

COMMERCE

Recent mobile flash-sales increase could signal luxury mcommerce boom

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By RACHEL LAMB



Online retailers Gilt Groupe and Rue La La have announced a significant jump of sales through mobile, which could be indicative of a future explosion in luxury mobile commerce.

Although these sites' designer apparel is considerably reduced for the purpose of flash sales, this probably does not mean that luxury customers are getting used to sales discounts. However, some experts think that customers will start getting comfortable with mobile commerce.

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"I doubt consumers are becoming too comfortable with discounted luxury goods," said Ron Kurtz, president of American Affluence Research Center, Atlanta. "Our recent survey

of the affluent showed that not any flash-sale sites – including Gilt Groupe and Rue La La, which are the two best established – had more than 10 percent awareness among the wealthiest 10 percent of U.S. households.

“I would expect that, over time, mobile devices will become a larger percentage of sales for at least two reasons,” he said. “More people will be using the devices and businesses will be improving the experience of shopping on a mobile device.”

Mr. Kurtz is not affiliated with Rue La La and agreed to comment as a third-party expert.

Flash in the pan

Gilt Groupe, a seller of brands such as Cynthia Rowley, Valentino and Rafe, has said that it gets approximately 15 percent of its weekly revenue from mobile ([see story](#)).

Gilt has developed six mobile apps, and has 1.3 million downloads from just one of its apps, Gilt on the Go, available on iPhone, iPad and Android mobile devices.

Competitor flash-sale site Rue La La has just reported that approximately 12 percent of its first-quarter 2011 sales were made from Rue La La’s mobile commerce-enabled site and apps.

Luxury consumers are most likely to have the latest and most expensive smartphones, whose data plans and Internet enable the download of mobile apps and support optimized sites.

Moreover, most individuals constantly carry their smartphones with them and apps like those developed by Gilt Groupe and Rue La La make it easy for affluent consumers to buy luxury goods on-the-go.

This is supported by a new study from InMobi reveals that mobile Internet users would rather shop using a mobile device than a personal computer or laptop ([see story](#)).

Too reliant?

While this bodes well for luxury retailers such as Gilt Groupe and Rue La La, does it mean that mobile customers are relying more on flash-sale sites, rather than actual luxury brands and retailers?

“I do not expect the percentage of such sales for true luxury products to be as high as the percentage for businesses such as Rue La La, which I feel are supported more by younger and more aspirational consumers,” Mr. Kurtz said.

The belief is that most luxury consumers, the truly affluent, do not need discounted prices on luxury goods and therefore may not even be aware that these sites exist.

This means that the business of an upscale’s main target, the already-affluent, will not be taking business away from the brands by using flash-sale sites.

More than half of affluent and luxury consumers are aware of discounted sites such as Zappos, while none of the 11 listed flash-sale sites have more than 10 percent awareness, according to a sweep by American Affluence Research Center that surveyed the top 10

percent of the U.S.'s most wealthy individuals.

Furthermore, one-third of the affluent consumers have visited Zappos in the past 90 days while 5 percent or less have visited any of the flash-sale sites during that time.

And still, a third of the affluent and luxury consumers have ever made a purchase at Zappos, while less than 4 percent have ever made a purchase at any of the individual flash-sale sites.

“Our recent survey showed that 65 percent of the affluent have one or more mobile devices,” Mr. Kurtz said. “That percentage will continue to grow for at least the next two or three years.

“As businesses make it easier for people to shop on a mobile device, there will be growth in the sales of all types of products and services, including the luxury sector,” he said.

Final Take

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