

LiveArea



RECALIBRATING  
LUXURY

for the digital age

Elegance, exclusivity and engagement  
in an ever-changing world



“The winners in the market will be those that innovate the most.”

Marco Bizzarri, Chief Executive, Gucci

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## INTRODUCTION

# A seismic shift for luxury

A \$10,000 bejewelled jacket fashioned with impeccable craftsmanship and superior materials. It's difficult to fully communicate the art of this attire. It must be seen and touched and tried. This is one reason luxury brands have maintained storefronts in desirable urban locations while remaining reluctant to embrace digital. The pandemic has changed all of this.

Covid-19 has accelerated the shift to digital in luxury at pace. With muted international travel, particularly from China, and attitudes to shopping evolving rapidly, luxury is facing a new normal, one where retail networks must be redesigned, collections need to be presented in new ways and customer engagement must be reconsidered.

There is a bright future for digital luxury with a huge potential to generate worldwide sales. The global market for high-end products was already seeing a structural shift before the pandemic hit. covid-19 has been an accelerator, some say by as much as five years.

The focus is now on the younger gold-collar worker. Millennials and Generation Z, so-called digital natives, are driving change. Young consumers now make up more than 40% of all luxury spending, generating global growth, according to analysis from Bain.

A generational pivot means new models of consumption, evolving channels, and changing consumer demands with a wholesale shift to online. It means that companies in this sector – apparel, jewellery, fashion, travel or automobiles – must innovate and embrace digital experiences.

In a Covid-conscious age where change is constant, heritage luxury brands are having to rethink their business models. A reputation built over decades is no longer enough to guarantee future success. In fact, the relative sameness of traditional players is beginning to hurt the industry. There's a systemic failure of legacy brands to adapt fast enough to shifting patterns of demand.

With so much competition online, it's easier for luxury consumers to compare offerings. Luxury brands need to continuously look for new routes to create relevance and align with new expectations without diluting core values. They need to adapt their message to a modern audience.

The rise of digital is redefining the sector. Social media and online shopping are on the ascendance, driving a longing for newness in high-end consumption. While luxury prides itself on its scarcity, the online market creates an appearance of abundance and more freedom to move between


brands. This is a unique issue.

Brands need to realize that digital isn't just a channel for marketing and sales. It should be at the heart of everything a brand does, knitted into the fabric of the business. It's placing customer data at the company's core, where data-driven intelligence ramps up retention efforts and considers novel ways to gain and boost customer loyalty.

A progressive digital strategy is key, especially in winning the hearts and minds of the next generation. Many luxury brands are playing catch-up. Those that innovate fast will win.

## The big questions

- How has Covid-19 affected the luxury sector?
- What are the new tech and social trends that are reshaping luxury?
- How is the industry reacting to a new generation of consumers?
- What is the role of the store, and how can luxury adapt to the 'new normal'?
- How can we redesign the luxury shopping experience for future customers?
- Where are the opportunities? Which markets represent growth?



“What moved up the order very fast was the change from offline to online behaviour.”

Mark Morris, SVP Digital Commerce at Burberry

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# Changes in the market

## LUXURY SPENDING IN AN AGE OF COVID

High-net worth and ultra-high net worth individuals have continued to spend during the pandemic. A good indication is the S&P Global Luxury Index. It may have bottomed out in March 2020 but has risen significantly over time, providing close to double the return of the S&P 500. Larger brands have also done better than smaller ones.

One significant challenge is that the luxury sector depends on a broader base of aspirational shoppers buying a Louis Vuitton wallet or a Balmain T-shirt, spurred on by the 'HENRYs' (high earners not rich yet), dampened by the global economic crisis.

Up to 30% of industry revenues for luxury products are also generated

by consumers making purchases while travelling overseas, according to McKinsey. Many Asian and Chinese consumers fall into this category, lured by cheaper tax-free prices in Europe. This cohort still holds the biggest potential for the luxury sector, but they will have to be targeted at home, in a repatriation of sales.

There is no doubt that store closures and lockdown have been a shot in the arm for online spending. A survey of 1,000 customers in the US and Europe showed that 24% had shopped online for the first time when shops were closed, while over three-quarters said the experience was positive, according to research by McKinsey for the National Chamber of Italian Fashion.

**“Personalization is extremely important in this business, just like with Netflix or Spotify.”**

**Ganesh Srivats, Chief Executive Officer, Moda Operandi**



## AN EXPANDING GLOBAL MARKET

Drill down on the global figures and there's likely to be an expanded luxury base of 450 million people by 2025, up from 390 million in 2019, according to research from Bain & Company. This is driven by a burgeoning middle class in Asia, driving global growth.

Luxury remains an incredibly lucrative market, and brands have continued to raise prices, significantly over time. For instance, the prices of top-end watches and jewellery have nearly doubled since 2005, according to the Business of Fashion, McKinsey report. The global prices of Louis Vuitton's Speedy 30 handbag have increased 19% per year since 2016.

The total worldwide luxury goods industry was worth an estimated €281 billion in 2019, with a growth of 4%. However, due to the effects of Covid-19, sales of personal luxury goods will shrink by up to 30% in 2020 and will not return to 2019 levels until 2022 or 2023, according to forecasts from Bain. Some brands such as Louis Vuitton and Chanel raised prices by up to 17% to offset higher costs and protect margins.

## Digital luxury trends in a Covid-driven world

- The rise of social selling – from Instagram and TikTok posts to official WeChat boutiques, or limited series collections via social callouts to driving traffic to Tmall Luxury Pavilion, social selling works.
- The 'C2C' economy – Luxury involves consumer-to-consumer endorsement, reviews, and advocacy. These are key marketing tools, from posting pictures to being brand ambassadors.
- eCommerce live streaming – A critical tool for brands to stay connected to consumers and sell luxury goods via live videos. Popular in Asia and during lockdown, 5G will boost its use.
- New collaborations – Luxury brands such as Louis Vuitton are teaming up with online video games to provide luxury skins, or high-end businesses teaming up with Covid-19 charities or sustainability initiatives.
- Covid-secure services – The likes of Burberry are using digital channels to book allocated fitting room appointments or provide samples of materials for your next garment.
- Augmented reality – AR continues its rise with virtual 'try-before-you-buy' experiences in luxury, helping customers digitally try out clothing, jewellery and accessories.

“Generation Z customers are the new frontiers of tomorrow’s luxury market - and they already represent a growing portion of luxury consumption in Asian markets.”

Federica Levato, Partner, Bain & Company

## A FOCUS ON CHINA

The Chinese luxury consumer now accounts for an increasing volume of global luxury spending. This is a unique and crucial market. China accounted for 90% of luxury growth in 2019 and 35% of its total value. Bain expects Chinese local spend to account for up to 28% of global luxury consumption by 2025, buoyed by the country’s growing number of high-net-worth individuals, with much of the spending power coming from millennials.

Chinese luxury buyers have become more international, more aware, have greater self-expression and the younger generation are extremely digitally savvy. Generation Z in China is also a segment to watch – they hold the future when it comes to luxury spending, whoever is in control of their data holds the future of the luxury market. Some brands have also noted how China has begun a post-Covid resurgence, making this market even more of a critical focus.

The Chinese luxury market has certainly adopted digital. Just look at Singles Day – China’s equivalent of Black Friday – in 2020. Luxury firms including Prada, Cartier, Montblanc, Piaget, Balenciaga, Vacheron Constantin, and Chloé took part for the first time, joining around 200 luxury brands –

more than double 2019. Cartier hosted its first live-streaming show on Taobao Live, showcasing a \$28.3m necklace to 800,000 people.

Penetrating the Chinese market locally, however, is a challenge. Net-a-Porter and Farfetch have partnered with Alibaba and JD.com, respectively. These partnerships allow the giant e-tailers to provide their vast marketing, payments, and technology expertise and resources to the luxury market. The trick is to offer customized and branded pages, recommendations and exclusive VIP rewards, as well as personalized content focused on the huge data pools of these giant e-tail sites.

Burberry and Tencent have launched social retail in China. They’ve opened their first social retail store in the southern city of Shenzhen. All clothes are labelled with QR codes, showing product information on the customer’s phone when scanned. Customers can use WeChat to interact with the window display and play their own music in fitting rooms.

Luxury retailers must continue exploring new ways of entering mainland China to reach customers. Relying on tried and tested tactics elsewhere – for example, Facebook and Instagram, which are banned in China – is no longer enough.





“Amazon and other online platforms have a unique commoditizing touch that strips the aura of the brand to price, quantity and availability.”

Mickey Khan, Editor-In-Chief,  
Luxury Daily

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# Challenges and issues

## A SCARCE RESOURCE MEETS DIGITAL ABUNDANCE

Luxury brands must make sure their products are still perceived to have a degree of rarity and exclusivity. Scarcity enhances magnetism, and the presumption that luxury buyers are purchasing something that others cannot is essential. It's not just a matter of price, but also limited availability, unsated desires, and prestige.

This is quite the opposite to what comes to mind with eCommerce: speed, ready availability, huge choice, instant gratification, discounting. The fact is, the traditional luxury business model is not easily reconcilable with mass online marketplaces, such as Amazon.

Lockdowns, lack of travel and not-so-luxurious, mask-laden retail experiences mean that the storefront is shifting to digital at speed. And if iconic labels are going to appeal to the younger buyers

of the future, they must embrace digital wholeheartedly.

Unsurprisingly, luxury brands remain loath to push quickly into eCommerce for fear of eroding the exclusivity of the experience. No one wants to be compared via two webpages online, price for price.

It can be done, however. Just look at Supreme, the cult high-end streetwear brand – based upon the notion of scarcity, running limited-edition super-hyped product drops for its legions of loyal, luxury and mainly Gen Z customers. More than 60% of Supreme's \$500m revenue comes from online orders. Having recently been bought by VF Corporation, it'll be interesting to see if they maintain this strategy, but Supreme revenues are expected grow 8–10% over the next three years.

## THE RISE OF THE MARKETPLACE

Amazon has renewed its aim at luxury, while Farfetch has a clear niche marketplace focus on the sector. In terms of Amazon, whether people are happy to buy nappies and pet food at discount prices at the same time as buying a US\$60,000 Rolex remains to be seen.

But Amazon is investing in the space, opening its Luxury Stores as a specific space on its mobile app. This move at this point is no mistake. The pandemic has accelerated the transition to online shopping, even for high-end jewellery, US\$10,000 jackets and bags.

There is no denying the convenience. Consumers have grown used to instant gratification and personalization. Amazon offers both effortlessly. Luxury brands are now rethinking their supply chain processes to match the shorter cycles and faster deliveries people have come to expect whether they're ordering on Tmall, Alibaba, or Amazon.

Ask Net-A-Porter with its multi-branded luxury fashion selections, or MatchesFashion and Ssense, controlling the entire value chain from customer relationships and experiences to product inventory and fulfilment. Achieving scale is paramount. Combining technology's democratic outreach with the alluring exclusivity of high fashion is a difficult tightrope to walk. The jury is still out.

## AN AGE OF GREAT EXPECTATIONS

We live in an era of great expectations, the bar set very high by globalized, smartphone-wielding consumers informed by social media. However, they remain a mystery to many luxury brands. The next generations are to be ignored at a brand's peril.

If brands are to successfully take advantage of millennial money, luxury businesses must dissect their customer journeys. Not only to redefine them with a single 360-degree digital view of the customer, but also reform to meet greater expectations.

This comes at a time when consumers expect superior customer experience across every channel, including online. Post-Covid, it's not about eCommerce and commerce anymore, eCommerce is commerce, full-stop.

**“A luxury brand moving to Amazon today would be the surest sign that it thinks it's run out of other options.”**

**Chris Donnelly, Founder & CEO, Verb Brands**





# 4 Luxury in the digital age

From Zoom styling consultations to digital VIP dinners and dial-in personal shopping experiences luxury brands have to be innovative to woo the wealthy. Covid-19 has made sure of that, forcing brands to engage and experiment with immersive technologies from virtual clothing to virtual catwalks and virtual showrooms.

Top-quality imagery is crucial for digital showrooms to be successful. Online buying appointments are becoming an everyday occurrence.

Two years ago, 80% of luxury sales were influenced by online, according to McKinsey. This figure is likely to be higher now with the pandemic. This could involve seeing fashion opinions from friends on social media, to getting suggestions from an influencer on YouTube to buying crystal-embellished Jimmy Choo heels on Farfetch.

So what does this mean going forward? Luxury brands will have to emulate

the premium experiences they've created in-store, online. And they're up against the rise of pure-play brands like Farfetch and Net-a-Porter who are pioneering digital luxury experiences focused on using data.

However, luxury requires a refined strategy compared with other eCommerce sectors. Purchases can be more considered and take longer. They are not dictated necessarily by price, which works for fast fashion. In fact, in luxury, it has the opposite effect. Creating new digital maps and customer personas can help in this process.

In the past, luxury brands have dictated the terms of engagement. With the rise of social media, ownership of the brand is shifting. Co-creation is more apparent. Brand image and buy-in have moved towards the domain of the consumer. It is no longer dictated by a management team somewhere in the Swiss Alps or a Milanese mansion.

“The linear customer journey has been blown to bits.”  
Christophe Roulet,  
Editor-In-Chief, HH Journal



## The must-haves

- **Personalized content** – Some say it is driving luxury based on shopping personas. Product personalization is going hand-in-hand with personalization of both a customer's individual experience and their relationship with brands.
- **Online editorial content** – Storytelling is essential. How do you convey a dream idea, translate the magic of your storytelling to a small mobile screen? Or portray the richness and detail of a high fashion collection to someone in an elevator glaring at pixelated images? It's a challenge.
- **Iconic imagery** – This is vital for a brand to differentiate itself, especially in an age when luxury sales are increasingly dependent on social media. The Instagrammable, viral post is worth millions of dollars.
- **Clean interfaces** – If you want to create a premium online store experience that matches the quality of the product, then the digital experience needs to be top-notch. However, the sameness of out-of-the-box digital platforms now is such that luxury brands need to invest in a distinctive online flagship.
- **Interactive experiences** – The issue is turning consumers into product ambassadors, making informative content inspirational. From 3D imagery to augmented and virtual reality, the eCommerce experience is branching out from flat product pages.
- **Omnichannel features** – The exclusivity and exceptional customer service offered in-store don't easily align with having everything available across all channels. Throughout the customer journey, luxury brands have lagged in delivering omnichannel services at the level of performance of mass-market brands.



“At the very basic level, luxury retailers cannot skimp on their visual asset investments, including video and 3D imaging.”

Scott Anderson, Senior Consultant,  
FitForCommerce



**42%**  
of millennials

**34%**  
of Generation X

**28%**  
of Baby Boomers

**tend to acquire luxury  
goods online**

## LUXURY CAN WORK ONLINE

The uptake of mobile has fragmented the purchasing funnel into a plethora of micro-moments. High-end companies struggle more with this since purchasing is not just down to price, availability, and features. With luxury, you buy into a lot more.

Drill down on the numbers and you realize the power of online, 42% of millennials, 34% of Generation X, and 28% of Baby Boomers tend to acquire luxury goods online, according to research from McKinsey, with an additional 40% of luxury purchases in some way influenced by a digital experience.

It helps that eCommerce sites including Net-A-Porter and Farfetch have successfully demonstrated that digital luxury purchasing can work well. Consumers in this segment are able and willing to shop online at undiscounted prices, which are on par with in-store premiums.

## DIGITAL MUST KEEP THE STORE RELEVANT

Stores are no longer simply points of sale, but alluring, digitally enhanced destinations promoting luxury experiences, part of a brand's digital marketing toolkit. Considering the impact of the pandemic, brands must continue to innovate their in-store experiences to keep them safe, relevant, and engaging.

For instance, SK-II, a skincare brand, is redefining retail with its Future X smart store. Its Tokyo store utilizes facial recognition, computer vision and artificial Intelligence. Visitors begin their journey by approaching Art of You, a camera-driven experience that reads facial expressions and head motion to create a dramatic digital art piece, giving customers personalized skincare recommendations.

Then there's Gucci's 10,000-square-foot Wooster store in New York's SoHo district, which now has a 3D film screening installation with comfortable sofas. It's all about the experience. To coax digital natives into shopping in-store, retail players are offering amenities such as restaurants, cinemas, bookshops, décor, and exhibition spaces.



## FILLING THE LUXURY DATA GAP

Going forward luxury brands will need to leverage data to offer more personalized content and experiences. Since data is disparate in the luxury sphere, drawing information from various customer touchpoints, via both physical and digital channels and creating personas, will be crucial. This is where unstructured data, artificial intelligence, and machine learning come to the fore to deliver mass personalization.

Certainly, affluent consumers are becoming more aware of how their data is being used. They are also demanding more transparency from luxury brands when it comes to collecting data, the EU's GDPR – General Data Protection Regulation has created more awareness of [this](#).

In-house luxury labels are on the rise, too, from Mr Porter's in-house label, Mr. P, to Revolve Group's first portfolio brand, Rêve Riche, which launched recently. Data on sales and customers in the online world is allowing luxury brands to see gaps in the market that can be [targeted](#) with new offerings. It shows that data is key.

## PERSONALIZATION STRATEGIES

Data is also allowing luxury brands to connect with customers in increasingly personal ways. These need to be connected with products, experiences, and ideas that they deliver so they flow together and appeal to the emotions of younger [customers](#). The demands of these customers move quickly. Luxury brands will work hard on delivering real-time experiences, seamless convenience, and heightened offers going [forwards](#).

**“We believe blending technology and human touch and this personal one-to-one is going to be the differential factor for us.”**  
**Marco Bizzarri, CEO of [Gucci](#).**

## SPEEDING UP SUPPLY CHAINS

In the era of social media, getting luxury ideas from the virtual catwalk to online shopping cart is crucial. This is why luxury brands are taking vertical ownership of their supply chains to ensure longevity, sustainability, and artistry and reduce risk. Whoever is fastest from catwalk to cart will have a competitive advantage.

Those brands with more control over the production process will also have better control on the timings and frequency of new product launches. Vertically integrated supply chains allow luxury brands a level of autonomy that other mass-market brands are not able to have.

Processing customer data and using that feedback to aid faster decision making in the supply chain can remain an obstacle for luxury brands, since many sell through boutiques and department stores. As online becomes more prominent, brands will have to break free and sell direct, for customer data to feed more fluidly into the supply chain.



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# New digital strategies

## Online drop culture

Luxury brands are moving to this model to stay constantly relevant. They market new items monthly, instead of just seasonally in accordance with the annual fashion week schedule. A buzz is created via Instagram or WeChat before a product goes live. Brands fuel anticipation among followers by using countdown clocks and push notifications. Louis Vuitton and Burberry have successfully adopted this [approach](#).

## Personal shoppers

These can be engaged via video links and are an increasingly important feature in luxury eCommerce. Net-A-Porter is expanding its offering, hiring more than 100 new personal shoppers and client relations [managers](#), pairing the most loyal customers with a dedicated personal [shopper](#). Gucci is opening six customer service centers, staffed by 500 people, reinventing the traditional shop assistant for the smartphone age. The [centers](#) deal with

enquiries by phone, email or live chat. Virtual personal styling is also part of this movement.

## Blockchain

With high-end online sales growing, authenticity via digital purchases is vital. Luxury brands are deploying blockchain or distributed ledger technology (DLT) to ensure authenticity and traceability. This involves a so-called "single source of truth," reconciled between parties such as wholesalers, stores, luxury brands, and their partners if a transaction is to be completed. It can be used to verify whether goods are fake or not.

## Social media influencers

This involves deploying personas that resonate with high-net worth consumers, as well as the luxury ecosystem as a whole. Influencer campaigns are multi-dimensional. The market is sub-divided into those prominent in fashion, travel or fitness. Brands have to work with many different interest-based influencers

## Prada Time Capsule

Prada has launched a 'Time Capsule' online, where a limited-edition product will be available only for 24 hours once a month. This maintains the exclusivity and allure of a seasonal collection in a digital setting, with [interactive](#) experiences featuring surprise mini-videos that play during navigation and personalised content. It also offers a tour through fashion shows, special projects, campaigns, films, and events in the Prada digital universe.



to penetrate new areas where their products can be discovered.

Influencer ROI is crucial, especially in the luxury sector where costs can be high. This is also the age of call-out culture, where authenticity trumps everything. Brands are moving towards co-creating, where influencers, customers and data from consumers inform the next iteration of luxury products and experiences.

### **The rise and rise again of social media**

High-end consumers continue to look for novelty in their social media feeds. Look out for the rise of niche social platforms such as TikTok, and expect luxury consumers to seek out more intimate digital spaces. The digital commons will be rife with those looking for more meaningful, life-enhancing connections with like-minded people and brands.

The social-media-sphere is not standing still either, expect traction through Instagram and Snapchat as social shopping comes to the fore. There will also be more fluidity between both stores and online. It will be crucial for luxury brands to offer unique experiences that connect customers' social and online lives to their physical environments. Burberry's social retail store in China is a prime example.

### **Customer-centric tools**

Expect many more customer-centric digital tools to find their way to market. For instance, visual search allowing users to shop from photos captured on their smartphones. Then there's natural language search, the rise of virtual personal styling, even search results tailored to a shopper's size, tastes, and location. Some companies are already integrating Instagram Checkout and WhatsApp into their customer service operations.



# 6 Future growth strategies

## New collaborations

Collaborations are not new, but a tried and tested way for brands to increase their following and tell their story to new audiences. What's interesting in this era is the potential for endless creativity in an age where digital disruption, technology and creativity are all part of the 21st Century picture. Expect the unexpected.

However, collaborations can dilute the brand offering and generate customer fatigue, especially when quality and image is sacrificed for social media likes. Certainly, producing limited-edition lines of co-created goods can be popular, with many blurred lines now in the world of fashion, activewear and streetwear.

## A few interesting tie-ups

- Prada teamed up with Adidas mixing fashion and performance. For Prada, it was an opportunity to expand the casual, sporty lifestyle offering it had been working on to attract new customers, while Adidas, which has a history of designer collaborations,

gets to bolster its image as a creative, fashion-forward [brand](#).

- Swedish fashion house Acne Studios has been collaborating with British luxury brand Mulberry in a limited-edition range, described as a [friendship collaboration](#). By partnering with millennial-friendly Acne, Mulberry aims to benefit from Acne's strong social media following.
- Ferrari is teaming up with Giorgio Armani with [handbag and clothing lines](#). The main thrust of this collaboration is to transform Ferrari into a fully fledged luxury lifestyle brand. Ferrari's goods including parkas and sunglasses will now carry premium-style pricing.
- Drinks company Pernod Ricard is now the official spirits partner for all JetSmarter private flights. The partnership includes unique activations from Pernod Ricard beyond just supplying drinks for passengers, such as private distillery tours for JetSmarter [customers](#).

“For adidas and Prada, it’s all about a meticulous attention to detail and an unrelenting desire to push the envelope when it comes to precision and high-performance design.”

Nic Galway, Senior Vice President Design at Adidas Originals





## Latest tech – AR, VR and blended reality

Many luxury brands are looking at using technologies that enhance their presence in the market. Gucci has been teaming up with Genies, an avatar platform. Users of the technology can dress digital figurines in Gucci's fashions and send them to friends via WhatsApp, Instagram and Facebook Messenger. In an era where retail has truly become 24/7, this collaboration hits the mark on delivering high-fashion to consumers exactly where they are, when they want it and, most importantly, how they want it.

If you head to Art Basel in Miami you'll see a collaboration between Snap, which produces a set of glasses that allow you to see a collaborative film between Gucci and filmmaker Harmony Korine. The limited-edition glasses overlays details with augmented-reality elements in a collaboration elevating AR eyewear and high-fashion.

## Gaming and luxury

The convergence of gaming and luxury looks set to grow, brands increasingly realize the power of immersing consumers in a digital experience. For instance, in 2019, Louis Vuitton was the first luxury brand to team up with Riot Games and their online video offering League of Legends.

The luxury fashion house offered in-game outfits (skins) in gaming parlance and a corresponding capsule

collection by a top designer. Louis Vuitton also designed a carrying case for the League of Legends World Championship trophy, known as the Summoner's Cup.

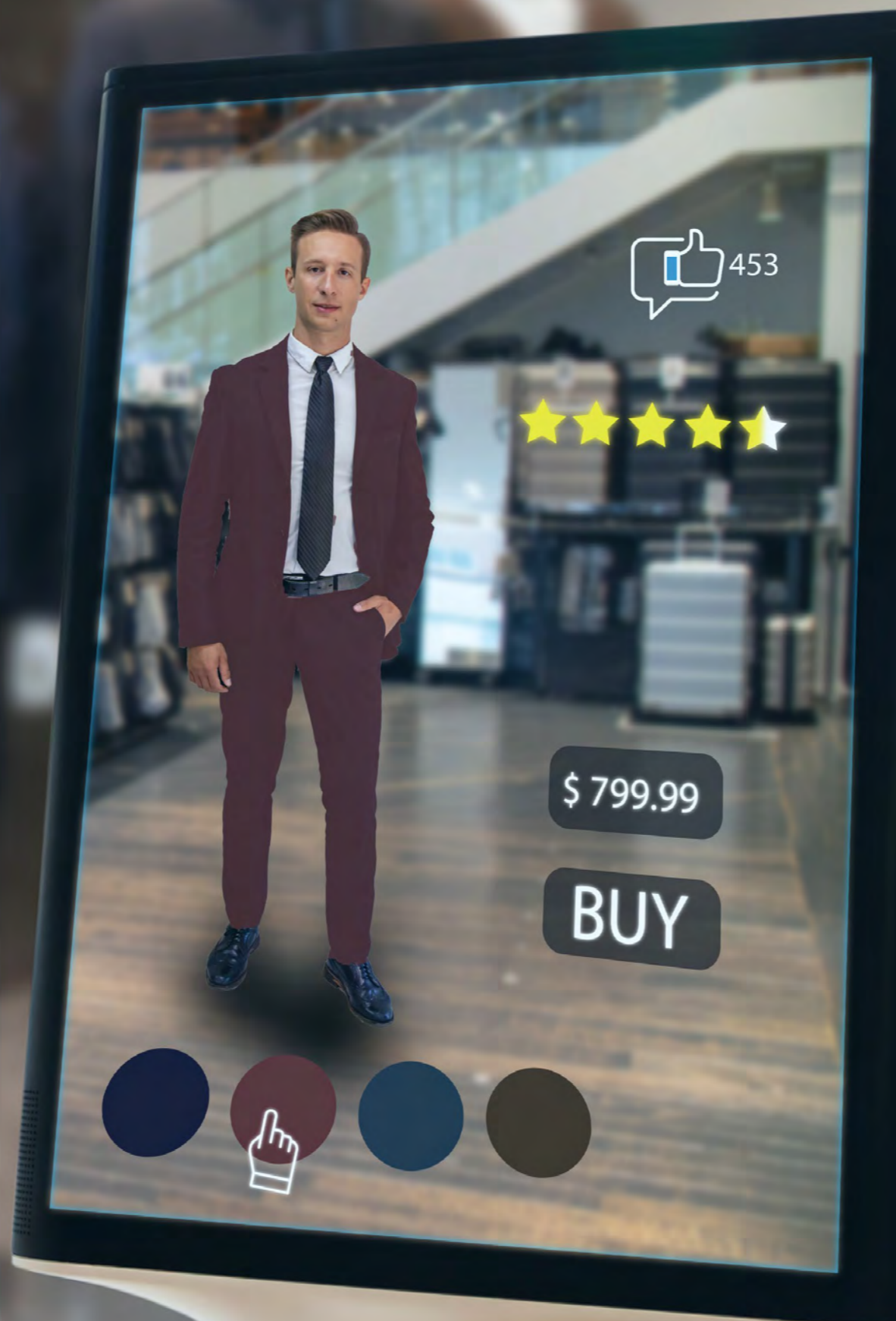
## The age of inclusion

If there are gaps in the luxury market, there will be pure-play brands that are eager to fill them. For instance, 11 Honoré, is an online retailer of luxury plus-size apparel for women. It's announced US\$10 million in new funding. The startup said it will use the money for further growth in its personal styling services, development of inclusive sizing of apparel and curation of more brands.

Call-out culture is enough to sour a brand's reputation in an age where diversity and inclusion are key. From casting models, designers and workers from a variety of backgrounds to hiring chief diversity officers, luxury brands will look to promote their efforts in this space. Companies that don't pay attention are missing out.

## Invite the Henrys

Luxury brands are now squarely focused on the Henrys – 'high earners, not rich yet' cohort of consumers. This segment has significant discretionary income. They are rising up the pay scales and have the potential for greater wealth in the future. They enjoy the experiences of luxury sometimes, rather than as a regular way of life. This segment is big on personalization



and uniqueness of a product or an experience and doesn't mind paying for convenience.

### **A focus on authenticity and values**

Some luxury brands are willing to go the extra mile now, making strong statements that exemplify their beliefs. What has changed is the ability in the digital sphere to be vilified. This has the potential to attract a younger demographic who are expecting more from brands. The more that companies express an authentic set of views, whether it be on fair trade, exploitation in the supply chain or diversity and inclusion issues, the more that those who don't will be exposed.

### **The circular and second-life economy**

More Henrys and the like are turning to resale sites, these include The RealReal and Poshmark, second-hand shopping is on an upswing. The luxury sector is seeing this too. Controlling or channelling this market, which has been facilitated by pure-play companies, is an issue for some brands. For instance, Richemont, has purchased resale or rental businesses outright, to take control of how their products and brands are marketed on the secondary market.

### **Big on sustainability**

In September 2019 Gucci said it would join brands such as Reformation and

Allbirds to become 100% carbon neutral. Look at knitwear label Sheep Inc. It is looking to become the first carbon-negative fashion brand. There is a big move especially in apparel to realize the pollution and environmental issues the sector causes. For instance, Prada has signed a £43 million loan with banking group Crédit Agricole, with repayment terms conditional to meeting key targets around the sustainability of its products and operations.

### **Unboxing is the new storefront**

It is said that unboxing is the new storefront, even more so post-pandemic. Social media 'unboxing' trends with countless influencer posts dedicated to filming the unpacking of a luxury shopping haul have worked to place additional focus on packaging.

Packaging will increasingly play an important role to deliver premium experiences to luxury eCommerce. With affluent consumers increasingly shopping online, creating a delightful, memorable premium unboxing experience will be crucial.

The challenge for luxury brands will be to find the right balance between luxurious packaging and sustainability goals. Worthy, not wasteful will be the new mantra. There will be luxury brands trialling new sustainable materials, digital storytelling around these elements and reimagining of packaging as treasured keepsakes.



“Immense wealth translates automatically into immense environmental impacts, regardless of the intentions of those who possess it. The very wealthy, almost as a matter of definition, are committing ecocide.”

George Monbiot, Activist and Writer

## CONCLUSION

The growing pressure of digital and online has been mounting on the luxury sector, and the impact of Covid-19 has brought this to a crescendo. The seasonal shows and releases for high-end goods have given way to a 'see now, buy now' mentality, supercharged by digitally savvy, younger, wealthy luxury shoppers.

However, luxury has taken its time to fully adopt digital whilst maintaining allure and exclusivity. It is essential that they retain their innovative status but at the same time deliver value over time. Delivering something that is both timeless and timely is a fine balance for the luxury sector. Never forget – in the business of luxury, there is nothing more important than protecting the brand. The perception of exclusivity must warrant the price tag.

Younger shoppers will deliver a great deal of growth for luxury goods and will shape how luxury goods are bought and sold. These are digital natives, more socially conscious and very active on digital platforms.

It's not only about online – they just don't view offline and online shopping as two separate entities. Brands need to consider how to weave new digital experiences into the retail experience and offer a combined, improved purchasing experience, from social media, to mobile payments and in-store retail experiences.

The opportunity is now. If a brand is more adaptable with a more comprehensive digital offering, powered by data, with IT systems on the cloud, digitised supply chains, and enhanced online experiences for customers, those brands will realize these benefits even more when the pandemic has passed, stores are opened and footfall returns to stores.



## ABOUT

# LiveArea

LiveArea is an award-winning global customer experience and commerce agency. We bring the full potential of digital business to life, helping brands create meaningful and lasting customer connections. Fusing creativity, strategy, and technology, our services include product innovation, connected commerce, service design, performance marketing, and orchestrated services.

We bring together world-class commerce technology, building and launching innovative products and services powered by data-driven insights to elevate customer relationships – online and in-store. We deliver B2B, B2C, and D2C solutions to clients in health and beauty, fashion and apparel, luxury, consumer packaged goods, retail stores, healthcare, and automotive. LiveArea, a PFSweb Inc. business unit, has offices in Dallas, Seattle, New York City, Raleigh, London, Sofia, and Bangalore.

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