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Owning the customer experience in an Amazon-disrupted market

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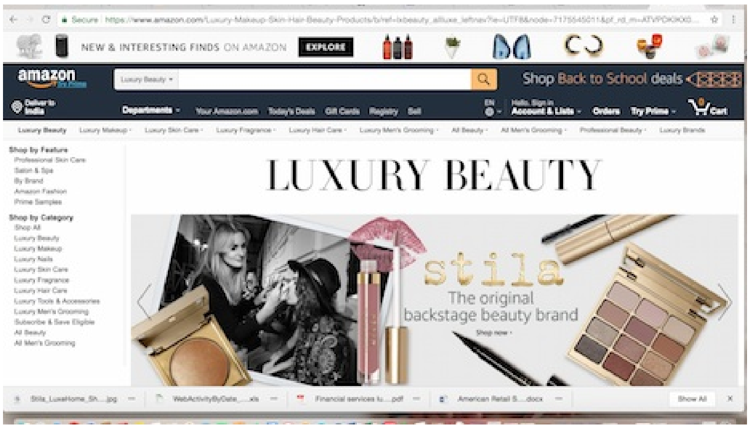

The beauty of luxury online. Image credit: Amazon

By A LUXURY DAILY COLUMNIST

By Oliver Guy

Thanks to the rise of Amazon, retail is forever changed. The impact that the world's second most valuable company has had on the industry is undeniable, with research indicating that Amazon was responsible for a whopping 44 percent of all United States ecommerce sales last year, or about 4 percent of the country's total retail sales.

At first glance it may appear that big-box retailers are the ones with the biggest market share to lose, but luxury retailers are not immune to disruption.

As Amazon and other digital-first operations continue to expand their scope, luxury brands are increasingly experiencing disruption.

For example, last year, research showed a significant shift in Amazon's beauty market. Growth moved away from mass-marketed consumables and more toward high-end beauty products.

The trend within Amazon continued in 2018, with the total beauty product group growing by 30 percent during the first quarter and luxury growing by 57 percent, nearly double the overall growth rate.

Given its global market value of more than $300 billion, the luxury retail market cannot afford to allow such disruptors to steal any more of their market share.

With a smaller group of target customers who can be understood and reached on a more personal level than Big Box retailers, luxury brands have largely had effective personalization strategies already in place.

However, they need to make sure that they are owning the customer experience to truly set themselves apart in today's world.

Differentiation through experience

To succeed in today's retail environment, retailers need to figure out ways to differentiate themselves to do what Amazon cannot do.

For luxury retailers, their differentiation is typically the product they sell but also the way in which they sell it.

The term "customer experience" has become somewhat of a clich over the past few years. This is not helped by the dual meaning of the term. However, both meanings are key when looking to differentiate.

The first meaning is the description of the total journey that a customer takes from decision to consider buying something: a need, through selection, purchase, receipt and then use.

This is where Amazon has focused efforts using technology to make the journey as frictionless as possible.

The other place the term is used is to describe "experiential retail." This is where retailers create an environment where customers go to learn, play and experience rather than just transact a destination for experience.

The Apple Store is a great example and others have followed Dyson, for example, and Samsung 837 in New York where you cannot actually buy anything.

Eliminating points of friction does not need to be overly complex.

Simply providing the ability for in-store teams to view inventory in other stores and order product to be shipped direct to the customer offers the ability to improve sales conversion and customer satisfaction.

Technical execution of this can be supported by agnostic, low-latency integration, process orchestration and in-memory data technology.

Owning the customer experience

If a luxury marketer has a product that consumers want, the brand can exercise some control over the experience.

As a general rule, the more exclusive, sought-after and luxurious the product, the more control can be exercised.

Brands can mandate how its product is sold, dictate a special area for the product and boast specially trained staff, but also control exactly which channels it can be sold through.

We see evidence of this with luxury brand owners such as Rolex, Cartier and Ferragamo. All of these have highly sought-after products and exercise more control over the in-store customer experience.

Luxury brands are starting to realize the need to get closer to the customer to attain greater control of the customer experience.

Richemont, owner of some of the world's most exclusive brands such as Cartier and Piaget, recently acquired Net-A-Porter.

In addition to providing the opportunity to sell brands owned by other organizations, this type of investment provides brand owners the ability to exercise more control over the customer's experience eliminating points of friction, but also attaining customer data points that can be used to personalize and optimize future experiences.

Ecosystems become key

Ecosystems and partnerships are appearing across all types of retail.

We see partnerships between Ahold and Hello Fresh, Google and JD.com and even Abercrombie and hoteliers. Ecosystems are starting to appear in the luxury goods market, too.

Launched in August, Troverie, links luxury watch buyers with more than 70 retailers across the U.S. Such ecosystems represent a new business model and revenue stream for retailers and brand-owners.

As is the case with most new business models, existing systems rarely support them out-of-the-box, so a new approach is required to make the most of the opportunity leveraging logic and orchestrating process and data across multiple systems.

TO COMPETE in a disrupted market, luxury retailers need to focus on the customer's shopping journey, but also be ready and equipped to collaborate with external partners.

While differentiation may be through experiential retail and in-store experience, ultimately they must seek ways to eliminate friction points during the process.

Ecosystems and partnerships will evolve and become more complex to exploit new revenue-generating opportunities.

Luxury retailers would do well to look at what is happening in other retail environments for signals as to what to be ready for and how to adapt as they look to compete in an increasingly disrupted industry.

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