

STRATEGY

The Amazon Effect: Luxury Memo special report

November 21, 2017



Amazon is on the move. Image credit: Amazon

By SARAH JONES

As ecommerce giant Amazon disrupts and challenges retail, marketing, merchandizing and distribution traditions, the luxury business across disparate sectors is not immune to heightened consumer expectations.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

While typically considered to serve a separate audience from luxury, Amazon counts many affluent consumers among its customer base and competes for wallet share of luxury buyers. Even though the Seattle-based retailer's forays into luxury categories such as beauty and fashion have so far proven failures, Amazon's weight is forcing luxury businesses to adapt to its methods of selling.

"Luxury brands need to be concerned with Amazon because it has the largest audience of any brand or retailer in America," said Bob Shullman, founder/CEO of the [Shullman Research Center](#), Greenwich, CT. "As such, the majority of Americans buy from Amazon only Walmart also sells to the majority of Americans and Amazon's market penetration rises as household income rises, while Walmart clearly focuses on the mass marketplace.

"Plus, based on our research into the luxury marketplace, as income rises, the likelihood of an Amazon customer buying a luxury rises and their being a Prime customer is also very high which leads us to focus on Amazon's benefits through its customer's eyes," he said.

Retail disruption

Since launching as an online bookseller in 1994, [Amazon](#) has grown its offerings to retail everything from fashion and beauty to auto parts.



**Welcome to Amazon.com
Books!**

*One million titles,
consistently low prices.*

(If you explore just one thing, make it our personal notification service. We think it's very cool!)

SPOTLIGHT! -- AUGUST 16TH
These are the books we love, offered at Amazon.com low prices. The spotlight moves **EVERY** day so please come often.

ONE MILLION TITLES
Search Amazon.com's [million title catalog](#) by author, subject, title, keyword, and more... Or take a look at the [books we recommend](#) in over 20 categories... Check out our [customer reviews](#) and the [award winners](#) from the Hugo and Nebula to the Pulitzer and Nobel... and [bestsellers](#) are 30% off the publishers list...

EYES & EDITORS, A PERSONAL NOTIFICATION SERVICE
Like to know when that book you want comes out in paperback or when your favorite author releases a new title? *Eyes*, our tireless, automated search agent, will send you mail. Meanwhile, our human editors are busy previewing galleys and reading advance reviews. They can let you know when especially wonderful works are published in particular genres or subject areas. Come in, [meet Eyes](#), and have it all explained.

YOUR ACCOUNT
Check the status of your orders or change the email address and password you have on file with us. Please note that you **do not** need an account to use the store. The first time you place an order, you will be given the opportunity to create an account.

Amazon's first gateway page. Image credit: Amazon

With its product expansion, the company's revenues have also grown. In 2016, the retailer's sales grew 27 percent to \$136 billion.

Amazon founder Jeff Bezos has a net worth of \$94.8 billion, putting him ahead of other entrepreneurs such as Facebook's Mark Zuckerberg and Microsoft's Bill Gates. He is now the world's richest man, and set to cross the \$100 billion-net-worth mark, a milestone that no one has achieved so far.

Currently, Amazon is estimated to have at least a 40 percent share of online sales in the United States. A number of factors including its selection and pricing have allowed it to speed ahead even other giants such as Walmart, which is the world's largest retailer.

Because Amazon deals in so much volume and does not have some of the overhead associated with traditional retail, such as physical stores, the ecommerce company is able to offer merchandise with less of a markup. This puts pressure on other retailers to lower their own margins to remain competitive.

The retailer also has more capital to play with than many of its traditional peers, with a far greater market cap than retailers such as Walmart, allowing it to more easily make investments. Wall Street has repeatedly given it a pass and unlimited grace for failing to regularly post profit, a sin that has seen the demise of fellow dot-coms and bricks-and-mortar retailers.

As part of a newer generation of companies, its financial strategy is also different from more legacy players.

According to Scott Galloway, clinical professor of marketing at the New York University Stern School of Business and founder of analytics company L2, Amazon is not beholden to the same pressures and expectations for profitability that its competitors are. While more established companies have investors who have been trained to expect income growth, newer entrants are expected to spend a lot on updates and new ideas, with income taking a backseat to innovation.

Unlike traditional retailers, Amazon's membership-based retail also means it has a fairly consistent revenue stream from subscriptions.

Amazon has convinced millions of customers to sign up for its Prime program. In exchange for a fee of \$10.99 a month or \$99 a year, consumers get free shipping, including expedited two-day delivery for more than 50 million products.

Consumer Intelligence Research Partners has estimated the Amazon Prime subscriber population to be 80 million.

Amazon's use of subscription-style ecommerce has made shopping online easier, conditioning consumers to choose ecommerce over in-store browsing. The retailer leverages consumer data such as browsing history and past

purchases to serve up product ideas, drawing from its massive catalog of available SKUs.

Prime Day, an Amazon-specific holiday with deals reserved solely for Prime members, grew 60 percent year-over-year in 2017. During the 30-hour event, Amazon saw its greatest sales on a single day in its history, and also added the largest number of new Prime subscribers in a day.

Aside from its own operations, Amazon has grown its industries through acquisitions. Most recently, the company scooped up high-end organic grocer Whole Foods, and it counts footwear retailer Zappos, fashion retailer ShopBop, movie database IMDB and audio bookseller Audible among its assets.



Amazon bought upscale supermarket chain Whole Foods this year. Image credit: Whole Foods

L2 predicts that Amazon will be the first \$1 trillion company, partly from its retail operations and also courtesy of its moves into other businesses, such as digital marketing, cloud computing and delivery services.

With Amazon having shown an interest in retailing luxury, could luxury be the next category entered through acquisition?

Mr. Galloway **reasoned** that the next acquisition for the company should be Nordstrom, which recently delayed plans to go private ([see story](#)).

Amazon wants to be within the wealthiest households. Its Whole Foods purchase got it into affluent consumers' kitchens, and a Nordstrom buy could mean finally gaining access to their wardrobes, giving the retailer relationships with clothing brands that it wants but does not currently have.

Top 5 pressures Amazon is exerting on luxury:

Online or obsolete

Amazon has made online shopping more of the norm. As a result, many companies that eschewed ecommerce for a long time were pushed to adopt digital retail as more of their competitors opened online stores.

Ecommerce expectations

Consumers shopping on Amazon have become accustomed to the convenience of its ecommerce experience, leaving them to expect a similarly streamlined process when shopping elsewhere online. From one-click checkout to speedy delivery, retailers have been forced to raise their services to keep consumers happy and coming back.

Search party

While luxury customers search online and conduct research before making purchases, that process may be taking place within Amazon. According to a survey from BloomReach, 55 percent of product searches originate on Amazon, compared to just 28 percent on Google.

Fighting fakes

Counterfeit goods on Amazon have become a major issue for luxury brands, as imposters sell inauthentic merchandise in their name. With many luxury brands choosing not to retail on Amazon, these fake goods are

sometimes the only results that consumers see when using a brand keyword.

Rethinking retail

Amazon has branched out into products and services that give it more control over aspects of consumers' lives. Aside from having significant customer data to mine, the company is also able to own even more of the purchase path by integrating itself into consumers' homes.

Consumption competition

While Amazon is typically thought of as a mass retailer, it has a large population of well-off fans.

Of the 67 million Americans who consumed luxury in the past 12 months, 60 percent are also Amazon customers, according to the Shullman Research Center.

In collaboration with BAV Consulting, Shullman Research looked at Amazon's brand equity and growth potential. In both brand strength and stature, Amazon is constantly rising, placing it in the top 0.03 percent of the more than 50,000 brands that BAV studies.

Among the affluent, 88 percent deem Amazon worth paying more for than other brands, placing it ahead of Dior, Jaguar and the Four Seasons. It also earns top marks for trendiness and intelligence, beating out Audi and Tesla, respectively ([see story](#)).



Amazon is trying to get into affluent homes. Image credit: Amazon

The retailer courts the same audience as high-fashion labels, advertising in glossy magazines alongside runway lines.

Aside from its popularity among an affluent audience, Amazon has also branched into product development, building on its existing brand equity. Last year, the retailer launched at least seven private-label apparel brands.

Slice Intelligence calculated that in the fourth quarter of 2016, Amazon's apparel brands grew their revenues by 67 percent over the previous quarter. However, the same [report](#) from April found that at this time, Amazon's in-house brands are far from reaching sales figures of more established private labels from retailers such as Nordstrom and Macy's.

Liya Kebede says "Style Is Open To All" - Amazon Fashion

Nevertheless, Amazon is poised to become the biggest fashion retailer in the U.S., surpassing Macy's.

At this time, Amazon's labels are more mass brands than high-fashion. However, the retailer's fashion aspirations coupled with many high-end brands' avoidance of the platform may mean more luxe options in the future.

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 story](#)).

To Amazon or not to Amazon

As Amazon has grown in popularity, luxury brands are faced with a choice of whether or not to retail on the platform.

Most have been in the camp that avoids Amazon, preferring to stick to more traditional luxury retailers that have a brand image that more closely aligns with theirs. LVMH, for one, has publicly stated it will not do business with

Amazon.

However, there have been some outliers. When Amazon launched its luxury beauty section in 2013, Burberry Beauty was one of the first to join.

The section, which retails skincare, color cosmetics, fragrance and hair care, had only 24 brands on the site when it launched, but as of January 2017, there were 202 brands retailing on the page, according to L2. These include Boucheron, Clarisonic and L'Occitane.

Despite this growth, there are still a number of Amazon holdouts such as Estée Lauder Companies, the parent company of namesake label Estée Lauder as well as skincare label La Mer and niche perfumer Le Labo.

In design, Danish house Georg Jensen went against the luxury grain, selecting Amazon Fashion as the exclusive European retailer of a limited-edition charitable collection.



Georg Jensen's Gemfields collaboration was an Amazon Fashion exclusive. Image credit: Amazon

Featuring rubies from sustainable miner Gemfields, the five-piece collection was inspired by the brand's 1960s Mobius shape (see story).

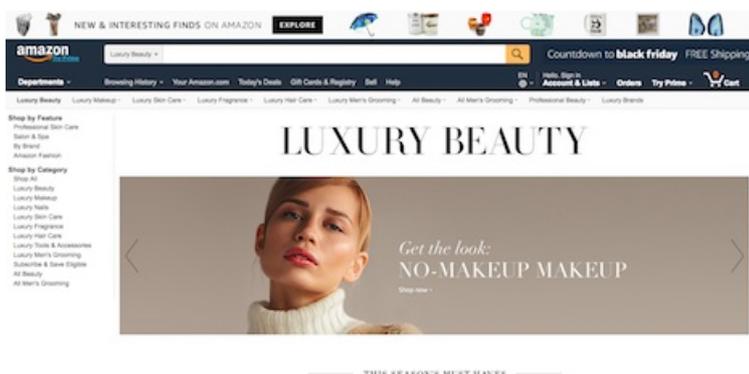
When luxury brands do retail with Amazon, they tend to do so with lower-priced lines rather than fine jewelry or fashion.

Even if a brand has chosen not to retail with Amazon, it may still have a presence on the platform thanks to unauthorized sellers. Because Amazon does not require third-party sellers to have permission from brands before selling, many goods are sold without the consent of brands.

Unauthorized distribution of products on Amazon, also known as the gray market, can be detrimental to any brand, but luxury accessories makers tend to be the hardest hit.

High-demand, high-price products in general are among the main targets for distribution on Amazon's gray market, but accessories have the largest ratio of third-party to first-party listings on the ecommerce site, according to a report from L2 titled "The Battle Against Unauthorized Sellers." Brands can protect themselves from harm courtesy of these unauthorized sellers by taking a more active role in how they, and Amazon as well, handle their relationship with third-party distributors (see story).

According to *Women's Wear Daily*, Amazon has entered a deal with beauty site Violet Grey, which carries high-end labels such as Yves Saint Laurent and SK-II, to retail products on its marketplace.



Amazon's Luxury Beauty platform. Image credit: Amazon

While Amazon and Violet Grey have not publicly announced any partnership, the retailer's collaboration with

Amazon was said to include an agreement to retail a selection of brands on the ecommerce platform in return for a commission of 20 percent to 30 percent, giving Amazon access to brands it would not have distribution for otherwise ([see story](#)).

Another way that luxury brands appear on Amazon without their consent is through fakes. Counterfeiters post knockoff merchandise from labels, with everything from premium beauty products to jewelry impacted.

Fighting back against Amazon's failure or effort to combat counterfeiters, Birkenstock pulled all of its product from Amazon, issuing statements to consumers that any product on the marketplace was not legitimate. However, according to the footwear label's CEO, Amazon circumvented Birkenstock, reaching out to third parties for inventory.

"While maintaining tight distribution will help insulate luxury brands to a certain extent from the Amazon Effect, it still has a dramatic impact on them," said Donnie Pacheco, cofounder/principal of [Clean Channel Consulting](#), Seattle.

"Even if a brand does not work with Amazon directly, customers start by searching for a brand or product on Amazon," he said. "What they see will vary drastically by brand because Amazon is much more than a retail marketplace, they are also an advertising platform. Amazon wants to keep customers on their platform, so if they do not work with a brand directly or have a strong product representation through third-party sellers, they will direct customers to other brands that they do carry.

"In other instances, through paid advertising, they will direct customers off the platform to a competitor's site. Amazon is the place to discover anything and what many luxury brands do not understand is that if a customer goes to Amazon and searches for a brand or product and there is either a poor representation of product or they see a lot of discounted product, this reflects poorly on the brand, not Amazon.

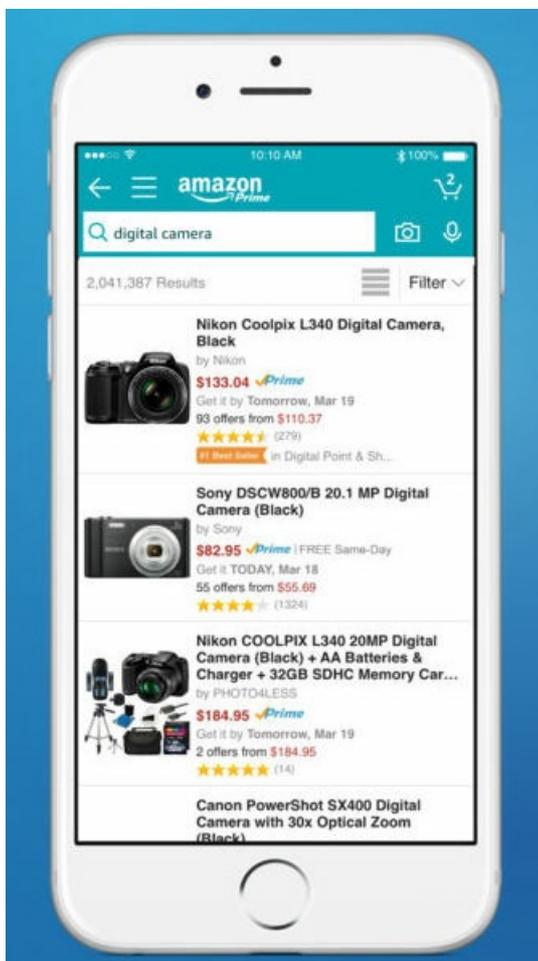
"If it doesn't exist on Amazon, many customers will either think it doesn't exist or simply look for comparable brands or products that are available on the platform. The effect that Amazon has on the start-to-finish product purchasing journey is profound and goes beyond simple purchasing transactions."

Ecommerce expectations

Amazon has worked to make the ecommerce experience as frictionless as possible.

As consumers browse Amazon, they are served up product suggestions based on their past searches, purchase history and customer data. With many of Amazon's consumer base opting into Prime, they have also created accounts that allow the retailer to gain a picture of their buying habits and preferences.

At the point of purchase, Amazon account holders who are signed in are able to buy items with one click, bypassing the checkout page.



Screenshot of Amazon app. Image credit: Amazon

While Amazon previously held a patent for its 1-click payment technology, it expired Sept. 11, meaning that other online retailers can begin implementing similar convenient checkout systems into their own digital marketplaces.

For luxury brands looking to take advantage of the growing hunger for ecommerce, 1-click purchasing should be an interesting prospect. The technology allows customers to quickly make purchases without having to go through complicated forms and confirmations, leading to a smoother online shopping experience ([see story](#)).

Following checkout, Amazon has also made the delivery process speedier. Its free two-day, one-day and same-day shipping have rewritten customer expectations, forcing other retailers to adopt similar policies.

But shipping ecommerce orders is pricey, and now that free has become the norm, retailers would rather eat the costs of free shipping than charge their shoppers. Some have instituted permanent free shipping offers for those who meet an order value threshold, while others make complimentary delivery the norm.

"Amazon has completely changed the game for consumer expectations for delivery," said Andrew Mukerjee, CEO of [Brisqq](#), London. "Gone are the days where consumers would be satisfied with a three- to five-day delivery wait or longer, leaving retailers who use traditional logistics companies with serious challenges to compete with Amazon.

"Left in the tailwind of Amazon's disruption, other retailers are now asking themselves how they can compete when the traditional delivery providers can't offer anything new due to building their business models based on asset heavy hub-and-spoke distribution, dictated by remote warehouses or distribution centers and fixed delivery routes," he said. "Even point-to-point providers lack the elasticity in their model that would enable them to commit to delivery slots planned for an exact date and time.

"Now that Amazon has set expectations of same-day delivery services, we're now increasingly seeing consumers demand even more flexibility and precision to ensure delivery options fit in with their lifestyles."

According to a [Brisqq](#) survey conducted by Vitreous World, about two in three consumers think delivery windows are too vague, with half wanting to receive deliveries at a requested hour on a selected date and at a chosen location.

Even though expectations of precision abound, free expedited shipping may be less of a differentiator among luxury

buyers.

Consumers buying luxury goods online are more apt to pay extra to ensure a package's on-time arrival than those purchasing other products.

While 84 percent of luxury shoppers said they would shell out more for on-time delivery, only 67 percent of all consumers said the same. As a survey by Dotcom Distribution finds, luxury clientele has higher expectations of the ecommerce delivery service, making fast shipping, packaging and communication key to winning repeat business ([see story](#)).

Expanding the times during which deliveries can reach consumers, Amazon also inked a deal with the United States Postal Service that added Sunday delivery for Prime members, allowing it to get packages to customers more rapidly.



Amazon delivers, even on Sunday. Image credit: Amazon

Additionally, making up for its lack of bricks-and-mortar presence, Amazon has more than 2,000 locker facilities that allow consumers to pick up parcels or drop off returns in person. To a degree, this serves the same purpose as an omnichannel purchase experience, replicating traditional retailers' click-and-collect or in-store returns.

Following its release of complimentary two-day, next-day and same-day delivery for Prime members, Amazon's latest service makes fulfillment even faster, putting pressure on competitors.

Instant Pickup, launched Aug. 15, allows shoppers living nearby to select Amazon locker locations to pick up their order in just a handful of minutes ([see story](#)).

On top of its simplification of the ecommerce process, Amazon is also delivering consumers more for typically less. Its discount-driven environment coupled with speedy service make it a tough competitor for luxury brands, particularly among a more aspirational audience.

Bricks-and-mortar buying

Aside from making over online retailing, Amazon has also impacted the physical store environment.

Given the retailer's wide selection of merchandise, it was a major driver in the rise of showrooming, or consumers viewing items in-store and then completing their purchases online, often with another retailer that offered a better deal.

For most of the luxury business whose wares are not available on Amazon, showrooming is less of a worry. However, in certain categories, it is prudent for retailers to make mobile a key part of their in-store strategy to capture multichannel shoppers.

Somewhat ironically, Amazon has registered a patent for technology that would prevent customers from looking up competitors' pricing while on a store's Wi-Fi network. Per [Fortune](#), this would either redirect or block consumers' attempts to research or serve up coupons or otherwise convince them to buy from Amazon.

Not long ago retailers were afraid that showrooming would gut in-store profits, but now the implications of the trend seem to have reversed, according to a report by L2 and RichRelevance.

Unlike "showrooming" where consumers let in-store prices duke it out with discounted online prices, "Webrooming" occurs when consumers research online before shopping in-store. However, many retailers are failing to provide consumers with the resources they need to make Webrooming a seamless affair, and are losing sales in the process ([see story](#)).

With Amazon owning so much of search, retailers will need to make sure their online presence gets them noticed. In fashion, Amazon is looking to take on clothing retailers by bringing the dressing room to consumers' homes. The retailer is continuing to undercut the traditional bricks-and-mortar model with the introduction of a try-before-you-buy service. Dubbed Prime Wardrobe, the service is currently in beta testing and available only to Prime customers that the retailer has selected to pilot the program.



Prime Wardrobe goes head-to-head with the in-store retail experience. Image credit: Amazon

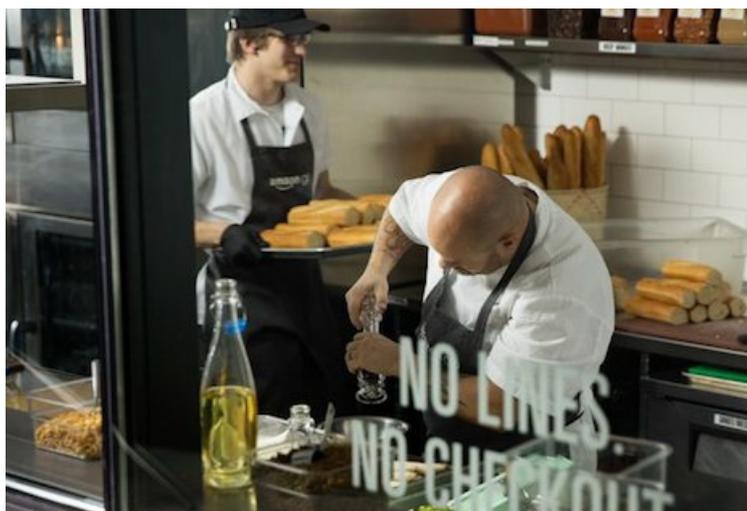
Similar to a trunk service, Amazon's Prime Wardrobe sends Prime subscribers a box filled with clothes. Anything within the box that does not fit the consumer's personal style or body type can be returned to Amazon free of charge, and the consumer is only charged for the pieces he or she keeps ([see story](#)).

In addition to moving would-be in-store sales online, Amazon is looking the change what the store shopping experience looks like.

The retailer's Amazon Go concept store removes the frictions of a bricks-and-mortar shopping experience, such as waiting to checkout, through mobile connectivity. A consumer who downloaded the Amazon Go application can simply grab items and walk out of the store, with a virtual cart tallying what was removed from shelves and charging the customer's account.

At this time, Amazon Go has one location in Seattle, with the concept centered on grocery items ([see story](#)).

Walmart launched a similar Scan & Go app for Android, which was first mentioned in 2013. It is only being tested at select locations for now, but if it reaches mass rollout, a major dynamic shift will take place.



Amazon Go offers food buying without lines. Image credit: Amazon

While the technology for a grab-and-go retail model has been alive for at least 10 years, created by IBM, Amazon and Walmart wielding these tools might be enough to push the strategy into mainstream behavior ([see story](#)).

Homecoming

Amazon's virtual assistant Alexa has proven popular. Its Echo devices are estimated by Consumer Intelligence Retail Partners to have a 75 percent market share of voice-controlled speakers in the United States, surpassing Google Home, which holds only 24 percent of the market.

Alexa is changing consumer behavior. According to a study from Worldpay, about half of U.S. consumers would be comfortable with a connected device ordering items for them. Around six in 10 millennials would let these assistants make purchases without getting their permission.



Amazon Echo is in a significant number of U.S. homes. Image credit: Amazon

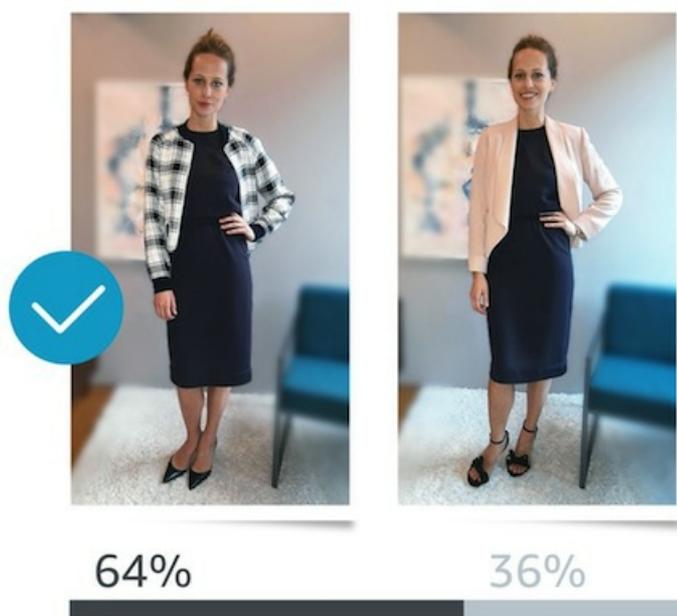
"Most consumers still consider voice and touch technologies to be too easily compromised," said Joe Kleinwaechter, vice president of innovation and design at [Worldpay U.S.](#) "It's one thing to be concerned about the risk that someone may put a Patek Philippe watch into your shopping cart. It's quite another to be worried that they might be able to purchase it."

L2 has noted that instead of the lengthy list of results one would normally get via search on Amazon's Web site or app, Alexa returns only two options, favoring Amazon's Choice products.

With consumers ordering via voice, many of the typical markers that brands have depended on for differentiation are also removed, as packaging and other indicators of positioning are stripped away.

Alexa might also be changing the manner in which consumers interact with fashion now that Amazon's Echo has been outfitted with a camera for style advice.

Consumers who purchase the new Amazon Echo will have the ability to receive fashion advice in regard to their outfits through the device's camera and its artificial intelligence solution. Fashion designers will likely have an avenue in the future to further connect with consumers through this feature ([see story](#)).



Amazon Echo Look app. Image credit: Amazon

Worldpay's research also found that 50 percent of customers are open to drone delivery, which is another innovation that Amazon has been working on.

Currently in a private trial in the United Kingdom, Amazon Prime Air is intended to get packages to consumers in 30 minutes or less.

The recently announced Amazon Key is another way in which Amazon is infiltrating consumers' homes. Prime members can purchase a kit that includes an indoor security camera and a smart lock to enable the service, which places packages inside consumers' front doors.

Consumers' comfort level with Amazon could open doors to other service takeovers in the future, giving the retailer more control over additional aspects of the purchase path and consumers' lives.

Amazon Key

"This year's futuristic technology has an interesting effect on last year's," Worldpay's Mr. Kleinwaechter said. "As we, the consumers, see something that makes us uncomfortable, like Amazon Key, we tend to rationalize accepting last year's uncomfortable technology as comforting compared to the newest trend.

"Amazon is clearly aiming for the complete customer experience through seamless integration of their services," he said. "As ordering and delivering become more integrated with the consumers, the experiences will be more personal and have a higher capacity for becoming too personal. But it will continue to take introducing of the next generation of technology to make the current one more acceptable a brilliant strategy."

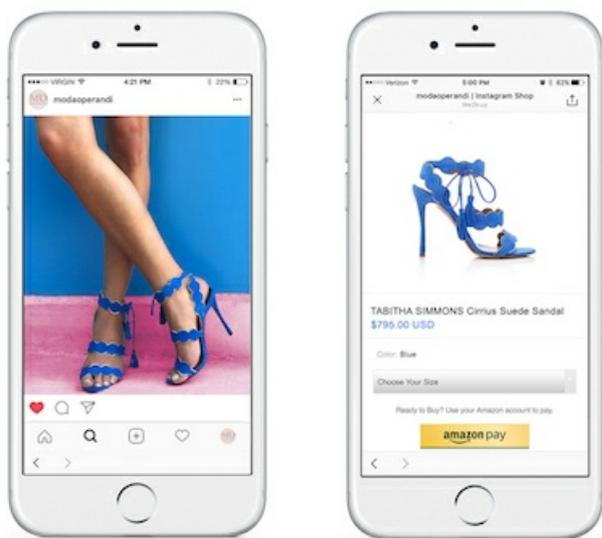
Amazon is also reportedly working on a messaging app called Anytime. This would combine elements of social connectivity with the ability to order Amazon services or interact with brands.

If launched, this could have implications for marketing, giving Amazon more control over brands' relationships with consumers.

Beat them or join them

As Amazon eats up more of the retail pie, a number of luxury brands have decided to follow its lead, adopting services that incorporate the retailer's technology or go head-to-head with the giant.

Moda Operandi worked with marketing technology firm Curalate to enhance its shoppable Like2Buy Instagram feed with a seamless payment extension. Moda Operandi Like2Buy now includes the option to use Amazon Pay, a payment solution that automatically populates a consumer's credit card data and shipment details with one click, further linking inspiration and commerce ([see story](#)).



Moda Operandi leverages Amazon Pay for shoppable social media. Image credit: Moda Operandi

Going a different direction, a number of retailers including Neiman Marcus have adopted Visa Checkout.

In some instances, online retailers require consumers to fill out up to 44 fields before they can checkout, losing

many consumers before the transaction completes.

With Visa Checkout, after the initial sign up, consumers are asked for one or two items: their username and password. Using this simplified checkout process has proven to boost conversion rates ([see story](#)).

Adopting their own expedited shipping, a number of retailers now offer consumers delivery in as little as 90 minutes.

Net-A-Porter and Barneys New York are among the brands offering same-day delivery in select markets.

Working with Gucci, Farfetch's "Store to Door in 90 Minutes" allows consumers to shop a capsule of Gucci pieces from the Farfetch Web site and mobile app, leveraging the label's stores for fulfillment ([see story](#)).

Luxury retailers are also delivering on consumers' near-instant gratification needs by offering click-and-collect.

While free shipping can be pricey, compared to a solely ecommerce business such as Amazon, retailers with a bricks-and-mortar presence are at an advantage when it comes to earning back the price of shipping through upselling and in-store conversions at the point of return ([see story](#)).

Another way that retailers are fighting back against the Amazon Effect is by turning their stores into places of experience.

Saks Fifth Avenue, Harrods and Lane Crawford are among the department stores driving in-store traffic via wellness activities, for instance.



Lane Crawford's Fit room included opportunities to try out gym equipment. Image credit: Lane Crawford

For luxury brands, customer service can also be a differentiator that makes a shopper decide to head to a store or shop with the brand itself.

As Alexa has gained a substantial lead in its category, a number of luxury brands have created skills for the virtual assistant, engaging through Amazon's technology.

Jenn-Air's connected wall oven lets consumers control settings via Alexa, while automakers such as BMW and Mercedes-Benz let owners control their cars from inside their homes through the assistant ([see story](#)).

Coldwell Banker leverages the Echo for consumer-facing home searches, home staging and for keeping its real estate agents up-to-date ([see story](#)).

Regardless of what Amazon's next innovations are, luxury brands would be wise to keep tabs on the retailer due to its leadership position.

"Amazon is currently a leader in the future of how consumers will be searching for products and services with its Alexa voice assistant offerings that tie very nicely into its Echo assistant devices for the home and office," Shullman Research Center's Mr. Shullman said. "These assistants will allow consumers to try on clothing and other items on pictures of themselves to see how they fit.

"Will Amazon eventually offer tailoring through these assistants? Only time will tell," he said. "With its recent purchase of Whole Foods, Amazon now has more than 400 affluent locations across the U.S. where it will eventually learn more about how consumers shop and buy products and services in a brick-and-mortar environment."

Best-practice tips for luxury brands to remain competitive in an Amazon-influenced environment:

- Shullman Research Center's Bob Shullman:
 - "Get up to speed on what Amazon is currently doing with Alexa and its Echo devices and what it can conceptually do with them. Amazon, Google and the other tech platforms are going to change how Americans shop and buy in the not-too-distant future with voice search and these devices. So when one of a luxury brand's customers buys a luxury product that can be easily ordered by its name and description verbally for example, a fragrance, cosmetic, premium/luxury beverage, blouse, et cetera the luxury brands need to consider to which retailer or brand will Amazon send the order to deliver that customer's order. If Amazon or one of the brands it works with sells the order, I believe it will go directly to Amazon or one of its partners. If not, where will Amazon send the order?"
 - "Put much more effort into asking customers to take the time to provide meaningful feedback on the benefits, if any, they received when they shopped for and then bought a luxury product or service and what improvement they would like to see implemented."
- Clean Channel Consulting's Donnie Pacheco:
 - "The most important thing for a brand to do in order to remain competitive in an Amazon-influenced marketing environment is to obsess over their distribution channel. The top priority is to have mastery over their distribution channel and obsess about channel cleanliness. If they do this, it will prevent unauthorized sellers from procuring their product so unauthorized and discounted listings will not appear on platforms such as Amazon. The other benefit of having mastery of their distribution channel prevents off brand messages such as discounting from ever reaching a customer.
 - "[Don't] ignore Amazon. While a brand may not want to work directly with Amazon, they cannot simply bury their head in the sand and ignore them. They need to understand what their brand looks like on the platform and what customers see when shopping in today's retail environment. If they have a dirty channel and a simple brand search reveals discounted product, this has a negative impact not only on the brand perception, but disadvantages a brand's authorized sellers. If a brand has clean distribution, it is equally critical for brands to understand what happens when customers search for their product on the Amazon platform. Is Amazon serving up comparable brands? Are competitors advertising and poaching their customers? What is the overall experience? This also provides the opportunity to engage with Amazon. This doesn't mean blindly opening them as an account, but instead to have a dialogue to better understand what Amazon is all about and what incremental opportunities may exist to ensure a good brand presentation."
- Worldpay's Joe Kleinwaechter:
 - "Don't play their game. Luxury brands own the emotional spectrum and that is a powerful tool. Stay true to your brand no compromises. Amazon's story is all about convenience, which doesn't intersect the brand identity of most luxury brands.
 - "Highlight the trusted relationship you have with your customers. Our report indicates that 73 percent of consumers are worried that manufacturers will share their personal data. People will go out of their way to stay true to a brand if they have a personal or trusted connection with that brand. So luxury brands should do everything you can, from increased security to personalization, to maintain that relationship."
- Brisqq's Andrew Mukerjee:
 - "Retailers must embrace innovation. They cannot continue to rely on traditional logistics or point-to-point services that do not enable them to meet growing consumer expectations being driven by Amazon and other market innovators. New technology is now available and proven to empower retailers and they must not be afraid to look at disruptive technology to innovate their models.
 - "Prioritize flexibility and precision, not just speed. The effect that Amazon and Prime, in particular has had on retailers, is to focus too heavily on improving the speed of delivery services. With this, retailers are neglecting the importance of flexibility and precision of delivery, which actually have the potential to make consumers' shopping experiences infinitely enhanced."

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.