

COLUMNS

Why luxury brands must invest more in digital advertising

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By A LUXURY DAILY COLUMNIST

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Luxury Daily

“The Internet is the only medium that can reach almost all luxury buyers in all markets,” noted a Google study of global luxury shoppers.

Yet, this fact goes strangely unexamined by the legacy luxury brands. The excuses are many.

To wit: Accessibility, democracy and transparency of the digital world are killing exclusivity of luxury. The experiences need to be tightly controlled and stores are hence the key retail channel for a self-respecting luxury brand. The storytelling of heritage needs the template medium of print.

These are just quick brush-offs by companies that are doing too well to change. They stick to the traditional definition of luxury because it still works for them.

But this complacency is dangerous, not the least because it ignores the hard facts of high-net-worth individuals (HNWI) digital activity and the growing digital sales.

Net net

When it comes to the number of digital devices and time spent online, the HNWI over-index compared to general population.

The Internet is their constant companion: 98 percent of luxury buyers use the Internet daily versus only 37 percent of those who read magazines daily.

The number of steps involved in their path to purchase also multiplied.

More than 90 percent of them globally – with emerging markets leading the pack – use the Internet to research luxury products before they buy. They research luxury items on a desktop, then switch to smartphone, or vice versa.

According to eMarketer, when shopping online, HNWI check an item seven or eight times before the actual purchase.

More than 90 percent of HNWI are active on social media, with 55 percent of millionaires being on Facebook, per The Oechsli Institute Affluent Investor Study.

IPSOS found that HNWI watch video on digital platforms more than they did in the past, accompanied by growing television size and connectivity.

If the HNWI behavior is not enough, consider the ongoing shift in global luxury sales. The numbers are impressive.

In the Asian ecommerce market, \$525 billion has been spent in online sales. In North America, this number is \$483 billion.

While ecommerce today accounts for only 6 percent globally, the number climbs to respectable 50 percent if we take into account that physical sales are influenced by online activity, claims L2.

Nordstrom, an upscale department store chain in the United States, alone made \$2.4 billion just from online sales in 2014.

Faced with these numbers, smart luxury brands have increased their digital spend.

Still, faced with the uncharted digital luxury territory, they need information and guidance on how to best use digital advertising to further their business and brand growth.

The first step in this process is to help them redefine what digital advertising is.

Paid media and online public relations simply do not make the equation anymore.

Content, social actions, influencer programs, partnerships, CRM systems and utility are the new digital advertising tactics.

Championed by trailblazers such as Net-A-Porter, Birchbox, Burberry or Farfetch, these tactics have already proven their business, brand and consumer impact.

Three's the charm

If summarized, there are the three key reasons for luxury brands to consider doing more

of digital advertising, faster and with more passion than before.

1. With digital, luxury brands have new opportunities to tell their story in a much more interactive, immersive and compelling way.

No longer confined to the template of print or video, luxury brands can truly evolve to become unique lifestyle experiences.

Think Net-A-Porter. Its brand promise is “luxury that delivers.” This promise is consistently and compellingly activated across all customer touch points such as online, via The Edit, on mobile or, as the same-day delivery.

Seamless integration of narrative and technology gives luxury brands the opportunity to connect with their customers at every touch point and price point.

2. Above-the-line (ATL) advertising fails to reach the majority of the next-generation of luxury consumer.

For emerging HNWI, digital is the way of life. They do not distinguish between their online and offline behavior, and they are the most digitally savvy consumers in the world.

To truly connect with them, luxury brands need to be where they are, and to speak to them on their own terms.

As digital spending by modern luxury consumers increases, so do their digital expectations. They expect from legacy luxury brands the same level of service and convenience that they are getting from digital-pure players.

3. Digital advertising creates a clear and measurable return on investment for luxury brands’ creative, helping them to allocate their media spends in the most efficient and results-generating way.

Unlike ATL campaigns, which require continuous re-investment to generate customer value, digital actions have high customer lifetime value and decreasing costs. They are highly measurable investments in the ongoing customer relationship since they reach qualified consumers.

Also, unlike ATL campaigns, which keep separate points of sale and marketing efforts and nurtures fragmented, media-driven storytelling, digital encourages holistic, omnichannel thinking. It also encourages deep listening for campaign pivots and growth.

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