

COLUMNS

## Luxury brands should not be afraid of CRM

April 23, 2015



*Erminia Blackden is strategy director at Cocoon*

---

By **Erminia Blackden**

**Sign up now**

**Luxury Daily**

The idea of CRM and loyalty programs seems anathema in the luxury market. There appears to be an intellectual and emotional disconnect with offering your luxury customer a loyalty card with which she can accrue points for future discounts. Surely, luxury consumers do not need to watch the pennies, and those on the peripheries of luxury, do not want to be caught doing so.

Although this hypothesis might ring true, using it as an excuse to dismiss CRM outright for the luxury market is fundamentally flawed. It confuses strategy with execution.

Points on plastic might well be a paradigm too far for some. But the principles of belonging, personalization and reward which underpin CRM are very much at the heart of the true luxury experience.

Buying into luxury brands is hardly ever exclusively about the product – it is more about what the combination of product and brand says about you, how that makes you feel about yourself, and how that helps form the image that you present to others.

In short, luxury brands have always been about the whole experience.

Credit the card

In days when luxury was the preserve of the elite, that experience was face to face, behind closed doors and intensely personal.

As the luxury market has expanded, brands have had to find new strategies for making customers feel special.

In today's world, both luxury consumers and the way they shop has changed. Even traditional brands have had to adapt to guarantee their share of the market.

One of the myths surrounding loyalty and luxury customers is that this audience does not value rewards because its wealth is inherited, and they are therefore indifferent to price and loyalty strategies.

Studies by the Harrison Group, amongst others, confirm that rather than coming from inherited wealth, the majority of today's global luxury consumers come from entrepreneurial wealth and middle-class backgrounds.

In the aftermath of the recent global recession, newly affluent customers such as these tend to reflect their middle-class values in their buying behavior more than ever before.

It is true that this group of new luxury consumers has high expectations of elevated service levels, preferential treatment and insider access. But in research, they also consistently rank rewards at the top of attractive elements of a loyalty program.

But let us not get carried away. It is how we define those rewards that really matters.

It remains of paramount importance that prestigious clientele have personalized and memorable shopping experience across all touch points.

To achieve this, loyalty initiatives must integrate personal insight and exemplary customer service with exclusive opportunities and promotions, bundling the soft benefits of privilege with hard tangible rewards. Co-existence is key.

Luxury retail brands such as Harvey Nichols, Saks and Bergdorf Goodman afford cardholders little luxuries which set them apart from the rest of the shopping public such as free delivery, points accrued towards complimentary gift cards and member-only previews, tastings, offers and events.

It is certainly a start, but it is a technique that has already rolled out well beyond the luxury market.

Luxury brands need to be doing more, in more touch points, more of the time to really make CRM work for them.

In the trenches

Probably the best example of real multi-touch point CRM in the luxury market is Burberry's Customer 360 Program.

A registration program which invites shoppers to share their fashion photos, buying history

and preferences, and share data online for which customers are then rewarded with a better in-store experience through the alignment of Big Data.

Sales assistants in any Burberry store can use tablets as mobile fashion consultants to help make on-the-spot recommendations, thanks to predictive analytics.

Combining each individual's purchase history and Twitter posts with data on fashion trends can help Burberry staff greet each customer by name – and with a personalized product suggestion, such as a clutch bag that will go with the dress the customer bought from a Burberry store while on holiday abroad.

This kind of connected experience aims to use data and technology to replicate the hyper-personal connected experience of the historical luxury marketplace when business was conducted locally and face to face.

In this example, Burberry has used data and technology to create personalized, intuitive and helpful connections en masse in a diverse and fragmented global market. And because modern-day luxury consumers are amongst the most connected individuals in the universe there, is no shortage of data.

IN SHORT, CRM is all about relationships, facilitated by personalized and relevant experiences that drive preference, advocacy and sales.

These principles have always been at the heart of how successful luxury brands conduct themselves and set themselves apart from the mainstream.

Times have changed, people have changed, but what consumers want from their luxury brands has not.

A personalized, intuitive and responsive shopping experience is still at the heart of what luxury stands for.

So rather than being afraid of CRM and loyalty drivers potentially de-valuing their equity, luxury brands should go back to their roots and re-think how the principles of exquisite customer relationship management that has set the sector apart for generations can be applied to the modern customer in the new digital age.

*Erminia Blackden is strategy director at [Cocoon](#), London. Reach her at [erminia.blackden@cocoonluxury.com](mailto:erminia.blackden@cocoonluxury.com).*

---

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.