

COLUMNS

Counterfeits and profits: how traceability technology is helping luxury retailers stay in the game

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In an age where everyday goods cost more than ever, is our appetite for the finer things subsiding?

According to Bank of America card data, credit card spending for luxury fashion is down 16 percent year-over-year, the product of a six-quarter-long decline. In October, one of the world's top luxury retailers saw their stock drop to a 2023 low.

Even with those fluctuations, the sale of high-end goods is a \$354 billion market with a projected 3.38 percent annual growth rate.

What is the future of luxury retail?

Like with any global industry, it is complicated and will be largely influenced by technology.

To see the scales tip in their favor, luxury retailers must implement solutions that address two of their biggest challenges: counterfeits and profitability.

High-class fraud

Fraud is synonymous with the luxury market.

Some analysts estimate that the cost of overall pirating is close to \$3 trillion, and as many as 10 percent of branded goods on the market may be counterfeit. This is uniquely problematic in an industry where a product's origin, materials, and craftsmanship contribute to its market value.

Counterfeiters are increasingly savvy, creating near-identical replicas of watches, handbags and other luxury goods.

Luxury retailers need to employ a two-part strategy to proactively safeguard against fraud.

The first task should be to return to their roots, doubling down on the message, branding and one-of-a-kind experience buyers have when they invest in luxury items. It is vital to perpetuate the idealism of luxury goods and train consumers to know and appreciate the difference between real and fake products.

The second task should be to leverage every available technology to enact reliable monitoring of the luxury goods supply chain.

Radiofrequency identification (RFID) tags are a front-running technology utilized industry-wide.

Used onsite on each item, RFID tags are simple, relatively cost-effective, and difficult to replicate. RFID can support a 99.9 percent inventory, logistics, and fulfillment accuracy rate.

Without it, inbound and outbound shipments can have error rates up to 70 percent.

Supply chain innovators are taking this technology a step further with Real-Time Item-Level Visibility (RTILV).

With RTILV, item-level RFID gets an upgrade into a robust, comprehensive and current manifest. For luxury retailers, this unlocks visibility and control, improves accuracy in demand forecasting and streamlines recall processes.

It is the cutting-edge way to manage inventory and increase consumer trust.

Minding the margin

Technology for products themselves creates security and visibility.

But another major threat in luxury retail is margin integrity, simply translated as profitability.

According to Deloitte's annual research on the Global Powers of Luxury Goods: "The 15 companies with luxury goods sales of more than \$5 billion contributed more than two-thirds of the total Top 100 luxury goods sales. The 45 companies with sales of \$1 billion or less contributed only 6.7 percent."

In other words, a handful of companies with lean product lines are vying for the attention of a limited number of purchasers. Perhaps more than almost any other industry, this makes operational efficiency and item level traceability an enormous priority.

RTILV is the cutting-edge technology that enables companies to gather of-the-minute, item-level data for tracking and forecasting.

Even a single season of this intel will enable producers and retailers to accurately produce, stock against demand, and diminish waste. Expertly calibrated, rigorously monitored technology can intake, sift and recommend against giant data sets, generating predictive models to future-proof industry leaders' decisions.

Crème de la crème: digital-first luxury buying

In addition to minding the margin of individual products, luxury retailers are innovating with data-rich digital experiences online and even in the metaverse.

High-end fashion houses including Gucci, Givenchy, Louis Vuitton, and Balenciaga are making newsworthy strides through digital apparel launches, virtual fashion projects and placement in games like Roblox and Fortnite.

These future-forward, digital-first efforts may seem like a way to serve a new generation of buyers, but they are also a way to gain insight into their preferences, habits and purchases.

Luxury 4.0

All of the initiatives above represent a new season of creativity and growth in the luxury retail market.

Technology is shaping Luxury 4.0, a tech-driven, future-facing supply chain model that leverages Big Data, IoT, Real-Time Item-Level Visibility and even the metaverse to forge a new cutting edge for upscale consumers.

Far from dying, a new generation of luxury retail thinkers, dreamers, and technicians are reimagining how aspirational products capture the imagination of consumers.

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