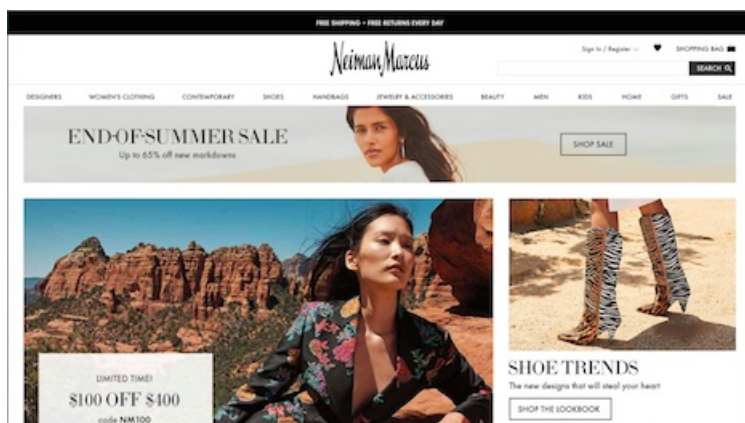


RETAIL

Luxury retail at crossroads with digital inevitability

September 4, 2019



Neiman Marcus, one of the top luxury department store chains nationwide, is ramping up its digital profile to compete with online-only upstarts. Image credit: Neiman Marcus

By **Jon Reily**

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With an abundance of affluent customers thanks to a strong global economy and unprecedented ease of reach to the best customers thanks to social media, it seems like luxury retail should be going gangbusters. Young upstarts such as Farfetch, MyTheresa and Net-A-Porter are doing just that.

However, legacy luxury retailers such as Neiman Marcus, Nordstrom and Lord & Taylor are struggling in the new digital world, and casualties such as Barneys are starting to mount.

Beeline online

In 2018 ecommerce sales of luxury goods which includes apparel, beauty products, perfume, jewelry and watches, leather goods and accessories accounted for 8 percent of the more than \$280 billion global luxury market.

Online luxury sales are predicted to triple by 2025, reaching nearly \$100 billion, and one in five sales in the category will be completed online, according to McKinsey.

In the past, luxury brands shunned online retail as a distribution platform best suited for low- and mid-range goods.

Marketplaces that sold more than one brand were frequently seen as a threat to the luxury brand's image.

As a result, luxury retailers held their high-end goods to be sold exclusively in their bricks-and-mortar stores, assuming that affluent customers would not spend large amounts of money online for high-end luxury goods. While this may have been true in the previous decade, today nothing is further from the truth.

As with virtually every sector in retail, digital and ecommerce is having a large impact on how consumers choose brands and purchase goods.

While consumers' purchases vary by category and price points, almost all luxury shoppers have embraced the digital revolution and nearly 80 percent of luxury sales are now digitally influenced.

This trend stretches across generational cohorts and is not a millennial issue. All generations' behavior is changing,

and luxury retailers must adapt.

Retailers have been struggling with, and learning to perfect, true omnichannel journeys for more than a decade.

Experiencing it all

Creating ecommerce experiences that follow the golden rule of user experience "don't make me think" has not been easy. But many marketers have been successful in creating seamless experiences across their touch points.

Luxury has all the challenges of a traditional retailer, and the added challenge of a very mobile, global customer base with high expectations from the brands with which they interact.

Luxury customers are more likely to travel and purchase high-dollar items in countries other than their home country and are influenced by digital channels and social media at an even higher rate than less affluent consumers.

However, even when these consumers travel from one country to another, they expect a seamless experience with brands across borders and touch points.

Many luxury retailers who still have organizations created around channels and specific geographies are struggling to meet these increasing demands.

The digital revolution is still in its infancy and consumer behavior will continue to change.

Consumers, especially millennials and Generation Z, are not just searching for and purchasing products. They are seeking experiences and emotions from the brands with which they interact.

The Internet has created a world where constant stimulation and excitement are the norm, and every interaction with a brand sets the expectation for the next interaction or next brand, whether that interaction is online or in store.

Where omnichannel was once creating an experience online that was as good as the experience in-store, the reverse is now true.

Consumers now expect the ease of online shopping in-store. When they do not find it, they will go elsewhere, and be vocal in social media about their experiences.

Therefore, digital is no longer just a sales channel. It is now a communication and marketing channel as well.

Snapchat and Instagram are now as important as the main shop window on New York's Madison Avenue, Facebook and Google reviews as important as the sales staff.

Bold, not mold

The only answer to the digital revolution for luxury retail is digital transformation.

Digital transformation allows companies to act quickly and pivot to the constant change that is ecommerce.

Digital is no longer just a sales or communication channel. It is the most important value proposition which brands must master, and touches every part of a company including retail, brand management, customer experience and supply chain management.

The measurement of success of any digital transformation is a consistent, always-on, omnichannel customer experience that is agnostic to online or digital, and creates an emotional, physical, and even virtual connection to a brand.

Just like every retail business, luxury retail needs to transform itself digitally to meet these affluent customers where they are, no matter where that is.

Established bricks-and-mortar luxury retailers can reinvent themselves to compete in the new digital arena. To do that, they must break out of their traditional molds that many have been resistant to do so far.

THERE WILL ALWAYS be a need for a central gathering place for a brand the flagship store but depending on footfall to pay the rent of those high-priced locations is as out of fashion as the ascot.

The opportunity for all legacy luxury retailers to step ahead of the pack is now.

The field is wide-open, and the market is starving for the first true digitally native luxury brand. The stakes have never been higher, and the time to act is now.



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