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Are agencies missing on the luxury opportunity?

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The size of the global fashion business is growing and is expected to generate double-digit growth between now and 2020, according to a report from McKinsey & Co. McKinsey also claims that the apparel, fashion and luxury sector outperformed the global market over the past decade, exceeding even technology companies.

Paired up with this growth is the fact that luxury companies are increasingly abandoning their long-held belief that ecommerce is for lowbrow products.

Ads up

By 2018, global digital sales for women's luxury fashion are projected to grow from 3 percent of the market to 17 percent in the United States, 12 percent in Germany and 70 percent in China. Together, they are expected to reach a $12 billion market size.

All of this means that there is a market being carved up for advertising agencies' services. The opportunity to partner up with fashion companies is there, so why are there so few takers?

The conventional wisdom is that the margins are low and that no one became rich by working with fashion brands. While there is some truth to it, the growing digital media and commerce budgets across the category may inspire agencies to adjust their offerings and reconsider their stand.

More specifically, there are seven reasons to become an early adopter of luxury and fashion clients:

Luxury has become a growth strategy across industries. High-end offerings have become a strategy for growth in industries ranging from hospitals to banks, real estate, food, hotels, airlines, restaurants, and health and lifestyle activities.

Digital maturation. Luxury industry is rapidly maturing when it comes to digital media. The luxury advertising marketplace is expected to expand 3 percent in 2016, nearly doubling from the 1.9 percent it grew in 2015. The U.S. accounts for 82 percent of luxury advertising expansion.

With this increased digital media investment, luxury and fashion companies need guidance in allocating their budgets in the right way and in developing a sustainable customer acquisition and retention strategy.

Data and analytics. Luxury companies are rife with inefficiencies. They are siloed, with isolated customer

databases and poor data and analytic capabilities. The outcome is lack of consistency in serving their customers. Digital, social and in-store analytics are the big growth areas.

CRM, CEM and loyalty programs. Luxury businesses count on repeat customers for growth, yet they massively underinvest in customer service and in the post-purchase engagement.

Evolution of ecommerce. Ecommerce used to be exiled to IT departments. Today, digital commerce increasingly gets integrated into luxury and fashion companies' core business strategy and marketing.

Luxury as service. The most successful modern luxury companies did not come from the traditional luxury industry think Tesla, Apple, Nespresso, Yoox Net-a-Porter, Apple, Farfetch or Warby Parker. They all supplement their products with great service, which changes customer expectations.

Modern luxury consumers consider time, privacy, wellness, achievement and small joys as luxury. This new definition of luxury asks for new go-to market strategies from luxury brands.

Luxury as a loss leader. While revenue in luxury is perceived as lower, the opportunity for prominence and prestige is significant.

Getting into luxury and fashion market is a way to attract mass and premium brands to command higher revenue from these brands.

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