

COMMERCE

Luxury brands approaching revolutionary CRM innovations: expert

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By PETER FINOCCHIARO

Customer relationship marketing technology is nearing a point where prestige brands will be able to administer a quality of service that delivers on the promise of luxury in ways never before possible.

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Luxury brands already emphasize CRM as key to maintaining lifelong relationships with consumers, keeping records on buys and preferences and reaching out with special offers for frequent shoppers. However, database analytics will soon render hyper-precise recommendations in real-time.

“Brands have a ways to go before they optimize the collection of data,” said Milton Pedraza, CEO of the [Luxury Institute](#), New York. “They aren’t empowering the sales force or online experience with real-time data that gives the customer something special.

“That’s the next phase, where you walk into the store, I get your name, dial it into an iPhone and it immediately comes it with information that is relevant to the interaction I’m about to have,” he said. “I think it’s a two- or three-year target.

“But, the good news is that luxury brands are looking to innovate in the space and not just copy others.”

Premium on personalization

Luxury consumers define the value of the brand experience in terms of multiple factors, quality and service chief among them.

The degree of personalization shoppers expect from a brand is oftentimes a barometer for their value to the brand, as it drives loyalty and repeat purchases, according to Greg Furman, founder and president of the [Luxury Marketing Council](#), New York.

“Luxury consumers define value as greater personalization, meaning they want to be better known by the store” he said. “They want to see evidence that the store or brand understands who they are and what their buying patterns are.

“They don’t want mass emails that have nothing to do with them,” he said. “The consumer is looking for evidence that they are known in a sophisticated way by the stores, because they are their best customers.”

Marketers frequently use customer data to send out targeted direct mail materials and email communications to hit consumers with more relevant offers based on the target's history.

Certain brands such as Bergdorf Goodman are already adept at such offers, Mr. Furman said.

“I think what Bergdorf found, at a time when other brands were discounting helter-skelter, was rather than lop off a certain percentage of an item’s cost, was that it was better to offer time-limited and very specific offers to select customers based on their historical purchases,” Mr. Furman said.

In particular, such CRM strategies could be particularly effective for retailers in terms of cross- or up-selling items to customers.

For example, Bergdorf could send offers to loyal customers who have purchased within certain categories of items and offer discounts on complementary goods when shopping at a retail location within a certain timeframe.

A frequent customer who wears Chanel evening wear but never bought Chanel purses might receive an offer to buy a discounted bag within ten days.

Mr. Furman said that not all luxury brands engage in such practices currently, but that all should aspire to them.

“These tactics limit exposure to the offer and in cross-selling and up-selling into other categories than where the customer has entered,” Mr. Furman said.

“It shows the best customers that you understand their buying history,” he said. “And, it incentivizes them to transfer brand loyalty on to you, move into other categories and expand their portfolio in your store.”

Innovations approach

While such offers already offer substantial upside to luxury marketers, new technologies will revolutionize the luxury sales experience, according to the Luxury Institute's Mr. Pedraza.

First, database analysis is getting to the point where marketers can get a more accurate idea of consumer preferences than ever before, tracking behavior across channels and synthesizing the information to render more complete behavioral pictures.

Additionally, the technology will likely be able to deliver analysis and recommendations in real-time.

Finally, mobile has progressed to a point where retailers can empower salespeople to access consumer data and analysis in real-time via a dashboard application.

Salespeople would be empowered to deliver recommendations based on preferences and buying history on the spot.

Such a system could provide retailers with metrics to track performance and progress.

"Each salesperson would know daily, weekly and monthly how many customers they captured," Mr. Pedraza said.

"They would know how many they up-sold and cross-sold and what they bought, how much data they collected and email addresses they added, how many old customers and how many new, how many people to call because three days ago you sold them something," he said.

"All of those things would be on a dashboard that sales personnel can use to measure themselves to take action – meaning actionable insights in real-time via CRM."

Final Take

Peter Finocchiaro, editorial assistant at Luxury Daily, New York