

COLUMNS

Lifestyle benefit beginning to outweigh traditional luxury stories

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Lily James for My Burberry Black Copyright Burberry/Mario Testino

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Few industries have reaped the benefits of customer loyalty as much as the luxury goods and services sector.

The high-touch and quality-service ethos experienced throughout the entire customer journey, from the first moment you walk into a luxury hotel to the buying experience of communicating with the American Express Black Card concierge, has enabled luxury brands to enjoy lower customer attrition levels than less exclusive products.

However, the concept of loyalty is changing.

Consumers of all backgrounds and demographics whether Generation X'ers or millennials, high-earning executives or those starting out on the corporate ladder are now more loyal to a brand with which they are *entangled*, rather than one with which they identify. And this shift has substantial ramifications for all luxury goods.

Digital transformation in the watch industry

For example, the buying persona of Tag Heuer, for example, is now as easily swayed by an Apple product as by an Omega. While some may see this as the preference of a "technology enthusiast," this is not the case.

Tag Heuer customers who were traditionally tech fans in the 1980s had also considered the Casio calculator in their time.

Apple as well as other players such as Google, Microsoft, Amazon and Facebook are now competing for a customer's *share of life*.

These mega-global brands are looking to be part of every minute of our daily lives by being present while we sleep (e.g., applications that measure our sleep patterns), to when we wake (e.g., their devices are already the alarm-of-choice), during the work day (e.g., Office/Google Apps) to our moments of fun and entertainment (e.g., iTunes/Google Play).

In fact, the social media profile rather than the luxury brands an individual wears now defines his or her brand.

The luxury goods and services industry has been a late adopter in realizing that lifestyle benefit is beginning to outweigh traditional luxury stories.

Fewer consumers view glamorous ads on television and in print, and for those who do view them, the message is centered on the brand product rather than the lifestyle need.



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Luxury has been one of the laggards in adopting digital transformation as part of their business model.

Yet for those willing to change, the opportunity is paramount.

Imagine the customer service opportunities available to the luxury brand that has in-depth knowledge of their customers' usage of a product: a clothing brand would be able to recommend appropriate footwear when an individual tries on a dress at home, a diamond ring with a scratch could be recommended for service with available times to come to the store, a luxury retail hosiery could recognize the weather and indicate the most appropriate hosiery of choice to wear.

These recommended actions affect lifestyle and drive an emotional connection with the brand, not because of its status alone, but more so because of its usefulness and the shared value it brings to make everyday life-tasks more convenient.

Millennials and luxury

Millennials are the future consumers of all brands, now commanding an estimated \$1.3 trillion in annual consumer spending.

As brands target the largest generation of all time, the luxury industry still lags behind.

According to a Harvard Business Review Study on Millennials and the Luxury Market, millennials have redefined the term "luxury."

The term no longer refers exclusively to expensive bags, shoes and watches, but now includes experiences such as farm-to-table dining and "ber-luxe" travel.

In other words, millennials prefer experiences to things, with 78 percent choosing to spend on a life experience or event over a purchased item.

When you talk to millennials, you are connecting with a generation of 75 million individualists in the United States alone.

The once-successful approach of luxury brands to dictate what their consumers should wear/use/think is long gone. We are in the age of inclusivity.

This generation expects brands to involve them in your conversations, as well as for brands to be an active participant in their lives to be integrated in as many touch points, channels and be a part of their daily routine until there is a zero degree of separation between brands and their audience.

Shop directly from runway

Luxury shopping should remain a high-end, elegant customer experience, yet consider how digital platforms can further enhance and expand the in-person experience.

Burberry has been an early pioneer in demonstrating how this can be accomplished.

Last year, the \$4 billion British fashion house treated its digital platforms as an experiment lab. While showcasing its collection, customers instantly were able to purchase the runway items off a Burberry Web site.

However, the apparel and accessories brand should not stop there.

Burberry's opportunity in its next step is to integrate the company's digital strategy into all branded touch points to achieve a holistic and seamless brand experience.

The modern-day marketer is armed with data insights that reduce the gap between the brand and the consumer from what was once an arm's-length relationship to **zero degrees of separation**.

With today's technological advancements, luxury brands have the opportunity to develop a truly entangled customer relationship that adds significantly to the value it brings to its consumers when purchasing a product or service.

For luxury brands, the physical experience has always been the core of their customer service framework from beautiful flagship stores, superior craftsmanship and the feeling of exclusivity when wearing a luxury item.

Now, the generation with maximum purchasing power is shifting the perception of this value.

Millennial consumers expect a traditional luxury item such as a watch to also know their health details, report on their mood for the day, and share their messages and emails.

Indeed, millennial luxury customers expect a completely different value proposition from what a luxury brand has traditionally been able to provide: they expect brands to already know their needs and desires.

To successfully market to a generation that prioritizes leisure time, vacations and a healthy worklife balance possibly to the detriment of their lifelong earning potential luxury brands must remain relevant by leveraging the opportunities available within the rapidly evolving digital marketing landscape.

Thinking beyond mere engagement

Thinking beyond mere engagement and making use of both big and small data and analytics, this will drive insights and breakthrough innovations necessary for luxury brands to begin this shift.

Through a business system of **entangled marketing**, luxury brands have the opportunity to leverage their consumer insights and tailor their communication efforts to become deeply integrated with their consumers' lives.

This approach also offers mutual benefits.

Consumers engage in personalized and value adding experiences, while brands enjoy untapped opportunities into new areas of their consumers' lives.

Simply stated, an entangling mindset and business model will allow luxury brands to build a supportive, enduring and mutually rewarding customer relationship.

LUXURY BRANDS have an unprecedented opportunity in the midst of extraordinary and rapid change change that is redefining their very foundation.

With an already existing and strong loyalty base, entangling brand and customer is the way forward to transforming and unlocking the potential to innovate the luxury industry.

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