

COMMERCE

“Hackers” poised to disrupt luxury industry

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Decision coin from Dymant

By SARAH JONES

LONDON The luxury industry is in for some big changes as more players from the technology sector enter the space, according to the CEO of Dymant at Luxury Interactive Europe 2015 on Oct. 28.

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From Tesla's entry into the luxury auto market to Net-A-Porter's growth as a new online-only company within a landscape of historic houses, new entries are seeing success that some of their more-established peers are not. Beyond posing a threat as a competitor, these newcomers have the potential to change and alter the way luxury brands do business.

"Disruption and change are coming, and the barbarians are at the gates," said David Klingbeil, co-founder and CEO of [Dymant.com](#).

"Very often, the start-ups, the hackers, like to call themselves barbarians because like barbarians, they don't speak the language of the industry," he said. "But then they disrupt, they change everything and they have a lot of impact on the industry."

Digital disruption

Mr. Klingbeil used Tesla's Elon Musk as an example of a disruptor. The brains behind Tesla had previously developed PayPal and had worked on projects for space before he joined the automaker.

Net-A-Porter and Yoox both arrived on the scene at the same time as LVMH's eLuxury. The conglomerate's attempted ecommerce site was anticipated to blow away its newcomer competition, but it has since folded, while the other two are now merged into one company set to heavily impact luxury ecommerce.

Blue Nile similarly shook up the jewelry space when it launched in 2000. At that time, it was thought to be impossible to sell luxury jewelry online, but today Blue Nile does close to \$500 million in revenue. The same is true for 1stdibs within home furnishings, proving the store is often irrelevant.



David Klingbeil

Dymant looks to change the way in which consumers buy artisan goods.

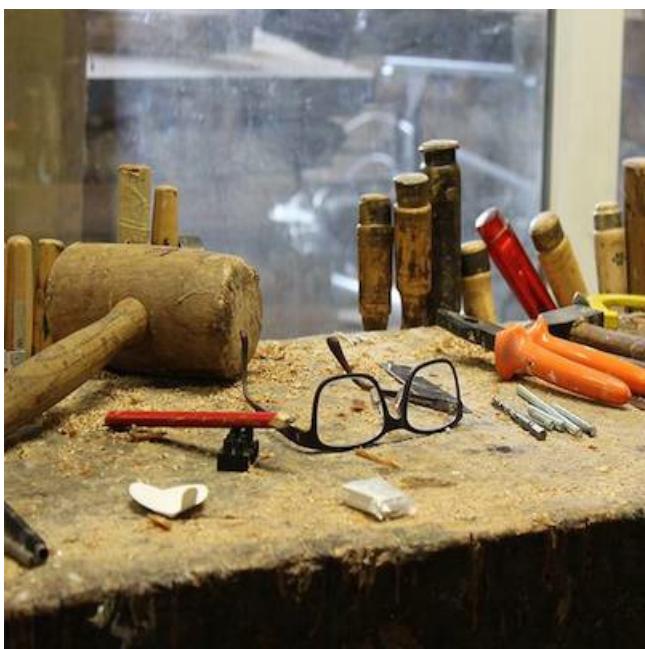
From an analysis of the luxury market, the founders grouped consumers into four groups, based on their varying degrees of wealth and their interest in having status.

The have-nots with no desire for status were classified as "proletarians," while their equally low funded but aspirational peers were labeled "poseurs."

"Parvenus" consumers crave wealthy displays and have the net worth to make it happen, while the "patricians" have equally large pockets, but want a more understated luxury.

Dymant chose to focus mostly on the patricians, figuring out how to serve the client who already has everything. In this way, it exists as a complement to traditional luxury brands, rather than looking to replacing them.

The start-up, founded two years ago, has altered how artisan goods are produced, creating a network of 300 craftsmen. Changing the norm, digital has been integrated within every step of the process, from design, to order, to production, to sale.



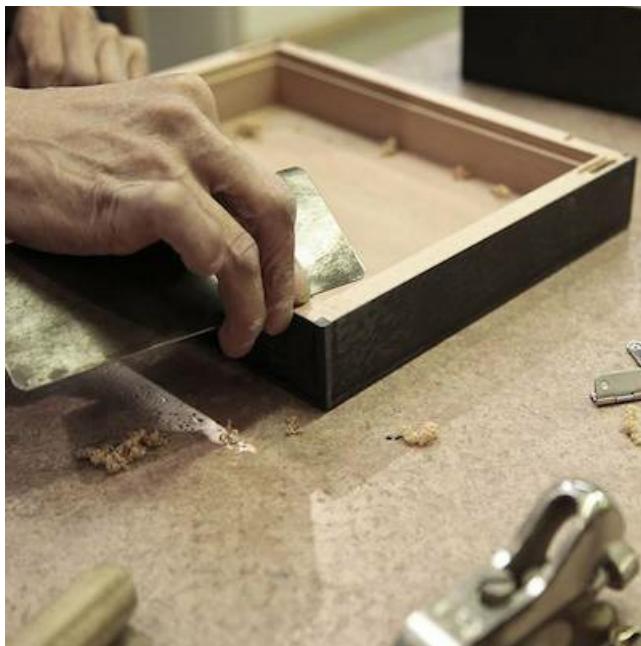
Dymant craftsmanship

All of the craftsmen are linked, enabling products to be made quicker than before and for less cost.

Some examples of the luxuries Dymant creates include a decision token inlaid with mother of pearl. The coin-sized disk has "yes" on one side, "no" on the other and "maybe" inscribed along its trench, allowing control freaks to let fate decide their answer, a personal luxury.

Another product introduced is a wooden box that will hold consumers' secrets. At time of order, the client shares a secret, which is then placed incognito in a black piece of wood, only revealed momentarily if the heat of the owner's

palm is touched to the plaque.



Artisan constructing box

Dymant can also do custom orders. For a Nutella enthusiast, a bronze Nutella jar plated in gold was made. A marketing manager wanted a special gift for his team that reflected their work, so Dymant produced luxury auctioneer gavels.

With craftsmen across fields, items that require a skillset in different materials can be coordinated.

In addition to its own wares, Dymant has worked with storied houses such as Chanel and Boucheron, enlisting its artisans to make branded products.

Exclusively online

Today, Dymant has 8,000 members and 50 clients in the business-to-business side. At its start, it was invite only, with the founders inviting their friends and giving them each five invites of their own to use.

The ecommerce site was just opened beyond members, now requiring no login to view, but that does not mean the startup wants to serve everyone. It opts out of listing on Google, so people have to search for its brand name to hit anything that relates to its site.

Also, even after a series of fundraising, Dymant does not advertise. Instead, it hopes the products speak for themselves, and that consumers that have heard about it and have a strong interest in the company will visit.

So far, this appears to be working, as the company has a seven-figure revenue.

Some brands have looked to make startups collaborators rather than competitors.

German automaker BMW founded a new program to help the company identify and integrate startups into its infrastructure more rapidly.

The BMW Startup Garage will expand on programs that the automaker already has in place, working to tap the potential of fledgling companies that can benefit from BMW's international reputation and successful strategies. Connecting with startups will help BMW stay at the forefront of cutting edge technology and ensure that the brand has access to a new generation of talented innovators ([see story](#)).

Technology has disrupted the luxury industry, but the impact varies across sectors and depends on how innovation has been incorporated, according to a panel session at the Financial Times' Business of Luxury Summit June 8.

The "How new technology is influencing manufacturers" panel, led by Rachel Sanderson, the Milan correspondent of the Financial Times, brought together fashion, jewelry and home interiors to give summit attendees a "snapshot" of what is currently happening in this "moment of digital disruption." For luxury, there is a struggle between implementing new, innovative technologies and the timelessness of artisan craft that defines the industry ([see story](#)).

Referencing a quote from Steve Jobs, "It's more fun to be a pirate than to join the Navy," Mr. Klingbeil explained the difference between the two organizational structures.

"Not only is it more fun to be a pirate and join the navy, but it's also very profitable," he said. "Those companies don't have the same cost structure, they don't have the same history as the regular brands."

"So being a luxury hacker can also be very profitable for them. They can just have a couple of hundred or a couple thousand employees and they can run hundreds of million dollar business. Whereas for traditional corporations, they rather need offices in much more places with many more people to work with."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

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