest quarter as it moved to harmonize prices in stores and online and offered fewer web promotions. "We cut back significantly on the length of the promotions, the number of promotions and the discount rate depth relative to how we've historically operated," chief financial officer Robert L. Madore told analysts.

But president and CEO Stefan Larsson noted that the company is developing a new e-commerce site with the mobile shopper in mind that's due to go live during the current fiscal year that ends in early 2017. "We're going to follow the consumer," Larsson said. "The consumer is clearly going to e-commerce and mobile first." ◆

There's plenty of change among the leaders in luxury e-commerce

A big merger, the emergence of aggressive start-ups and the evolution of flash-sale web retailers are changing the face of luxury e-commerce.

Retailers of high-end goods don't have the luxury of standing still. And they're not, as several are making acquisitions, expanding internationally and introducing new digital technology, both online and in their stores.

While Neiman Marcus remains the clear leader in online luxury retailing, competitors are gaining ground. Notable among them is Yoox Net-A-Porter Group, the global luxury e-retailer formed from the March 2015 acquisition of Net-A-Porter by Yoox, a company based in Italy that built its business on selling luxury goods online and hosting e-retail sites for other brands. Yoox Net-A-Porter became the second retailer to top $1 billion in annual web sales and its strong growth makes it a contender to overtake Neiman Marcus in a few years.

The other notable newcomers into the Top 10 are two fast-growing Chinese online retailers of luxury goods, Shangpin.com and Zbird.com, both of which doubled their web sales in 2015. Two of the three slowest-growing retailers in the Top 10 are flash-sale retailers—those that sell generally overstock or out-of-season fashion items at a discount in limited-time sales that last only as long as the merchandise does. Gilt Groupe and Rue La La were among the high-flying flash-sale sites during the recession of 2008-9 when many luxury brands and retailers had lots of excess inventory. But the economic recovery has put pressure on this business model.

> Two Chinese online retailers, Shangpin.com and Zbird.com, doubled their web sales in 2015.

The World's Top 10 Luxury Websites

LUXURY COMPANY	WEBSITE	HOME MARKET	RANK AT HOME	MERCHANT TYPE	CATEGORY	2015 WEB SALES	2015 GROWTH
Neiman Marcus	NeimanMarcus.com	North America	36	Retail Chain	Apparel/Accessories	$1,338,400,000	13.0%
Yoox Net-a-Porter	Yoox.com	Europe	27	Web Only	Apparel/Accessories	$1,030,205,280	20.0%
Ralph Lauren Media	RalphLauren.com	North America	53	CBM*	Apparel/Accessories	$890,000,000	14.1%
Estee Lauder	EsteeLauder.com	North America	56	CBM*	Health/Beauty	$862,400,000	28.0%
Shangpin.com	Shangpin.com	Asia	15	Web Only	Apparel/Accessories	$852,906,036	114.1%
Gilt Groupe	Gilt.com	North America	69	Web Only	Apparel/Accessories	$600,000,000	-4.8%
LVMH	LouisVuitton.fr	Europe	46	CBM*	Apparel/Accessories	$567,933,680	16.0%
Zbird.com	Zbird.com	Asia	34	Retail Chain	Jewelry	$510,000,000	100.0%
RueLaLa.com	RueLaLa.com	North America	80	Web Only	Apparel/Accessories	$504,000,000	5.0%
Blue Nile	BlueNile.com	North America	82	Web Only	Jewelry	$480,100,000	1.4%
					Total Top 10 Luxury	$7,635,944,996	22.7%
					Top 10 2015 Share of Luxury Market	59.5%	

*Consumer Brand Manufacturer Source: Top500Guide.com

No. 1, and not resting on its laurels

Neiman Marcus is investing heavily in digital technology, and for good reason. Online sales grew 13.0% in 2015, while total sales fell 0.6% for the 12-month period that ended Jan. 30, 2016. A big reason for the overall slump was the strong U.S. dollar slowing the flow of well-heeled foreign tourists into the Dallas-based retailer's 42 Neiman Marcus bricks-and-mortar locations and its two Bergdorf Goodman stores in New York City.

While the strong dollar and other factors limited Neiman Marcus' online growth to 7% for the fiscal year that ended July 30, 2016, the web continued to make up a larger portion of the company's sales: 29% for fiscal year 2016 versus 24% in fiscal 2014. And that online growth makes Neiman Marcus a dominant player in online luxury retailing: Its 2015 web sales of $1.338 billion, by Internet Retailer's estimate, accounted for 10.4% of the total e-commerce sales of the 73 companies covered in this report.

The online growth is no accident. The luxury retailer is well aware of the importance of the web to its future: In its filing in the summer of 2015 when Neiman Marcus was contemplating going public the company said it believed 75% of its sales were influenced by the internet. That IPO was put off after the retailer's profits sagged late in 2015.

Neiman Marcus has made several moves to boost its online business. In late 2014 it purchased German luxury retailer Theresa, which operated a single, well-known fashion boutique in Munich and the online business MyTheresa.com, which was No. 448 in Internet Retailer's Europe 500 ranking of e-retailers in that part of the world. Neiman Marcus said the combined bricks-and-mortar and online businesses were bringing in $130 million a year, and that the addition of MyTheresa.com would help the U.S. retailer expand its reach internationally.

Also in 2014, Neiman Marcus launched its Innovation Lab, or iLab, to spur the development of new digital technology. That's led to a series of new mobile and online features. For example, Neiman Marcus in 2015 began testing in some stores beacons that recognize registered shoppers by their smartphones and beam them in-store offers. It also introduced its "memory mirror" that lets a consumer capture images and video of her trying on various items and then share them with friends via email and social media.

In another move to appeal to online fashion shoppers, Neiman Marcus announced in 2015 a partnership with The RealReal, an online luxury consignment retailer. Consumers who sell their items on TheRealReal.com have the option of receiving, instead of cash, a Neiman Marcus gift card worth 10% more than the cash value of the items sold.

More recently, Neiman Marcus has introduced innovations designed to appeal to each individual shoppers and to use both its stores and website to make shopping more convenient. For example, a new feature on the website would show a shopper who always searches for a size 7 or 7.5 shoe only footwear available in that size, Lindy Rawlinson, senior vice president of customer experience at Neiman Marcus, said in presentation in September 2016.

She pointed out that the retailer wants to make shopping "seamless." However, that doesn't necessarily mean the online and offline experience should be "exactly the same."

"Personalizing the experience for customers both on the website and in the store is a pillar of our customer experience," Rawlinson said. "As a customer searches NeimanMarcus.com, as a customer interacts with the site, it gets a little bit smarter."

No. 2 closes the gap

While Neiman Marcus accounts for more than 10% of the online sales of the 73 luxury e-retailers included in this report, it faces a stronger No. 2 as a result of a major merger of web-only luxury retailers in March 2015. In that deal, Yoox, an Italian web-only retailer that

10 Fastest-Growing Luxury Websites

LUXURY COMPANY	WEBSITE	HOME MARKET	RANK AT HOME	MERCHANT TYPE	MERCHANDISE	2015 WEB SALES	2015 GROWTH
Shangpin.com	Shangpin.com	Asia	15	Web Only	Apparel/Accessories	$852,906,036	114.1%
Zbird.com	Zbird.com	Asia	34	Retail Chain	Jewelry	$510,000,000	100.0%
Beijing Secoo Trading	Secoo.com	Asia	122	Retail Chain	Apparel/Accessories	$136,743,182	82.3%
Michael Kors	MichaelKors.com	North America	375	Retail Chain	Apparel/Accessories	$52,000,000	70.0%
Gallerist	Gallerist.com.br	LatAm	178	Retail Chain	Apparel/Accessories	$13,152,158	65.0%
Ritani LLC	Ritani.com	North America	310	CBM*	Jewelry	$75,000,000	50.0%
Jomashop.com	Jomashop.com	North America	161	Web Only	Jewelry	$204,825,000	45.6%
Kate Spade	KateSpade.com	North America	140	CBM*	Apparel/Accessories	$248,544,000	44.1%
Rent the Runway	RentTheRunway.com	North America	236	Web Only	Apparel/Accessories	$112,140,000	40.0%
Indochino	Indochino.com	North America	454	Web Only	Apparel/Accessories	$35,000,000	40.0%
					TOTAL Top 10	$2,240,310,375	81.4%
					2015 Share of Luxury Market	17.5%	

Source: Top500Guide.com

Top 3 Luxury Websites by Region

COMPANY NAME	WEBSITE	RANK AT HOME	MERCHANT TYPE	CATEGORY	2015 WEB SALES	GROWTH
North America						
Neiman Marcus	NeimanMarcus.com	36	Retail Chain	Apparel/Accessories	$1,338,400,000	13.0%
Ralph Lauren Media	RalphLauren.com	53	CBM*	Apparel/Accessories	$890,000,000	14.1%
Estee Lauder	EsteeLauder.com	56	CBM*	Health/Beauty	$862,400,000	28.0%
Europe						
Yoox Net-a-Porter Group	Yoox.com	27	Web Only	Apparel/Accessories	$1,030,205,280	20.0%
LVMH	LouisVuitton.fr	46	CBM*	Apparel/Accessories	$567,933,680	16.0%
FarFetch UK Ltd.	FarFetch.com	91	Web Only	Apparel/Accessories	$330,642,153	12.0%
China						
Shangpin.com	Shangpin.com	15	Web Only	Apparel/Accessories	$852,906,036	114.1%
Zbird.com	Zbird.com	34	Retail Chain	Jewelry	$510,000,000	100.0%
5Lux.com	5Lux.com	76	Web Only	Apparel/Accessories	$255,162,949	11.6%
Asia						
Beams Co. Ltd.	Beams.co.jp	172	Retail Chain	Apparel/Accessories	$103,500,000	15.0%
Goldwin Web Store	GoldwinWebStore.jp	361	Web Only	Apparel/Accessories	$37,372,036	4.6%
Kyoto Kimono Market	Kimonolchiba.com	279	Catalog/Call Center	Apparel/Accessories	$55,709,184	8.2%
Latin America						
Daslu	Daslu.com.br	63	Retail Chain	Apparel/Accessories	$42,438,175	8.0%
Medalhão Persa	MedalhaoPersa.com.br	139	Web Only	Jewelry	$17,062,991	15.0%
Casa das Alianças	CasaDasAliancas.com.br	166	Retail Chain	Jewelry	$14,140,376	15.0%

*Consumer Brand Manufacturer. Source: Top500Guide.com

specialized in selling off-season fashion at a discount, joined forces with Switzerland-based Richemont's Net-A-Porter, a pioneering online seller of in-season luxury apparel.

The combined Yoox Net-A-Porter Group produced e-commerce revenue of $1.03 billion in 2015, or 8.0% of the total online sales of the luxury retailers surveyed here. Online sales for the combined company grew 20% in 2015, and the e-retailer projected annual revenue growth of between 17% and 20% through 2020 in a presentation in July 2016.

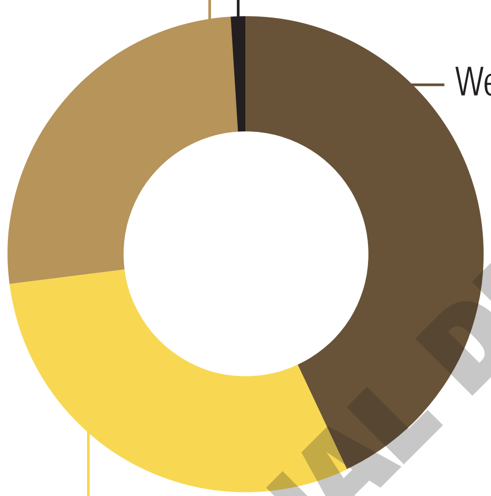
Yoox now operates three businesses. In two of them, the company is a traditional retailer, selling discounted fashion through Yoox and The Outnet, an off-season discount site Net-A-Porter launched in 2009, and in-season apparel, accessories and home goods through Net-A-Porter. In its third business Yoox uses its e-commerce expertise, acquired since its launch in 2000, to operate more than 30 e-commerce sites for such high-end brands as Dunhill, Armani, Valentino and Jimmy Choo. Combined, the company says it shipped 7 million orders to 180 countries and shot 4.4 million photos for its websites in 2015 and had 8.7 million items in stock as of June 2016.

The company acquired 100 million euros ($110 million) in fresh capital in April 2016 when Dubai-based retail and e-commerce investment group Alabbar Enterprises acquired a 2.7% stake in Yoox Net-A-Porter Group. Yoox said it would use the capital to upgrade its omnichannel technology and to move into high-potential markets, including the Middle East.

Yoox is also transitioning its e-commerce operations to the Websphere e-commerce

Web-Only Merchants Lead in Online Luxury...

Percent of 2015 online luxury sales, by merchant type



platform from IBM and IBM's Sterling order management system. That's part of Yoox's plan to blend content and commerce on its websites and to more efficiently fulfill orders around the world. Yoox, with 250,000 square meters of warehouse space in North America, Europe and Asia, already offers same-day delivery in Manhattan, London and Hong Kong, and next-day delivery in 25 countries.

Yoox continues to reach out to other luxury brands to help them sell online. In 2016 it announced deals to sell products from Prada and Tiffany on Net-A-Porter.com. The e-retailer also plans to invest more heavily in its own private-label products, which it projects will account for 10% of revenue by 2020, and in selling jewelry and watches.

The 5-year plan Yoox Net-A-Porter laid out in the summer of 2016 also included a "mobile-first" strategy of targeting young consumers for whom mobile devices are their primary shopping tools. That orientation was evident in the September 2016 relaunched Yoox.com and its mobile site and apps. "We have shifted our focus to that younger consumer who is more inclined to navigate and purchase on Yoox through mobile phones and tablets," says Luca Martines, president of Yoox Net-A-Porter's off-season division, which is mainly represented by the Yoox brand.

...But Store-Based Retailers Lead In Growth

2015 web sales growth, by merchant type

*Consumer Brand Manufacturer. Source: Top500Guide.com

While many retailers are turning to responsive design, a technique that allows them to develop a single e-commerce site that adjusts its display to fit the screen the consumer is using, Yoox took a different path in its recent redesign. The company decided to develop a website for mobile devices that's distinct from the website consumers see on personal computers, even though that means the added work of maintaining separate e-commerce sites. "We are a mobile-first company and simply mirroring the desktop site was not enough," Martines says.

Yoox also invested in an updated mobile app for both Apple and Android devices. The app includes recommendations based on popular searches, a visual display of recently viewed items suggested shopping terms on search results pages designed to make it easier—and more fun—for the consumer to find what she wants, Martines says.

"The convenience of smartphones has taught consumers to expect easy access to, and predictive suggestions, what they are looking for," he says. "We want to be the shopping platform to deliver it to them."

> Yoox Net-A-Porter has adopted a "mobile-first" strategy of targeting young consumers for whom mobile devices are their primary shopping tools.

The desktop site features expanded editorial content, including a tab called "Stories" with photo arrays and text about leading designers. Such editorial content long has been a feature of Net-A-Porter's websites, which feature the shoppable weekly online magazine The Edit and the six-times-a-year print title Porter.

As part of uniting the two companies, Yoox Net-A-Porter announced in October 2016 plans to build a technology hub in London. The company's five-year plan calls for a 20% increase in the e-retailer's technology team, 1000 new employees split equally between the United Kingdom and Italy.

$250 million

Purchase price for Gilt Groupe. At its peak, the flash sale retailer was valued at $1 billion.

Flash in the pan?

Flash-sale online retailers helped bring high-end goods to middle-class consumers in their heyday in the late 2000s, but they've struggled in recent years. Two of the weakest 2015 performances among the top 10 luxury e-retailers were turned in by two flash-sale sites: Gilt Groupe, whose sales fell 4.8%, and Rue La La, which increased its sales by only 5.0%.

Gilt is no longer an independent company after Canadian department store operator Hudson's Bay Co. bought Gilt in January 2016 for $250 million. That purchase price reflected the lost luster of flash-sale e-retailers like Gilt: Gilt had raised $271 million in several funding rounds, according to Crunchbase, and reportedly at one time was valued at $1 billion.

One way to gauge the fading fortunes of the flash-sale luxury e-retailer is to look back at what retailer Nordstrom Inc. paid for web-only flash-sale retailer Hautelook in 2011: $270 million for a company that at the time was doing one-quarter of the business of Gilt Groupe. Gilt booked $425 million in online sales in 2010 versus $100 million for Hautelook, according to Top500Guide.com. But the limited-time-sale concept was hot enough in 2011 that Nordstrom paid roughly 2.5 times Hautelook's sales to make the acquisition; Hudson's Bay paid less than half of Gilt's 2015 sales.

With Gilt and Hautelook having been acquired, observers have to wonder whether the largest remaining independent flash-sale web retailer is on the block. Rue La La says no. When Mark McWheeney, Rue La La's former chief marketing officer and chief financial officer, took over as CEO in May 2016 he said the company had been profitable in 2016 and that he would "focus on driving innovation, capitalizing on our mobile leadership, cultivating additional strong brand relationships and creating deeper consumer engagement into the future."

That will mean having a strong focus on mobile shoppers. Many consumers use their mobile devices to keep up with the limited-time, limited-quantity offers of flash-sales sites, and 38% of the traffic to RueLaLa.com in August 2016 came from smartphones and tablets, according to SimilarWeb, a company that measures website activity. Rue La La is No. 8 in the Internet Retailer Mobile 500, which ranks online retailers by their mobile sales.

China's high fliers

The two fastest-growing luxury e-retailers in the Top 10 hail from China: Shangpin.com, which sells apparel, and accessories and jewelry e-retailer Zbird.com. They were also the two fastest-growing overall, with No. 3 also being a Chinese company, Beijing Secoo Trading Co., which sells handbags, watches, jewelry and other accessories, including luxury automobiles.

Shangpin, which more than doubled web sales in 2015 to $852.9 million, exemplifies the confidence and ambition of China's growing entrepreneurial class. It was founded in 2010 by David Zhao as a members-only site featuring limited-time offers on such high-end Western brands as Gucci, Armani and Givenchy. It aimed particularly at affluent consumers outside the big metropolises like Beijing and Shanghai who could only buy such luxury brands on the web.

Chinese luxury apparel e-retailer Shangpin, which more than doubled web sales in 2015, shifted its strategy in 2016 to sell apparel from 80 Chinese designers.

Having raised $60 million and grown rapidly, Shangpin shifted its strategy early in 2016, introducing apparel from 80 Chinese designers. "Partly because this generation of designers has had the opportunity to travel, explore and study globally, those with talent are able to evolve at a phenomenally fast pace," Zhao write in a column published in the U.K. magazine Business of Fashion. "It helps that they have easy access to top-quality manufacturers in their own backyard that can readily meet international standards and deliver to tight deadlines at affordable prices."

Those prices are relatively affordable—$300 to $600 for a typical suit or dress by a Chinese designer, Zhao said. That's a far cry from the dresses from brands like Valentino and Chloe that can easily run into the thousands of dollars.

"While there are physical stores in China that promote local fashion talent, we have been staking a claim as leaders in the online space," Zhao wrote. "The 80 made-in-China brands making an impact on the site make up about 10% of our total number of brands, but with the pace of change in China—in terms of local creativity and production—I have no doubt that this figure will double soon."

Like Shangpin, Beijing Secoo and Zbird have been fueled by venture capital, Beijing Secoo raising about $200 million and Zbird $80 million.

Beijing Secoo sells luxury goods in nine categories, including handbags, jewelry, watches and automobiles. Some of the brands it offers are Rolex, Chanel, Cartier and Mercedes Benz. The e-retailer operates service centers in Beijing, Shanghai, Chengdu, Hong Kong, Milan, New York and Tokyo, to provide after-purchase service.

Zbird, which targets the younger generation among China's middle class, those ages 25 to 35, sells loose diamonds, engagement rings and other jewelry. Founded in 2002, the company has opened offline stores in more than a dozen cities where it closes many sales of wedding and engagement rings.

Apart from the three Chinese retailers, the only emerging market merchant represented among the 10 fastest-growing luxury websites is Gallerist of Brazil. That may come as a surprise, given that Brazil is in a deep recession that produced a 4.0% decline in economic output in 2015 and a 3.8% drop in retail sales. Nonetheless, Brazil's online retail sales increased 15.3% in 2015, according to the Brazilian Institute of Geography and Statistics, as Brazilian consumers turned to the web to make their money go further.

While luxury retail shops in Miami and elsewhere are hurting from the downturn in Brazilian tourism as a result of the country's economic problems, Gallerist.com.br provides them a way to keep themselves fashionably attired without going abroad. The 2011 startup, founded by four millennial-generation sisters, has been growing rapidly, more than tripling its online sales from $2.4 million in 2013 to $8.0 million in 2014 and then growing another 65% to $13.2 million in 2015.

The North American leader in growth

Among the five North American luxury retailers in the top 10 in growth, Michael Kors leads the way—and that's a product of significant recent investment in e-commerce.

The handbag and accessories retailer brought its e-commerce technology in-house in 2014, and launched a redesigned, mobile-optimized MichaelKors.com in September 2014. The site replaced product photos with lifestyle images, features mobile-friendly horizontal and vertical scrolling options, and offers free shipping and returns on all items ordered online.

The new site had an immediate impact, even putting a dent in the brand's store sales, CEO John Idol said in early 2015. "The shopping behavior of certain customers in North America is changing, and they are migrating

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Technology helps luxury retailers leverage content to drive business growth

Historically, luxury retailers have not approached e-commerce the same way mainstream retailers have. Rather, they've invested their marketing efforts into driving high-end shoppers into their brick-and-mortar stores to truly partake in that upscale customer experience.

But the reality today is that luxury e-commerce is substantially growing. According to a recent report by marketing research firm Technavio, global luxury e-commerce is expected to reach $41 billion by 2019—more than double its value of $21 billion in 2014. And this growth is creating challenges for luxury retailers who have historically been hesitant to embrace mass consumer marketing tactics.

"As e-commerce continues to grow, access to products and luxury brands continues to grow," says Olivia Herron, vice president of account management at Curalate, a visual commerce platform provider. This is forcing luxury to let go of some of the control previously held about where and how their product is displayed, in order to compete with brands that are easily discovered when their content is everywhere."

According to Herron, luxury retailers are challenged to find ways to offer their online shoppers high-end experiences that rival the in-store customer service they would receive offline. They are looking for ways to differentiate the online experience while remaining approachable to the wide demographic that e-commerce opens up for them.

For luxury retailers, it's critical that shoppers can find their products in a flooded e-commerce marketplace. "Having the ability to find all of the content that represents their brands and then make that content smart, by linking to product, is essential. Retailers then must distribute this content in a measurable way across all of the growing consumer touch-points," Herron explains. "If luxury retailers don't embrace the opportunity to be discovered anytime, anywhere and give consumers the ability to take action — they will miss out on opportunities to generate revenue from across the web."

CURALATE

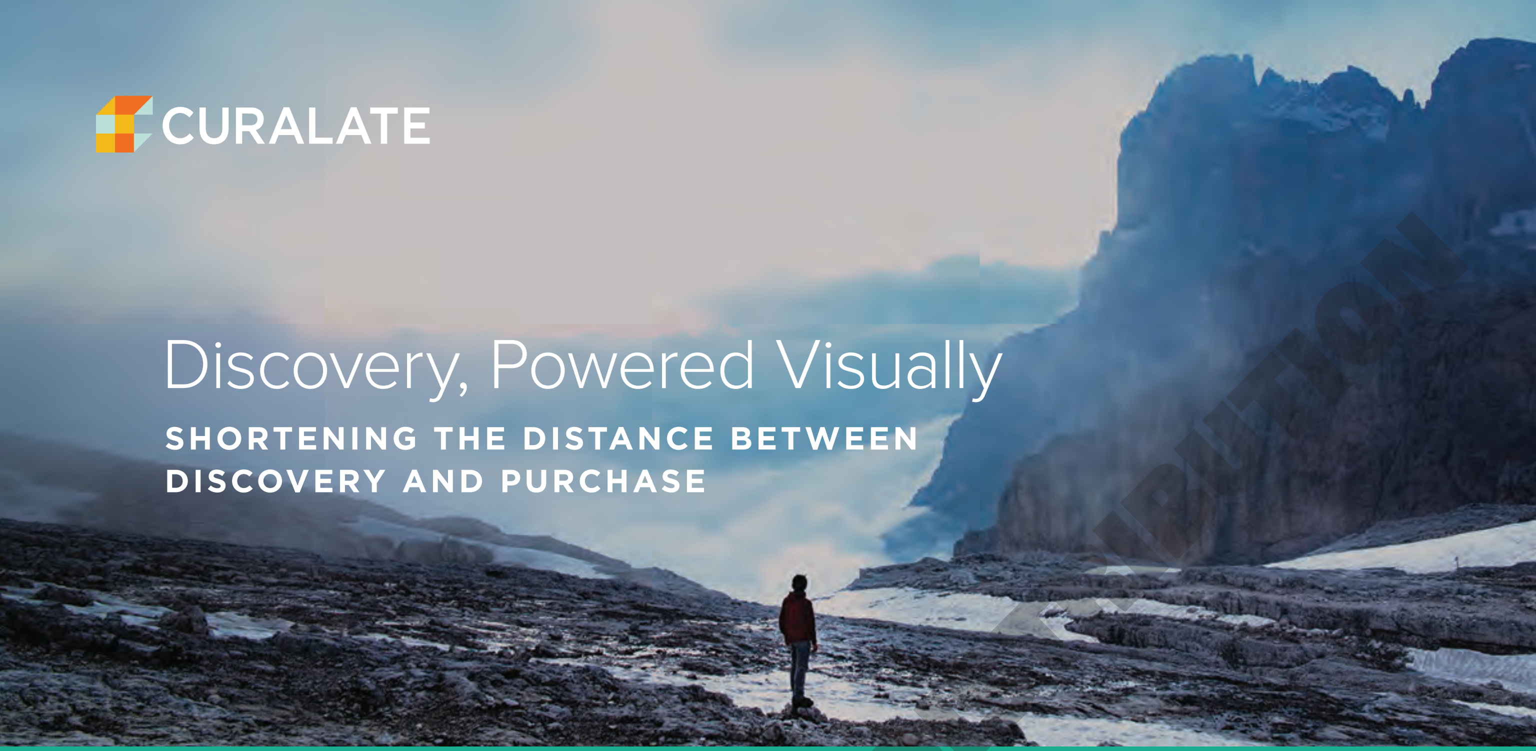
Herron says the most important strategy to bridging the divide between discovery and commerce is connecting images to the actual products they represent. "Images and videos are inherent in all marketing campaigns—including paid, to email, and social media. Often, there is no direct link back to the actual product these images represent," she says. "When content is not linked to product, it's impossible for consumers to take action on those images."

Implementing technology, such as that offered by Curalate, allows luxury retailers to display compelling content in front of those important high-end customers. In fact, Curalate has helped many luxury brands reach their target markets better.

"Our technology enables luxury retailers to offer new opportunities to their consumers to discover and ultimately take action on the visual content they encounter," Herron says. "We do this by enabling brands to link visual content to either products or additional information. This means that when a potential customer sees an image or video and is inspired, our technology allows them to click out to a product page and purchase, or click out to a page that provides them with more of the information they are looking for."

Now, it's more important than ever for luxury retailers to be thinking of new ways they can engage their target shoppers in valuable, educational and positive online experiences where they are both comfortable making and enabled to make purchase decisions, Herron adds.

"Luxury brands should be replicating the in-store experience online, and using visual discovery to do so," she says. "And Curalate is helping them do that — we're giving them the ability to leverage content to drive business gains."



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their purchases to our e-commerce site at a greater rate than we had initially anticipated, which is impacting traffic and comps [comparable-store sales] in our North American stores," Idol said at the time.

Although only about 7% of its sales were online in 2015, Idol has said e-commerce could one day account for as much as 25-30% of sales. The company operates 668 bricks-and-mortar stores or concessions within other retailers' stores around the world, more than half in the Americas.

To promote online growth, Michael Kors has been among the first brands to take advantage of new advertising options on the Instagram social network and planned to begin offering same-day delivery at no charge, starting in New York City and eventually expanding to other locations. Idol said the service would be available during the 2016 holiday shopping season.

The retailer, which until now has only operated its own e-commerce sites in the United States and Canada, planned to unveil six new web stores in Europe in fall 2016 and 16 more in Europe and Asia in 2017.

While Michael Kors does not yet have its own e-commerce site in China, its products have been available on some Chinese sites, such as the luxury flash-sale site Mei.com. And in a survey by Alibaba Group Holding Ltd., China's dominant e-commerce company, of the well-heeled consumers who are members of its invitation-only Alibaba Passport loyalty program, Michael Kors was rated among the top handbag brands.

China's growing affluent class craves Western luxury goods, and that's drawing many upscale brands to the world's largest e-commerce market by sales. Yoox Net-A-Porter is already investing heavily in China. Yoox launched Yoox.cn in 2012 and both Yoox and Net-A-Porter had initiated marketing programs on WeChat, the messaging system used by some 530 million Chinese consumers, prior to their merger.

There's plenty of opportunity for online luxury brands in China, according to a Yoox presentation in July 2016 that said that of the $80 billion Chinese consumers spend annually on luxury goods only $15 billion is spent within China—and only $1 billion online. ◆

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Stepping up digital strategies is key to a luxury retailer's success

Luxury shoppers aren't average customers. They make conscious decisions to spend substantially more money on products for many reasons, such as product quality, brand status and, most importantly, the experience they receive when shopping at luxury brand stores. And traditionally, luxury retailers' online presence essentially revolved around driving those consumers into their stores. But in today's growing and evolving e-commerce landscape, that may no longer be enough.

"Historically, many luxury retailers' websites were meant to showcase new merchandise, while ultimately directing shoppers to visit a brick-and-mortar location to purchase," says Michael Wang, president and CEO of Onestop Internet Inc., an e-commerce platform provider. "But today's consumer is more tech-savvy than ever. Any retailer hoping to engage that consumer needs to have a strong focus on digital."

According to Wang, now is the time for luxury retailers to play catch up with regard to developing and maintaining their digital presence, as well as responding to the increasing demands of today's online luxury shoppers. And they can do that, he says, by recreating the high-end shopping experience consumers enjoy at brick-and-mortar locations through a digital storefront.

"The best thing a luxury retailer can do right now is make a conscious decision to focus on its e-commerce strategy," Wang says.

Retailers should start, he says, by investing in technology that tracks their shoppers' interactions with their brand across all channels. This provides the valuable insights necessary for developing and maintaining a digital strategy that contributes to long-term growth and success. They also should focus on understanding potential new customers by reading industry research reports and regularly consulting with retail analysts.

The path to putting a strong e-commerce strategy in place, Wang says, is partnering with the right technology

ONESTOP

provider. "Cultivating an exceptional digital experience requires an entirely different skill set than brick-and-mortar, and it can't be mastered overnight," he adds. "When it comes to selecting a partner, it is of paramount importance to consider expertise with luxury retailers specifically."

Throughout the years, Onestop has worked with many luxury retailers—such as 7 for All Mankind, Paige, Coach, John Varvatos, Rag & Bone, Spyder, Juicy Couture and Calvin Klein—helping them build strong online storefronts that mirror an excellent in-store luxury shopping experience. Onestop's capabilities include platform and development, performance marketing, creative design, digital imaging and video, warehousing and fulfillment, and customer care.

"We help luxury retailers give shoppers an exceptional brand experience across all devices by working closely with luxury brands to get a clear sense of what they envision for their digital presence and then bring that vision to life," Wang says. "We leverage our years of e-commerce experience and rich understanding of today's luxury shopper to develop and implement a digital strategy that will effectively engage that shopper."

And it's working. According to company data, Onstop's luxury retail clients have experienced a 57% average growth through multiple sales cycles since launching Onestop's technology.

"By leveraging our suite of core services together, luxury brands can trust that all departments work in harmony to cultivate the best possible digital experience for their shoppers," he says. "The digital realm presents endless possibilities for luxury brands, and it is a fundamental piece of their customer relationship. Now is the time to embrace that."


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