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Personalizing digital engagement could save luxury fashion

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The importance of switching to online is becoming abundantly clear as sales of apparel and footwear are set to shrink by 27 to 30 percent in 2020 year-on-year, according to McKinsey & Company. Image credit: Saint Laurent

By [Alexandra Kohut-Cole](#)

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Direct effects of COVID-19 have caused such fallout that the global fashion and luxury industry has possibly changed forever. Fast off the mark, businesses closed physical stores, switched manufacturing operations from dresses to scrubs and face masks, and doubled down on philanthropic efforts to aid those in need.

In London, the British Fashion Council's **BFC Foundation Fashion Fund** is aiming to raise 50 million for struggling designers. In New York, **A Common Thread**, the fund created by American Vogue and the Council of Fashion Designers of America (CFDA) has launched Common Threads: Vogue x Amazon, an online digital storefront directly connecting designers with consumers. Yet, according to a BFC survey, 50 percent of designers do not believe their businesses can survive until the end of the year industry-wide job losses are rife.

The importance of switching to online is becoming abundantly clear as sales of apparel and footwear are set to shrink by 27 to 30 percent in 2020 year-on-year, according to **McKinsey & Company**. Brands are realizing the need to become more digital: LVMH reported a significant increase in online sales during the first quarter of this year, H&M Group reported an increase of 32 percent between March to May, and Zara-owner, Inditex, a surge of 95 percent in April; while U.S. brand Diane von Furstenberg is transferring to a digital-only model.

The future is digital

"Online played a crucial role to keep the relationship with consumers alive during the crisis," said Antonio Achille, senior partner and global head of luxury at McKinsey & Company. During lockdown, 24 percent of consumers were first-time digital shoppers with 76 percent recording a positive experience."

"Now more than ever," he said, "digital is a stress test that every company should apply not only for customer engagement, but also in all its processes: if companies don't scale up and strengthen their digital capabilities in the recovery phase, they will suffer in the longer term."

A stark warning that is in the sights of many businesses overall profits plunged 67 percent this year at Richemont,

owner of Cartier, IWC and Yoox Net-A-Porter (YNAP). Johann Rupert, chairman of Richemont said in his review: "Internet shopping has proven to be a key avenue and will remain key to the growth of our business."

Following a filing for bankruptcy protection, the online businesses of Oasis and Warehouse Group were snapped up by U.K.-based e-tailer Boohoo the announcement boosted the company's share price by 9 percent. Zalando, the Berlin-based online fashion portal, forecasts double-digit growth for 2020, while Farfetch reported a whopping 90 percent growth in revenue for the first quarter of this year.

Acting quickly, but cautiously

Zalora Group, Southeast Asia's leading online multi-brand fashion platform (part of Global Fashion Group), also forecasts post-pandemic growth.

"I believe we'll continue to grow. As we see more consumers getting comfortable with online shopping, e-commerce platforms are also becoming more adaptable," said Giulio Xiloyannis, the group's chief commercial officer.

The company has established a data sciences innovation lab to provide insights on changing trends and operational efficiency, and this enabled a swift shift to providing an essentials category within 72 hours to customers' early-pandemic.

"I think industry players need to also consider if they have the ability to cope and manage the growth in demand," Mr. Xiloyannis said.

Zalora implemented a data solutions service, called Trender, which shares access to data analytics, such as consumer insights and buying behavior, with their partner brands.

Online retailers have large amounts of transactional data at their fingertips, yet do fashion businesses in general have sufficient capability to obtain, manage, and analyze the relevant data?

"Personalized engagement and data-driven consumer strategy will be the next big thing for the luxury sector," Mr. Achille said. And his formula for success is the following mix of elements: 20 percent having the right technology in place, 20 percent testing and introducing the right algorithm, and 60 percent transforming the way of working and the processes.

Optimizing resources and strategy

Being more digital also allows better ways of communicating a sustainability strategy more prominently.

In a first for Southeast Asia, whose ecommerce market is on track to exceed \$150 billion by 2025, Zalora recently launched a five-year sustainability strategy with concrete targets for 2022 and 2025. The company already supports circular fashion with re-sale, having partnered with marketplace reseller StyleTribute in Malaysia and Singapore last December.

"We are also working with our brand partners to make available more information on the materials and sources of our products, so that consumers are empowered to make more informed purchasing decisions," Mr. Xiloyannis said.

And sustainability matters now more than ever, as McKinsey reports 40 percent of large department stores' buyers declared to have delisted a brand because of sustainability issues, and 70 percent of consumers are willing to pay more for a green product.

The trend is likely to intensify post-crisis with increased desire for more responsible consumption, "reinforcing the need for companies to provide clear, detailed information about processes and products," Mr. Achille said.

COVID-19 is, above all, a human tragedy. The virus has infected almost 11 million people worldwide and taken more than 520,000 lives.

As many reassess what is important and relevant in their lives, half of luxury shoppers surveyed by McKinsey said luxury today is spending time with loved ones and being safe and after a large-scale crisis with a heavy emotional toll, experience suggests consumers will be drawn to a less conspicuous silent luxury minus the bling.

"Disruption in the luxury industry was present even before the coronavirus crisis," Mr. Achille said. "The pandemic has accelerated these changes and social distancing has highlighted the importance of digital channels."

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