

RETAIL

Luxury industry is severely missing personalization in online experience

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Image courtesy of Bloomingdale's for its online shopping

By BRIELLE JAEKEL

While the digital evolution has been in place for many years now, luxury retailers have continued to miss the mark in recreating the exceptional customer service seen in stores within online channels, according to a new study from L2.

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As technology capability has grown exponentially within the last few years, it is becoming easy for brands to implement convenient customer service features for customers online, but only 25 percent of luxury retailers are incorporating these features such as live chat. Personalization is a huge factor for luxury retailers, as affluent consumers want to feel a part of an exclusive experience, however only 23 percent of these retailers are incorporating digital personalization tools such as product finders and size calculators.

"The extent to which many luxury brands have largely missed the mark transitioning their best-in-class in-store customer service strategies to digital," said Evan Neufeld, research lead on the study at L2. "For example, only 25 percent of indexed luxury brands incorporate obvious customer service features like live chat into their sites, while only 23 percent of Luxury brands have implemented basic personalization features such as fit calculators or style finders on product pages, and less than a fifth of Luxury brand sites provide consumers with personalized product recommendations.

"Some Luxury brands, such as Prada and Harry Winston, do not even offer online accounts," he said.

Online and offline

L2's **Intelligence Report: Data & Targeting 2016** showed that traditional retailers grab an average of 12.2 data points when users first sign up for an online retailer's account, but that number drops to 7.8 for luxury brands. These luxury retailers are missing out on an extreme amount of data that can be use to personalize the experience for customers, which is especially important for these brands as their audience demands personalization.



BMW online retail

Six in 10 consumers are willing to spend more on a brand that takes the time to personalize the experience and make online shopping an exclusive and upscale experience. All consumers are well-versed with online shopping and have come to expect it, which means luxury retailers are not immune to these issues and in fact, should pay more attention than others.

While affluent consumers enjoy the prestige of exclusive and high end product, the emergence and popularity of Amazon still appeal to them. Amazon makes it very simple to find these products, but for a much cheaper price and all consumers are interested in deals.



Amazon poses a problem

About 86 percent of consumers claim that personalization plays a big role in their purchasing decision and 53 percent expect retailers to recognize them as an individual across all channels. Marketers that tap into individual's interests and behavior will see 48 percent more purchases from consumers.

Omnichannel needs

While consumers are now armed with a throng of technology devices and experiences, organizations within retailers' businesses create a series of red tape, preventing a true omnichannel experience that is needed in today's market.

According to report by BRP, luxury brands and retailers are not equipped to provide the all around experience consumers are looking for in today's on-demand market, with 71 percent retailers lacking a formal omnichannel process. While 44 percent of retailer's do have integrated planning teams, more than 86 percent are in dire need of improvement ([see more](#)).

Despite the overall boom in mobile transactions, a recent report finds that its growth is not yet optimal due to inefficiencies in checkout and payment tracks.

The report, published by L2, sheds light on the state of mobile transactions by surveying a variety of metrics including transaction impetus, expedited payment options and conversion rates. The resulting data is rich in insight for brands that are looking to optimize their mobile-based sales in a high-impact yet organic fashion ([see more](#)).

"While luxury brands are well known for personalizing experiences in their physical retail locations through best-in-class customer service, they have struggled to transfer these personalization strategies to digital," Mr. Neufeld said. "In L2's Intelligence Report: Data & Targeting 2016, Indexed Luxury brands underperformed in data capture and personalization when compared to brands at lower price points the average Luxury brand captures just 7.8 data

points via online account signup, compared to an Index average of 12.2 data points.

"This disconnect between offline and online investments presents a huge miss for brands, as affluent buyers prioritize information from digital resources over information from salespeople when making an expensive purchase decision," he said. "Additionally, digital personalization is critical for brands looking to differentiate themselves from pure play retailers such as Amazon, which is on track to become America's largest clothing retailer.

"With six in 10 consumers willing to pay more for a brand that personalizes an experience or service, 5 luxury brands must use digital platforms to build meaningful relationships with consumers to offset the potential allure of Amazon discounting."

2 thoughts on "Luxury industry is severely missing personalization in online experience"

1. Robert B. Herrmann says:

November 28, 2016 at 12:57 pm

Thank you so much for this article, it's long overdue! I've had multiple experiences with both Dior and Chanel online, and the experiences are night and day. Dior's web presence and savvy are truly archaic, and often it takes in excess of 5 days for a representative to get back to you if at all. After being told to "buy it in the store" by one operator who went on to explain that they really weren't set up properly for e-commerce, I've never gone back. Chanel was better, often returning calls in 24 hours and dispatching merchandise within 48 hours. Much better.

2. Suhaila Sinn says:

November 28, 2016 at 6:00 pm

Interesting article on personalisation and luxury.

The question that immediately came into my mind though is: Isn't the human dimension the most significant diversifier of a luxury brand? Creating an emotional bond and customer delight has to have a interpersonal exchange.

Personalisation is based on creating a product or service that is made 'just for you'. How can a live chat substitute a genuine smile, a gesture of empathy or a handshake? Personalisation is supposed to create a feeling of customer uniqueness. But the mere fact that an online presence is based on a global scale and not on a one-to-one interaction excludes this memorable, long lasting emotional experience that creates loyalty and delight.

I agree that many brands don't know the ABC of utilising their data available to get even the basics right. This would correspond to the functional/efficiency dimension.

However I don't agree that a live chat or digitally generated preferences are critical for a luxury purchase.

This is 'stuff' for a premium brand where the high price needs justification by its function or efficiency or benefit.

For a luxury brand personalisation needs to happen on a human dimension.