

RETAIL

## Luxury retail's dramatic digital transformation in 2020

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*COVID-19 has reshaped luxury retail with ecommerce and omnichannel playing a key role. Image credit: Neiman Marcus*

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The inability to gauge and predict shopper behavior during the global COVID-19 pandemic left retailers scrambling to figure out how they can best serve their customers.

Luxury and affordable luxury brands faced a set of unique challenges posed by the pandemic, and its resulting lockdowns, restrictions and store closures, due to the fact that the experiential shopping experience they traditionally deliver catered to clientele who shopped in-store.

For many brands, the in-store shopping experience had not yet been fully adapted to ecommerce. Nevertheless, brands adjusted to the closure of their physical stores and began to quickly pivot their business strategies to meet their clients where they were at home and online.

As the pandemic continued, with varying degrees of lockdowns and restrictions, alongside declining consumer confidence and rising unemployment, it was unclear what to expect as the 2020 holiday gift buying season approached.

That is one reason the strong performance of 2020's holiday season surprised even retail industry experts, including those at the [National Retail Federation](#) (NRF) who reported that holiday spending, including online and other non-store sales, hit record highs as holiday spending rose to \$209 billion, a 23.9 percent increase from last year. Ecommerce sales represented 26.5 percent of the total in 2020.

Pandemic accelerates ecommerce across the retail landscape

This uptick in online shopping extended into luxury and affordable luxury items priced from \$500 and \$2,000 as well.

Bain & Company [reported](#) that luxury purchases made online soared to \$58 billion in 2020, a large jump from 2019's \$39 billion in sales.

As consumers have become accustomed to shopping for nearly everything online from socks to cars it makes sense

that they have also grown more comfortable purchasing their favorite luxury goods online.

To better understand consumer behavior this past holiday season, we took a deep dive into anonymized customer and sales data based on more than 115 million online consumer visits to luxury retailers' online stores in December 2020.

The data reflected consumers' motivation to find the perfect gift for a loved one, or for themselves even increasing their spending per purchase. It is also possible that luxury shoppers had more disposable income on hand, than in other years, perhaps due to the fact that less was spent on hobbies such as leisure or travel in 2020.

Data points to a dramatic shift in luxury shopper behavior

- o When compared to other retail sub-verticals that Qubit analyzed for the same time period, including beauty, general merchandise and fashion, luxury brands had by far the strongest performance, with online revenue growing by an astounding 71 percent from 2019. The segment also experienced the most gains in new user sessions (+33.3 percent). Luxury shoppers also spent more in December, with revenue per customer (RPC) jumping by over 10 percent.
- o Affordable luxury also bolstered a strong holiday performance with ecommerce revenue rising by 44 percent from 2019, alongside a notable uptick in RPC of +15.5 percent.

Consistent with Qubit's previous study of ecommerce results in 2020, our December analysis shows an upward trend for ecommerce, indicating increased adoption of shopping online across key retail sub-verticals including luxury, confirming that consumers are becoming more accustomed to the convenience of searching for and purchasing goods online.

The dramatic shift to digital commerce, which the pandemic accelerated by approximately five years, according to [IBM's U.S. Retail Index](#), means that luxury brands must continue to invest in their ecommerce and digital strategies because luxury shoppers will continue to shop online, engaging with their favorite brands wherever and whenever they want, long after the pandemic is history.

High-end retailers can no longer succeed by relying only on their legacy of delivering a high-touch instore experience, as both consumer expectations and the competitive landscape continue to evolve.

Consumers now expect and seek out personalization when shopping online and have more options than ever, including in luxury retail where marketplaces, peer-to-peer and rental platforms are growing increasingly popular.

Luxury brands must continue to innovate to be successful in a changing and highly competitive environment.

Experience-wise, it comes down to relevance and ensuring customer data is being used, ideally during a shopping visit, to align with the visitor's unique tastes and preferences.

Luxury retailers must also strike the balance in delivering relevance to existing customers, VIPs and shoppers who may be new to ecommerce.

DEPLOYING THE RIGHT tactics at the right time is at the heart of modern-day ecommerce and digital merchandizing.

Brands will reap the benefits of relevance only if they leverage customer data to power truly personalized, AI-driven product recommendations to deliver a suitable curation of products specifically selected for each visitor in their journey. This will ensure that the visitor recognizes that they're known and heard by the brand, which then results in increased levels of engagement and the propensity to make a purchase.



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