

RETAIL

Loyalty, consumer data will drive future online luxury spending

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Brands that target millennials and expand their ecommerce capabilities are having the biggest successes in the industry. Image credit: Burberry

By DANNY PARISI

NEW YORK Chinese consumers play a massive role in the luxury business right now and make up a key part of how brands can accurately identify who their consumers are today.

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Speaking at an event hosted by Bloomberg Media Group and Sotheby's International Realty in New York City, a panel of analysts from Bloomberg Intelligence spoke about the trends and challenges in the luxury world today, with a specific focus on what is disrupting the luxury business as a whole. The conversation ranged from real estate to retail to watches and jewelry.

"The Chinese consumers of luxury are so significant," said Deborah Aitkin, luxury analyst at **Bloomberg Intelligence**. "To put it into perspective, we have 1.3 billion global travelers, 25 percent are Asian, the growth rate for Chinese is about 7 percent and they are 12 percent of travelers, but they are 30 percent of the luxury market."

Today's consumer

One of the biggest and most talked-about issues in luxury today is ecommerce. Today's consumers want to purchase things now and have them delivered as soon as possible, and ecommerce helps them do that.

However, the overall share of luxury revenue that comes from ecommerce is smaller than one might expect, around 10 percent of total sales. But the panelists felt confident that that number could easily be driven up.

One thing that could help raise that number is a smarter use of loyalty.

"Retailers are now offering loyalty not just on what you spend but where you spend," said Poonam Goyal, retail analyst at Bloomberg Intelligence. "I don't want free nights to use at any hotel in the future, I want to be able to spend that loyalty immediately at the hotel I'm at."



Bloomberg Pursuits' Chris Rovzar and Bloomberg Intelligence's Poonam Goyal and Deborah Aitken. Image credit: Sotheby's International Realty

Luxury brands need to be able to keep abreast of what consumers want and how they want to engage with the brand if they want to be successful. This is especially true for millennials, the up-and-coming generation who will become a major player in the luxury world over the next few years.

"The CEO of Louis Vuitton, talking on one of their earnings calls, said the millennial consumer is so discerning, they want everything now, but they want experiential at the same time," Ms. Aitken said. "They want to make sure that what they want is made for them.

"If you're not there 24/7 to service them and you can't do next day delivery and you can't answer every question for them you've missed it because there's much more competition out there," she said.

Leading the pack

The panelists singled out Burberry as one of the brands that has been doing exceptionally well in ecommerce.

Burberry recently expanded its ecommerce distribution through a partnership with Farfetch.

The new alliance will see Burberry technology integrated into Farfetch's API, allowing the brand's entire global inventory to be retailed via the marketplace. As ecommerce growth continues to outpace overall luxury sales, this collaboration will increase Burberry's online distribution to 150 countries ([see story](#)).

Event host Sotheby's has also continued to develop its fixed-price digital purchasing capabilities with the acquisition of high-end interior design ecommerce platform Viyet.



The event was held in one of Sotheby's high-end properties in Manhattan. Image credit: Sotheby's International Realty

Viyet, an online marketplace for luxury furniture, accessories and other design elements of home decor, will be taken over by Sotheby's, thereby expanding the auction house's inventory of fixed-price products available for purchase online. Sotheby's has been increasingly growing its presence outside of auctions into ecommerce, becoming a major player in online luxury shopping ([see story](#)).

Finally, the panelists noted that the sharp decline in mall traffic and upswing of ecommerce will likely lead to fewer but more well-equipped physical stores.

"Mall traffic is down and we will see a reduction in the number of stores," Ms. Goyal said. "Very few are going to the store because they want something specifically; if they know what they want they'll buy it online.

"Traffic is likely still down for the future but those experiences add an element of engaging you more with the brand."