

RETAIL

Luxury brands can bridge ecommerce and in-store retail

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Gucci Manifesto fall winter 2019. Image credit: Gucci

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It was once assumed that consumers would not buy luxury items online. Yet, online luxury sales are expected to triple by 2025 and reach **\$91 billion**, while roughly **20 percent** of all personal luxury sales **more than double** what the category has recently seen will take place via digital that year.

There is no time like the present for luxury's digital transformation.

Online experiences already impact **40 percent** of luxury purchases. The luxury consignment market is also proving to be lucrative, as The RealReal was recently **valued at \$1.2 billion** after less than a week of public trading.

With all of that in mind, here are three components that should be in every luxury brand's playbook.

Make shopping easier like a D2C brand

We have seen early hints of luxury brands supplementing store experiences with digital tools or vice versa that serve customers. A mix of ecommerce initiatives from companies such as fashion giant Gucci, watch brand Jaeger-LeCoultre and carmaker Tesla has emerged.

"Ordering your Tesla is just like any buying experience on the Internet," reads Tesla's Web site. The brand's electricity-powered cars cost up to \$124,000.

These companies are following the previously-unconventional trends set into place by direct-to-consumer (D2C) brands, which focus on being channel agnostic across physical and digital platforms rather than being multichannel. That is why it was not shocking when **news recently broke** that the cosmetics conglomerate Coty, owner of Coty Luxury, may buy Kylie Jenner's online startup Kylie Cosmetics.

Dating back to Unilever purchasing Dollar Shave Club for **\$1 billion** in 2016, there has been a wave of D2C acquisitions by legacy companies that are recognizing the success of this seamless approach. Luxury brands should take note.

Luxury shoppers, whose average purchase is **\$2,500**, will expect only the best throughout their digital experience.

Luxury brands need to make everything from product discovery to package delivery, order tracking and returns as convenient as possible. These are areas where they can learn from D2C players that meet their customers where they are. As one example, designer clothing rental service Rent the Runway is partnering with WeWork locations to give customers more convenient options for returning their shipments.

Use first-party data

Brands such as Rent The Runway, StitchFix and Adore Me are combining digital tools with bricks-and-mortar stores to learn about their customers and offer individualized experiences. They use data to understand customers while blurring the lines between channels.

It is retail 3.0, and it is another area where luxury brands can embrace ecommerce in a way that serves high-end consumers.

Take luxury clothier Threads, which uses WeChat and WhatsApp extensively to serve its customers, who are typically under 35 years old and spend **\$3,000 per purchase**.

The ways in which Threads accomplishes such an impressive average order size include personalizing the customer experience with concierge-style services, incorporating tech features such as streamlined order tracking and a cutting-edge search engine.

Connect digital to physical

The importance of providing a customer experience that meshes digital with bricks-and-mortar stores right now cannot be overstated.

M.Gemi, a company that sells handcrafted Italian shoes, is the latest D2C brand to launch "fit shops," with the brand opening locations in New York and Boston. Bonobos and Warby Parker are a couple of its predecessors who launched experiential storefronts to drive their brands.

M.Gemi customers can **book a consultation** online or simply walk into a store, where they will receive VIP treatment with glasses of Champagne and early access to the shoe brand's newest styles.

Even though M.Gemi focuses on digital sales, these fit shops provide the brand with valuable touch points and give the company sources of first-party data to inform product design, inventory planning and customer service. It is an elegant, smart example of connecting digital and physical experiences.

Play the long game

It is imperative that luxury brands draw inspiration from digital-first retailers to find new ways to engage with high-end consumers across channels.

Consider that millennials love direct-to-consumer brands, and that age group will make up **40 percent** of the luxury sales by 2025.

Resolve will also be key. It is going to be important for the luxury category to invest in bridging online to offline for the foreseeable future.

LUXURY CONSUMERS will increasingly shop both digitally and in stores.

Brands that connect the dots of customer behavior between online and physical will be well positioned.

The brands that also replicate the traditional, high-touch experience which has taken place offline, historically in digital channels will beat the competition for years to come.



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