

COLUMNS

Are you really a digital business, or just faking it?

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Digital	vs	Analogue
Platform		Sales floor
Unlimited product		Limited
Connected		Disconnected
Active		Passive
Dynamic		Static
High-energy		Low voltage
Time/space compressed		Physically constrained
Real interactions		1-way communication
Inventory independent		Inventory bound

Digital versus analog approach for luxury retailers

By [Jim Feldstein](#)

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Every business and nonprofit organization must ask itself this question: Are you really a digital business or just faking it? Here we focus on luxury retail and take a hard look at what should really be going on.

Luxury monobranders need to think and act digitally and every multi-brand luxury retailer and department store must do so as well.

Web insight

Some monobranders and maisons have only just recently begun to sell on their own Web site. But the reality is that the presence of ecommerce does not alone constitute a digital strategy. A retailer can operate a commercial Web site in a very analog way with no hope of achieving digital scale. True digital transformation is required.

Remember back to the dot-com crash of 2000 when we painfully learned that just slapping ".com" on a brand and Web site was not a recipe to print money. A number of retailers are now doing little more than that. They may be getting some business through ecommerce, and they certainly need it, but they are not yet running a digital business.

For a luxury retailer, how do we explain what thinking digitally means and how do we paint a picture of what digital scale can really look like? What is the playbook to win at this match game? How must we envision the user interface? How do we engineer very meaningful interactions with customers and continuous engagement and buying at levels never before imagined?

This is not about software. It is about hard digital thinking.

As Nike CEO Mark Parker has observed, "I always like to say that we focus on our potential and the distance between where we are and our potential, not the distance between us and our competition."

Thinking digitally allows a business to totally re-imagine its potential to attain reach, profitability and excellence.

Here we see what it means to think and act digitally in luxury retail:

Digital	vs	Analogue
Platform		Sales floor
Unlimited product		Limited
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Active		Passive
Dynamic		Static
High-energy		Low voltage
Time/space compressed		Physically constrained
Real interactions		1-way communication
Inventory independent		Inventory bound
Networked		Confined
Open possibilities		Binary
Connective power		Isolation
Engaged		Disinterested
Co-creation		Seller centric
Collector		Shopper
Information sharing		On request
Systems thinking		Two-dimensional
Non-linear		Linear
Virtual world		Physical world
Collaborative		Reactive
Digital swatches		Traditional trunk show

Digital versus analog approach

So if you are a multi-brand luxury retailer or monobrand, ask yourself whether your digital strategy is opening up unlimited possibilities for your customers to buy everything a particular brand offers and more. If the answer is no, then you do not have a true digital strategy and you are not thinking and acting digitally. What is the first thing that comes to your mind when you hear "digital?" What it says to me is "unlimited." Unlimited possibilities.

On to one small but illustrative actual example.

Button up

Let us imagine online shopping at a major luxury department store and see how the experience of trying to buy one particular shirt can illustrate the way we should think about luxury retail marketing: One night after dinner I go on the store's Web site and look at the shirt selection of one of my favorite brands. I am comfortable buying this brand's shirts online because already owning a number of them, I am confident of size, fit and quality. No need to touch or feel the merchandise or try it on in the store. One solid yellow shirt catches my eye, and I go to buy it, but in placing the order I find they do not have my size. End of story. I go back to reading my book and watching the news.

If the retailer were thinking and acting digitally, the loss of this purchase due to the shirt being unavailable in my size would never have happened. I would have instead been told it was checking with the shirtmaker to get it for me. If it was not in the shirtmaker's stock, the retailer would special order it for me assuming that the fabric was still available, and would confirm all this by email or text.

From the department store's and the shirtmaker's point of view, this interaction done right has several advantages that in the long run are actually more advantageous to them than had the shirt been immediately available in the first place.

There is a reasonable chance they can get it from the shirtmaker's stock, which means that the sale still happens right away. If not, the shirt should be able to be custom-made. If the shirtmaker does not have any more of the fabric, it can come up with a close substitute.

In any case, the retailer has earned my gratitude for solving the problem. More important, the salesperson who is in touch with me on this matter now has an open communications channel for future business.

Let us start to play this out and see the many places real digital thinking and engagement take us. With digital, like so many things in life, to really appreciate the power of an idea, you need to take it to its logical conclusion.

If the sales person was or was not able to get me the exact shirt, he or she is now a platform connecting me with a brand I like and can nudge me to think about what other shirts of theirs are available. If I ask the question "What else can I get?" I need to be given the answer, "What do you want?" If I do not ask the question, I need to be asked, "What else would you like?"

My "What else can I get?" question opens up unlimited interactions and sales possibilities. Let us look back for a moment at the digital values on the chart. Every one of the 21 attributes of thinking and operating digitally is in play here in this very simple example that riffs off one yellow shirt. You can go right down the list.

In response to the "What else would you like?" question, I answer, "What other solid colors are available?" The response should come back, "I am emailing you digital swatches of all of them."

The ability to have one-click digital swatches is transformational and this practice needs to become ubiquitous. Usually, cotton shirt swatches are sent via FedEx and then have to be returned. They can be irritating to handle, with little cotton specks getting all over everything.

Making the cut

We have all heard the term "co-creating value with customers." What I can do with these digital swatches in my possession provides a real-world example of how co-creation works:

1. I am able to co-create whatever shirts I want from the swatches. If I want a color that is not there, I can ask for it and the sales associate can figure out how to solve the problem and make me happy.
2. I can order at my leisure 24/7. All I do is send the sales associate the fabric numbers and confirm the price and provide my credit card or account number.
3. In these custom orders, co-creation is literally taking place. None of the shirts I order are in the retailer's inventory or the shirtmaker's stock. They are being created out of whole cloth upon receipt of my order. I get what I want and neither of the other two parties has any inventory risk or marketing cost.
4. In this example, the luxury department store has operated as a true platform, connecting me with the shirtmaker (brand). I have collaborated with both of the other two parties and true value has been created for all three parties to the transaction.
5. I have the swatches and can order more whenever I feel like it. If I want to create my own subscription series, I can order one shirt every month, or every other month.

We need to bring this first part of the discussion to a close, which is hard to do when you are thinking and acting digitally as the opportunities are endless to borrow from Wordsworth, "something evermore about to be."

The above example of the digitally enabled interactions that began with the desire to buy one yellow shirt of a favorite brand can lead to infinite places. I illustrated how it led to ordering more shirts of that same brand through the power of digital swatches. But there will also be, in a true platform, digital swatches of other brands of shirts, or suits, sport jackets, sweaters and outerwear.

Most monobrand and retailers today have not made the effort or the investment to have all stock-keeping units (SKUs) displayed and available for purchase in their online stores. Instead, they have defaulted to "curating content." Big mistake. These are stores. They are not blogs. Curation is by definition selective and limiting. It presupposes the buyer's ability to predict what the customer wants.

Of course, retailers, whether monobrand, multi-brand specialty retailers or luxury department stores, will continue to have their buyers select and purchase inventory for each season. That inventory also needs to be available online every SKU. But the transformation that digital offers makes it possible for the traditional role of "buyer" and curator to now be shared by the customer.

By placing digital swatches in the hands of the customer, he or she becomes a buyer 24/7. Once the customer becomes the "buyer," the world is transformed. The guesswork is gone. We no longer need to depend on predictions of what our customers want because they are telling us by their buying actions.

Co-creation = co-buying. The money is transmitted with the signal.

Much more about co-creation and the untapped power of special orders will be discussed in part II.

LET ME LEAVE you here with one final idea: Ecommerce allowed luxury retailers to get beyond the store in the

recognition that what takes place outside the physical store can be more important than what gets transacted inside.

True digital that inspires and enables real co-creation now allows the luxury retailer or monobrand to get beyond even what is available on the traditional Web site. That single yellow shirt referenced above is a wonderful example of Wittgenstein's observation "how small a thought it takes to fill a whole life." There is so much to be done.



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