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5 lessons that luxury brands can learn from technology firms

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Luxury brands are in the midst of a historic disruption, thanks to the collision of media and technology.

The bad news: Luxury brands' consumers are far ahead of them. The good news: There is an enormous opportunity for luxury to redefine their business models for the digital age. That means shifting from playing defense to taking the offense, even if that means adapting, or discarding, formerly successful approaches.

While stalwart luxury brands such as Chanel and Céline command all the attention, some of the most noteworthy attempts to redefine luxury are taking place on the periphery.

Take online marketplace Farfetch, which provides a global aggregation platform to the local luxury fashion designers. There is also Ringly, a smart luxury accessories company that gives existing business a roadmap for how to use the Ubers of the world to rethink their own business and adapt to become stronger than ever.

To succeed, traditional luxury companies need to think like these disrupters.

There are five lessons that technology can give to the luxury business.

Lesson #1: Think like a platform
Uber, Farfetch and James Edition are platforms. They offer new source of supply, new source of demand, and a new way to connect the two.

Platforms provide tools and infrastructure that facilitate interaction between buyers and sellers. These interactions can be further enriched by curation, editorial content, membership services, personalization or community.

Successful platforms emerge as a solution to a customer problem. They offer a new source of value such as connectivity, convenience, speed, transparency or a frictionless experience, and disrupt the luxury industry by designing and driving adoption of new behavior.

For example, Farfetch – the only private company in fashion valued at $1 billion – does not have a single piece of inventory of its own, yet delivers luxury fashion consumers items at the speed and service that surpasses that of luxury brands.

What Farfetch realized is that luxury consumers seek constant newness and discovery, and created an aggregator platform that connects local designers with global audiences.

Apple Watch and Ringly market themselves as lifestyle platforms. They mix technology + luxury to help their wearers seamlessly interact with the world around them by way of their accessories.

These lifestyle platforms double as car and house keys, wellness monitors, wallets and personal assistants, as well as attractive and coveted luxury items.

To win in this new global space, luxury brands need to start thinking like platforms and ask themselves how to create new consumer value, what the new ways of consuming this value would be, how to innovatively deliver it and how to scale it.

Lesson #2: Know your data
Traffic reports and data management are not confined to the Internet anymore. Smart retailers already use Web analytics-like services such as RetailNext, Euclid and Nomi to track and measure consumers' in-store movements and activities.

Luxury retailers who understand what actually happens in their physical locations – how store visitors interact with merchandize or how they navigate the store – are able to better design their products, attract returning customers, optimize store layouts and display their products to maximize revenues.

In-store data tracking is the critical part of an integrated retail strategy. It connects consumer behavior across digital and physical touch points with the retailers' business channels.

Designer eyewear retailer Warby Parker is a good example of this integration. The brand built its own custom iPad-based point-of-sale system for use in its retail stores that ties directly into its unified customer database.

Similarly, personalized beauty company Birchbox uses cameras and heat sensors in its physical locations to track customers as they make their way around the store, seeing which products they are attracted to and how they use the iPads.

In-store data tracking provides luxury industry with an enormous untapped opportunity to offer extraordinary service and superior customer care.

The combination of the strong experiential qualities of the physical store with trackability and wealth of digital data is luxury's new brand-building tool.

Lesson #3: Luxury store is a marketing channel
Apple's Angela Ahrendts famously said, "I don't want to be sold to when I walk into a store. Don't sell! No! Because that's a turn-off. Build an amazing brand experience, and then it will just naturally happen."

Ms. Ahrendts is not alone in her approach.

Kit & Ace, a luxury activewear brand, has opened a shop in New York that doubles as a community table. London's Late Night Chameleon Café (LN-CC) is not a café, but an appointment-only boutique/private events space. Menswear brand Bonobos' GuideShops are made for showrooming.

When it comes to a brand experience, there is no confusion around what LN-CC, Bonobos or Kit & Ace stand for: All of them sell distinctive lifestyles and use their physical settings to articulate what they are about.

There is an undoubted appeal in the consumption rituals that these brands create – designed both to keep customers longer in their stores and to effectively transform themselves into cultural and social hubs.

For luxury brands, this means understanding the strengths and opportunities of their different retail channels in driving sales, brand affinity and customer loyalty. They have to unite all their individual retail channels under a strong brand value proposition.

Then, they need to bring this value proposition to life as a strong customer-centric experience in stores and otherwise.

Lesson #4: Organize for innovation
Modern luxury companies such as Apple, Burberry, Farfetch or Ringly seamlessly integrate technology in their brand experience. Their business, branding, design and tech teams work closely together.

For them, digital media is not an afterthought. It is at the core of their business.

What Burberry and Apple are doing right is to attract a winning mix of talent that spans many disciplines and nurture a non-linear, iterative organizational process.

These brands live and breathe a truly customer-centric, omnichannel approach. It guides their brand vision, strategy and brand behavior across all their consumer touch points.

Luxury companies need to reorganize their logistics, operations, fulfillment, customer service and in-store talent management to remain competitive. No small feat, to be sure.

But corporate silos, conflicting business interests, crummy backend systems and misaligned sales incentives are neither next-generation customer reality nor the organizational and business future of luxury.

In that, luxury brands have no choice.

Lesson #5: Know your customer
Next-generation consumers think about luxury in terms of experience and technology.

Instead of spending their energy and money on acquiring things, they would rather do them. Rare and authentic experiences such as running ice marathons in the Antarctic or climbing a Kilimanjaro are the new bling.

With the experiential luxury sector consistently outperforming other sectors of luxury goods, luxury brands are challenged to become purveyors of self-expression and lifestyle. They cannot compete based on their product offerings alone.

Smart brands have been quick to claim a spot in the luxury sector that is now diversified beyond fashion, watches or jewelry.

In fact, $10,000 bicycles are all the rage among affluent consumers on the West Coast of the United States, just as SoulCycle is on the East Coast.

The true modern luxury is all about the blend of style and function, and a seamless integration into the consumers' lives.

Luxury brands need to think of themselves in terms of experience and technology to remain relevant for the next generation of luxury consumers.

MODERN LUXURY consumption is interlinked with identity, self-expression and lifestyle.

To master the transition from a traditional luxury brand to a contemporary luxury experience, modern luxury companies need to successfully manage all of them.

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