

COLUMNS

4 forces behind luxury complexity

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In 2015, luxury was all about hooking up with technology. The two industries became BFFs, swapping talent and getting inspiration from each other. LVMH lured Apple's Ian Rogers, Facebook hired Lucky Magazine's Eva Chen to head fashion partnerships for Instagram, and Apple hired Saint Laurent's former CEO. Tag Heuer teamed up with Intel and Google and Apple paired up with Hermes.

To show how serious they are about digital, some luxury brands such as Saint Laurent started hiring their first chief digital officers. The whole idea is to move digital from the ecommerce corner in the organizational chart to its front and center. Luxury brands realized that to stay competitive in the age of global fashion aggregators, online pure players and mobile-first curators, they need to get serious about their digital business models and marketing strategies.

As they make their shift toward digital-centric business, luxury brands should pay attention to these emerging four major themes.

1. Evolution of exclusivity, luxury marketplaces and customer preference for service and experience. Customer experience has become a new core value unit in luxury. It is considered a saving act for luxury department stores and one of the drivers behind the new definition of exclusivity in luxury.

Instead of something expensive, we now want unique items our friends do not have, helping limited edition and vintage gain momentum.

2. Continued rise of athleisure, smart fabrics and luxury wearables. The accepted wisdom is that the future of wearables is not accessories. Rather, it is about making technology invisible in smart fabrics and skin patches.

Athleisure is all over this trend, with vibrating yoga pants and ever-expanding range of items that are becoming the new cultural codes of luxury, conveying the wellness and the personal quality of life of those wearing them.

3. Shifting macro-economic forces, consumers' seeking transparency and new retail models. Premium digital retailer Everlane keeps simultaneously creating economic and social value that perfectly resonates with the young affluents.

Russians and Chinese have been spending less than in the past few years, forcing luxury brands to rethink their global strategies and consider alternative sources of growth.

The speed of the digital world turned out to be too much for a lot of the industry's top creative talent, but at the same

time it set the stage for a much-needed alignment between luxury brands' runway and retail calendars.

4. Convergence of online, in-store, social and mobile retail. The focal point of any luxury omnichannel strategy is consumer behavior. Today's luxury consumers value convenience, personalization and speed, and luxury's retail ecosystem should be built around these new core value units.

Every touch point is a marketing channel, with opportunities to act as a mini-funnel, seamlessly driving customers from inspiration to purchase.

To respond to the high-net-worth individual's expectations, luxury brands' investment in digital retail sites is expected to top \$2 trillion in 2016.

At the same time, digital pure players are also adapting: they are building their offline presence think Warby Parker and Farfetch and launching their print magazines think The Edit and The Window.

THE LUXURY LANDSCAPE of 2016 and beyond promises to be more complex than ever, with new growth forces, market structures and innovative industry players.

Understanding digital commerce, consumer behavior and emerging industry dynamics is key for luxury brands in their development of competitive business models.

For this, it is not enough to hire chief digital officers. To win, luxury brands need digital organizations.

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