

RETAIL

Luxury newcomers are redefining the paradigm of “cool”

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Who's pulling the purse strings? Image credit: EY

By STAFF REPORTS

By [Laurent Bludzien](#)

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This year's [EY Luxury and Cosmetics report](#) confirms that the trend that has been witnessed in the luxury goods industry in recent years is going strong, with fast growth in the premium, entry to luxury, perfume and cosmetics categories.

The year 2019 marks a new era for the luxury fashion and cosmetics players the rules of the game have changed and old winners must learn how to play differently to stay at the top.

According to EY, those who have excelled in the past need to know how to redefine themselves, while preserving their identity. They must find ways to tailor a unique luxury experience for each customer, beyond the product offered.

Traditional players face competition from digitally native brands, or newborns with a strong ecommerce and social media presence, a diversified go-to-market strategy, and loyal customer base, all derived from an innovative identity that feels closer to the new generation of luxury shoppers.

The concept of "coolness"

The newcomers are giving shape to a new paradigm revolving around the concept of "coolness," featuring exclusivity, the ability to provoke and disrupt, the desire to reach customer intimacy, the willingness to communicate a purpose and, of course, sexiness. Their reliance on online channels to grow and achieve sales has put into question the relevance of bricks-and-mortar retail in the new era.

Indeed, the future of retail has been thoroughly debated in recent years, finding a way to support in-store traffic after the rise of digital: 30 percent store traffic from 2012 to 2018.

The numbers of store closures have been surpassing the numbers of store openings. However, despite the fact that more than 70 percent of purchases are influenced by online channels, physical transactions remain almost 90 percent of the total purchases.

The bricks-and-mortar footprint remains a "must have," although the retail channel, usually EBITDA dilutive for multichannel companies, is under increasing profitability pressure.

How do companies provide required shareholder returns? How can they drive high-conversion traffic to stores? How do they make sure customers entering the store find what they are looking for, enjoy a stunning shopping experience, make purchases and exit the store feeling even more emotionally engaged with the brand?

What consumers want

To win the game in an arena where the most important concept is that of coolness, fashion companies have many cards to play that can lead to an improved retail conversion rate.

The areas to invest in should be intelligence (predictive analysis), product development (including agile development and digital prototypes), lean production, and optimized merchandising and buying.

The in-store customer engagement should be supported by digital technologies and evolved loyalty programs.

The beauty and cosmetics industry is also undergoing rapid transformation. It has been evolving from a female-only industry to include men and men-specific products starting in the early 2010s, and it is now expected to develop a gender-neutral approach.

Industry products must reflect such evolution by reaching higher standards of personalization and inclusion.

Providing gender-specific products is no longer enough to meet consumers' evolving tastes and beauty ideals.

Product offerings today should result from a careful analysis of the consumer and be tailored to their skin type, needs and color, all of which can be achieved through new technologies, including, but not limited to, skin detection and recognition tools.

Consumers expect brands to share and reflect their growing passion for social and environmental causes, as well as concerns over risks related to long-term exposure to chemical substances, resulting in, on the one hand, more natural and organic labels, and on the other, a growing appeal for minimalistic beauty based on tradition, rituals and simple regimens something previously seen in Japan.

THE GROWING level of product sophistication will see the role of influencers and makeup artists rise as they become a key vehicle to inform consumers about the new offering and its potential.

The key question now is who is better positioned to successfully tailor the luxury experience and succeed in this new landscape: heritage, digitally native or heritage brands that understand the new rules of the game?

[Please click here to download the EY Luxury and Cosmetics Financial Factbook 2019 edition](#)



Laurent Bludzien

Laurent Bludzien is partner and vice-chairman of the board of directors of EY Switzerland.

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