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MARKETING

3 emerging trends in luxury

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While now is an exciting time for luxury marketers for several reasons, three in particular stand out: the category is opening up to a new wave of customers, advertising is becoming more targeted and measured, and sales attribution is rapidly evolving.

Knowing this, the opportunity for brands in this sector is lucrative. Not to mention, research firm Cowen & Co. recently forecasted that the luxury space will see double-digit sales growth in 2022.

Ultimately, the one thing that all of these developments have in common is digital.

As this publication's editorial leadership recently predicted, as much as 50 percent of all luxury retail sales could be conducted online or through mobile platforms by 2030. It is a new world out there, indeed.

Let us dive deeper into these three emerging concepts.

Buy now, pay later (BNPL) democratizes luxury

For decades, luxury brands have catered to either people of means or the middle class or both, but the game has changed over the years as the Internet introduced consumers from all social strata to brands such as Gucci, Rolex and Prada.

These days, there are consumers that aspire to purchase from these brands even if it means taking on a little bit of debt.

It is why luxury brands and retailers The RealReal, Gilt, Jimmy Choo and Marc Jacobs are among those that have jumped onto buy now, pay later (BNPL) platforms such as Affirm and Klarna.

BNPL programs not only attract a new kind of customer, they are also known for driving upwards of 85 percent in average order value and a 20 percent repeat purchase rate.

Founded in historical precedents of both layaway during the 1930s Great Depression and Bill Me Later (now owned by PayPal) at the turn of this century, BNPL has democratized luxury retail and should have marketers' attention.

New data mindset: incrementality

Another reason for optimism is that advertising is getting much more precise and measurable thanks to data-driven tools and methods.

Particularly, marketers such as Netflix, Airbnb and up-and-coming brands including Ettitude are embracing *incrementality*, which is a way to measure an event that otherwise would not have occurred without a specific interaction.

To explain a bit more granularly, incrementality solves this historical advertising problem: not knowing which ad views or marketing moments contributed to a desired business outcome.

Incrementality is becoming a must-have superpower for marketers to connect the dots between customers and their desired business outcomes.

Incrementality's emergence has not come a moment too soon, as digital advertising is going through a notable transformation thanks to the imminent demise of third-party cookies and Apple's app tracking policy, which has led 95 percent of iOS 14.5 users to opt out of tracking online behavior.

Revenue for major digital players is being impacted, but measuring with incrementality can help them better understand what works versus what is not working for digital ad campaigns.

In other words, it can be applied to digital ads strategy, too.

In the near future, such sophistication will be employed to target segments of consumers who have a history of luxury purchases.

Closing the loop on in-store visits

While BNPL helps luxury brands attract a new kind of customer and incrementality lets them measure and target ad campaigns, another problem that has recently been solved revolves around understanding how marketing can impact in-store visits.

For too long, luxury retailers have been unable to identify in-store customers in a privacy-safe way even amid reams of purchase data in their point-of-sale (POS) systems.

Offline sales attribution has been a retail pain point for decades and is particularly important for this retail category.

Cardlytics' research found that 52 percent of luxury shoppers primarily shop in stores. So, these brands should be excited to know that privacy-safe POS transaction data can be employed to better understand customers and connect the dots between digital advertising campaigns and store visits.

This intelligence can be powerful.

Per one retailer, luxury marketers could see as much as a 5X increase in both targetable individuals and matched transactions. That progress would significantly close the loop between marketing spend and store sales in a way that would have seemed unattainable just a few years ago.

Indeed, these three opportunities BNPL, incrementality and in-store sales attribution are coming to the forefront and should intrigue luxury players.

WITH WARM-WEATHER months ahead and coronavirus infections rates thankfully on the downturn in many markets, luxury shoppers are soon going to be out in full force.

If marketers use all the tools at their disposal, they can not only take advantage of the double-digit sales growth forecasted for this space but also exceed it.

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