

MARKETING

## Digital KPIs for a transforming luxury landscape

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The transformation of luxury retail is well underway. This is evidenced by four key disruptions: change in shopper demographics and behavior; rise of new, nimble online retailers and marketplaces; emergence of direct-to-consumer initiatives; and a secular decline in the performance of conventional channels.

However, the industry lags behind its other retail counterparts in objectively recognizing, recalibrating and responding to these changes.

With many more shoppers beginning their customer journeys online and on mobile, luxury retail decisions informed by rich, timely digital key performance indicators (KPIs) will prove vital for success.

### Digital KPIs for luxury brands

Enabling easy and relevant product discovery is important in a consumer's journey. These first three digital KPIs monitor visibility and improve discoverability.

- Share of voice measures the level number and type of mentions for a brand or product on a banner.

The type of mention can be attributed to the location such as first banner, home or category pages and messaging including brand building or promotional.

Understanding share of voice compared to the competition can enable brands to have meaningful performance conversations with channel partners.

- Share of shelf tracks the share of a brand's product listings on a category page. It informs how many times their products appear in the top product positions and at which position.

Brands can leverage this insight to ensure new and trending products have better share of shelf across channel sites.

- Share of search tracks the share of a brand's product listings on a search page. This helps the brand understand their keyword performance, such as if relevant products appear for important search keywords.

Displaying irrelevant or older products can deliver poor experience.

The following KPIs help luxury consumers move from discovery to purchase.

- *Availability:* This metric tracks out-of-stock (OOS) products. Brands can make several stocking or production decisions based on this insight.

For instance, if a product is OOS frequently, the account manager can understand its cause and take necessary actions. Or if a comparable product is OOS among competitors, a brand can amp up promotions for that product.

- *Text/image compliance:* Luxury consumers are wary of fakes. To build trust and protect brand image, brands create unique digital assets such as product images and text.

Monitoring whether channel partners are displaying these digital assets and adhering to brand guidelines becomes crucial.

Timely alerts on non-compliance can help brands take corrective action and improve brand representation.

- *Ratings and reviews:* In store, luxury brands can directly gauge their consumers' preferences.

However, online they are dependent on reviews and ratings for this information.

Additionally, positive reviews and ratings can also help build brand trust and influence purchase.

- *Price:* Traditionally, brands had little or no control over Suggested Retail Price (SRP) violations.

In a digital world, this is a KPI luxury brands are generally quick to adopt. It helps brands systematically monitor SRP violations across channels and take corrective action.

Also, monitoring competitor prices can inform brands about their price parity relative to the market.

Digital KPIs for luxury retailers

Digital consumers have the luxury to switch between multiple online stores with a single click.

Hence, delivering superior customer experience is crucial for retailers to build loyalty.

Here are some important digital KPIs to help retailers improve customer experience.

- *Availability:* Insights on product availability can help retailers inform their stocking decisions by identifying bestselling or trending products.

Secondly, by comparing products, retailers can identify and promote any product available on their site but also OOS elsewhere. And, thus, garner more traffic.

- *Ratings and reviews:* Ensuring more products have good reviews and ratings can help retailers improve conversions.

While this metric may be driven by brands to some extent, retailers are responsible to act on it and generate more reviews for their products.

- *Price and promotions:* Systematically monitoring price across competitors helps a retailer understand their price position.

While luxury retail may not prefer to participate in a price war, this insight takes them from a state of being unaware to a state of factual knowledge. It can also prove useful as retailers enter into newer markets.

Additionally, tracking the breadth and depth of promotions across competitor sites can help retailers identify if brands are giving them a fair deal and negotiate accordingly.

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