

## Creating Connected Experiences - Luxury Interactive 2016

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Luxury Interactive took place at the Convene Conference Center in New York on 17-19 October 2016. At this event, speakers and panellists from across the luxury retail industry shared their insights on the growing

digital marketplace. They also exchanged their strategies to enhance customer service and drive sales in the growing digital space.

Euromonitor International had the pleasure of attending and speaking at Luxury Interactive to share key trends on the divergence of luxury and digital.

### Luxury online sales growing fast

While the global personal luxury goods\* market looks set to see further low, single-digit growth, luxury online sales are expected to continue to see stronger growth in 2016. Luxury online sales accounted for approximately 9% of overall sales in 2016 and are expected to grow at a much faster pace than the overall luxury market in the next five years.

### Global consumers are more digitally-connected than ever before

The growth of digital commerce is largely supported by the increase of digitally-savvy consumers around the world. The number of internet users has doubled since 2009 to reach 3 billion globally in 2016. Over the next five years, the world will become more connected than ever before, as nearly 4 billion or half of the world's population will have access to the internet by 2021.

Also, consumers are increasingly connecting to the internet through their smartphones. In 2016, 52% of all mobile telephone subscriptions include internet access. This share is expected to grow to 84% by 2021.

### Luxury brands and retailers turn to omni-channel strategies

With the growing number of digital consumers around the world, luxury brands and retailers are turning to omni-channel strategies. Luxury brands are operating their own e-commerce sites as well as working with luxury department stores and e-retailers to sell their products online. Having presence across multiple and different online platforms is a great way to gain exposure to a wider online audience because each site targets different shopping occasions and consumer groups. Tiffany, for example, started to collaborate with an e-commerce website, Net-A-Porter, to sell its products through the Net-A-Porter website. While Tiffany currently operates its official shopping website in 13 countries, Net-A-Porter has audiences in more than 170 countries. According to Tiffany, its online sales represented 6% of total net sales in the 2015 fiscal year. The collaboration with Net-A-Porter will help Tiffany acquire new

customers and build brand awareness.

In an opposite direction, pure online players are entering into the offline space by opening stores. Bonobos is an online menswear retailer, and in 2015, the company opened its first bricks-and-mortar showrooms, called guideshops. Guideshops allow customers to browse and try on their clothes. When it comes to shopping clothes, fitting and sizing are key criteria and Bonobos is able to accommodate such needs and preferences by opening physical stores. Bonobos continues to deliver an omni-channel experience as the brand now has over 20 showrooms in the US as of October 2016.

#### Social media drives s-commerce

More consumers are using social media to communicate with families, friends and even with their favourite brands. Luxury brands and retailers have accounts on various social media platforms to engage and interact with their customers. The use of social media is expanding from being a marketing tool to encouraging and even completing sales transactions. Our hyperconnectivity survey showed that emerging markets like China, India and Mexico had a higher percentage of respondents saying they bought items via social media. In contrast, developed markets like US and UK had only 10-15% of respondents saying they purchased via social media platforms. This result is from 2014 and we are gradually seeing some changes. Western social media players like Facebook, Twitter and Pinterest have begun to introduce purchasing tools and so we are expecting to see more purchases of items including luxury goods through social media in more countries in the next five years.

#### The future is "phygital"

Another key digital trend is that luxury retailers are incorporating new technologies in their physical retail locations to facilitate and augment the shopping experience. There is even a new term for this merging of digital and physical retail strategies - "phygital".

Burberry is a leading player when it comes to digital innovation and incorporates all kinds of digital solutions in its physical stores. For example, they added magic mirrors in their fitting rooms where customers enter the fitting room with their selected item; the mirror reads the tag of the items; and shows a film of how the garment was made and what it looked like on the catwalk. Burberry also introduced what they call a retail theatre concept. The concept store has a giant digital screen to show the brand content and the latest runway shows, which helps the retail environment become more vibrant and energised.

Tommy Hilfiger is one of the first luxury brands to launch a virtual reality experience into its stores. Customers can watch the latest runway show in the virtual reality headsets and the great part is that shoppers are able to purchase the item they saw in the show at the store right away. While digital technology can stimulate interest in items, the physical store can offer convenience by products being available for immediate purchase.

Sephora is another retailer investing heavily into phygital retail strategies. The retailer recently introduced TIP (teach, inspire and play) workshop concept stores. The concept stores have iPad-equipped workshop stations which allow customers to participate in guided make-up lessons and watch how-to-apply videos. The iPad is a great tool especially for young consumers who are willing to learn more about beauty products. Sephora also has fragrance IQ stations and skincare IQ stations where customers enter their fragrance preference or skincare concerns on the screen to get

customised product recommendations.

These are just a few examples and we are expecting to see more variety in the future. Such unique phygital retail concepts can not only generate publicity and position brands at the forefront of innovation but also enhance in-store retail experiences.

*\*In this reference and throughout the article, luxury sales exclude the fine wines/champagne and spirits category.*



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