Luxury Daily®

The News and Intelligence You Need on Luxury

RESEARCH

Luxury brands ramp up digital efforts, show varied priorities: report

January 20, 2016

Still from Louis Vuitton mcommerce film

By SARAH JONES

The digital landscape is becoming more competitive for luxury brands, as the industry saw an average 9 percent improvement in online performance from the first to second half of 2015, according to a new report from ContactLab and Exane BNP Paribas.

In general, brands are making investments in their multichannel selling and marketing capabilities, with two-thirds of indexed labels upgrading their ecommerce platforms noticeably by December 2015. There is still room to grow, with most brands excelling in one area while falling behind peers in other measurements.

"LVMH and Kering are starting to engage, and clearly the brands of LVMH that were behind Kering are starting to move, namely Louis Vuitton, Loro Piana and Fendi," said Marco Pozzi, senior advisor of ContactLab, Milan, Italy.

"You see the position of the Kering brands are very stable," he said. "Gucci is in a period of changes, and maybe digital has been for a moment a bit aside.

"It could be the relationship with Yoox is a sort of constraint, because many brands of Kering are delivered by commerce by Yoox. We know that that is a bit of a plus sometimes, but it is also another actor in the picture, so it's more difficult to becrosschannel and so on, because by definition Yoox is not crosschannel, it's ecommerce."

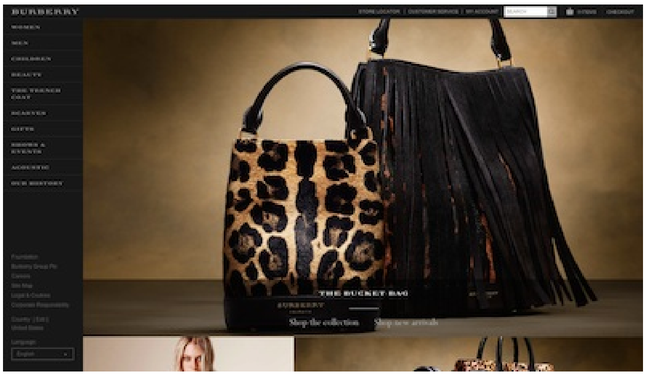
The fourth edition of ContactLab and Exane BNP Paribas' collaborative reports, "Digital Competitive Map: January 2016 - The Race is Speeding Up" analyzes the digital execution of 30 brands across fashion, leather goods and jewelry. The map plots brands' strategic reach and digital customer experience proficiency, offering both a comparison and a look at how the industry is doing as a whole.

Making moves

Overall, Burberry, Fendi, Loro Piana and Dior made the greatest improvements from the previous competitive map. LVMH brands, with the exception of Cline, are making moves and catching up to early adopters, while Kering's stable of brands has shown more consistency in performance, perhaps due to its ecommerce partnership with Yoox.

In general, brands made greater strides in customer experience than in strategic reach. However, there was great variety in what brands focused on in the second half of the year.

Burberry is at the top of the leaderboard, with strong scores for both reach and experience. Louis Vuitton meanwhile regained its top position in the rankings for proficiency, with additions of collecting online purchases in-store and same-day and Saturday shipping.



Burberry ecommerce site

Burberry outshines in personal services, with features such as having style advisory available over phone, chat or email, while Coach tops the list for crosschannel services as the only index brand to offer in-store availability, click and collect, in-store return, online ordering in-store and online exchanges in-store. Burberry and Fendi are best at email engagement, while Loro Piana and Burberry are most proficient at product presentation, including videos, multiple views and zooming capabilities.

Crosschannel offerings are growing, with a 25 percent leap across the index in multichannel experiences, but the mapped labels are only reaching 35 percent of their potential at bridging online and offline shopping.

The shoppable product range is expanding for a number of brands. However, Louis Vuitton and Prada still do not sell ready-to-wear via ecommerce, and Chanel traditionally limits its ecommerce to fragrance and beauty.

Chanel unveiled its first ecommerce Web site for the fashion division in the United States to sell its sunglasses collection.

Chanel eyewear ecommerce

Instead of a category-wide launch of ecommerce, Chanel has taken a slower path to brand-operated commerce by offering first skincare and beauty products, and now entry-level sunglasses to test the waters. Launched on Nov. 4, Chanel takes a holistic approach by creating an omnichannel ecommerce experience to complement its bricks-and-mortar boutiques to better serve consumers through enrichment and customization (see story).

Global expansion

Even with a tumultuous economic climate today, China is a high priority for luxury brands online. Cartier, Tod's and Hugo Boss have begun selling to Chinese customers online within the report time frame, but a number of brands including Louis Vuitton, Gucci and Herms do not offer purchasing for the emerging market.

"China is very important. One-third of revenue is coming more or less from Chinese customers buying abroad or in China," Mr. Pozzi said. "This puts some pressure on the brands not yet selling in China. It's very strange that some key brands like Louis Vuitton, Gucci, Prada are still not selling in China on ecommerce.

"I would expect in the near future, most of these brands will open the ecommerce channel in China," he said. "To start ecommerce in China is an investment, it's not an easy game. You need infrastructureIT infrastructure for the software and commerce, and logistic infrastructure and personnel.

"It's a quantum leap in investment in China, because you cannot do it in a marginal way."

Cartier Chinese ecommerce site

All of the indexed brands have Mandarin versions of their Web sites, and most offer a Mandarin option for newsletter emails. In comparison, only about 50 percent of brands offer Russian or Portuguese language options for their Web sites, potentially missing an opportunity with other major emerging markets.

Online geographical coverage has grown 13 percent, but brands are on average only reaching 36 percent of their potential. Key countries that are currently being ignored are South Korea, Russia, India, the United Arab Emirates and Brazil.

Retailers frequently focus on logistical concerns when expanding their ecommerce availability to a new market, but they should also be focused on tailoring their online shopping experience to the local preferences of consumers, according to a recent report by Pitney Bowes.

Consumers are becoming more aware and inclined to purchase online from a retailer in another country, making it a missed opportunity if brands do not have a global ecommerce platform. From the ways in which consumers find products to their favored device for completing a transaction, many regional and cultural differences abound that need to be taken into consideration (see story).

In strategic reach on the digital competitive map, Burberry is followed by Armani and Valentino, while Loro Piana and Herms are making the most improvements to their global presence.

About half of the mapped brands do not disclose the country products are made in on their ecommerce site. During the report timeframe, Loro Piana added a "made in Italy" note on product pages, while Moncler has removed any reference to merchandise's origins.

Loro Piana Web site

ContactLab and BNP Paribas expect that there will be more brands sharing this information as a number of brands move their production back to their countries of origin.

"From our understanding of the industry and the research we did, the 'made in' is very important for the Asian countries, because it's important to have a Burberry made in the U.K., Louis Vuitton made in France and Prada made in Italy," Mr. Pozzi said. "Less [important] I would say for European or American customers, but more for new luxury areas.

"We know that they are movingit's not easy to move. Burberry has announced to localize some production in the

U.K., Prada has announced to localize some more production in Italy," he said. "The reality is that half of the panel don't declare, so 15 brands of the panel don't declare where the origin of the product is, which I find a bit strange.

"I think it's important because the made in is two parts of the story. One, in the short-term, is that it's very reassuring for especially customers from Asia. And second is a long-term strategy issue, because I feel that it's very important to be consistent with the brand origin.

"So maybe in the short-term they localize production to Mexico, but when the average ticket is $1,000, in the long-term, I think it's a mistake. They probably should be extremely careful, especially in core product categories."