

COLUMNS

6 key trends reinventing the luxury retail industry

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Luxury companies are reassessing the value of brand history and heritage for their new consumers: millennials and Gen Z. They are using digital platforms to engage with Gen-next consumers, while trying to retain brand values. They are finding innovative ways to provide personalized products and services through the use of digital technologies such as artificial intelligence, machine learning and virtual reality.

Let us look at six key trends reinventing the luxury retail industry:

Growing importance of social media marketing: The success of luxury brands in the future will depend on how well they will be able to engage with tech-savvy digital-age consumers. Social media marketing is becoming an integral part of a brand's communication strategy.

In 2017, Prada introduced its advertising campaign #Prada365, thereby making its entrance in the social media world.

Similarly, Chanel promotes its products on social media by emphasizing its aspirational characteristics.

Luxury brands are also building relationships with influencers and niche bloggers to leverage their authenticity and create unique content to reach their target audience.

Per a recent study, 90 percent of consumers trust an influencer's opinion more than traditional celebrity endorsement.

Note: Luxury brands today cannot ignore social media marketing.

Omnichannel to omni-personal luxury: Luxury brands are trying to become highly personalized to develop a relationship with young consumers who look for an individualized, seamless brand relationship.

For instance, Hugo Boss by 2022 seeks to focus on developing a unique brand-specific shopping experience through design and production of made-to-measure clothing.

Note: To ensure brand loyalty, brands need to graduate from omnichannel to omni-personal luxury.

Offline meets online: In the future, there will be a need to blur the line between physical and digital retail.

Per Juniper Research, fashion brands' retail spend on AI is predicted to rise from \$2 billion in 2018 to \$7.3 billion by 2022.

Software developer SAP is working with British department store Harrods to develop technology that provides customers with personalized recommendations from in-store screens based on what they are wearing.

Omnichannel brands are using digital behavior to inform in-store assortment.

The Nike store in Los Angeles furnished the shop with Nike Cortez sneakers after knowing through digital commerce data that its local customers enjoy running.

Note: Data-driven technology will help luxury retailers to design appropriate in-store strategies.

Stores with no inventory: There are many luxury retail brands that focus on an ecommerce business model. They can also benefit from having physical presence.

Various researchers have proposed a novel idea, known as zero-inventory stores (ZIS), which will make physical stores a platform where shoppers can touch, see and experience the items while orders can be placed online.

Less inventory would require smaller-store formats that would mean huge savings on rental costs.

Such stores will enable retailers to gain the best of both the physical and digital worlds. Research suggests this strategy is not only cost-effective for retailers but has a supercharging impact on digitally native customers.

As ZIS provides millennials with an opportunity to experience the product, it will generate more demand and fewer returns.

JLL, the commercial real estate company, predicts that more than 800 new stores will open in the next five years by the top 100 digital players. Will it have any implications on traditional luxury retailers?

In my view, this will have lethal impact on age-old retailers, which may have to find alternatives to survive in this complex and challenging environment.

Note: Experience-driven ZIS will help luxury retailers to engage, inform and provide better service to millennials, while leveraging online fulfillment.

Collaboration with sharing platforms: A few years ago, high-end brands could never have thought to make partnerships with closet-sharing or pre-owned apps.

However, as luxury consumption patterns of consumers are undergoing drastic changes, brands are exploring new ways such as these to generate traffic into their dying stores, attract millennial clientele and boost sales.

Also, because of the circular nature of the partnership, it is a way to boost the corporate social image of luxury brands.

Most recently, Burberry announced an official partnership with pre-owned luxury site The RealReal. Customers who purchased consigned Burberry items through The RealReal are provided with a unique shopping experience at Burberry stores.

Similarly, Rent the Runway and Neiman Marcus teamed up to redefine the way consumers shop.

Note: Luxury retailers have to explore new business partnership opportunities to draw millennials into their stores.

Concept stores: Physical retailers such as Nordstrom created a Pop-in shop with EverLane, a brand known for its transparency approach to tap discerning, eco-conscious shoppers.

Similarly, many luxury brands such as Chanel and Louis Vuitton are opening pop-up stores to test small before opening a full-fledged store. It helps brands to display their new collections and engage directly with customers.

Recently, the Herms Silk Mix pop-up was held in Munich, Germany. The pop-up prioritized on enticing young consumers who feel estranged by flagship stores and for whom sense of community holds great significance.

Note: Luxury retailers have to come up with innovative store formats to excite discerning new consumers.

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