

RESEARCH

Consumers still value in-store experiences regardless of digital switch

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Saks' 2014 holiday gift boxes

By JEN KING

Even with a projected slowdown of luxury goods on the horizon, affluent consumers will spend an estimated \$11,000 on gifts this holiday season, according to a new survey by Deloitte.

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Holiday gifting is not completely selfless though, with those surveyed estimated to spend \$5,472 on loved ones, but nearly \$5,848 on themselves. With the uncertainty of the economy, this can be expected as many affluent consumers use the holiday season to reward themselves for the hard work and stability they have provided over the last year.

"There are major differences between how an overall economy performs and the performance of the high-earning consumer segment within it," said Nick Pope, co-lead of **Deloitte**'s fashion and luxury practice in the United Kingdom, London.

"The ongoing stratification of wealth and higher income earners in developed markets such as Europe, together with the headwinds in China – notably on the generally cooling market and the retraction of gifting – and thus the re-focus many luxury brands would have had on Europe in the second half of this year, mean that it's not 100 percent

surprising," he said.

Deloitte interviewed 1,228 participants with a yearly household income, before tax, of at least £100k+ / €100k+ / CHF150k+ to explore the attitudes held toward shopping for luxury goods and general attitudes and behavior. With a focus on the end of the year holidays, Deloitte conducted its fieldwork online in November with an equal number of respondents from the UK, Germany, France, Italy, Spain and Switzerland.

Seasons tidings

While looking at affluent Europeans' shopping habits during the holiday season, Deloitte took special note of the growth in ecommerce for luxury purchases, notably in the UK. Even with ecommerce trending, Deloitte also noted the importance of the in-store experience among affluent consumers.

Although online shopping continues to grow, most consumers rely on a combined approach on in-store and ecommerce. With that, 38 percent of affluent consumers in the UK said that they did the majority of their holiday shopping online while 60 percent shop in bricks-and-mortar stores as well as through ecommerce channels.

Only one in 10, or 12 percent, of respondents in the UK claimed to shop exclusively in-store. But, on the European continent, one third of affluent respondents shop in-stores, underscoring the importance of the touch and the feel of goods, as well as the knowledge and assistance of sales associates to this demographic.



Sales associates at Asprey

With shopping online also comes conducting research across sites to price check and gather information about products. And while most luxury houses use social media to an advantage, holiday promotions and messages may be missed altogether by those targeted.

In statement, Mr. Pope said, "The vast majority of luxury purchasing still happens in the physical domain – it's clear that the 'digital switch' has been slower in luxury goods, as people like to see and touch the range of products, and often take them away on the spot."

Deloitte found that even though 79 percent of affluent consumers in the UK actively use social media, only 4 percent use social media to gather information as they browse for holiday purchases.

The holidays are often associated with splurging for loved ones. Twenty percent of respondents said that the most expensive gifts purchased for the holidays were travel and hospitality.



Christmas tree in the lobby of The Ritz-Carlton, Chicago

More traditional categories were also cited as the most expensive holiday gifting item, with apparel being cited by 12 percent of respondents and jewelry at 11 percent.

When broken down into price brackets, on average, respondents spent approximately \$7,000 on travel and hospitality, but only \$4,347 on fine watches and \$1,490 on designer handbags.

Given travel and hospitality's experiential nature and the large allotment of holiday spend, marketers in other sectors must devise creative ways, possibly through in-store and bespoke experiences, to compete ([see story](#)).

"It differs by market – for example the Italian consumer values store relationships and

staff knowledge far more than the British consumer, who will value the range of choice in-store and the ability to shop online," Mr. Pope said. "Three key things, however, have stood out for me. The first is the fact that half of luxury purchases will have happened before December – so now, mid-December, the target market is far more male-dominated than female.

"And the second is that on the whole, the UK being a notable exception, is that the physical environment remains key rather than online – and so the consumer journey, story-telling and experience in-store is vital," he said.

"The third, and critical point however, is that affluent consumers are telling us that they are spending more money and giving a far greater share-of-wallet to experiential luxury – trips and visits – as an alternative to products and wearable luxury. So thinking beyond just the holiday season, this is an area which will require real strategic choices to be made – on where to play and how to win."

Last minute men

Deloitte's research also shows that two thirds of male respondents do not start purchasing holiday gifts until the first week of December. In contrast, female affluents purchase goods for the holidays throughout the year.

Also, men are likely to spend more, possibly because they have put off shopping or do not method shop in the same capacity as women. Deloitte found that 67 percent of men spend more than \$1,240, compared to 55 percent of women.

Marketers have used this tactic to poke fun at male consumers while inspire gifting ideas.

For example, men's online retailer Mr Porter is celebrating the holiday season with a social video that demonstrates the convenience of purchasing gifts from the retail site.

The film shows one man in two situations, one when he buys gifts from Mr Porter and the other when he does not; his gifting experience is much easier with Mr Porter. Creating a fun, but to-the-point video will likely remind Mr Porter consumers of the retailer's quick delivery and gift-wrapping options ([see story](#)).

Likewise, just with the its important for luxury brands with a European presence to market differently to those consumers in the UK and those on the Continent.

"It's a tale of two markets," Mr. Pope said. "One of which is the UK, and the other is the rest of Europe. In the UK, only 12 percent of high-earning consumers tell us that they will shop for luxury in-store only vs. 33 percent in Europe.

"However, 38 percent of UK consumers say that the majority of their luxury shopping will be online vs. 22 percent in Europe," he said. "That's a big difference – and it's a trend which is even more fascinating when you look deeper in the data – where the UK consumer is far more likely to shop online after browsing in store vs their European equivalent who is far more likely to shop in-store after browsing online.

"As we noted in the press release, one of the great surprises is how little influence social

media seems to play in influencing the luxury consumer: while nearly four in five UK luxury consumers said they were active users of social media, only 4 percent said they would use it to gather information to support their Christmas purchases.

"This could indicate that seemingly successful social campaigns are simply engaging the wrong audience. However, the effect of digital channels is definitely growing, luxury brands need to figure out how to use them to influence their perception and position in the mind of the luxury consumer, rather than just being a route to purchase."

Final Take

Jen King, lead reporter on Luxury Daily, New York

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