

LUXURY MEMO SPECIAL REPORTS

## Experiences in luxury – Luxury Memo special report

April 20, 2018



*The Four Seasons film expounds on the value of new experiences. Image credit: Four Seasons*

By NANCY BUCKLEY

The sale of goods and services is ultimately the end goal for all brands. However, the high standard that comes with not only the products, but also the experiences of luxury creates a fundamental factor for consumers to connect emotionally when interacting with a brand.

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Offering a one-of-a-kind experience that leaves an impression with consumers is harder in some luxury categories than others, but more sectors are joining in on the trend. From travel to retail and everything in between, crafting the experience, whether digitally or in-person, is critical in engaging the consumer beyond the product.

"Today high-design, high-quality product choices and availability are expected by consumers, and are table stakes," said Milton Pedraza, CEO of the [Luxury Institute](#), New York. "There are too many established and start-up brands chasing limited demand in most product categories.

"The differentiator becomes the customer experience," he said. "That means all the omnichannel elements with which a prospect or client engages, including Web sites, stores and people, must be compelling beyond the product itself.

"Brands must be emotionally intelligent in every customer interaction. That means using artificial intelligence, technology and people to engage with deep empathy, trustworthiness and generosity in order to gain and retain the customer."

Top 5 trends in luxury brand experiences

- Digital influences

Consumers expect every brand to have a Web site, social media accounts and email newsletters. But when brands use these digital platforms to engage the consumer in a personal manner, it creates a stronger bond.

- Travel sets the bar

Hotels and airlines have long set the bar in the experiential world. The nature of the industry allows brands to

incorporate experiences into the consumers interaction, but more curated experiences create competition in the business.

- Across sectors

Retail, beauty, fragrance, automotive and publishing brands have all joined travel in the competition for the best experience. Consumers are becoming spoiled in the ways in which brands seek to capture their attention.

- Millennial influences

The younger generations are the culprits for this change in the way that brands interact with consumers. The good service, attentive salesperson approach is no longer acceptable when interacting with a luxury brand, as consumers now expect more.

- Looking forward

Brands are constantly looking forward in terms of the next collection or the next idea, but now they are required to think ahead of the trends to offer the best new experience. Also, keeping up with digital trends is imperative to these experiences.

### Get your maps out

Luxury travel has long been based on the experiences available to patrons. Hotel brands, private airlines and cruise lines are constantly crafting new and interesting opportunities for their consumers.

The challenge of keeping the experiences fresh is difficult for brands, especially as they look to stay unique among other brands. This is also difficult considering the sheer number of trips luxury consumers are taking each year.

A report from Resonance revealed general consumers in the United States take an average of 4.8 trips a year, compared to the wealthiest 5 percent who take more than 14.3 trips per year. The luxury travel sector alone pulls in roughly \$390 billion each year, with each trip costing \$3,115 per family member ([see story](#)).

The 14.3 trips per year create the vast opportunity for brands to see engagement from consumers, especially as they seek new and unusual experiences.

TCS World Travel released the top travel trends that interest high-net-worth individuals, and one-of-a-kind experiences top the list ([see story](#)).



TCS World Travel Private Jet - Robb Report co-branded Boeing 757

The Resonance report delved into the type of experiences these travelers are seeking.

The top 1 percent of affluent vacationers value learning while traveling more so than dining and sightseeing. However, dining is still the number one activity for this demographic, with 74 percent claiming they always dine on vacation and 94 percent claiming they only occasionally dine out while away on a trip.



*Graph courtesy of Resonance*

About 10 percent would enjoy attending cultural events and performances and fun attractions, while 11 percent would be interested in health and fitness activities. Trying new things is done occasionally by 90 percent of the top 1 percent, 53 percent always branch out into new experiences and 8 percent would like to try.

Luxury Institute's annual study on the state of the luxury business, which surveyed thousands of affluent customers from the wealthiest nations in the world, found that 2018 is projected to see slight increases to total spending, with most of the growth coming from travel-related purchases.

The data supports the growing understanding that luxury consumers are beginning to value experiences over products.

Out of the 4,300 affluent consumers surveyed for the report, 28 percent are planning on increasing their luxury spending in 2018, a slight bump up from the predictions for 2017 that were made at the end of 2016 ([see story](#)).

These experiences that are so widely anticipated and expected come in all forms.

For example, some hotels have holiday-based experiences, such as on Valentine's Day when luxury hotels around the world offer up a slew of getaways, dinners and special events to lure in wealthy couples looking for a romantic escape.

From dinner in a private palazzo in Florence, Italy to couples' dance classes over the Chicago skyline, luxury hotels pull out all the stops to bring in affluent couples out on a romantic trip. Valentine's Day provides these hotels with an opportunity to catch wealthy travelers at their most spontaneous as they look to commemorate a romantic evening out ([see story](#)).

Four Seasons often has property-dependent experiences, but the hotel brand started a series of pop-up experiences around the globe bringing artisans and designers from different countries together for new engagements that last only a few days ([see story](#)).

*Four Seasons ' Toronto Pop Down, behind-the-scenes*

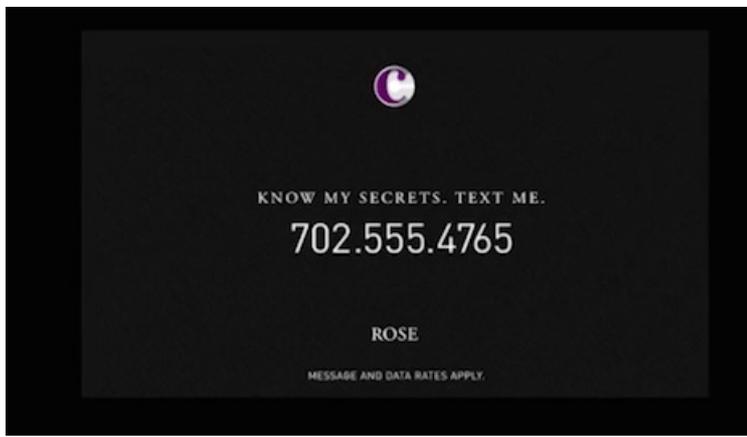
Similarly, The Ritz-Carlton Hotel Company launched a new take on unique experiences with a global initiative to bring travelers the kinds of unique memories they will want to remember and reminisce about into the future.

The #RCMemories initiative sees the hotel chain bringing in collaborators and guests from across the world to all of its locations in an attempt to create unique, exciting experiences for customers, who will share those experiences online ([see story](#)).



*Sunset at The Ritz-Carlton, Grand Cayman. Image credit: Ritz-Carlton*

Other hotels have turned to more digital experiences such as the Cosmopolitan hotel in Las Vegas creating a virtual guide with sass and personality.



*Rose's number. Image credit: The Cosmopolitan*

Rose, a chatbot with a witty and irreverent personality, has helped drive up engagement and retention among The Cosmopolitan's customers ([see story](#)).

Technology startup Orion Span has taken the hotel experience concept to the next level with plans to open the first luxury hotel in space, allowing guests to live like astronauts during a \$9.5 million tour.



*Guests will get the astronaut experience. Image credit: Orion Span*

Dubbed Aurora Station after the polar light phenomenon, the hotel is slated to launch late in 2021, with the first guests arriving in 2022. Even with the hefty price tag, the experience aims to make space travel more accessible ([see story](#)).

#### The digital life

Forrester's "The Future of Digital Experiences" report took a deep-dive into what the retail marketplace will look like in the future with Google Home, Amazon Alexa and Apple's newly announced Siri product becoming major parts of consumers' commerce journeys. What Forrester found was that no matter what new devices come, mobile will continue to serve as an anchor point between all parts of a consumer's digital life, and mobile will serve as the hub

for experiences.

In the current market in the United States, a majority of customers are what Forrester calls "shifted," meaning that they expect to be able to get any and all services they desire through their mobile device and not be required to switch to desktop.



*Wearables are one part of the new digital landscape. Image credit: Forrester*

But despite this, only 43 percent of brands believe that mobile is an enabler of experience transformation, and the same percentage are willing to spend to make mobile worthwhile.

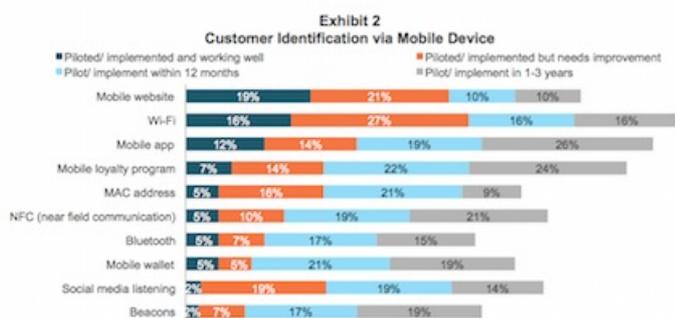
This is the wrong approach. While much has been made about the growing number of new digital channels, most notably the category of "virtual assistants," such as Amazon Alexa and Google Home, mobile devices will still be the anchor that holds them together ([see story](#)).

Boston Retail Partners' "The Mobile World of Retail" report stressed the importance of making the retail experience unique and personalized for each consumer, and how mobile devices can help.

Consumers are now connected to the Internet at all times, meaning that there are more opportunities for brands to reach them and to identify them.

Discerning exactly how to use mobile and when to do so was the goal of BRP's report, which surveyed retailers to find out what their priorities were for the future of mobile retail.

Seventy percent of respondents said that the identification of customers and personalization of the retail experience for customers is their biggest priority.



### *Mobile can help identify customers*

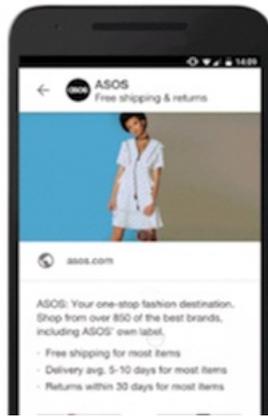
Personalizing the customer experience is nearly impossible if retailers do not know who the customer is.

That is where mobile comes in. With its capacity to tie a digital identity to a person, brands can understand more about the customer as they shop and tailor the experience to an individual.

This is particularly helpful for the luxury industry, where personalization and giving customers the best experience they can have is paramount ([see story](#)).

According to a report from Boston Consulting Group and Facebook, marketers that invest in long-term interactive relationships with consumers, which seamlessly span multiple platforms, are seeing better results than those using the "spray-and-pray" method.

Those that do not integrate a practice such as this will be left behind. This is especially important now that ad blocking is growing.

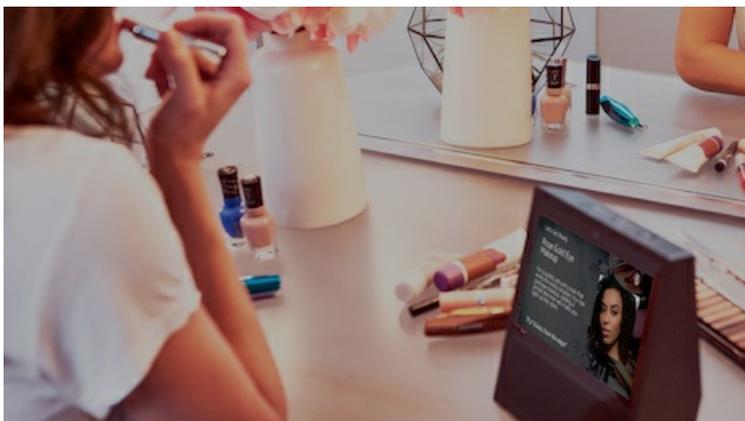


### *Mobile ads for ASOS on Google*

Technology within advertising is helping marketers use more personalization tactics. In three to five years, personalized advertising is likely to make up 80 percent of digital marketing budgets ([see story](#)).

Other trends in digital are voice assistance, augmented reality and artificial intelligence.

Experts are anticipating a crucial shift in luxury retail towards voice assistance, but as of right now there is a slim market for purchasing through speech.



*Coty Inc. looks to the future with Amazon. Image credit: Coty Inc.*

The "[Reimagining Commerce: Global Findings](#)" report from Episerver shows that around 60 percent of voice-activated artificial intelligence assistant owners do not use them to search for products and fewer actually purchase anything.

Similarly, about 66 percent of consumers who own smartwatch devices will not and have not browsed retail through their watches. Seventy percent of these owners have not completed a purchase through the smartwatches either ([see story](#)).

Artificial intelligence is often more difficult to implement into branded campaigns, but Sephora took a huge step in ecommerce innovation by rolling out an artificial-intelligence-based application that helps consumers find specific shades by simply uploading a photo.

The application uses ModiFace's facial recognition and visualization technology to allow Sephora's customers to upload a photo in Facebook Messenger while in conversation with the Sephora Visual Artist. The technology then automatically recognizes the most compatible shade and recommends actual products in Sephora's inventory through the use of an AI engine ([see story](#)).

Being able to test-drive products from anywhere has helped boost conversions up to 84 percent. ModiFace's face tracking allows consumers to see virtual makeup on their faces in real-time. This technology is being used in everything from digital mirrors in the in-store environment to live video feeds on mobile applications or Web sites ([see story](#)).

Break out of the box

Brands are constantly trying to offer the next best experience. For travel providers, it is often easier to incorporate experiences into consumers' vacations. But for retailers, the challenge to make the experience align with the brand, and be desirable to consumers, is more difficult.

"Products are subject to the cycles of trends, seasons and pop culture," said Sara Bamossy, president and CSO of [Pitch](#), Culver City, CA. "Experiences are much more lasting, not only in the customer's memory, but in establishing long-running equity in brands.

"As part of the long-lead strategy development process, you need to think through not only the differentiated positioning of the product, but strategic service design a thoughtful approach for building a relationship with people across the path to purchase."

A report commissioned by Walpole, titled "How to Attract the Luxury Consumer in 2020," compiled information from trends and experts, revealing that luxury brands should be leveraging tactics that focus on creating individualized, exclusive experiences while also partnering with other companies. Luxury brands that invest in these tactics now should have a full-bodied strategy in connecting with the affluent consumer by the year 2020, at which time these pillars will become vital ([see story](#)).

In the current retail environment, stores are being elevated above the transactional to deliver experiences to consumers.

As marketers look to adapt to changes and shoppers' heightened expectations, a new program aims to provide an active learning environment for them to discover and study some of the effective innovators. Launched concurrently with the National Retail Federation's Retail's Big Show, Consumers in Motion's Retail Store Tours took small groups on curated tours of New York shops, allowing them to gain a firsthand perspective on best practices.



### *Oculus*

After gathering at either Westfield World Trade Center's Oculus or SoHo, guests had a chance to engage with other attendees.

The tour began with a presentation that will cover the themes of "See, Feel, Think, Act and Touch." This was followed with tours of eight to 10 stores that were picked as prime examples of these tactics, including some from the fashion, beauty and luxury categories ([see story](#)).

Experiences are seen across industries such as in auto with The Thermal Club, which attempts to continue enticing adventure seekers, whose short attention spans can be hard to capture, with special on-site endeavors supported by interactive online elements.

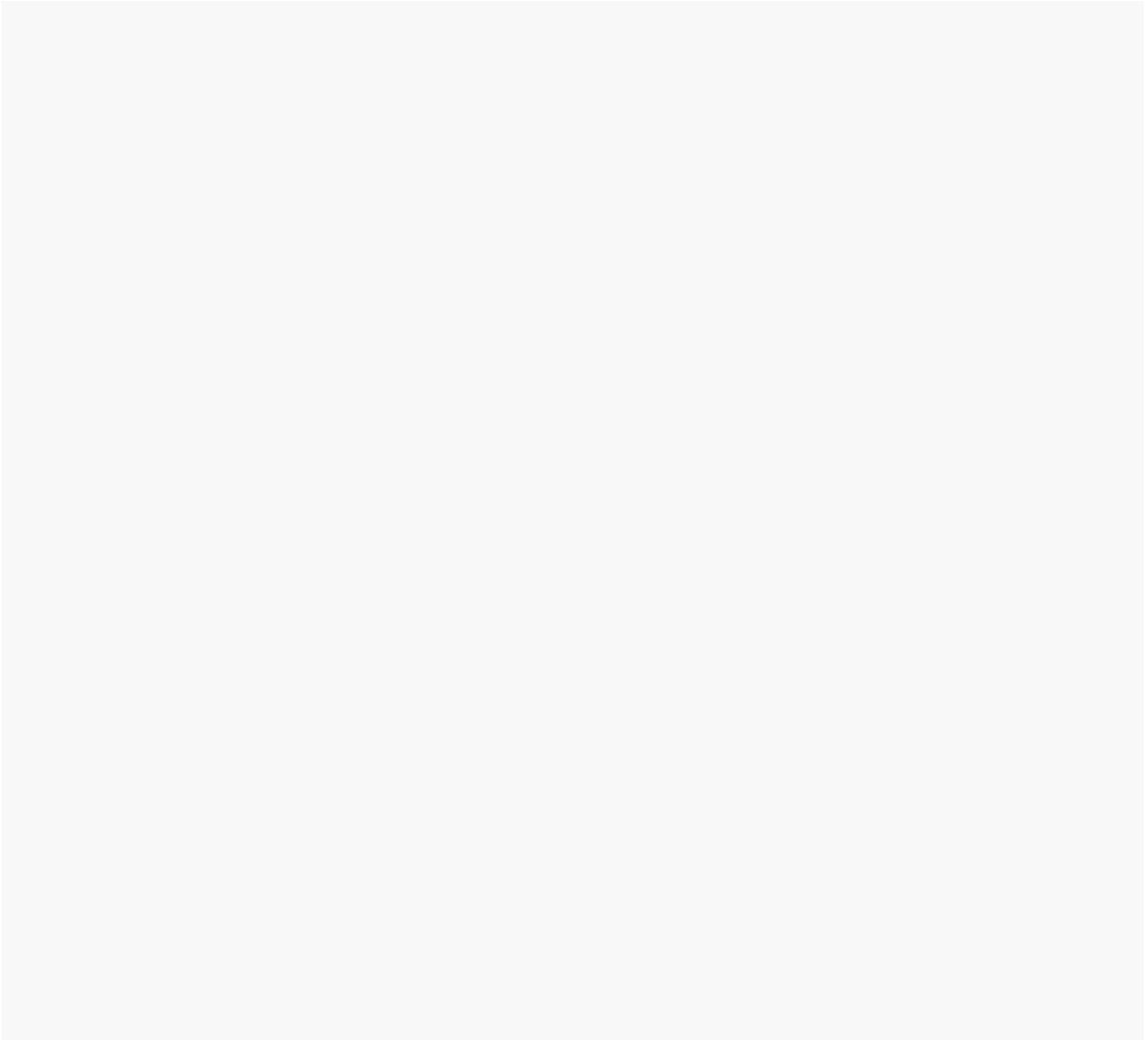


*The Thermal Club attracts drivers who want to test their skills*

The Desert Track, The Thermal Club's newest and third racing circuit, seeks to attract those looking for a greater challenge in racing along with a special clubhouse. To get potential guests into its club, the Palm Springs, CA club also gave mobile viewers a closer look at its track with a recent video ([see story](#)).

In beauty and fragrance, Christian Dior offered an immersive fragrance effort that focused on nature. Dior's marketing push for its Sauvage Eau de Parfum sees Johnny Depp return as the scent's face.

Following in the vein of previous promotions for the Sauvage line, the advertising leans on scene setting to translate a sense of smell to a visual medium ([see story](#)).



Discover Scents of the Magic Hour, when nature's smells awake, bursting with vibrant new life. #diorsavage  
#nature #diorparfums

A post shared by Dior Parfums (@diorparfums) on Mar 15, 2018 at 2:27am PDT

Moda Operandi introduced an immersive digital shopping experience that presented luxury brands through an editorial lens.



World Of Bottega Veneta includes tabs for runway, accessories and heritage. Image credit: Moda Operandi

Moda Operandi launched the World Of to combine its online shop-in-shop concept with storytelling content that will help consumers to immerse themselves in a brand's unique narrative. Unlike the in-store experience, retailers must rely on visual and editorial content to tell a brand partner's story to facilitate interest and awareness online (see story).

Publications are also getting into the experiential mode with gift guides that suggest the best experiences to purchase for someone.

An article that was once a sure spot for luxury items, has evolved with the trends. Robb Report's annual holiday gift guide of the best luxury gifts recommended an increasing number of experiences rather than products.



The December issue of Robb Report focuses on holiday gifts for the consumer who has everything. Image credit: Robb Report

The "experience over object" trend has been a well-documented development in recent years, especially among younger affluent consumers, and Robb Report's December 2017 issue made note of that as it recommended holidays, tastings and other ephemeral events (see story).

Trending younger

Many believe that the experimental movement among brands was driven from the younger population, those emerging into luxury.

The experiential economy is seen in everything from luxury spending to wedding registries. Millennials are not

necessarily looking to purchase a product, but rather share a trip or try a new restaurant.

In 2015, PwC found that millennials spent some 52 percent of their holiday spending on experience-related purchasing, 13 percent more than their forebears.



*Digital tools have reshaped the way millennials interact with brands. Image credit: Fendi*

**Boston Consulting Group** predicts that more than half of the \$1.8 trillion luxury market was spent on luxury experiences in 2014.

Additionally, a **Goldman Sachs survey** found that 55 percent to 60 percent of millennials were indifferent to buying a car and luxury bag, respectively ([see story](#)).

These trends in consumption affect the way in which marketers interact with consumers. The experiences, however, are not always about the place visited or the food eaten. The experience a consumer has with a brand can be simply within the Web site, social media pages and physical stores.

"The younger consumer is growing into luxury," said Lior Arussy, CEO of **Strativity** and author of "Next is Now," Hackensack, NJ. "Those who are born into luxury are demonstrating trends we have seen before. Those growing into it are looking for their way there."

"There is a more fusion with digital," he said. "The younger generation also elevates the importance of events and experiences, they want to be in, they want to be seen."

"The most important thing is that we need to recognize that digital is not the solution, it is a component of the solution. We need to think about the fusion of human and digital."

"There is not enough attention to the human experiences, as the staff and the way they interact, there are plenty of stores with still stuffy staff that is not really knowledgeable about the product, just care about how it looks instead of people touching and experiences."

When millennials are purchasing a product, even that experience is different than past generations.



*Chanel fall/winter 2017 features Gen Z's Lily-Rose Depp and millennial Cara Delevingne. Image credit: Chanel*

According to a study by the National Retail Federation and IBM, 67 percent of Gen Z consumers do most of their shopping in stores as opposed to online. However, mobile devices are an integral part of the shopping experience for these consumers. About 55 percent of survey takers use their phones to look up price comparisons, and 51 percent look for discounts and promotions ([see story](#)).

Experiences have long been part of the luxury world, but adapting these experiences to new consumers and new ways of life is vital to brands seeking to stay relevant and personal with consumers.

"Younger consumers are more demanding and they expect brands to not only deliver products and experiences," Luxury Institute's Mr. Pedraza said. "They expect brands to also be emotionally intelligent, meaning that they are thoroughly and consistently socially responsible.

"Younger consumers expect brands to be ethical, charitable and environmentally friendly. Its no longer enough to deliver soulless products."

#### Best practices in luxury brand experiences

- Lior Arussy, Strativity
    - "Know me, personalize to me. When I come to a luxury brand, I want to feel like the only customer in the world, I don't want to feel like an inventory. I want to feel that my piece is a special piece and I matter to you. Don't just treat me as a budget, as a purse, as a wallet."
    - "Create an emotion engagement, tell me a story I haven't heard. Passion is contagious. Be passionate, tell me the brand story, tell me something that is unique that I will be able to remember."
    - "Respect my time. People assume that this mean get me in and out quickly, but in a luxury context it means far more than that. Make the time meaningful, appreciate the time I spend with you and then of course don't waste time."
  - Bob Shullman, CEO of the Shullman Research Center
    - "Look at the value of what your luxury brand is offering through the buyer's eyes, which many times may not necessarily match how your brands perceives its offering(s)."
    - "Remember that the vast majority of consumers many times know more about your brand offering(s) than the brand's or retailer's staff who may be servicing them. Do your best to educate those who market or service your brand's offerings about the benefits your brand delivers to its consumers as they describe them."
    - "Assume your potential consumers understand your competitive set and price your offering(s) competitively."
  - Milton Pedraza, Luxury Institute
    - "Brands must create compelling products that meet sustainability standards."
    - "Brands must design and deliver compelling experiences across channels that are personal and emotionally intelligent."
    - "Brands must use data, analytics and technology to enhance the customer experiences, but must focus these to enhance on the human interactions such as sales associates and call center associates engaging with customers."
    - "All these elements, in combination, delivers an optimal, emotional experience that makes customers feel special and keeps them referring the brand coming back for more."
  - Sara Bamossy, Pitch
    - "Visual differentiation: Tap into millennials' obsession with beauty and brevity through visuals. Gucci is doing this through a continuing partnership with artist Ignasi Monreal across channels from digital to store window displays."
    - "Online brand appearance: Online brand appearance has to be inspiring, visually aesthetic, user-friendly and practical. Simplicity is a sweet spot for millennials. Aston Martin is a good example."
    - "Events: Invest in and connect with people who love your brand by providing passion touchpoints and building traditions with them. Veuve Clicquot puts on annual events in major cities around the world that are Coachella-cool with a pinky up. Louis Vuitton Cup is a yachting competition since 1983."
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