

NEXT-GEN LUXURY:

AR TECHNOLOGY,
APPOINTMENT-BASED
SHOPPING AND THE
RISE OF GEN Z'S
INFLUENCE

retail
TouchPoints[®]
SPECIAL REPORT

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INTRODUCTION

Challenges facing the luxury industry are many, from continued travel restrictions impacting the shopping tourism market across the globe to shifts in consumer buying patterns and expectations. However, 2021 also offers new opportunities for this sector, including Gen Z's growing interest in high-end products, an affluent consumer impatiently waiting to return to spending, and the growth of luxury resale.

The biggest trend is luxury's embrace of digital retailing. While luxury brands have traditionally been reluctant to sell their goods online, in a COVID-rocked world many designer fashion houses, jewelers and other top-tier purveyors are embracing online to survive in this new retail reality.

This *Retail TouchPoints* Special Report will look at how luxury brands are adapting to digital acceleration and transforming their business and customer experience models to re-create the luxury experience online, emphasizing high-quality design and aspiration. Key strategies that will be explored include:

- Embracing AR technology;
- Livestream shopping;
- Clienteling delivered via social media and chat functionality; and
- Personalization powered with AI and customer analytics.

The luxury sector also is rethinking its approach to physical retail, tapping into stores as important hubs for omnichannel strategy and taking advantage of pandemic-fueled features that actually play into the exclusivity and personal touch of luxury experiences, including:

- Appointment-based shopping; and
- Design that feeds consumers' aspirations and changing attitudes while also providing superior customer service.



THE LUXURY CONSUMER: SHIFTING NEEDS AND SHOPPING BEHAVIORS

The pandemic has caused massive shifts in consumer spending, shopping patterns and behaviors across all sectors, including luxury retail. Fewer social gatherings, fundraisers, parties, nights-out and celebrations — pandemic life has changed what luxury shoppers are looking for, shrinking sales. But after living a year-plus in sweats (even if it's cashmere loungewear), consumers will be ready for a change, and many analysts are predicting a major resurgence in luxury goods, fueled by pent-up demand as the world emerges from COVID-19 over the summer of 2021.



“Upper-income consumers who have been saving by not traveling and spending less on experiences will be ready to explore. There is the possibility of another ‘roaring ‘20s’-style expansion – the only question is whether it will be soon enough for luxury brands.”

Hilding Anderson, Head of Retail Strategy, North America, **Publicis Sapient**

In some cases, consumers are not only redefining their shopping patterns but also how they define luxury. “Consumers are spending their disposable income on home improvement, cooking at home and related segments,” said Tyler Higgins, Retail Practice Lead and Managing Director at global management consultancy **AArete** in an interview with *Retail TouchPoints*. “Coming into 2021, **luxury brands need to redefine themselves as being a personal reward for their shopper**. Consumers have redefined their criteria for a luxury marque, and therefore, what brands they are willing to invest in. Therefore, **brands need to be aware of their position in the marketplace, their response to social issues and the causes they support** — in other words, what they stand for.”

To connect with customers now, a brand’s social values will need to resonate with shoppers and create an authentic relationship, an emotional connection and, ultimately, brand loyalty and customer lifetime value, added Marie Driscoll, Managing Director for Luxury and Fashion at **Coresight Research** in an interview with *Retail TouchPoints*.



THE SHIFT TO ECOMMERCE: AR AND LIVESTREAMING AMPLIFY DIGITAL SHOPPING

With mandated store closures, luxury consumers of all ages have grown more comfortable with purchasing luxury goods online — a channel luxury retail has been slow to embrace, forcing brands to expedite their ecommerce initiatives and offerings.

The luxury experience is arguably as appealing as the product, so translating the exclusivity of in-store to the online realm without losing the elements that make the brand special is the key, explained Claus Fischer, Executive Search and Assessment Consultant at [Russell Reynolds Associates](#) in an interview with *Retail TouchPoints*.



“Whether through the development of brand-specific apps or through an enhanced understanding of brand narrative told through a homepage or personal livestream shopping advisors, luxury brands will need to start pulling talent from digital sectors immediately. With internet sales expected to comprise 30% of luxury revenues by 2025, the need for new talent cannot go ignored.”

Claus Fischer, Executive Search and Assessment Consultant,
[Russell Reynolds Associates](#)



Technology will play the lead role in delivering better ecommerce experiences, via tools that optimize personalization, customer engagement and elevated service. The technologies at the forefront include:

- **Augmented Reality:** AR tools that have been deployed by luxury retailers allow customers to preview everything from shades of lipstick to a new style of shoe (think **Gucci's** Snapchat filter), or to how a handbag will look with your outfit at home (like **Burberry's** AR shopping tool in partnership with Google Search).
- **Livestream Shopping:** Social commerce and livestream shopping are expected to drive sales growth in 2021 and beyond. In addition to facilitating better product demos, livestreaming adds the shopping IRL (In Real Life) human connection element to the online experience, driving further engagement and entertainment.
- **Clienteling via Social/Chat:** The new era of clienteling is via social media and chat functionality, enabling store associates to still cultivate one-on-one customer relationships and engagement via technology. "Delivering personalized customer service via social media and chat may be easier than in person, as customer service agents can view customer data quickly and respond, which may not always be feasible in person," said Driscoll. "This strategy is likely to work better with younger consumers that have shorter attention spans, and brands need to work cleverly to deliver a highly personalized customer experience quickly."
- **AI-Powered Personalization:** Harnessing the power of data and customer analytics to deliver ever-more-personalized shopping experiences curated to individual customers will be central to success. "Personalization and data represent one of the most promising investment areas for 2021 and beyond for mass luxury and large beauty brands," said Anderson. "And in the high-end luxury market, more can be done with email and curated communications to drive business results. Luxury companies have been embracing digital transformation as a way to keep their relationship with customers alive."

"Digital goes far beyond just a case of embracing ecommerce," said Tania Oakey, Marketing Director, Retail and Luxury of **Cegid** in an interview with *Retail TouchPoints*. "It is about developing and executing an omnichannel strategy across all touch points to engage, inspire and deliver relevant, personalized, interconnected (omnichannel) shopping and brand experiences — across the brand's own websites, physical stores, social media, WhatsApp and marketplaces — nurturing the sentiment of an exclusive customer community. Digital is unlocking new experiences and customer segments for luxury brands, and driving traffic to the physical stores — click-and-collect, BOPIS, BORIS, E-reservation, web from store, store to web."



LUXURY THE NEW WAY

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Tania Oakey, Retail
Marketing Director, **Cegid**

Over the past 12 months, we've probably bolted ahead five years in terms of both business and consumers' adoption of digital and omnichannel commerce. As personal distance and in-store shopping became a premium and online shopping a standard, luxury brands became focused on accelerating omnichannel transformation and adapting the selling ceremony to meet the expectations of their affluent consumers — across all touch points.

Distance shopping, social selling, livestreaming, VIP appointments, Buy Online Pickup In-Store, Ship from Store...today luxury brands can tap into these omnichannel services whilst preserving the exclusive nature of their brand experience, singular customer focus and heritage.

Delivering an outstanding and highly personalized shopping experience requires eliminating channel silos, placing the customer at the heart of the strategy and 'unifying' stock across the enterprise. Until now, brands have not leveraged the availability of product in their retail network and online fulfillment centers enough.

In luxury, the "historical pull model" — whereby, based on the buying season, the store itself is often responsible for selecting the product for its local customers — means that there is often no single catalogue of what's available and where. A brand can have 'sell-outs' online but 'overstocks' in-store, leading to lost sales and eroding margins. Unified commerce manages a single view of inventory across all channels and improves customer conversion rates.

What about the physical store? Luxury is all about desire, emotions and experiences, something that's not easily replicated online. The luxury store is paramount and is not going away. However, the store experience will need to seamlessly connect offline and online.

The physical store should be experiential; a place to discover, experience and interact with the brand and products. Store associates are brand ambassadors, marketers, sellers, personal shopping assistants. They need to be skilled in sharing the brand heritage and values armed with accurate customer insights, real-time access to stock availability and product information.

Luxury brands should also capitalize on their stores' ideal locations and human resources to prepare web orders, with 'ship from store' optimizing delivery times, costs and carbon footprint.

At **Cegid**, we help luxury and specialty brands worldwide in this journey of change, to capture new sales and client opportunities by delivering a unified commerce experience, thanks to better and new ways to serve, sell and fulfill in today's new retail. Cegid's Unified Commerce Platform has been adopted by more than 1,000 brands and 70,000 stores across 75 countries.



GEN Z'S RISING INFLUENCE ON LUXURY

Sustainability and purpose are growing trends that show no signs of slowing down, especially among younger consumers. While digitally native Gen Z currently only makes up a small segment of luxury consumers, they influence the purchasing decisions of older generations since many still live at home. Their influence will continue to grow as the younger generation amasses wealth and ages into the luxury market.

Additional characteristics of Gen Z that luxury retailers should take note of include:

- Gen Z values scarcity, collaboration, sustainability and social responsibility;
- They mix-and-match high-end goods with lower-cost product;
- Truly digitally native, they use social media as a go-to place before everything else;
- They consider digital the most natural way to communicate;
- Sustainable manufacturing and sustainable product design are appealing to this demographic; and
- They are more likely to associate luxury with better quality.



“Luxury retailers should first look to the branding and positioning of their products, given Gen Z’s purchase criteria differs greatly from those of older consumers of luxury brands. And luxury brands should look for ways to be the one opulent or indulgent product a Gen Z’er is willing to invest in.”

Tyler Higgins, Retail Practice Lead and Managing Director, **AArete**



SUPPLY CHAIN AND TRAVEL RESTRICTIONS CONTINUE TO CREATE CHALLENGES

In addition to adapting to swiftly shifting consumer behaviors, luxury retail saw a slew of other challenges induced by the pandemic over the last year, from supply chain to sourcing and point of sale.

The supply chain is emerging as one of the most important factors to combat increased pressure on luxury profits. “Vertical integration has been one of the most important stories in the last decade for luxury retail, but a move to a higher reliance on ecommerce models requires a more responsive and nimble supply chain than has traditionally been found in this sector,” Fischer said. “Whether fulfilling direct sales or partnering with established online players, managers in luxury will need to examine the supply chain in the short term, e.g., **shifting inventory to regions recovering more quickly from the pandemic**, as well as strategizing in the medium term to protect supply chain vulnerabilities in regions hit especially hard by the pandemic, especially Italy.”

Besides COVID-19’s impact on actual store visits and the overall global economy, the effect on travel has been astronomical, which has direct implications for luxury retail — especially those that rely on tourist travel in high-traffic areas to support larger-footprint stores. International tourism, particularly by the Chinese, has been a significant driver of global luxury growth, explained Driscoll. In the long term, more luxury brands around the world are expected to improve their own in-country offerings so that tourism is not as big a driver as it has been in the past.

The booming luxury resale market could prove to be another challenge over the next **three to five years**. “These secondary markets are making it easier for an individual to procure luxury products and engage with those brands,” said Higgins. “But in turn, these sales could result in a net reduction in direct, primary customers of luxury brands. So a key challenge will be to develop new consumers in existing markets, as well as broaden those markets.”

The resale market also offers opportunities for new customer acquisition and growth, attracting shoppers with great prices, instant availability of product, sustainability and the treasure-hunt shopping experience. “Luxury resale actually enhances first-sale luxury retail as it affirms the value of a luxury purchase by providing an aftermarket and a price,” said Driscoll. “**We expect luxury brands to incorporate resale into their business model to keep engaged shoppers in the brand by providing this additional service.**”



REINVENTING THE STORE EXPERIENCE WITH APPOINTMENT-BASED SHOPPING

When demand begins to recover for luxury retail, stores (connected with smart devices and digital commerce) will serve as a critical part of luxury retail's omnichannel strategy. "The experience of visiting a physical store — the touch, smell and sounds of the luxury shopping experience — is inextricably tied to the luxury lifestyle that, ultimately, is at the heart of what is being sold," said Anderson.

Physical stores will still need to be immersive brand experiences (albeit enhanced with technology) to improve brand recognition and establish an experiential connection with the consumer. "No brand will solely rely on a digital platform, but those that best realign their real estate footprint in support of their omnichannel and new customer acquisition strategies will lead in the segment," said Higgins.

The store experience will need to seamlessly connect offline and online, which is especially paramount in luxury where service expectations are at their highest, Driscoll said. Services such as BOPIS and curbside are now expected by consumers as well, representing another area of opportunity for luxury retailers to reinforce top-level customer service.



Tapping into store associates' expertise and service, the luxury in-store experience will have an elevated focus on one-to-one concierge service and appointment-based shopping – creating not only exclusivity and personalized service, but also adhering to social distance requirements.

The concept of appointment-based shopping was already being used in luxury retail, and it's now quickly evolving and extending beyond the physical store thanks to digital tools and technological advancements. "Luxury brands can immerse shoppers in that one-of-a-kind New York City, Milan and Paris shopping environment by offering virtual, appointment-based excursions in stores all around the world," said Heesun Kim, Creative Director at **NELSON Worldwide** in an interview with *Retail TouchPoints*.

Appointment-based shopping and concierge services also can improve conversion rates by speeding up the decision-making timeline on premium products. Through the implementation of concierge services, **Watches of Switzerland** found that nearly half of its in-store foot traffic was coming in for appointments, and that the decision-making time for a purchase was dramatically shortened, said Michael Rostkowski, VP at **CallisonRTKL**, which worked with the retailer and designed its Regent Street London flagship. "The average customer making a watch purchase would take about **six months** to decide, but that dropped to **one month** with appointment-based shopping."



TRANSLATING THE BRAND THROUGH DESIGN AND TECHNOLOGY

Overall, the in-store experience is the culmination of the shopper's brand perceptions, and retailers must embed the store design within that overall brand relationship, said Alec Zaballero, Managing Executive/ Studio Director of **TPG Architecture**.

As brands heed the call to be purpose-driven, those values will need to be expressed via design elements such as signage and digital content that shares an authentic brand story. Going beyond LEED green building standards, stores should reflect consumers' sustainability aspirations — think hosting eco-friendly activities and incorporating repairs and recycling offerings, Kim said.

For luxury brands, embracing technologies such as mobile apps, voice command tools, QR codes and smart mirrors will truly embellish the in-store experience, Kim said. Many luxury brands, such as **Burberry**, are already implementing new stores with a connection to digital and social media. Burberry's next-generation store in Shenzhen, China combines physical and digital elements to create a seamless experience for consumers. "One of the unique features is the store's integration with the WeChat Micro concierge," explained Kim. "Shoppers can schedule in-store appointments, ask to try on items, communicate with customer assistants, and even customize their fitting room lighting and music, all from their own mobile devices."

Automation will also play a role in store design, as retailers find creative ways to minimize back-of-house space and expand the retail area for sales, which will create the need for "developing new ways of automating storage spaces to deliver stock to clients at an exponential rate," Rostkowski said.

As digital further reshapes luxury retail, data will provide insights into facilitating better experiences:



"As customers embrace digital technology through ecommerce apps and social media purchasing, this can be layered into the in-store environment to gather spatial data to drive effective design and operational decisions. By integrating sensors and IoT technology, these tools can help brands understand in-store movement and use such as customer flow, pinch points and behaviors."

Michael Gatti, Principal, **Gensler**

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Retail the New Way: The Cegid Retail unified commerce platform helps luxury brands provide the high-touch, highly personalised journey customers demand. Our solution offers brands the tools they need to capture sales, fulfill customer expectations and deliver a frictionless shopping experience. With Cegid, retail and luxury brands have one unified and global cloud platform, enabling them to maximise the digital transformation happening in the luxury sector while giving them insight into customer preferences, inventory management and other store operations. With a strong focus on the luxury market, Cegid helps brands seize new opportunities and retail the new way.

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201.257.8528

info@retailtouchpoints.com



ABOUT THE AUTHOR

Jessie Dowd, Senior Editor

Jessie is a retail expert, design lover and storyteller. She has never turned down an invitation to go shopping — in the name of research, of course.