

STRATEGY

## Software and technology Luxury Memo special report

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Virtual reality at LVMH's Luxury Lab during Viva Technology in 2016. Image credit: LVMH

By BRIELLE JAEKEL

The luxury business has been slow to adopt new digital initiatives, but with technology opening up opportunities for exciting new experiences and affluent behavior constantly shifting, software and technological solutions are now being embraced by brands to create new meaning to high-end.

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Innovation in software and technology is influencing a wide range of factors for luxury brands and retailers, including connecting to consumers, business operations and product development. Personalization, privacy and a wow-factor are just a few of the strategies needed as part of an effective luxury business in today's digital-focused market, using tools such as augmented reality, virtual reality, 3D printing, social media and the Internet of Things to either sink or swim.

"Much of the conversation in emerging technology seems to focus on things we can see and experience, such as robotics and virtual reality," said Chanuki Illushka Seresinhe, doctoral researcher in the Data Science Lab, WBS, at the [University of Warwick](#), Coventry, England. "However, for me the real innovation is the growing ability to harness insights from data in real time.

"It is a lot more subtle, but it is and will continue to dramatically change the landscape of how brands interact with their customers," she said.

### Augmenting experiences

While marketing and retail as a whole have been dramatically disrupted by technology, the luxury business has had a unique uphill battle in navigating these new waters.

Luxury marketers are saddled with the problem of how to create a unique, high-end experience when connecting to consumers. Tools are now more readily available to any brand or company in creating a finely tuned personalized experience that wows the consumer.

Augmented reality and virtual reality are tools that luxury brands have been using to create an experience that really stands out.

For instance, Italian fashion house Gucci used virtual reality videography to give its pre-fall 2017 collection campaign additional depth.

During a nighttime event at the Mildmay Club in Stoke Newington, London, Gucci and i-D magazine hosted a celebration for the campaign where it shared a preview of its first virtual reality film and provided guests with specially designed Samsung headsets to view the VR-enabled film ([see more](#)).

#### *Gucci's pre-fall 2017 video in 360*

Luxury brands often incorporate art into their communications and projects, as the luxury world is tightly connected to the humanities, and virtual or augmented reality can enhance the experience.

For example, BMW unveiled its latest vehicle in its Art Car series, which was designed by Chinese multimedia artist Cao Fei. Ms. Fei is a young artist who works with virtual and augmented reality to address the future of mobility and digitized driving.

BMW Art Car #18 was unveiled at the Minsheng Art Museum in Beijing on May 31 with an application used to project three-dimensional lighting effects on the car or on any other surface, allowing the vehicle to be customized digitally by the user ([see more](#)).



*A still from Cao Fei's accompanying short film. Image credit: BMW*

Sotheby's has even incorporated virtual reality in a similar manner with actual art, using the technology as a selling assistant ([see more](#)).

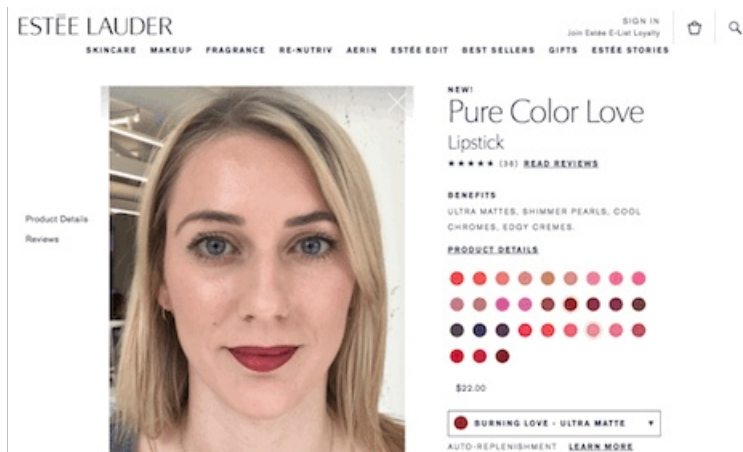
However, brands and retailers are not just using these tools for branding experiences but also for shopping experiences.

Jaguar Land Rover made new models available to view in its showrooms in a faster timeframe by using its virtual reality experience to introduce each of its 2017 models to consumers with headsets at certain Land Rover locations ([see more](#)).

Similarly, real estate firm Engel & Vlkers North America equipped its offices with headsets for homebuyers to tour homes without leaving the office ([see more](#)).

It may be the beauty industry that has the most to gain from augmented and virtual reality, with a recent study on application YouCam Makeup finding that try-on features double conversions ([see more](#)).

Estee Lauder and Sephora are just a few of the many beauty retailers and brands that are driving sales through a try-on augmented reality experience.



Estee Lauder's AR campaign on ModiFace app. Image credit: Estee Lauder

Many brands are even leveraging a 360-degree video feature on social media such as YouTube and Facebook. The solution is somewhat more cost effective for brands and is accessible to all mobile users on these platforms.

"Augmented reality is becoming one of the key ingredients in the luxury market, as both brands and retailers are looking for emerging innovations to connect with their customers," said Curt Thornton, CEO of [Provision Interactive Technologies](#), Los Angeles. "For example, holographic technology brings augmented reality into the physical world and offers luxury brands the ability to present themselves as being leaders of the future.

"Previously perceived as science fiction, today's holographic platforms, like that of Provision, adds another layer of information, interactivity and engagement with the consumers," he said. "Brands can create a true immersive experience with holographic technology that takes them far beyond where they are today.

"We are also seeing the early deployment of holographic devices in the retail marketplace in pharmacy, grocery and convenience stores. Even though this is an early trend, it's only natural that it will spill over into other markets such as luxury, automotive dealerships with life-size holograms, life-size holograms in luxury retailers like Nordstrom demonstrating [or] trying on clothing and accessory options."

#### Enhancing the shopping experience

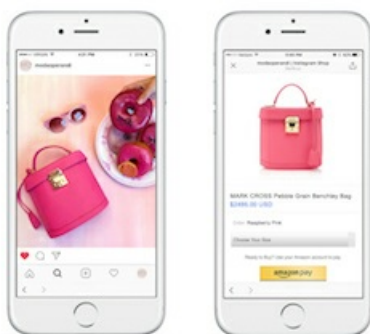
The retail experience on all mediums and channels has now been drastically changed with Like2Buy, in-store pickup, SMS ordering, chatbots, artificial intelligence and other digital solutions continuously emerging.

Social media has been a game changer in more ways than one, altering not only the manner in which customers discover products, but also how they purchase. While shopping on social media has not caught on as much as many expected, the potential is great.

For instance, Like2Buy for Instagram has significant potential that goes beyond just a traditional buy button.

Content marketing firm Curalate built out the Like2Buy platform in 2014 as a response to Instagram's inability to connect an account's post directly to ecommerce. The experience looks identical to a traditional organic post from a brand, except users can click on tags to buy individual products featured in the photo.

Brands such as Moda Operandi are leveraging the Like2Buy-enabled Instagram feed, but the marketer has further enhanced the experience with a seamless payment extension ([see more](#)).

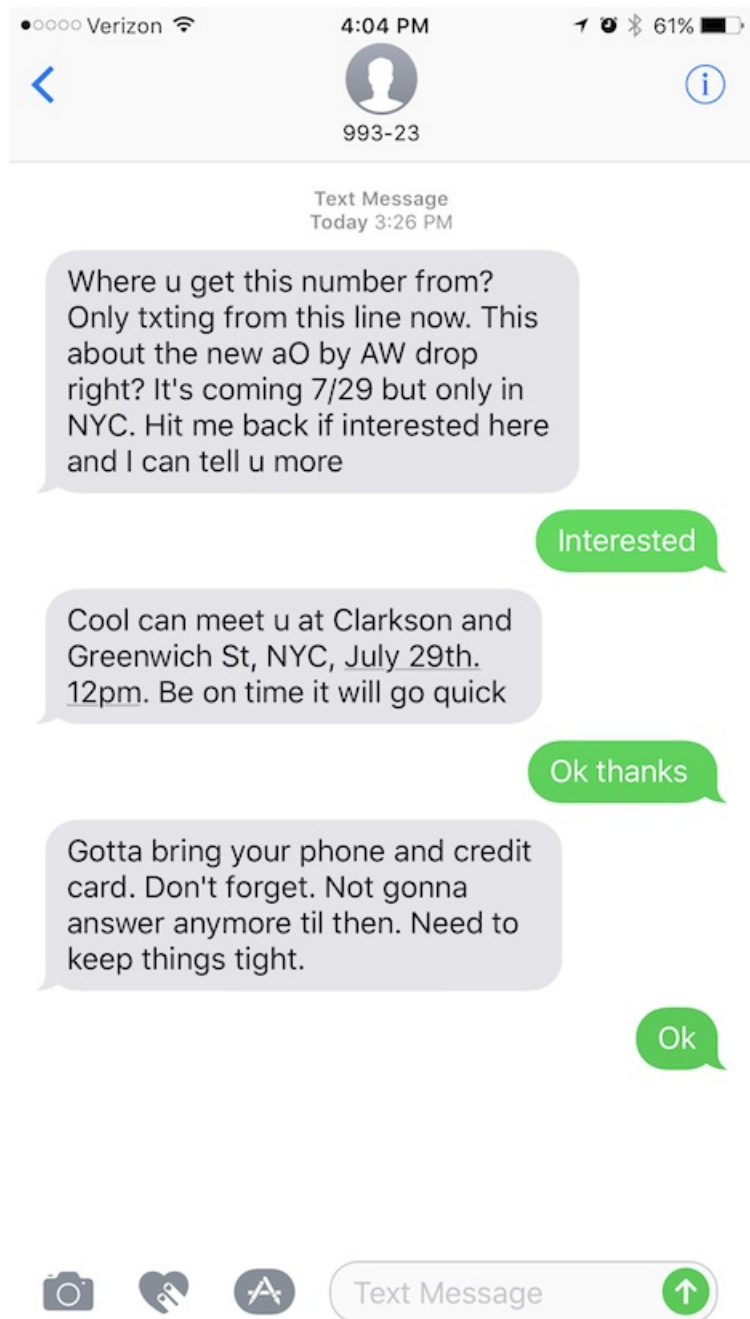


Moda Operandi consumers can now use Amazon Pay on its Like2Buy feed. Image courtesy of Moda Operandi

While these services are currently not the main channel for retail, the concept is still making a drastic impact and impression on consumers. Unique shopping experiences are necessary to keep customers interested.

U.S. fashion label Alexander Wang, for example, leveraged SMS with an avante-garde launch of its latest adidas collaboration.

Rave culture and cycling were the subjects that make up Alexander Wang's latest video, promoting the return of its partnership with athletic footwear brand adidas. But the campaign offered an interesting twist with an on-the-street retail element, which leveraged a two-way texting element that allowed users to buy on the street ([see more](#)).



*Text from Alexander Wang's SMS campaign. Screenshot credit: Brielle Jaekel*

In-store pickup and ordering ahead is another avenue that is extremely important for retailers, especially department stores.

Consumers are becoming more comfortable with mobile ordering and online purchasing and then picking up at the store. The experience allows users to spend less time in the store, but also receive their goods in little-to-no time instead of having to wait for them to come through delivery.

Online retailers such as Amazon with next-day and same-day delivery are pushing these solutions forward by putting pressure on luxury department stores to better attract shoppers.

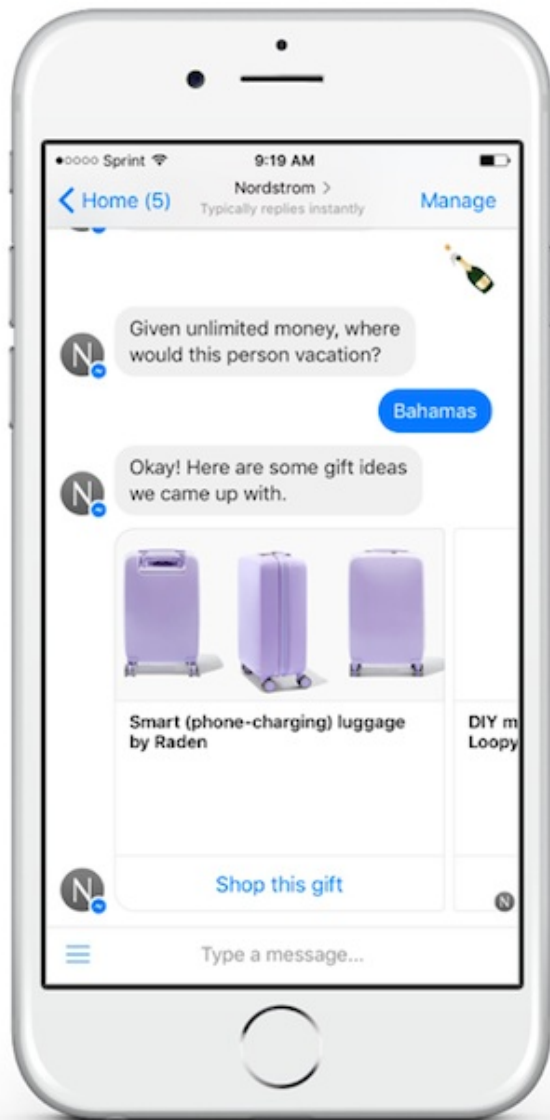
A recent report from Radial shows that 78 percent of consumers hope to see in-store pickup from a retailer ([see more](#)).

The chatbot is another software innovation putting a new spin on traditional retail.

For example, Jaeger-LeCoultre stepped away from typical luxury watch manufacturer strategy with an innovative experience that introduced a chatbot to Facebook followers as an out-of-store associate.

Interested customers on Facebook can interact with Jaeger-LeCoultre to find the perfect watch for them. The chatbot recommends suitable watches based on users' responses to questions ([see more](#)).

Similarly, Nordstrom enlisted a conversational agent to help consumers pinpoint the perfect present for everyone on their list. The retailer timed the release of its first chatbot for the 2016 holiday shopping season, programming a series of questions designed to build a profile of the recipient and relevant product recommendations for the gifter ([see more](#)).



*Nordstrom's chatbot experience. Image credit: Nordstrom*

Walker Sands also found that nearly half of surveyed consumers prefer to shop via digital channels, including mobile, desktop and voice-controlled devices, an increase of 48 percent from last year's report.

"Luxury brands are motivated to sell more products, whether it's online, in a physical retail store or through a mobile device," Provision Interactive Technologies' Mr. Thornton said.

"By providing emerging innovations in software and technology through holographic devices and augmented reality, it will provide access to the luxury market through new information access points to potential new customers that may have been intimidated to even consider the luxury market before," he said.

## Attracting the new consumer

Retailers now have more information at their disposal than ever, which can be vital in fine-tuning the shopping experience to such a personal level that urges consumers to spend more with them.

Customer data and artificial intelligence are key today in not only discovering what products and how to market to customers, but also what products to develop and where to move a business forward.

"For luxe brands, personalization is key," said Chris Denny, CEO of [The Engine is Red](#), Santa Rosa, CA. "Building exclusive and deep relationships goes a long way.

"We are seeing investments in CRM and database tools to highly customize each touch point," he said. "Gone are the days of shotgun approaches and broadcast communications. High-net-worth consumers crave high-touch interactions.

"Secondly, new tools that allow brands to create cohesive experiences that activate across a suite of platforms are creating new ways to stay connected. Understanding a target's preference, style and taste and tailoring our message to them no matter where they are: Instagram, Facebook, email, even in-store. Combining smart targeting, CRM and even beacons can transform the way consumers connect with their favorite brands."

Online art destination Artsy acquired data science startup ArtAdvisor to provide deeper understanding of the current and future art market. ArtAdvisor analyzes data about artists to glean insights about the individual's work in the larger cultural landscape, which will help Artsy better integrate insights into its platform ([see more](#)).

As data collection technologies progress, retailers are finding more reason to expand their analytics abilities.

According to a report from Boston Retail Partners, 44 percent of retailers think that analytics is a major priority in the future. Additionally, more than 82 percent identified the need to improve their planning systems to act on data analytics as something that they need to focus on in the future ([see more](#)).

Another example of positive use of data is Japanese beauty group Shiseido, which determined the importance of unified customer data after it was able to unearth the potential of data from its digital marketing platform.

The beauty manufacturer had inadvertently created a series of silos within its customer data that led to a disjointed view of the audience, and left sales that could be obtained through personalized marketing on the table. Shiseido partnered with data platform Treasure Data to come up with a solution that built an ID for each individual customer and gained insights based on four criteria ([see more](#)).

In an era of fast fashion, latching onto trends quickly is key to successful apparel designs. But could AI designers learn to make fast fashion even faster?

Amazon is reportedly working on machine-learning technology that can analyze what makes an outfit stylish and theoretically create entirely new designs along those lines. With this potential in mind, artificial intelligence could be a key factor in the future of fashion design ([see more](#)).

## *Amazon's machine learning*

However, with all this data, retailers need to keep in mind the potential of security breaches. Consumers are extremely worried about data and security.

For instance, department store chains Saks Fifth Avenue and Neiman Marcus discovered the importance of safeguarding consumers' data in two separate cases.

Saks was the latest high-end brand to have a data breach, while Neiman Marcus agreed to settle with those affected by a 2013 credit card information leak. As ecommerce becomes more of a common practice for affluent consumers making high-end purchases, cybersecurity measures will need to be a priority for luxury brands ([see more](#)).

## Emerging technologies

Technology is not only helping to discern the popularity and trends of products, but also is creating new trends, as well as a material.

Smartwatches and connected devices in fashion are running rampant. Classic watch brands have been forced to adopt a connected strategy. Montblanc, Tag Heuer, Michael Kors, Bang & Olufsen and Swarovski are just a few of the luxury brands who have developed their own wearable or smartwatch.





*The Montblanc Summit smartwatch. Image credit: Montblanc*

The smartwatch industry was originally slower to take on than previously expected, and disruption from these devices is likely to still occur as adoption rates are steadily increasing.

According to latest "WEAR Report Industry Overview and Forecast" from NPD's Connected Intelligence, there has been a 1.5 percent increase in individuals above the age of 18 who own a smartwatch compared to six months ago. The report forecasts that there will be a 60 percent growth in smartwatch owners by the fourth quarter of next year ([see more](#)).

"It's true that we see more and more connected objects around us, fashion is not an exception," said Yana Bushmeleva, chief operating officer of [Fashionbi](#), Milan. "However, we are just at the initial stage of the market, where such wearable fashion items are considered more as a cool accessory and not necessity.

"It's a completely new business. Overall quantities of the sold products are not sufficient yet, hence we cannot say the smartwatches cannibalize the market of the classic watches," she said. "I believe that with such innovative products, the brand is more likely to attract a new cluster of the clients and it is worth it to develop this direction with the idea of the future market share."

However, it is not just fashion brands who are now incorporating software into what were previously inanimate objects.

The Internet of Things has taken over home appliances and various home accessories. Luxury brands are pressured more so than any other business to include an element of connectedness into their products as it creates a more high-end experience.

For instance, following the launch of the brand's Alexa-enabled devices, Jenn-Air's Connected Wall Ovens can now also be operated by the assistant on Google Home ([see more](#)). Also, Danish audio and visual brand Bang & Olufsen added mobile connectivity to its devices through a new app ([see more](#)).



*Jenn-Air's ovens now talk to Alexa. Image credit: Jenn-Air*

"As IoT integrates into our daily lives, it gives brands the opportunity to connect with consumers in new and native ways," The Engine is Red's Mr. Denny said. "Your favorite winery is providing pairing ideas and recipes in your kitchen, not on your TV.

"And, as tech integrates with our daily lives, style and quality demands change," he said. "We were all OK with a grey aluminum Apple device when it went in my pocket or sat on my desk. But if I'm going to wear it, it needs to match my

style, my taste."

Three-dimensional printing is also being used to help manufacture and create new products.

A report from Fashionbi shows that the Additive Manufacturing industry, 3D printing, has seen a compound annual growth rate increase of 25.9 percent the past year. The manufacturing process is bringing innovation to fashion design with new designers coming on the scene with 3D printed accessories and apparel ([see more](#)).

For instance, Italy's Safilo produced the prototypes of its eyewear frames in record time with 3D printing ([see more](#)).

Some of Chanel's pieces in a recent fashion show were made through 3D printing as well as home decor designer Odo Fioravanti with its line of clutches.

"Three-dimensional printing is a great tool for not only luxury manufacturing, but for all manufacturing," Provision Interactive Technologies' Mr. Thornton said. "Three-dimensional printing is a fast and cost effective tool for prototyping, design reviews and for even soft tooling for manufacturers.

"It's a tool for efficiency, time-to-market reduction and, of course, cost reductions," he said.

Branding technological innovation

Many brands and retailers are looking to innovate in software themselves by hosting "hackathons" - code-writing contests and initiatives - hoping to find the best developers for the future as well as new technologies.

Rolls-Royce supported emerging talent in virtual reality with a program that also benefits its customers. For its bespoke division, students from Nanyang Polytechnic in Singapore were invited to design new programs in which customers can interact with the brand through VR ([see more](#)).

Luxury goods conglomerate LVMH Hennessy Louis Vuitton also awarded French startup Heuritech with the inaugural LVMH Innovation Award.

Leading up to Paris' Viva Technology June 15-17, LVMH named 32 finalists from more than 500 submissions for its first Innovation Award. The French conglomerate launched the award to help move the luxury business forward by financially supporting young companies ([see more](#)).

Also, an eight-week project phase just kicked off Mercedes' "Digital Challenge" in which participants will receive more than 80 experimental test APIs from a virtual vehicle. Software developers will compete and show off their ideas in front of a panel of judges. ([see more](#)).

Best-practice tips when looking to software and technology:

- Curt Thornton, CEO, Provision Interactive Technologies:
  - "The omnichannel approach between luxury brands and the consumer is one of the best practices that utilize software and technology. Multiple touch points for the consumer, allowing the consumer to pick their path of least resistance to effect the sale for the luxury brand. The online shop must connect to the bricks-and-mortar. In the end, it's about providing education and information to the consumer in a way that they can relate to, making them the most comfortable to make the purchase desired from the luxury brand."
- Chanuki Illushka Seresinhe, doctoral researcher in the Data Science Lab, WBS, University of Warwick:
  - "As brands are increasingly able to gain real-time insights from their consumers and, hence, have the increasing ability to influence customers into purchasing their services and products, I think brands are going to be faced with the ethical dilemma of what lines shouldn't be crossed. In one way, it could be seen as beneficial to steer customers to purchase products and services that are relevant to them. However, at the same time, people might be more inclined to buy something they want but not necessarily need."
- Allen Nance, global chief officer, Emarsys
  - "Marketers often fall into the trap of using too many different technologies and solutions to drive better campaigns. While this approach may work for some, it often creates an inconsistent customer experience, with only 52 percent of retailers saying they're able to manage real-time customer interactions per our recent report. In the luxury space, marketers can't afford to take such risks. They should carefully look at their needs and consider a marketing technology solution provider that helps



them to provide their customers with a more consistent cross-channel experience. Advanced technologies and software are only as good as the data you feed them. Luxury marketers need to spend time in analyzing their customer data to understand what solutions can best help in addressing their needs. Time spent on making sense of customer data will reap rewards when a marketer finally starts implementing their smart or AI-enabled technology."

- "Use technology to automate monotonous tasks. With machine learning and AI-enabled technologies, marketers in the luxury industry can now automate repetitive actions and unlock time to focus their efforts on enhancing their strategy, content and creative efforts. Technology innovations can help marketers get better at doing human tasks and avoid machine-like tasks, and this is a huge advantage."
- Yana Bushmeleva, chief operating officer, Fashionbi:
  - "If we speak about end product and the customer services I would like to name RFID chips and the artificial intelligence for ecommerce. The RFID chips can be used internally by the company to track the production process and the logistic operation of the product, but also for the final customer to distinguish the original item from the counterfeit or to experience some innovative in-store technologies [such as] smart mirrors that show the product information when you hold/try the product, for example, Deckers company for its UGG brand. If we speak about AI for the online business I can say that The North Face started a new trend and in the upcoming years we will see more examples like this. By the way, Facebook Chatbots are also part of this trend."

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