

MULTICHANNEL

Balancing aspiration and accessibility will be key for brands

January 22, 2016



Image courtesy of Michael Kors

By FORREST CARDAMENIS

NEW YORK After a disappointing holiday season to end 2015, what will this year bring for the luxury industry?

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

On Jan. 20, panelists on the "Outlook 2016: Key Luxury Marketing, Retail, Media and Digital Trends and What's Next" panel at Luxury FirstLook: Strategy 2016 discussed what luxury marketers should anticipate in the 2016 economy, where growth lies and the always-growing role of digital. Brands will need to balance access with aspiration, cut discounts, connect channels with creative marketing, locate growing markets and continue to innovate to pull ahead in these economically trying times.

"There is a paradox happening where luxury is obviously aspirational, but there's an expectation of accessibility," said Greg Monaco, founding partner of [Monaco Lange](#). "You have these two opposing forces, so how do you maintain aspiration yet be accessible at the same time?"

"One thing that I'm noticing is that the veil has been lifted or is expected to be lifted," he said. "So if you are in the market for a Maserati or something you have this image of an owner, now with digital you know his name, you follow him on Twitter and you realize his life is just as boring as your life. So brands that are going to survive are those that can toe the line."

"Tell the story, maintain aspiration, but don't reveal too much under the hood."

Access and aspire

According to Natalie McCaffrey, the associate director for strategy at [iProspect](#), there are three significant trends she has seen lately. The first of them is that, as expected by many, social media is proving to be an enormous area of growth in terms of traffic and engagement. The next step will be devising accurate models to translate those metrics into gained sales.

The second was the boost in United States sales on Single's Day, the biggest shopping day in the world primarily due to its popularity in China. Ms. McCaffrey notes that iProspect's luxury clients that participated in Single's Day through platforms such as Dealmoon.com saw growth.



Outlook 2016 panel

Lastly, online "Cyber Monday" promotions were spread more evenly throughout the season, and many retailers were not hitting their numbers in the holiday season, but discounting after Christmas led to growth in the week after.

Discounting is getting more prevalent, but worries still arise over the potential long-term harm it could cause a brand. Marie Driscoll, CEO and chief consultant of Driscoll Advisors notes that 40 percent of luxury products sold online in the U.S. are discounted right in line with Amazon, known for its lowest prices, accounting for 40 percent of overall ecommerce sales.

While potentially disrupting, 40 percent of ecommerce sales is risky in the short term as brands try to make their numbers year after year, doing so could prove productive in the long-term. A lack of discounting could generate desirability and exclusivity as a result of high prices, which will in turn make its products objects of aspiration for consumers.

Chris Rovzar, digital head of Bloomberg Pursuits, also saw sales slow, with a projected growth in holiday of 3.7 percent clocking in at just 3 percent. However, there are plenty of growth opportunities nonetheless.



Affluent consumer

Certain hard goods are still under-indexed in the U.S., and the slowdown of China, while too recent to predict may not be a big presence. The country's economy continues to grow at a rate that makes Western countries envious, and falling stocks will not necessarily impact all Chinese luxury consumers.

"We interviewed during Fashion Week a lot of Italian CEOs of companies like Moncler and Dolce & Gabbana, and they're optimistic," Mr. Rovzar said. "The weather is getting colder so people are buying winter clothes, and the middle class isn't as affected by the stock market and they're still splurging."

Regardless of where the growth happens, both geographically and in terms of physical versus digital, localization is a key to reaching consumers. Bricks-and-mortar growth is slowing while online growth is skyrocketing, and brands know that a Web presence is a virtual necessity to grow.

"Brands need to bring the heritage but also bring in some of what's Chinese, incorporate China's culture" said Gustavo Gomez, director of research and methodology for [Envirosell](#). "You see billboards full of white people;

where are the Asian models?"



Chinese tourists outside a Louis Vuitton retail store

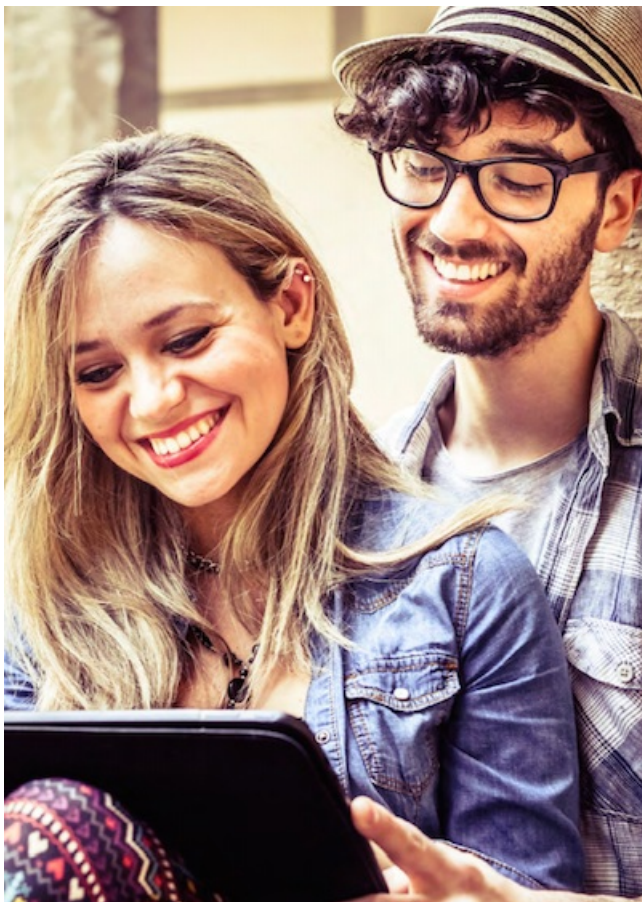
The potential for continued growth from China is particularly true in the real estate world. Anthony Hitt, CEO of [Engel & Volkers](#) North America, notes that Chinese buyers drove real estate in 2015 and are expected to continue to do so.

Many consumers that are impacted by China's falling stock market are inclined to move their money into U.S. real estate, a comparatively safe, high-return investment. This is particularly true to markets such as Vancouver, British Columbia, San Francisco, Seattle and especially New York.

While many sectors are still catching up on true omnichannel integration, real estate is ahead at least in regard to the importance of mobile.

"We know, from a real estate perspective, 90 percent of shopping at all price points is happening on mobile," Mr. Hitt said. "We are mobile first."

In other sectors, particularly those with products to sale, omnichannel integration is clearly the next step.



Consumers on mobile tablet

"There is nothing worse than going to pick up a dress or pick up a shirt and the store not having it in stock," EnviroSell's Mr. Gomez said. "Yet the stores aren't integrated with the Web, with inventory and with recommendations from customers and fitting rooms aren't digitally enhanced.

"There is a lot of growth luxury can lead to get that going, and I think that's an aim for 2016."

Omnichannel demands and mobile integration are pervasive among young consumers, who represent opportunity for the future of luxury brands. If brands can't reach those consumers when, where and how the consumer wants to be reached, however, competitors will blow by.

"HENRYs are the future of luxury brands," iProspect's Ms. McCaffrey said. "They have grown up with cell phones and iPhones, so if brands cannot connect with them, they're going to lose.

"Some luxury brands are making headway," she said. "L2 points out Gucci and Louis Vuitton stood out within the luxury space in terms of being able to find store inventory on the Web site, and these very simple things are very important."

Unifying commerce

While panelists agreed that true omnichannel experiences were the industry's future, it is unlikely that brands will accomplish it sometime this year.

A unified commerce experience hosting a single cart across all channels is the future of retail, but retailers are struggling to deliver, according to a report by Boston Retail Partners.

Eighty-five percent of retailers list unified commerce as a top priority, meaning that soon customers will be able to shop, ship and pick-up products from wherever they wish. Getting there will involve improvements in point-of-sale hardware and software as well as increased support of mobile technology both for purchasing and recognition purposes and is likely two or three years away ([see story](#)).

Brands must also be able to reach impulsive, high-spending tourists from abroad to stay ahead in 2016.

Chinese tourists spent \$229 billion in 2015, according to a report from GfK, Germany's largest market research institute.

Although some of this money is spent in Hong Kong or in Southeast Asian countries where luxury brands do not yet have a large presence, such as Thailand and Taiwan, tourism to Europe, North America, South Korea and Japan is also way up. Beyond illustrating once again the importance of reaching Chinese travelers, the data reveals trends in movement and spending that can help luxury brands reach the group ([see story](#)).

"The Chinese consumer is still traveling, so brands need to keep growing the online presence and find out where the Chinese tourists are going and that's where your growth is going to be," Mr. Gomez said.