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## Omnichannel shoppers 4 times more valuable for luxury brands: Forrester

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*Luxury ecommerce sales are expected to rise. Image credit: Luxury Society*

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By SARAH RAMIREZ

Affluents are increasingly drawn to online shopping because of convenience, but omnichannel shoppers spend more on luxury items than the average on- or offline consumer.

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According to Forrester Analytics' Luxury Retail Forecast, nearly 60 percent of luxury sales growth will originate from ecommerce by 2023. More than 90 percent of affluents worldwide purchase luxury goods and services, but only 5 percent are responsible for a third of luxury spend.

"Online retail is really taking off much faster than we originally thought," said Michael O'Grady, principal forecast analyst at **Forrester**, Cambridge, United Kingdom. "Online luxury sales grew by 24 percent in 2018, driven by an increase in online shoppers and online basket sizes.

"In our survey of luxury shoppers in the U.S., Canada, U.K., Germany and Italy, online basket sizes overtook offline basket sizes for the first time as more shoppers purchase higher priced goods online," he said.

Forrester's global forecast covers 2018 through 2023.

### Online luxury

The personal luxury goods market saw a boost of 6 percent in 2017. Ecommerce grew by nearly a quarter and contributed to 39 percent of luxury sales growth.

More than 80 percent of luxury shoppers are digitally influenced when buying high-end items.



*Convenience is a major draw for consumers shopping for luxury goods online. Image courtesy of Net-A-Porter*

Online shopping allows consumers to browse through a wider product range, as well as read reviews and check availability. As shoppers buy online more, luxury brands have increased digital advertising budgets by 63 percent between 2013 and 2016.

Affluents are also more likely to follow luxury social media accounts, primarily on Instagram and Facebook. These accounts experienced a 20 percent increase in followers in 2017.

Multi-brand online stores are becoming more popular with luxury shoppers. Online luxury retailers Moda Operandi, Farfetch, Matches Fashion and Secoo each grew their sales by more than 40 percent in 2017, and continue to innovate within the space.

However, omnichannel strategies remain valuable. U.S. and European consumers who buy luxury goods in both physical and digital stores spend up to four times more than consumers who shop exclusively on or offline.



*LVMH expanded its physical presence in Asia in 2017, including a new Fendi store in Tokyo. Image credit: Fendi*

With bricks-and-mortar stores continuing to drive sales, luxury retailers are reevaluating their physical footprints.

While some retailers are opening large bricks-and-mortar locations, others are downsizing, but the common theme is improving shoppers' in-store experiences. For instance, luxury conglomerate LVMH expanded its Asia-Pacific presence by 13 percent in 2017, compared to 4 percent store growth in Europe.

"Luxury brands [that own stores] have more control over the shopping experience, the product assortment and the customer service," Mr. O'Grady said. "The store will continue to be all about the experience."

"Luxury in-store shoppers place a high importance on product touch and feel and use the store to inspire future purchases," he said. "Stores will embrace ecommerce services going forward like click from store, localized inventory, click and return and click and collect."

#### Chinese growth

China is expected to continue to be a key market for luxury goods in the near future.

By 2022, Chinese shoppers between the ages of 18 and 35 will be responsible for half of the country's discretionary disposable income spend. Two-thirds of luxury spend from mainland Chinese consumers will happen online by 2023, compared to 25 percent in 2016.

Chinese ecommerce sales have surpassed \$1 trillion for the first time, with no signs of sales or growth slowing down for the world's largest digital retail market.

The Chinese ecommerce market must be of increasing importance to luxury retailers as it continues to pull away from the United States in terms of value. According to Digital Commerce 360, in 2017 online purchases by Chinese consumers reached \$1.12 trillion, or 7.18 trillion yuan at current exchange, a 32 percent jump from 2016's \$869 billion in sales ([see story](#)).

Swiss conglomerate Richemont's Yoox Net-A-Porter Group is among the luxury brands strengthening its digital presence in China, as the retail company partners with ecommerce giant Alibaba.

Net-A-Porter and Mr Porter will launch stores on Alibaba's Tmall Luxury Pavilion, taking advantage of Alibaba's expertise in marketing and ecommerce operations in China. This partnership comes as Chinese ecommerce sites continue to ramp up their efforts in the luxury market, catering to the growing appetite and customer base for high-end goods in the nation ([see story](#)).

"Luxury retailers use marketplaces to rapidly penetrate new markets or in highly concentrated online markets like China where Alibaba and JD dominate B2C online sales," Forrester's Mr. O'Grady said. "This explains why Luxury Pavilion is embedded within the world's largest B2C marketplace, Tmall."

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