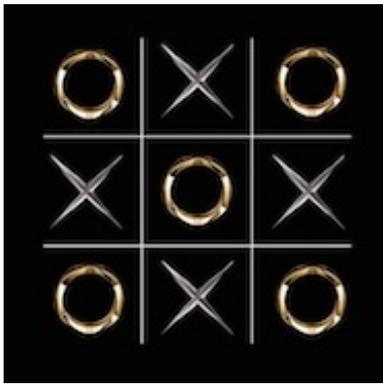


COMMERCE

Should luxury brands stop avoiding ecommerce?

April 16, 2015



Promotional image for Chanel's Coco Crush capsule

By SARAH JONES

Affluent consumers have shown their interest in buying goods online, but many luxury brands have been hesitant to embrace ecommerce as part of their retail strategy.

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Luxury Daily

Chanel is the latest luxury brand to dip its toe into ecommerce through a three-week fine jewelry capsule on Net-A-Porter, but the brand currently limits its direct operated ecommerce to cosmetics. Even with the possibilities through ecommerce from a sales perspective, how can luxury brands decide if selling online is right for them?

"I think it says finally there is a level of trust for buying luxury goods online and that's going to rapidly push the industry to new levels in the next five years," said Ryan Clark, founder of [Luxury Branded](#), Victoria, British Columbia.

"I absolutely believe it is imperative for brands to handle their own ecommerce for the sole reason there is more direct profit to the brand not having to sell through an affiliated online shop or retail store," he said. "Luxury brands that are still not selling online are seriously going to miss out on emerging markets and areas of the globe that don't have their retail locations in place."

"They should also keep in mind ultra-high-net-worth individuals are pressed for time and do you think they would rather spend that time traveling to a store or just clicking a few buttons and having the product arrive at their doorstep?"

Online opportunities

According to a report from McKinsey, online luxury sales increased by 20 percent in 2013, faster than general sales in the same year, which only rose 2 percent. It is estimated that luxury ecommerce sales will reach about \$21 billion in the next five years.

Still, Bain consultants told [Bloomberg Businessweek](#) that an estimated 40 percent of brands still don't sell online. Many moves within the past few months show a changing attitude from some late adopters.

Chanel, which popularly eschewed ecommerce, has said that it plans to launch an online shop for more of its merchandise in the future. The brand is currently taking more steps toward its ecommerce platform with a shop-in-shop on online retailer Net-A-Porter's site.

Coco Crush, a six-piece fine jewelry collection, is launching online prior to being in-store. The soft opening of ecommerce through Net-A-Porter is offering Chanel some insight to its consumer's willingness to buy online ([see story](#)).



Coco Crush collection

The capsule includes five rings at \$2,150 to \$3,500 and a cuff priced at \$20,500. Within hours of the pop-up going live on April 15, three of Chanel's six pieces, including the 18-karat gold cuff, had sold out.

"Luxury customers are interested in ecommerce," said Jay Holan, senior vice president and senior consultant at [FitForCommerce](#), a digital and omnichannel consulting firm, that helps retailers define and execute growth strategies and select technologies. "The proof points have been accumulating for 18 to 24 months. With the globalization of the luxury market, the need to offer product online is no longer perceived as 'off brand' for luxury retailers - on the contrary, not being fully armed digitally has become a competitive and brand liability.

"Burberry has been a leader in this area, and other brands entered in with varying degrees of commitment and success in terms of their commerce offerings," he said. "It has been

more financially justifiable for luxury brands in apparel to make the investment. But the margins in all luxury goods should make the decision easier than it was 1-2 years ago. The growing availability and relative costs of sophisticated outsourced ecommerce and mobile commerce platforms, as well as international fulfillment services, as opposed to brick and mortar investments in volatile global markets, has tilted the scales.

"The supply versus demand quotient globally, the ability to tell a brand story online and connect directly with customers by mining web usage and purchase data, means luxury retailers can grow and manage high value customer relationships more carefully around the world. It's essential now to weigh this against investment in retail locations and staff."

Online multi-brand retailers have given brands the opportunity to see what interest there is for their own consumers for buying online.

French menswear label Berluti also gives its consumers the opportunity to shop online for select pieces exclusively through online retailer Mr Porter.

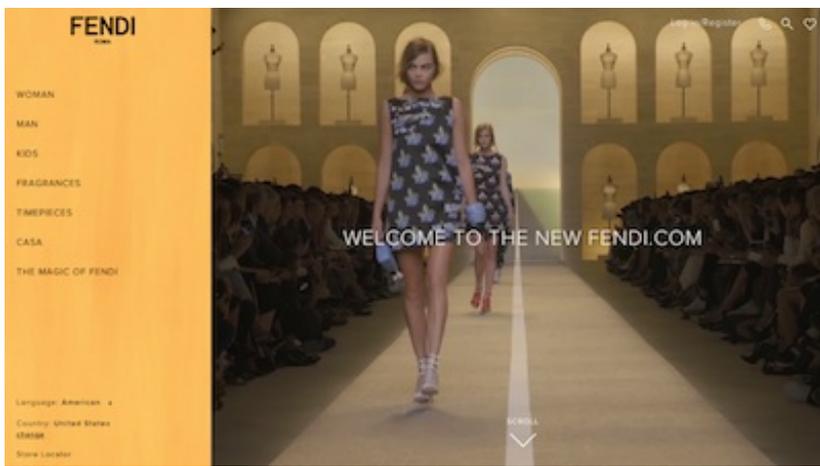


Screenshot of Berluti Web site

Berluti currently does not have its own ecommerce platform, and the retailers that carry the brand, including Bergdorf Goodman and Harrods, do not sell the label online. Mr Porter provides a platform with a fashion-attuned audience for Berluti to test out ecommerce ([see story](#)).

In March, Fendi opened up ecommerce for its apparel and accessories for European consumers.

The Italian fashion house updated its online image with a new Web site that streamlines navigation and caters to consumers' needs ([see story](#)).



Screenshot of Fendi Web site

Selling online is a form of customer service, enabling consumers easy access to the products they want. It can also help a brand build up its client understanding through data collection.

"Luxury shopping is all about the product experience and not necessary the product itself, and a 360 digital experience will enhance the overall customer experience for these luxury brands," said Nico du Plessis, senior consultant at FitForCommerce.

"Mobile also plays a big role," he said. "Consumers buying luxury brands are usually highly penetrated in smartphones and mobile's influence in omnichannel retail is expected to significantly grow over the next few years. By 2018 mobile is expected to influence 80 percent or more of omnichannel with \$4.5 trillion in mobile-influenced sales in the U.S.

"Another opportunity for larger online presence is to leverage the growth in global ecommerce. Bricks-and-mortar stores typically have to deal with price fluctuations by region or country, while having a global ecommerce presence could mitigate these regional price fluctuations."

However, selling online can also mean that brands may lose a feeling of exclusivity. One way to combat this is to provide an online boutique, but limit what is sold.

For instance, Hermès sells a number of its handbags through its Web site, but its Birkin and Kelly bags are exclusively sold in its own boutiques. Similarly, a number of fine jewelers, such as Van Cleef & Arpels, keep their high jewelry offline.



Screenshot of Hermès e-commerce site

The digital presence of a luxury brand is increasingly important for the consumer's purchasing decision, but among luxury watch and jewelry brands 90 percent do not offer clear pricing information online, according to a new study from L2.

Changes in the Chinese economy and the emergence of the Apple Watch are forcing watch and jewelry brands to reprioritize jewelry within their brands. These changes, especially those in digital, can reshape brands into a more relatable and enticing brand for digital-savvy consumers to interact with and purchase from ([see story](#)).

"The mobility and impulsivity of luxury customers in the digital era demands immediate connectivity and conversion," FitForCommerce's Mr. Holan said. "They may not need the bauble today, but to know it is on the way is the difference - the difference between tapping submit for a Chanel watch versus Bulgari or Cartier.

"And the faster you can deliver it to them - with style - will build their loyalty more than building more stores," he said. "Build stores, but do it very strategically and with a sharp pencil. Most of the customers who can pay for these goods will understand that thinking, and admire it."

Closing the gap

Balancing its reluctance toward its own e-commerce, Chloé instead links to its third party retailers.

Chloé is helping consumers choose the right handbag by assigning personalities to each style.

In a new Web site feature, Chloé illustrates the type of girl that would want a particular bag with street style photos, celebrity shots and fashion editor input. While Chloé does not have its own e-commerce, each page links to Net-A-Porter's shop for the brand, allowing customers to easily buy what they like online ([see story](#)).

"The main downside to utilizing sites like 1stdibs and Shop-Hers for example is that they take anywhere from 13-18 percent in commission, and if you're selling a high-end product, that's a lot of money going out of your pocket," Luxury Branded's Mr. Clark

said. "This might also make it harder in the future for the brand when the consumer knows that they can find what they need, at perhaps a lower price, on these third party ecommerce platforms.

"Newer luxury brands however should look at marketplaces like 1stdibs and Net-A-Porter because they not only have the affluent shoppers on their site, they have the trust built up for consumers to hit that buy now button," he said. "It also works wonders for their PR strategies as well combining with a partner like Net-A-Porter who has a very large social following, as well as vast newsletter subscribers and site traffic. It's a great way to grow trust with consumers while helping make a name for your brand."

Luxury brands improved their digital performance by 8 percent over the last quarter, according to a new report by ContactLab and Exane BNP Paribas.

Generally, brands prioritized boosting their digital customer experience rather than their strategic reach, implementing new technology instead of focusing on market expansion via digital channels. Brands are currently only reaching 50 percent of their full potential for digital customer experience, a gap that many are looking to close ([see story](#)).

"At this point the answer comes down to execution of the order, and making sure that aspect is on brand," FitForCommerce's Mr. Holan said. "Again, at this stage it is much more of liability to not offer your brand online than to shun doing so.

"But - and a very big but - you must be sure that you are creating a customer experience for the online - and mobile - customer that meets their expectations for your brand," he said. "Manage product availability and sell only what you can fulfill online, set delivery expectations carefully, package and ship the goods in a manner that creates a delightful experience upon receipt. And use that point of contact to strengthen the relationship and sell more.

"Have customer service that follows up and ensures satisfaction."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

Embedded Video: <https://www.youtube.com/embed/k8EyFsiLr7E>

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