

MARKETING

Bricks-and-mortar should be more about education, experience than selling

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Gucci's SoHo store includes a bookstore and a screening area, taking retail beyond the transaction. Image credit: Gucci

By SARAH JONES

NEW YORK Foot traffic at physical retailers is decreasing and unlikely to rebound, calling for brands to build a revamped store footprint with fewer locations that favor engagement over transacting.

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During a panel at the Italy-American Chamber of Commerce's Luxury Summit on Nov. 19, speakers shared their perspectives on where retail and personalization are headed. As consumers gain even more power, it will be up to brands to earn their trust and deliver worthwhile experiences.

"If I were in the shoes of a luxury brand, I'd be most focused on how I could retain appeal," said Katherine Black, principal focusing on strategy, management consulting with respect to retail and consumer sectors at [KPMG](#).

"There's some correlation between discretionary income and willingness to spend in luxury, but it's not perfect," she said. "And I think you can get people to stretch and spend even if they aren't earning at the same rates if you've got something really special and important and people feel like it's worth it—it's worth the time and it's worth their money to do it."

Bricks-and-mortar makeover

Milton Pedraza, CEO of the [Luxury Institute](#), believes that luxury retailers are overstored, and they need to drastically reduce their store numbers in the United States. Taking the place of these retailers will be experiential tenants such as high-end gyms.

Luxury retailers also need to carefully consider where their stores are located. According to Ms. Black, while consumers are traveling farther for work and socializing, they are expected to decrease the distance they will drive to shop by 40 percent in the next decade.

One way to rethink retail is to place it at the center of experiences such as dining, since shoppers tend to bookend their retail excursions with meals.



Thomas' Cafe at Burberry in London. Image credit: Burberry

Ms. Black sees an increasing importance for community, as consumers crave relationships. Whereas groups such as religions and local communities used to be the basis of an individual's tribe, today consumers have the power to build connections outside of geographic limitations based on shared interests.

The challenge for luxury brands will be to create a feeling of inclusion while retaining an aura of exclusivity.

Relationship building also comes into play in the retail environment. Mr. Pedraza sees the role of the sales associate evolving to be more focused on creating a positive, educational experience than simply selling.

These "human advisors" will be highly educated and they will also be treated differently, including earning higher wages.



The role of sales staff will evolve. Image credit: Galeries Lafayette

As brands navigate increasing competition for consumers' dollars, one thing that the panel warned against is discounting.

"Discounting is not luxury," Mr. Pedraza said. "There's so many players out there who are discounting, that we see that there's going to be a greater number of them either being in big trouble or getting out of the market next year."

In addition to facing retail challenges, companies are also grappling with changing demographics.

In a newly released study from KPMG, millennials were found to show the lowest loyalty in luxury, compared to categories such as fashion, food and beauty. Only 26 percent of millennials say they are loyal to at least one luxury brand.

Ms. Black noted that although luxury purchase intent is partly tied to income levels, brands can convince consumers to splurge if they make it worthwhile.

Data decisions

In the coming years, consumers are going to gain more control over their data. This shift has already been seen with

the implementation of the European Union's General Data Protection Regulation and the upcoming California Privacy Act that goes into effect in January ([see story](#)).

Currently, the data that companies have on an individual is often incomplete, siloed and out of date. It is forecast that consumers will soon be able to hold the entirety of their own data, choosing which companies and third parties they wish to share it with.

For the companies that earn consumers' trust by offering meaningful value for their information, the data available will be much richer. This data portability is expected to advance the capabilities of personalization.

Mr. Pedraza gave the example of a traveler giving their location data to their hotel and their insurance company. The insurer could use data to initiate heightened coverage as the guest is taking part in activities such as swimming, while the hotel can use the information to help guide more tailored services.

Having richer data available can boost the customer experience. Ms. Black noted that in China, furniture stores have blueprints of customers' homes available, which helps them see what pieces will look like in their space.

Consumers are increasingly becoming aware of the value of their personal data, leading them to be more discerning about how they share their data with organizations and marketers.

Generation Z and millennial consumers are the most aware of ways companies can monetize their data, according to A.T. Kearney's "Insights on Personal Data Privacy, Usage and Monetization" report. There is also growing interest among consumers to use brokers or agents to personally address data concerns ([see story](#)).

Rather than regulations being a hindrance, Mr. Pedraza sees these rules having the opposite effect. Similarly to how automotive speed rules helped people feel comfortable and safer going faster, the same will happen with data privacy laws.

"If I know my data is protected by regulations and by technology, then I'm going to be willing to share it," Mr. Pedraza said. "But there is a caveat: I need to trust you, brand.

"And that's where brands get in trouble," he said. "If you're a mercenary, if you're violating people's rights, if you're not trustworthy, you're dead in the near future. Because it will be totally transparent.

"Not only will you be regulated by government, you'll be regulated by consumers."