

Luxury Daily

LUXURY OUTLOOK 2015

WHAT TO EXPECT IN LUXURY MARKETING, RETAIL, MEDIA AND DIGITAL

*A **Luxury Memo** special report*

EDITOR'S NOTE

The world of luxury will certainly deflect this year to the various lobs of the market.

The challenges include those of the geo-political nature: a retreating Russian consumer threatened by sanctions, the Chinese affluent feeling the pinch in the home market, civil wars in the Greater Middle East, a Greek exit that threatens the Eurozone's stability and Latin America with domestic economic pressures.

On the plus side, India is back in the saddle, the United Kingdom is on the mend and, best of all, a resilient United States market is buoyed by rising consumer spend.

It is clear now that consumers are also reshaping the luxury shopping experience.

Digital media is ascendant. Use of smartphones and tablets for research, shopping and buying is on the up. Not surprisingly, ecommerce and mobile commerce are being taken more seriously.

Luxury brands and retailers, however, must work harder to link the digital experience to the store. Luxury customer service must continue to be seen and felt even in an increasingly digital world.

Please read this special 43-page **Luxury Memo** report from Luxury Daily reporters from start to finish. Jen King, Joe McCarthy, Sarah Jones and Nancy Buckley worked hard to provide a bird's-eye view of how luxury is expected to evolve this year. Thank you to them and to the luxury specialists who shared time and wisdom to produce this Luxury Memo.

Mickey Alam Khan

Editor in Chief

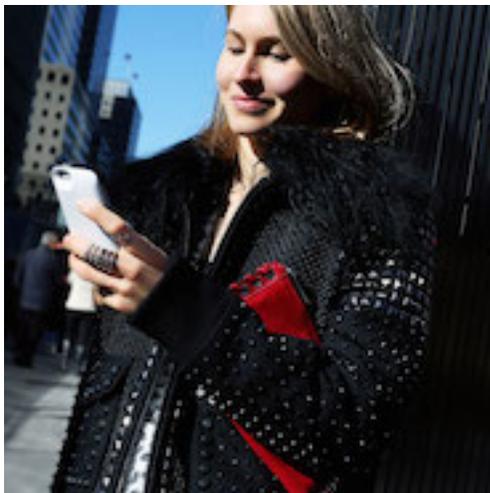
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APPAREL AND ACCESSORIES

Closing the digital divide

By Sarah Jones



Luxury fashion brands are increasingly embracing digital channels, pointing to further online growth in 2015.

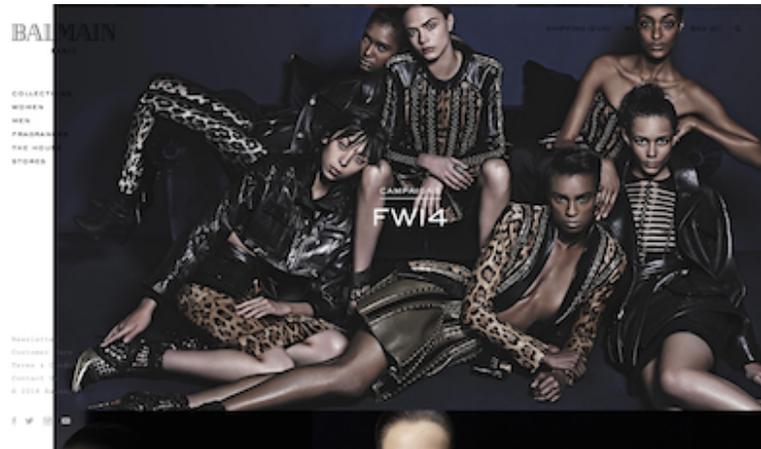
“The biggest issue that luxury deals with currently is their hesitation to utilize social and technology, so it's going to be essential for them to adapt their mindset according to the industry's needs,” said Dalia Strum, professor at the Fashion Institute of

Technology and founder of Dalia Inc., New York.

While a number of apparel brands are still eschewing ecommerce, many are recognizing the benefit of opening their own online storefront.

Tom Ford opened his latest flagship, while Givenchy turned to mobile applications to sell directly to consumers. Balmain revamped its ecommerce site with enhanced selection and a more editorial layout.

Operating an ecommerce site allows a brand to have control of its customers' purchase experience, much like direct-operated stores.



It also opens up opportunities for customization outside of a physical in-store consultation. Stuart Weitzman enables personalization for a number of its popular styles on a rolling basis, and Jimmy Choo launched a bespoke cobbling experience that is available in stores and online in select markets.

Start-up Tinker Tailor has also emerged, providing a platform for made-to-order fashion from labels such as Marchesa and Giambattista Valli.

Luxury consumers appreciate this personalized attention, and the ability to own a one-of-a-kind piece from their favorite brand.

“Agile marketing will become essential in order to succeed,” Ms. Strum said. “Iterations and speed will need to adapt according to the climate.”

“Marketing will shift to become more personalized and individualized,” she said. “Email marketing will need to become smarter and more efficient to increase open rates and conversions.”

Instant gratification

Now that live-streaming fashion shows is almost ubiquitous, brands are finding new ways to stand out and be noticed. Fendi released camera drones to film its runway live from multiple angles, while Ferragamo looked



to a few tastemakers to give their perspective from the front row via social media.

In an effort to compete with fast fashion copies of their merchandise, a number of brands have shortened the time frame between runway and purchase.

Moschino made a capsule of its collections available directly following its show, and Versace enabled real-time ecommerce during the runway show for its Anthony Vaccarello for Versus Versace collection.

“[One trend] up-and-coming in the fashion digital space is merging in person with virtual experiences,” Ms. Strum said. “So finding ways to converge those two experiences, whether it's based on social experiences that can be brought to real-life or vice-versa.”

Tech to me

Fashion brands have struck strategic partnerships with tech companies, lending their design abilities for wearables.

In 2014, Opening Ceremony and Intel teamed up on a smart bracelet that retailed exclusively at Barneys New York.

A number of tech creators are actively seeking partners for devices, recognizing that they need help to make attractive wearables that fashion-conscious consumers will want to wear. Wearables are projected to be a \$70 billion business by 2024, according to a report by IDTechEx.

When branching out into new product categories, brands should make certain to stay true to themselves and their aesthetic.

“Regarding wearable tech, people are going to start selecting technology similar to how they purchase apparel, accessories and beauty,” Ms. Strum said. “They are going to base it on their personal style with a strong emphasis on visual appeal.

“Technology is starting to become an accessory itself, based on how people carry and style it,” she said. “The earlier brands get involved within wearable tech, the higher value they will see in the long-run before it becomes an over saturated market.”



AUTOMOTIVE

Auto sales to maintain momentum as tech meets consumer demand

By Joe McCarthy



From entry-level to ultra-exclusive, luxury automakers continue to set sales records month after month.

Growth has occurred across the globe, with year-on-year increases seen in countries from the United States to China and from regions such as Europe and the Middle East.

Sales increases will not go on forever, but 2015 will likely be another strong year. Beyond the remarkable market conditions that have enabled this explosion, brands have to wrestle with evolving consumer behavior.

The consumer research process has shifted almost exclusively to the digital realm. Consumers read scores of online reviews, consult various third-party Web sites and visit brand sites for immersive content. As their knowledge accumulates, automakers have the opportunity to reel in potential customers if they execute a few tactics.

First, brand Web sites should offer the possibility for one-stop research, regardless of desktop or mobile preferences. Brand sites should contain all the information – including third-party reviews and consumer feedback – that consumers normally find elsewhere, and content should be engaging enough to inspire aspiration.

Web sites should also be supplemented with mobile apps that act as hubs of information for discerning consumers.



Next, brands have to link the online research process to offline purchasing. Although consumers whittle down their choices online, they overwhelmingly buy in-person.

Once a consumer arrives at a dealer, she pretty much knows what car she wants. To streamline

the final phase, dealers should be fully digitized. Sales associates should be versed in how to use tablets to customize cars, pull up off-lot models, showcase brand lifestyle and more.

As a consumer walks into a dealer, location-based technology can inform associates who can then tailor their interactions appropriately. Consumers should also be able to interact with digital touchscreens where they can access previously customized vehicles from their brand accounts or tweak designs on their own before requesting assistance.

Technology inside cars is also becoming a primary differentiator. Many consumers demand seamless integration wherever they go, and automakers are responding with fully connected vehicles.

Not only do new systems enable consumers to access their smartphones while driving, but some of them, including Jaguar Land Rover's, aim to improve real-time decision-making with tools that analyze driving conditions.

Plus, in-car technology gives marketers another puzzle piece in their quest to map the entire consumer journey.



In the giddy pursuit of new consumers and new markets, many luxury automakers are risking their luxury status.

Overproduction of vehicles essentially violates a core criterion of luxury: exclusivity. When the market is filled with entry-level vehicles, a brand's entire portfolio takes a hit.

The common defense is that vehicle lines are segmented, and consumers can recognize a Mercedes-Benz GLA from an SLS. While this is true, it does not justify a race to the bottom so that a brand becomes accessible to anyone with an aspiration.

While not exactly a counterweight to inclusivity, many automakers are trying to project authenticity by shoring up their production lines. Many automakers go through multiple manufacturers before their can build their vehicles.

Bringing everything in-house does not necessarily mean better quality, but it lets brands assert that they are confident with their final products because they oversee everything. It also allows brands to reap the benefits of taking credit for job creation.

China is a country where brands are stepping up their manufacturing. The country presents a tremendous opportunity for automakers, largely because brand affinities have not yet been solidified among the population.

Many consumers have never owned a car, and others are looking to switch brands. This allows brands adept at forming relationships and inspiring aspiration to secure long-term sales growth.

CONSUMER ELECTRONICS

Adaptations and collaborations sought this year

By Nancy Buckley



Consumer electronic makers in the luxury space are tasked with the challenge of maintaining a relationship with consumers while keeping up-to-date with changing technologies.

Tech companies are constantly faced with maintaining a lead against competitors. A new product may have undergone years of research and product development, so keeping up with the latest technologies, especially among mass-market brands, proves to be a challenge for consumer electronic makers.

“Personalization is an established trend within the luxury industry at large,” said Massimiliano Pogliano, CEO of Vertu, London. “However, I believe the demand for bespoke luxury technology is only going to grow in 2015 and beyond.”

Changing with the times

As the Apple Watch release creeps closer, consumer electronic brands are faced with the challenges of choosing the right partnerships to compete with the technology powerhouse.

The Lux iPhone 6
4.7" screen, 128gb, 24k yellow gold, 1.0ctw perfect diamonds.



In 2014, Barneys New York

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chose Opening Ceremony and Intel to collaborate on a smart bracelet, Vertu paired with Bentley, Brikk made a golden iPhone and Bang & Olufsen chose Pepsi and BMW for collaborations.

As for 2015, consumer electronic brands will likely continue to pair with other brands to expand their audience. However, their competition grows with the pairing of brands with other, massmarket consumer electronic makers.

For instance, in 2014, Diane von Furstenberg paired with Google Glass, as did Starwood Hotels. Also, many automakers have previously partnered with video games to reach their aspirational consumers.

These collaborations can direct attention away from luxury consumer electronics brands, but with the bespoke services and choices, the brands may be able to retain the true luxe consumers.



“We all seek and expect greater choice in our purchases, and as mobile devices have reached somewhat of a plateau when it comes to technology, customers are choosing to seek

differentiation through color, design, materials and personalization,” Mr. Pogliano said.

In 2015, 3D printing will add new opportunities to the consumer electronic world, sparking new opportunities for brands to create different products and marketing tactics with the help of companies who are well versed in 3D printing.

Also, as seen in 2014, the laws on self-piloted vehicles are being loosened, creating more opportunities for luxury automakers to create a larger number of bespoke cars and opening potential partnerships for in-car stereos from consumer electronic brands.

The release of Apple's iPad 7 and new mini iPad as well as the Android M will also create opportunities for luxury brands to offer bespoke additions to these products.

Staying true to roots

By Nancy Buckley



Luxury food and beverage marketers are challenged with standing out from their competitors as brands from other luxury sectors offer edible options.

Food and beverage brands try to differentiate themselves from the others entering the market through partnerships and bespoke experiences that may not be offered elsewhere.

When a well-established luxury brand enters the food and spirits market, consumers may be intrigued, but those that have food and beverages deeply rooted in their core often establish a more lasting relationship with consumers.

Bubbling events

Beverage brands tend to reach out to consumers through events, many of which are celebrated through social efforts.

Moët & Chandon sought the attention of consumers through a summer-long Instagram contest that reminded consumers about cooling down with its Champagne.

The brand added to the campaign with a mobile game that celebrated summer breaks.

Other brands narrowed in on singular events. For instance, Veuve Clicquot was the title sponsor at a polo event where the brand went on to join with Charles Phillip Shanghai to create a branded shoe collection.

Flip-flopping

In contrast to Veuve Clicquot’s apparel attempt, many traditionally non-edible brands entered the food world in 2014.

Fairmont Hotels & Resorts launched a one-of-a-kind partnership with an artisanal coffee brewer.



Similarly, Ralph Lauren extended its lifestyle offerings beyond apparel, accessories and homewares to include a selection of finely roasted coffees.

Also, Jimmy Choo joined with the Berkeley Hotel in London for the first time on a branded Pret-a-Portea dining experience where afternoon tea guests were offered cake and cookie versions of Jimmy Choo handbags and shoes.

In addition, Four Seasons sought to reach consumers with edible treats through a branded food truck that travelled the East Coast this year. The truck delivered local food to each location for six days with the help of the neighboring Four Seasons team.

When retail brands and designers, or even hospitality brands, enter into another industry they typically start small and gradually build up their presence.

Following the success of these campaigns, in the upcoming year there will likely be many more brands that make the switch to food and beverage on their own and pose as a threat to the others that focus solely on edible options.

Safety nets

Sometimes brands do not want to make the leap into a different field themselves and instead team up with a food and beverage brand or event that is already established.

These collaborations allow brands to have the safety net and credibility from the pre-established food purveyor, but enter into a space with more consumer interactions.

In 2014 brands such as Lexus, McLaren and Four Seasons sponsored events or teamed up with partners such as Scotch-whisky maker Johnnie Walker to create edible experiences for a wide range of consumers.

Collaborations are always seen among luxury brands, so it is expected that in 2015 many brands will seize the opportunity to partner with a food and beverage marketers with similarly-minded consumers.

As beauty digitizes room for personalized products, bespoke experiences rises

By Jen King



This year, digital touch points that recreate the in-store counter experience will continue to redefine the beauty and fragrance industry.

Technologies such as digital mirrors have paved a path for beauty marketers that allow for interactions with on-the-go consumers that were lacking in the digital space prior to their introduction.

With the advent of these technologies has come an increased opportunity for personalized and bespoke digital experiences that are sure to continue as marketers implement the latest tactics.

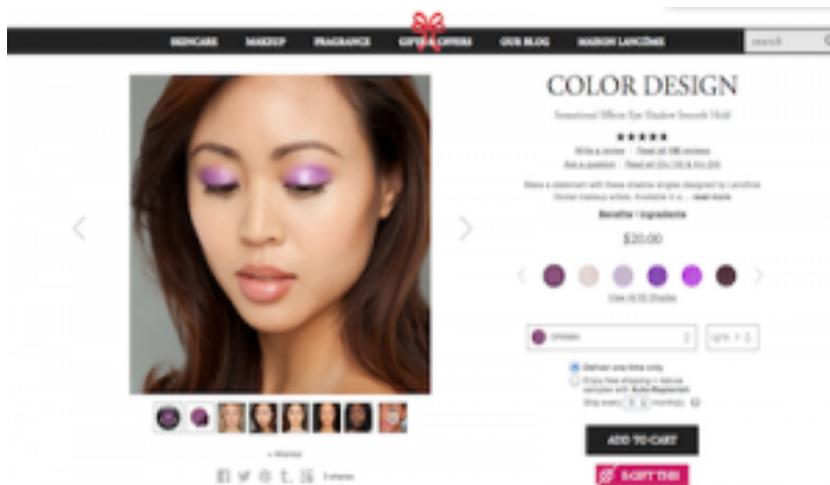
“I sense a shift in the beauty industry towards a higher level of personalization and customization,” said Sarah Curtis Henry, vice president of marketing, PR and education at Guerlain, New York. “Of course, there are your staples—for example, a basic day cream will never go out of trend—but you do see an increasing amount of beauty launches that target specific client needs or preferences.

“I think that this trend will continue in the coming year, and it’s one that I wholly encourage,” she said. “Guerlain believes that each client is unique, and deserves custom routines and products.

“We have always taken an approach of deep personalization, and I think that more and more brands will do the same in the coming year.”

Mirror mirror

Not being able to touch and feel the product can be limiting for digital marketers, especially in the beauty and fragrance sector. Technology has allowed for beauty brands to digitize consumers’ senses, albeit not fully, especially for perfumers, to help consumers make informed choices in terms of shades best suiting their needs.



For example, beauty marketer Lancôme is letting consumers see what a product will look like on a similar skin tone with a new ecommerce tool.

Lancôme is using Sight Commerce’s Infinite cloud-based visual commerce solution, which allows consumers to select a model that is the closest to their skin color and then see how any products they browse would look once applied. Shopping for cosmetics online can be stressful, since it can be difficult for consumers to tell how a certain color or product will look on their face, a problem this tool aims to solve.

Tutorials are nothing new to the beauty industry, but the use of digital technologies to create bespoke product demonstration is set to add a new layer of experiential marketing to marketers’ arsenals.

French atelier Saint Laurent Paris’ beauty brand YSL Beauté, for example, enhanced product demonstrations at its cosmetic counters with the introduction of Google Glass tutorials.



The beauty brand rolled out Google Glass lessons at retailers such as Bloomingdale's and Selfridges to personalize the in-store experience through technology.

Brands and consumers alike have struggled to incorporate Google Glass into everyday life, but the functionality of the technology in an in-store setting is hard to dispute.

“While there is something unique and special about the in-store experience, such as face-to-face consultations and service, the quality of experience in the digital space will continue to evolve,” Ms. Curtis Henry said.

“The blurring of lines between digital and in-store will continue to be a theme,” she said. “In-store will incorporate more digital elements from service to commerce to make the experience as seamless as possible for the consumer.”

Scent and sensibility

With beauty, digital may seem to be limitless, but for fragrance marketers there is still no way to transfer the experience of a scent unless it is done abstractly and through a narrative.



In 2014, marketers used this approach to elevate experience by placing the consumer in the director's chair.

Social videos paired with augmented reality and films that allowed for dual perspectives enabled marketers to convey more

of a message of brand identity and fragrance profile.

Even with campaigns becoming more cohesive and experiential marketers in 2015 will still be up against a market ripe with saturation.

The added competition does not have to be seen as negative, but, according to Ms. Curtis Henry, beauty marketers will be “inspired to be disruptive and push creative thinking to the next level.”

Big brother beauty

In the last quarter of 2014, beauty marketer Estée Lauder acquired four



niche brands, including perfumer Le Labo. This trend is bound to continue among the sector's conglomerates as consumers look for small batch products with personality.

Additional niche fragrance brands are likely to be

purchased by beauty and luxury conglomerates to meet consumer demand for bespoke, hand-blended scents that are often made in limited reserve, reported Reuters.

This comes at a time when many consumers feel that well-known branded fragrances by fashion houses and beauty marketers smell too similar or have grown too popular amid most consumers.

“The beauty industry has seen a rise in niche brands, and I believe many clients are open to at least trying these smaller brands,” Ms. Curtis Henry said.

“Customers choose their beauty must-haves based on the integrity of the products, and the brand experience overall,” she said. “They are interested in finding the right products for them, and having a relationship with a brand that provides an elevated experience, no matter the size of the brand.

“As a result, there is pressure for big brands to evolve in order to keep step with consumer behavior.”

HOME FURNISHINGS

Luxury needs to be touched and viewed

By Sarah Jones



In 2015, home furnishings brands will be focused on expanding awareness globally through ecommerce and physical stores.

“Even if the international tensions will play a role in the global luxury furniture market, trends indicate that there are good opportunities in the so-called new markets like India and South America region,” said Raffaella Vignattelli, president of Luxury

Living USA. “In addition Europe, Russia and U.S. are for tradition three significant markets, supported by the potentiality of to the Gulf area China.

“In terms of opportunities, also contract projects are growing the importance in the develop strategy,” she said.

While home furnishing brands continue to embrace digital, physical exhibitions remain one of the most important marketing tactics.

From trade shows to displays at hotels and retail stores, events continue to be the best place to meet potential customers and make a personal introduction.



Christofle hosted intimate dinners for customers to inspire with tableware and entertaining trends, while L'Objet set up a hands-on showroom in a private dining room at The Dorchester in London. Jenn-Air participated in a string of design shows and food festivals to reach the culinary inclined.

Physical museum exhibits also offered brands the opportunity to share their heritage, helping them educate consumers on their quality and justify price point. Lalique hosted exhibits at both the Corning Museum of Glass and at a Bloomingdale's store, and Baccarat feted its 250th anniversary with a retrospective at the Petit Palais in Paris.

According to a report from Wealth-X, events have a higher ROI than any other marketing tactic. The most successful parties were product-centric, either launches, displays or educational. Even though events typically revolve around merchandise, the focus is usually more about making a connection.

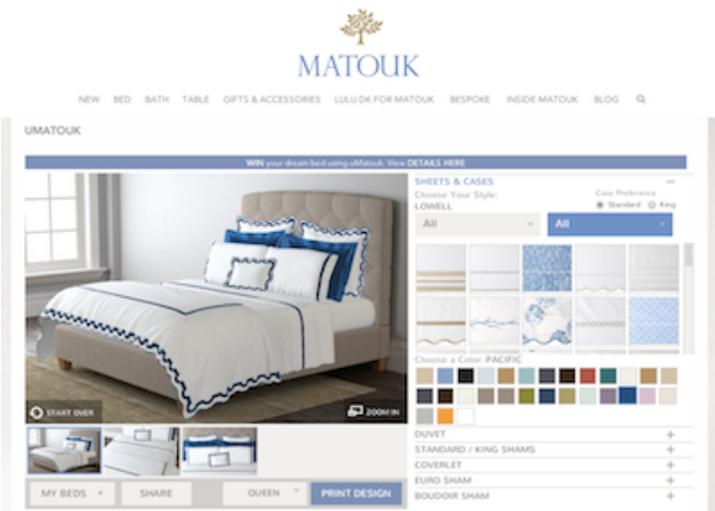
Digital presents more of a challenge for home furnishings, as they are forced to attempt to replicate an in-store experience online.

Retail stores are creating opportunities for brands to be noticed, through in-store events and new retail spaces.

In 2014, Harrods participated in the London Design Festival for the first time, creating a map that takes consumers on a tour of its home furnishings department, past the brands it carries, including Bottega Veneta's home collection.

Also, Galeries Lafayette opened a renovated 80,730-square-foot store that combines gourmet offerings and its homewares under one roof.

Home furnishing brands are also expanding their ecommerce efforts, making their catalogs available to an online audience and pushing sales in the channel. Getting consumers to convert online can be difficult, since it can be difficult for them to visualize the finished combination in a room.



Matouk looked to solve this problem with a configurator that lets users play with combinations of linen to make their perfect bed.

“Digital is one of the biggest opportunities to share and to communicate the reality and the heritage of a company and products,” Ms. Vignattelli said.

“But the luxury furnishing sector to be transmitted and well understood still need to be touched and viewed.

“At the same time, digital could be a way to introduce a product, a philosophy, a story and to create an online reputation about a company,” she said. “Today we know that persons in the purchasing process even more use the Internet to obtain the preliminary information, going then in the stores with a clear idea about what they want.”

Pairing up

Collaborations continue to be a way for brands to have their products associated with fashion labels or jewelry companies, which often have more of a built-in fan base.



Roche Bobois frequently partners with designers, including Jean Paul Gaultier and Missoni, to incorporate their personal design aesthetics and fabrications. Wedgwood similarly has a collection by Vera Wang.

As brands stretch their design arms out, they need to retain their level of craftsmanship.

“One of the biggest challenge is to maintain the authenticity of the made in Italy tradition synonymous and warranty of excellence,” Ms. Vignattelli said.

“High quality levels can be reached only with artisans very specialized, able to match the ancient techniques with a constant research of innovation and new solutions,” she said.

“This can be overcome just preserving the inestimable value of Italian craftsmanship.”

The swinging balance of tradition versus technology

By Jen King



Given the amount of expertise and dedication needed to create a fine timepiece, many watchmakers harp on the craftsmanship and innovation behind their watches.

Considered both a status symbol and piece of wearable art, watchmakers going forward into the new year will continue to market to this angle of Swiss-made know-how that amplifies craft and design. The mark of a Swiss watch has maintained relevance around the world, especially in the Asian market, and affluent consumers and collectors alike still revel in the strength of the top horology brands.

“The main challenge is to keep an audience consistently aware of innovation, status and experience with a perpetually renewed approach to products, marketing and community building,” said Sophie Terrisse, CEO of [STC Associates](#), New York. “Renewal and legacy-building is hard to drive in tandem and to sustain in emerging markets that have reached maturity.

“Beyond features, technology and design, relevance and intimacy will be the main objectives to market in Asia, and globally in 2015,” she said.

Going in-house

As it currently stands, most fashion brands that produce timepiece ranges rely on Swiss watchmakers as the principal manufacturers for mechanisms, cases and other components. This division of labor may prompt additional

alterations across the fashion industry in 2015 as many labels bring watchmaking in-house through talent acquisitions and the purchase of factories.

For instance, U.S. lifestyle brand Ralph Lauren is welcoming a new CEO for its fine watch and jewelry division beginning in February 2015. Luc Perramond will leave his position at La Montre Hermès to serve as Ralph Lauren Watches and Jewelry's president/CEO.

Also, French apparel and leather goods house Louis Vuitton strengthened its position in the watchmaking field with the opening of a Geneva watch factory. In 2011, Louis Vuitton announced the acquisition of La Fabrique du Temps, a workshop located near Geneva that specializes in designing and fabricating movements such as tourbillons and minute repeaters.



By tapping industry experts and opening their own manufacturers, fashion brands will be able to emphasize quality control for their in-house timepieces and spur technological developments similar to those underway at larger horology maisons.

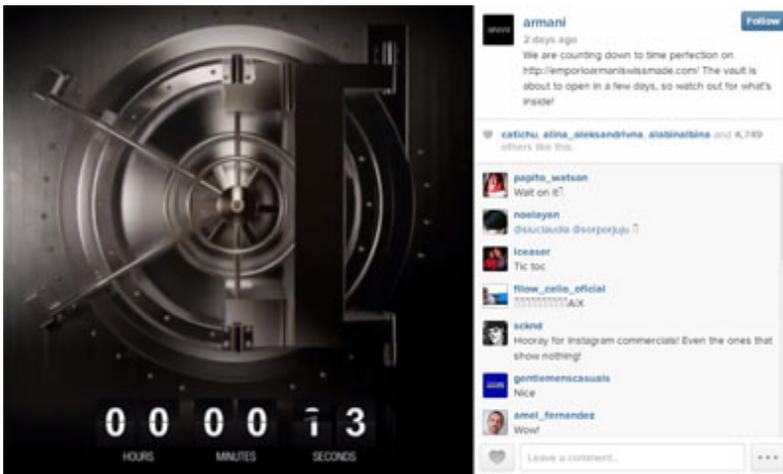
“Mechanisms are not merely functional devices, they themselves are pieces of art,” Ms. Terrisse said. “As such, they

belong in the hand of craftsmen.

“Luxury houses investing in watchmaking artists and ateliers may be a great path for new thinking that can challenge, stimulate or validate the Swiss manufacturers,” she said. “Making timepieces intricately embedded

in the world of fashion can only raise the visibility and relevance of luxury watchmaking, if created by true watchmaking artists.”

In the fashion sector, luxury houses that introduce Swiss-made timepieces may be seen as more than just an accessory, and set to the same standards as traditional watchmakers. As these brands transform from accessories makers to watchmakers, a digital marketing effort will be useful to inform consumers about the changes this year in manufacturing.



In March 2014, aligning with Baselworld in Switzerland, Giorgio Armani took a digital approach to share with festival-goers and its legion of enthusiasts unable to attend the watch fair to promote its first Swiss-made collection for

Emporio Armani.

Coinciding with the first day of the watch and jewelry show, Armani launched a dedicated microsite that mimicked the physical vault in Messe Basel, Switzerland.

Who, what, wearables

As some brands remain traditional in their manufacturing practices, others are looking toward the future using technology, namely wearables, as a stepping stone.

Last year saw the introduction of the much-anticipated smartwatch, Apple Watch. Apple's version of a smartwatch is the brand's first attempt at disrupting an industry outside of consumer electronics.



The Apple Watch, available in early 2015, will come in 18 varieties with different screen face sizes and strap options ranging from plastic rubber to stainless steel to Venetian, French or Dutch leather.

Apple's Edition, available with an 18-karat rose or yellow gold case, will likely prove the most disruptive for watchmakers as affluent consumers gravitate toward the ultimate in craftsmanship and technology.

But, Apple's entrance into wearables should not discourage fashion or jewelry/watch brands for partnering with technology firms. If anything, collaborations may result in products that more easily meld into an affluent consumers lifestyle.



For instance, Barneys New York collaborated with Opening Ceremony, the Council of Fashion Designers of America and Intel on wearable technology pieces.

My Intelligent Communication

Accessory, or MICA, has the capabilities to connect consumers to access texts, Yelp, Gmail notifications, Facebook events and Google Calendar alerts. For each connection a notification is sent to the wearer's wrist.

"2015 will be the year of everything wearable, but it may not be the year of the wearable watch," Ms. Terrisse said. "As electronic devices explore far beyond timekeeping, the watch element is relegated to basic functions.

"Wearable will continue to evolve by integrating horology technologies, although for the sole purpose of timekeeping, but to create experiences far extending from the art of time itself," she said.

Diamonds and gemstones in the rough

As the watch industry adapts to technology and fashion labels focus in on horology, jewelers will likely continue to position their pieces as ethical.

Throughout 2014, affluent consumers were socially and economically aware, placing an emphasis on ethically sourced and fair-mined diamonds, gemstones and precious metals.



and their communities.

Unlikely to be a temporary trend, jewelers going into the new year will have to produce campaigns that are transparent, detailing efforts to support miners

Colored-gemstone miner Gemfields has been an advocate for this degree of transparency through its work with mining communities in Zambia, Mozambique and Sri Lanka where emeralds, rubies and sapphires are sourced.

Digitizing print will bring the medium back from the brink

By Jen King



In recent years, consumers and market insiders have projected that print is in its final stages, but through an increased expansion into the digital space, the medium is being resurrected.

Brands are increasingly curating editorial content hubs housed digitally, and in the cases of Louis Vuitton and Net-A-Porter in print, to maintain control of the angle of text written about the brand and its happenings. Even with the introduction of branded blogs such as Christian Dior’s DiorMag and Giorgio Armani’s Armani Live, consumers will still turn to print publications for an unbiased, objective take on the luxury industry.

“Consumers still love traditional publications,” said Sandi Harari, senior vice president and creative director at Barker, New York. “They have more faith in the tried-and-true major titles for their editorial and reviews.

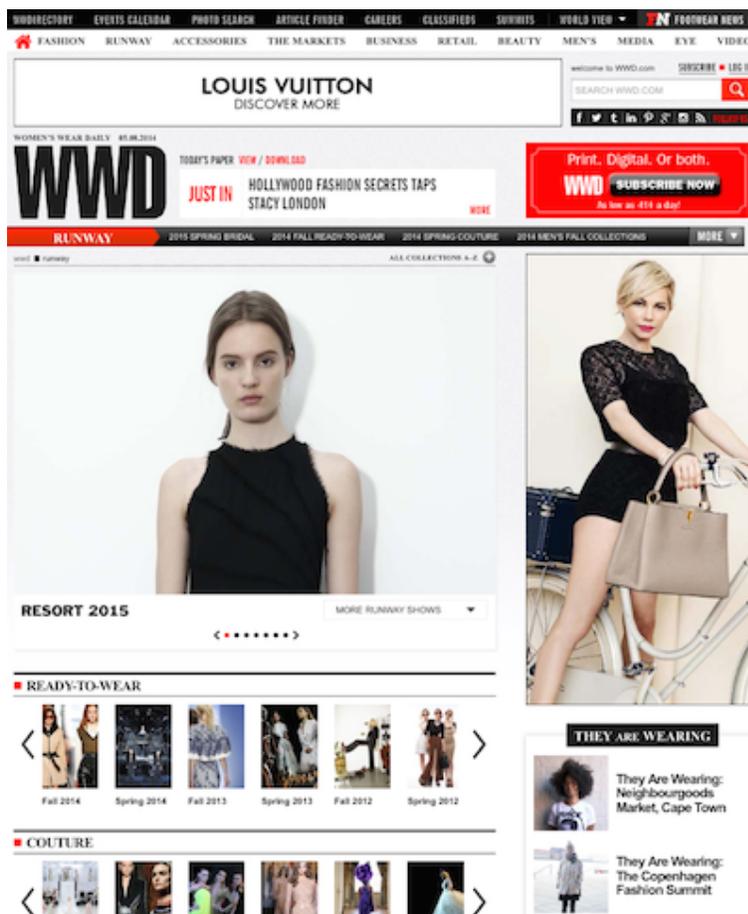
“If anything – blogs and magalogs just drive consumers to seek more, and become more engaged,” she said.

Read all about it

In terms of keeping print afloat, digital has become a saving grace of sorts as it has allowed consumers to interact with brands and publications on-the-go. With content at consumers’ fingertips, luxury brands have been given a new venue to target consumer as they read through mobile advertisements.

Even with mobile ads there has been disconnect between click-throughs and conversions as many view these efforts as disruptive and not effective because consumers then have to chase after the point of sale on a mobile-optimized, or oftentimes a non-optimized, Web site.

Other times, readers who were to be targeted with worthwhile mobile campaigns never came across them, resulting in wasted media spends.



Publishing conglomerate Condé Nast looked to amend this with an agreement with media investment firm GroupM regarding how mobile ads will be viewed across the publisher's channels.

The terms of the agreement ensure that Condé Nast's advertising partners will receive greater visibility and that the publisher will take more accountability in digital ad performance across devices and channels. Conversations

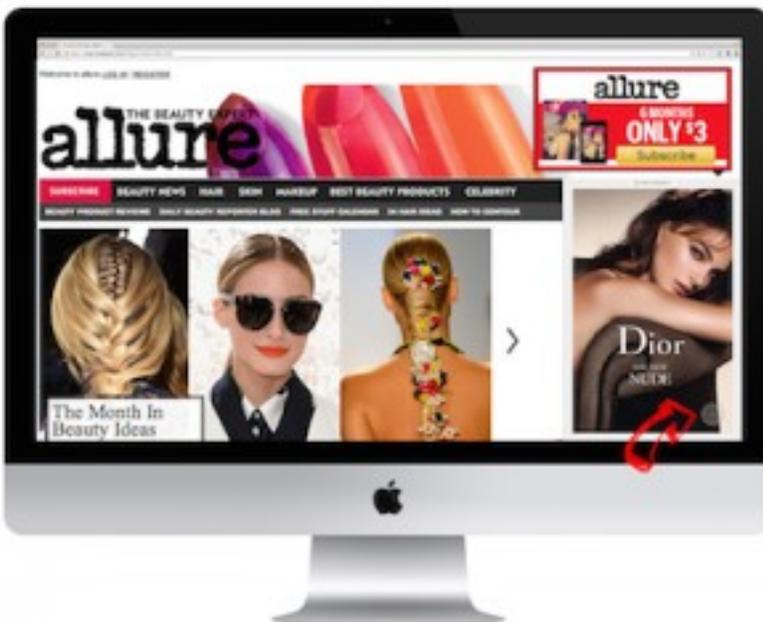
were prompted by comScore's 2013 report concluding that the intended audience never saw 54 percent of digital ads.

John Lu, senior vice president and director of interactive at Barker, noted that the agreement "provides more accountability and accuracy to advertisers."

Other ways digital is looking to help maintain print in the future is the adaptation of shoppable ads that do not remove the reader from the content page.

Condé Nast, for example, has incorporated Shopbeam's AdShops technology on to the digital versions of Allure magazine, as a starter, letting readers shop directly from the ad without leaving the page.

As brands struggle to find ways to rise above the traditional banner ad, allowing this level of customer interaction will help get consumers engaged. Although inventive and needed it is unlikely that this format will replace current ad strategies.



“There is an ever-widening rift between simple static display ads and ‘ultra’ rich media units that are designed like microsites,” Mr. Lu said. “The shoppable ad may become more common, but it is unlikely to compete with Native Advertising in terms of producing CTRs.”

Increasingly, publications are using out of home tactics, such as partnering for festivals such as Architectural Digest's work with the Home Design Show in New York and British Vogue's annual Vogue Festival in London, among others.

These events bring the publication to life and allow readers to interact with the brand and often its editors in a more personalized setting.

Publishing challenges

As technology and consumers' expectations change, print publications and marketing partners will need to continue to digitalize. Going forward, determining the best and most accurate way to measure conversions to give a clear depiction of a brand's investment is needed.

"The continued challenge for advertisers in print will always be measurability," said Kim Tracey, vice president and account director at Barker, New York.

"With advertisers becoming more and more accustomed to the data and optimization capabilities of digital ad units, they've also become more demanding for each piece of media in their arsenal to show its value," she said.

RETAIL

Building an omnichannel experience

By Sarah Jones



In 2015, retailers should focus on building engaging omnichannel experiences for consumers, bolstering the ways consumers can connect with mobile applications or enhanced ecommerce sites.

For luxury retail, the physical store is still an important piece of the puzzle, but many department stores are rethinking how they can bring the convenience of digital in-store.

Rather than taking away a personal connection, technology offers an opportunity to make the shopping experience more individualized for consumers, through the use of CRM systems and customizable online accounts.

“Whether you call it clienteling or guided selling, luxury customers expect sales associates to know what they have in their closet and what they like,” said Ken Morris, principal at Boston Retail Partners, Boston. “We will see luxury retailers continue to enhance their ability to provide personalized advice to their clients by leveraging mobile devices and clienteling applications.

“As the demographic of luxury customers shift, retailers need to market to the new luxury shoppers – ‘market to my daughter, not my mother,’” he said.

“The younger generations moving into the luxury segment have more disposable income and shop in totally different ways than previous

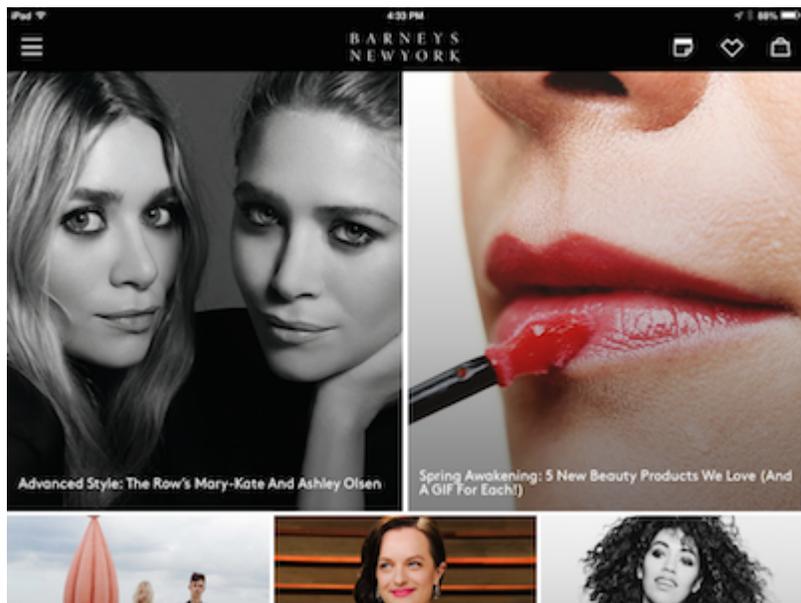
generations. This requires luxury retailers to focus more marketing attention to mediums that appeal to this demographic, like social media and mobile apps.”

Content is key

Both Barneys New York and Neiman Marcus unveiled their first mobile apps in 2014. Compared to the previous efforts from other department stores, these featured more content, allowing full browsing of their blogs through the application.

Social media also took off, enabling retailers the opportunity to both engage with their audience and learn from them.

A growing number of retailers are leveraging social media to inform merchandise planning, according to a 2014 survey from Boston Retail Partners.



For instance, Saks looks to Pinterest to help make merchandising decisions, as it sees which items are popular and reacts.

The report found that compared to 2013, the number of retailers using social media to influence product development has grown by 550 percent, comprising 39 percent of respondents. Beyond CRM data, social media offers an opportunity for retailers to provide the types of products that interest their followers, often the most engaged consumers.

Shop how you want

Click-and-collect, still a new concept in 2013, picked up in 2014, with more retailers allowing consumers to purchase online and pick up in-store almost immediately.



Selfridges unveiled click and collect for some of its most precious pieces from Cartier, Bulgari and Chopard housed in its Wonder Room. This enabled the ease of ecommerce with the personalized customer service of entering the

store to receive the item.

“Visibility to customer and product information across all channels and all stores has become a retail imperative, as retail shoppers expect it,” Mr. Morris said. “This is even more important to luxury consumers, as they have a higher level of expectation for service.

“A single unified commerce and order management system will create the real-time visibility, like a glass pipeline, needed to provide a seamless shopping experience,” he said. “While many retailers are focused on creating this visibility, few have achieved it and this will be a key priority for luxury retailers in 2015.”

Same-day shipping offers have also increased. Over the summer, Bergdorf Goodman opened up same-day shipping, with a \$500 minimum, to both Manhattan and the Hamptons.

“[A] niche opportunity for luxury retailers is offer customers same-day delivery service,” Mr. Morris said. “This option is becoming a common

practice in major markets for convenience goods, and as shoppers get accustomed to this, they will begin to expect this immediate service for luxury items as well.

“Same-day is a nice perk that luxury shoppers will appreciate and it may become a new expectation,” he said.

Trend anticipation

As shopping becomes more digital, it is up to luxury retailers to be one step ahead.

“Beyond protecting against data breaches, keeping up with and predicting the latest trends and reacting to those trends is one of luxury retailers’ biggest ongoing challenge,” Mr. Morris said.



“Retailers will look to technology to help them become omniscient of what is happening in real-time in all markets and all stores,” he said. “For example, technology exists to see customers in every store, monitor every transaction and identify conversations trending on social media.

“This creates the ability to identify fashion trends and hot items as they are happening in real-time.”

SPORTS

Creating relationships with unique experiences

By Nancy Buckley



The Olympics and World Cup in 2014 proved that sporting events are no longer reserved for sports drinks and sneaker manufacturers. There is a place for luxury brands among the sweat and tears of athletes.

Luxury brands align their bespoke measures and detailing with the hard work and determination of the world's top athletes. In 2015, luxury brands will likely continue to partner with sporting events and teams in hopes of gaining the alliance of the die-hard fans.

“Because of the changing nature of the media and advancements in broadcasting capabilities, luxury sporting events are in a position to capture the attention of a global audience,” said Peter Rotondo, vice president of media and entertainment at the Breeders’ Cup.

“No longer is the fan base limited to the country in which the sporting event takes place,” he said. “For example, media from 21 different countries attended the 2014 Breeders’ Cup World Championships to cover the event.”

All about the experience

At athletic events, fans are not just there for the sport but the atmosphere of the venue. The sponsors of the event create part of this atmosphere.

During traditional luxury sporting events such as equestrian racing and show events, polo and cricket, brands are often the lead sponsors and create experiences beyond the sport for consumers to enjoy their day out.



For instance, Veuve Clicquot sponsored a polo cup in Los Angeles and created Champagne bars and had food trucks for guests to enjoy all day.

When a brand sponsors an event, especially at a sport where the activity is an all-day affair, there

are many opportunities for the brand to interact with guests and build relationships with future consumers.

“To enhance the fan experience at sporting events, luxury sporting events will offer unique lifestyle experiences for fans,” Mr. Rotondo said.

“For example, Breeders’ Cup, in addition to providing world-class horseracing, focuses on creating top tier fashion, food and beverage and hospitality experiences on race days,” he said.

In the year ahead, luxury brands are likely to be looking at the ICC Cricket World Cup, the Women’s World Cup and the usual tennis, golf and equestrian partnerships.

Bespoke products

The easiest way for a brand to merge into a sport, or an event, is by crafting a one-of-a-kind product that highlights the occasion.

Watch brands constantly create exclusive timepieces that have an event or team engraved somewhere on the watch.



In other incidences, luxury brands dress the athletes, creating bespoke uniforms and accessories. This partnership allows fans to constantly look at the clothing and gain an understanding for the designer's style.

Active wear became more prevalent among luxury retailers and designers in 2014. For example, online retailer Net-A-Porter

started Net-A-Sporter, its own active wear vertical.

In every aspect of luxury there are technological advances that are changing the way brands interact with consumers. In 2014, high-end home gym designer TechnoHome offered affluent consumers in-home wellness experiences through a new partnership with Italian fitness equipment manufacturer Technogym.

Other technological advances will likely be seen with in sports, especially with the release of Apple's smart watch.

"As consumer-facing technology brands become increasingly relevant to today's luxury consumer, technology brands will use luxury sporting events to target high-net-worth individuals," Mr. Rotondo said.

TRAVEL

International expansion in property and service

By Joe McCarthy



Hotel brands seem bent on occupying the globe. Expansion plans from conglomerates and small brands continue to defy ordinary ambition.

In the frenzy to expand, many companies risk diluting their brand proposition through inconsistent experiences, not to mention the risk of vast overextension leading to a spiral of low occupancy rates. However, expansion plans can yield important returns

if handled properly, especially for luxury brands.

Luxury consumers are generally global travelers. If a hotel brand is able to net a consumer in her home country, and deliver an exceptional experience, she may be enticed to visit the brand's properties in other countries.

Also, being in key markets allows brands to gather insights into consumer behavior that can lead to culturally flexible properties across a portfolio, so that, for instance, personnel at a Washington property can meet the preferences of a Chinese consumer without scrambling.

Furthermore, luxury brands receive a substantial amount of traffic from business consumers traveling the world for meetings, and locking in the allegiance of a company is a major victory for any brand.

As brands expand, they are also hoping to get more consumers to sign up for loyalty programs. Although a good impression may lead to a repeat visit,

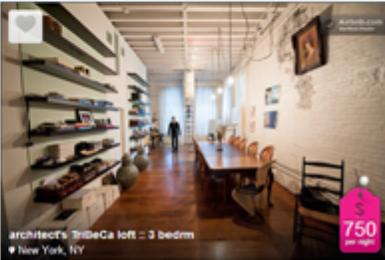
signing up for a loyalty program is a far stronger indication of affinity. Once a consumer ties into the loyalty system, retention rises.



Any old loyalty program no longer suffices, though. Brands are finding that they have to develop loyalty applications that tirelessly customize offers to meet consumer preferences.

While it is effective to have overarching prizes for customers to aim for, such as rooms at prestige properties in exotic locations, being able to serve up more rudimentary benefits on a rotating basis, such as free WiFi and breakfast, is what keeps consumers coming back to an app.

Many hotels are also beginning to synchronize their loyalty programs with brands in other product categories to incentivize consumers beyond their travel choices.



Hoteliers are also escalating their trip curation efforts. Perhaps the best example of this attempt to guide every detail of a trip comes from Four Seasons.

The hotel chain introduced a private jet to shepherd guests of its international tours to ensure that in-air experiences met brand expectations.

Elsewhere, brands will continue to highlight their exclusive, customizable experiences with digital content to differentiate from the competition.

“Guests are no longer looking for an isolated, property-bound stay,” said Taylor Rains, managing partner of [Flugel Consulting](#), Charleston, SC.

“They want their stay to be authentic to the destination,” he said. “They value genuine cultural experiences, be they culinary, activity-driven or otherwise, and that trend will only continue to grow.”

One of the catalysts leading to the emphasis on experiences is the sharing economy. Airbnb and similar home-sharing services are radically altering how consumers view travel arrangements, with major implications for hotel brands.

Part of Airbnb’s brand proposition is the delivery of an insider’s look at a location and culture, at a more affordable price. Hotel brands are trying to stand apart by showcasing the expertise of the people crafting their experiences.

Unlike Airbnb hosts, concierge teams spend their careers learning about an area. Also, hotel brands are able to leverage their vast connections in a region to deliver a different form of insider’s access.

The hospitality industry faces another, and larger threat, from the geopolitical and economic instability wracking much of the world. Many countries are still slogging through the global economic catastrophe that began in 2008 and other, seemingly invulnerable, economies such as China are slowing down.

However, based on the outlooks on several companies, these obstacles can be surmounted.