

MARKETING

Luxury communication now digital by default: Bally Americas CEO

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Bally is embracing a digital-focused communication strategy. Image credit: Bally

By SARAH JONES

NEW YORK In response to the increasing pervasiveness of digital, luxury has adapted its strategy for speaking to consumers.

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A panel during the first Italian Luxury & Design Summit on Nov. 30 investigated the changing definition of luxury, in which experience and values are the prime drivers of consumer desire. From turning to new channels to building more rounded retail destinations, the industry needs to embrace evolving client behavior.

"When we think about how luxury is changing, we are naturally linked to the question of how the consumer is changing, because we are a reflection of our clients," said Claudia Cividino, CEO of **Bally** Americas.

"And I would say that one of the key things that is driving the changes in luxury is how luxury communicates today, and we are digital by default today...Because digital is so pervasive, suddenly luxury is pervasive," she said. "So that automatically has changed luxury."

Luxury disruption

Experiences are getting a significant share of luxury consumer spend. Alfredo De Falco, head of CIB of Americas **Unicredit**, noted that luxury cruises were up 15 percent year-over-year in 2017.

As evidence of this shift, a considerable amount of square footage in retail is being converted into dining destinations. Richard Seligman, president of **Retail Advisors Inc.**, also pointed out that along with food, retail performs the best when there are elements of experience in the shopping environment.



According to the panel, Los Angeles' The Grove successfully combines experience and retail. Image credit: The Grove

Retail and travel are also coming together, such as hotelier Conrad's pop-up stores and luxury boutiques in airports. As consumers are more focused on experiences, Mauro Porcini, chief design officer of PepsiCo, said that brands can no longer issue top-down messages. Instead, they should be focused on building engagement offline that encourage consumers to share, such as events or products.

Currently about 30 percent of the total luxury market, millennials are poised to become an even greater force in the industry in the coming years as they gain greater financial power. While today some may be shopping with their parents' credit cards, tomorrow they will have more disposable income.

However, digitally native tendencies go beyond this one generation, with all consumers shopping with a "younger" mindset, according to Bally's Ms. Cividino.

One way Bally has embraced this new younger perspective is through collaboration.

Musician Swizz Beatz became a fan of the brand and reached out about a collaboration. This led to a collection launch that reached a varied consumer base ([see story](#)).



Bally collaboration with Swizz Beatz. Image credit: Bally

Along with putting their money into memories rather than things, when consumers do seek out products, they want their purchase to mean something.

Mr. Porcini, noted that the perspective behind the American Dream, in which the goal was amassing wealth, has shifted. While consumers still desire material success, this pursuit is not as socially accepted, requiring added layers of social responsibility to give meaning to riches.

The same is true for companies, which pursue initiatives that give back. Bally, for instance, established Crafting Futures, a corporate philanthropy program that gives to organizations that help underserved youth.

While consumers look for brands that give back, sustainability is also an increasingly important factor in their purchase decisions. Whether electric vehicles or fashion that is made with raw materials that are environmentally friendly, eco-friendly brands are disrupting the market.

For instance, Tesla recently unveiled a \$200,000 electric supercar, putting pressure on brands such as Lamborghini and Ferrari ([see story](#)).



Tesla Roadster. Image credit: Tesla

The panel, moderated by Luxury Marketing Council founder Greg Furman, also discussed whether the definition of luxury has broadened beyond something that is exclusive and expensive, with panelists divided over today's meaning of luxury.

Most of the luxury industry has embraced outlets as a means to move merchandise and drive up margins. Today off-price represents 11 percent of the total traditional retail business, according to Retail Advisors' Mr. Seligman.

Despite driving business in environments that are less costly to manage, brands should be wary of diving too far into the outlet arena, with Ralph Lauren and Coach providing cautionary examples.

Cristian Notari, CEO of [Max Mara](#), stated that off-price just necessitates a level of control.



Off-price retail needs to be controlled. Image credit: Max Mara

Made in Italy

Italian-made goods continue to retain their positioning in the market. From a fashion point-of-view, both Bally's Ms.

Cividino and Max Mara's Mr. Notari have seen made in Italy appeal boost products' values or make consumers more comfortable purchasing.

In real estate, Mr. Seligman has seen an Italian branding add value to transactions. While Italian brands used to trade for less than their peers in other parts of the globe, today their investment value is on par with competitors, according to Mr. De Falco.

However, while agreeing that Italy has a strong heritage, PepsiCo's Mr. Porcini said that the nation has lost a level of its competitive edge when it comes to innovation, arguing that Italian brands should not underestimate the power of other cultures.

Also, partly as an effect of the perception of made in Italy goods, producers from the nation also have to deal with imposters. This is particularly an issue in food, where non-Italian made products are labeled with the Italian flag or other misleading imagery.

"There is a big gap between the desire and perception of Italy and the market share of made in Italy," said Maurizio Forte, trade commissioner and executive director for the [Italian Trade Agency](#). "In the United States, we export \$4.5 billion of food and wine, and according to some survey there are \$24 million of Italian sounding products.

"For each dollar of real Italian cheese, there are \$6 of American, Italian-sounding cheese," he said. "And that's why we are working a lot on this."

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