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Trifecta hitting slow-changing luxury business: Younger gen, tech and China

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Luxury brands are not agile. They do not move fast, and they certainly do not break things.

This is a business known for its craftsmanship, heritage and ability to resist the changes to the world happening around it.

Indeed, it is that ability to move slowly and take us to the elegance of days gone by that perhaps makes luxury brands what they are today. "New" luxury brands are few and far between.

Winter of discontent

The luxury sector's unique ability to embrace the status quo as a positive rather than a negative also applies to the way that these brands advertise.

Many luxury brands are still fixated on buying print ads in luxury magazines, out-of-home advertising within upmarket sections of cities, or locations filled with higher income individuals, such as airports.

In other categories, brands have long shifted spend across a wide variety of other media, focusing on targeting new generations of consumers, not just existing ones. But in the luxury world, only a few are thinking that way.

While there is something admirable about these brands' refusal to embrace change even as digital media and technology is reshaping the world around them it is an attitude they cannot afford to maintain for much longer.

Growth will not solely come from readers of *Vogue* and *Elle* it will increasingly come from younger audiences using social media and chat apps. Whether they like it or not, their customer base is being transformed by technology.

However, technology has huge potential to present a real window on how to unlock new opportunities by better understanding these new buyers, their shopping habits, and how they are using their products differently than in the past.

At its most basic level, this could simply be about finding consumer spheres of influence who are the people

shaping public opinions of what is fashionable, and who are best people to promote their products?

Vogue editor in chief Anna Wintour may continue to hold undeniable influence as a trendsetter, but who is the next Mr Bags a Chinese fashion influencer, who famously [sold 3.24RMB / \\$470,000 of Tod's handbags in six minutes via his WeChat channel?](#)

Bullish in China shop

The shift of influence in fashion comes not just from location of authorship print to digital but also platform.

For example, in China, which is driving two-thirds of growth in luxury spends, [almost all luxury purchases are influenced by an online experience.](#)

The luxury business is arguably the world's most successful category at building "temples to the brand" destination stores that creatively immerse the shopper in brand imagery and highly tailored customer service.

For example, MediaCom's [Cultural Connections](#) study showed that Chinese consumers are extremely susceptible to the glamour of high-end products and buy products to feel good about themselves and like to be seen doing so, whereas customers in Israel and Ukraine prefer to see more functional benefits of the products showcased to them.

Yet the digital generation is increasingly buying online and exhibiting less of those offline nuances. [One in five luxury purchases will take place online by 2020, and consumers online experiences influence at least 40 percent of all luxury purchases.](#)

And whilst almost half of all ecommerce purchases now start on Amazon, luxury brands have rightly shied away they want to provide a branded experience that matches their physical retail space.

But at some point, brands will need to be prepared to embrace the hybrid model.

In China, Alibaba's [Tmall Luxury Pavilion](#) enables brands to access the 500 million-plus Tmall audience, whilst ensuring a branded prestige experience.

Fashion houses are beginning to take advantage of the opportunities technology offers.

One such example is LVMH's partnership with Paris-based incubator [Station F](#) that allows the luxury group to better access innovative new companies focused on evolving the fashion and retail landscape.

Famously, LVMH's first winner of the Station F innovation awards, [Heuritech](#) is an AI-based image analysis tool that enables fashion and lifestyle brands to see future consumer trends and evaluate competitor performance. Heuritech has gone on to work with other non-luxury groups such as VF and adidas via LVMH's mentorship.

Similar partnerships, such as [Lafayette Plug and Play](#) a venture of Galeries Lafayette and San Francisco-based Plug and Play enable other luxury brand owners [such as Richemont](#) to unlock opportunities around the digitalization of retail, while [Burberry is partnering with Tencent in China](#) to evolve its ecommerce offering on WeChat.

The smarter luxury brands are using technology to better understand who their growth consumers are, how they are shopping and where, and how to both evolve their offering to suit and find partners that can help them enable that change.

THE DIGITALIZATION of luxury may be slow, but this is one trend that luxury brands cannot continue to resist.

Even the finest cloth, the softest leather and the most intricate design cannot make them immune to the rise of technology.

Craftsmanship, heritage and strong branding remain as important as ever. But the luxury consumer is changing who they are, where they buy and how they buy.

Smarter use of technology is one certain way to deliver growth in an uncertain world.

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