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Innovative digital technology critical to luxury retail: report

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Luxury must leverage new technology to stand out in the digital age, as opposed to keeping up. Image credit: Valtech

By NORA HOWE

While physical retail stores are certainly not seeing their final days despite facing many obstacles over the past few years, luxury brands must seriously consider how digital technology will affect their business models.

According to a recent whitepaper from Valtech Global, by 2026, a quarter of consumers will spend at least one hour in the metaverse each day for work, commerce, education, social media and entertainment. From artificial intelligence and automation to virtual reality and the metaverse, retail is undergoing a seismic shift in how consumers make purchases, what they buy and where they are most engaged.

Luxury in a digital world
For luxury especially, a physical store is a powerful tool for creating narratives and experiences and ultimately converting prospective shoppers into loyal clients.

However, with the growth of ecommerce, brands must examine the online consumer journey, and embrace innovative technology as a source for providing luxury experiences in a digital space.

The metaverse, a network of virtual worlds that intends to connect physical and digital reality, is the latest buzzword in the world of digital technology, representing a new wave of opportunities for brands and retailers.

Over the last few years, mass-market and luxury brands across all sectors have started dipping their toes in various virtual spaces, from gaming platforms like Fortnite and creator spaces like Decentraland to virtual reality experiences such as VR Chat.

In March, Decentraland hosted the first Metaverse Fashion Week, and luxury labels looked to make a splash on the digital catwalk. Dolce & Gabbana, Etro and Selfridges were among the brands and retailers participating in Metaverse Fashion Week (MVFW).

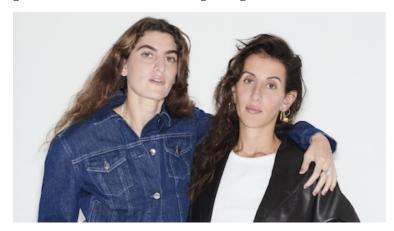*The Selfridges metaverse flagship as part of the first metaverse fashion week. Image credit: Decentraland*

While more fashion labels have been experimenting with the metaverse and digital fashion, Decentraland's MVFW marked the first large-scale virtual event with major industry players (see story).

Many brands have also moved to create digital versions of their physical stores, with 3D inventory and spaces to browse within virtual spaces. However, traffic and conversion rates are low as shopping has yet to become a leading driver of attendance.

According to Valtech, only 10 percent of consumers who visit virtual worlds go there to shop, while the majority visit for gaming or social purposes. Brands must be deliberate about creating a virtual experience that aligns with their consumers' motivations for using the space.

Another major element of the current digital revolution is artificial intelligence and automation, and how behavioral data may actually allow for more organic human connections within the luxury space.

As artificial intelligence, robotics and 5G secure themselves within the overall digital framework, businesses can gather extensive information regarding human behavior and consumers' emotional and physical drivers.

The collection was developed by leverage consumer data. Image courtesy of Farfetch

This data can propel the online user journey beyond subscription-based email blasts, and develop and sustain deeper, more meaningful relationships between brands and shoppers.

For instance, online luxury retailer Farfetch's first in-house fashion brand, There Was One, was developed using consumer data gleaned from the ecommerce marketplace.

The retailer leveraged its own consumer data to understand what Farfetch shoppers were searching for and buying, namely pieces that were timeless and sustainable. These findings were then applied to the fashion design process, spearheaded by New Guards Group (see story).

Optimizing for a greener web
According to Valtech, the internet consumes nearly 416 terawatt-hours per year in electricity. For scale, the United Kingdom, in its entirety, consumes 300 terawatt-hours per year.

Further, the average website produces 1.76 grams of carbon dioxide per page view, and for a single website with 10,000 monthly page views, that is 211 kilograms of carbon dioxide per year.

For the luxury sector, this gets complicated.

When it comes to the online experience, luxury brands aim to provide a rich, engaging, pristine and seamless experience. Their goal is to keep shoppers on their sites long enough so that they will connect with a brand and ultimately be influenced to spend money.

On the flip side, the heavier a webpage and the longer a user remains on a page, the more carbon is emitted.

To combat this, Valtech recommends that brands and retailers focus on media asset delivery and find new ways of optimizing images and videos for the web.

Second to optimizing assets is not serving any content at all. If a user never reaches that point on a website, such as scrolling to the bottom of the page or clicking on a menu item, then whatever assets are in those areas of the webpage do not need to be loaded a process Valtech deems "lazy loading."

This concept goes for device variations, as well, so if a user enters a website on a mobile device, the assets should have an equal resolution to that device.