

COLUMNS

## 7 reasons why luxury brands need to prioritize digital transformation in 2022

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Bricks-and-mortar boutiques featuring white-glove service and an aura of exclusivity have long been the calling card of luxury brands, but this shopping experience may soon be a thing of the past.

With an influx of younger and more digitally savvy shoppers comes a shift in how those consumers shop.

As a result, luxury businesses need to find ways to offer the same personalized experience found in physical stores, while catering to the growing demand for digital shopping options.

### Laying the line

Moving the customer experience online may seem to fly in the face of the exclusivity traditionally associated with luxury brands. Many brands use their Web sites for little more than booking appointments that encourage shoppers to visit physical stores.

This hesitation in larger, more established businesses has created an opportunity for newer luxury brands to quickly expand, digitally. Customers are engaging more with these companies online, which will leave traditional luxury brands behind unless they quickly transform and modernize.

An omnichannel sales approach allows businesses to maintain a consistent income even when one channel may lag.

While luxury brands have several options for the promotion and sale of their products, the focus should remain on direct-to-consumer (D2C) sales. Instead of sending products to physical locations, they can redirect their resources toward building a luxury online presence that creates a positive sales experience and meaningful customer interactions.

### Key trends

Here are the top marketing and demographic trends, as well as recent data points that prove why luxury brands need to engage in digital transformation, taking steps to create a better luxury experience online and converting, winning

and keeping customers across market demographics:

- The average conversion rate for luxury apparel is very low. However, brands that use augmented reality have a much higher conversion rate than those that display products without AR capabilities.
- When it comes to cart abandonment, according to 2020 research from Econsultancy the average rate for online luxury stores is 90 percent, versus the 80 percent abandonment rate in general apparel, revealing a true preference for in-person shopping.
- That same research also showed that luxury market sales overall shrank significantly in 2020 during the pandemic, by 23 percent to 2014 levels. This was largely due to less spending and the inability for consumers to shop in-person.
- Emerging from the past two years, we can clearly see shoppers desire to purchase with retailers that have an easy return process, as well as their preference for personalized customer care compared to simply customized marketing. When an online experience is personalized, consumers are going to purchase, and are more likely to become repeat customers.
- When it comes to demographics, Asian luxury markets have the highest mobile usage in the world. In 2019, research from Econsultancy highlighted that China accounted for 11 percent of global personal luxury sales. That market share rose to 20 percent in 2020 and is set to rise to nearly a third by 2025.
- Generations X, Y and Z accounted for 74 percent of sales in 2019 and about 84 percent of sales in 2020, with Gen Z being the only generation that cites online sources as their top place to research and purchase luxury fashion..
- According to [Burberry's annual report](#), luxury ecommerce is the fastest-growing luxury sales channel, representing 12 percent of all luxury sales, with a 22 percent growth in 2019 compared to the previous year.

THERE IS NO denying that the past two years have shone a light on the luxury retail sector, and its need for growth and adaptation to online.

While many ecommerce sectors have boomed, as consumers turn to their devices as a preferred way of shopping, the luxury market has been left scrambling to translate the customer experience to a meaningful, personalized online journey.

The brands that prioritize this hybrid approach to bricks-and-mortar and online will be set for success in the year ahead.

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