

Luxury in a digital world

by Matt Percival & Anna Thairs

For the always-connected, in-the-know and hyper-discerning, it's no longer enough to merely dip a toe in the digital pool. Digital is their route to rewarding, immersive brand experiences.

An understanding of these trends and the ability to manipulate or control these advances is crucial to the success of luxury brands in today's 'phygital' arena – the area where physical and digital marketing collide.

*What is meant by
'experiential luxury'?
And how are luxury
brands navigating new
customer expectations
whilst maintaining
their brand's potency
and meaning in a
digital world?*

Luxury has always been a lifestyle; but in today's world, we're seeing an evolution of the term. Luxury-as-a-lifestyle now represents the key opportunity for luxury brands to deepen their relationships with customers in convergence with the proliferation of new technological abilities. Here we explore some of the facets and trends that are developing, and how luxury brand marketers can exploit them to maintain brand kudos, brand loyalty and reach new audiences.

Luxury is no longer something that you buy, but something that you live. 'Experiential luxury', or luxury-as-a-lifestyle, has firmly planted its feet in the consumer zeitgeist. As a market, it's growing at a pace 50% faster than that of personal luxury goods, representing almost 55% of the luxury market as a whole: not a trend that luxury brands can afford to ignore.¹

The new face of luxury consumption

The meteoric rise of the pop-up is a good indicator of the growing trend towards 'experience collection', a term used to describe the desire of the new luxury consumer to find and embrace as many unique experiences as they can. The pop-up, which was for many years just a buzzword, has now become the go-to disruptive marketing ploy of restaurateurs, entrepreneurs, large and small brands alike. It demonstrates a trend for spending on luxury experiences that doesn't appear to be slowing. Where whispered word-of-mouth and viral marketing lead to themed interactive 'dining experiences'. Where Twitter hashtags to three-day, five-star residencies in shops and galleries across Britain. And where websites are kept deliberately vague, leveraging a sense of exclusivity. This 'marketing without marketing' approach has been used traditionally by luxury retail players, and is now being applied in an altogether untraditional market.

Millennials – digital natives aged 18-34, touted by many as 'the new face of luxury' and rapidly becoming a dominant market share – are voracious experience collectors and content curators. As of 2012, Millennials represented 31% of luxury expenditure on the web, and are expected to overtake Baby Boomers in total luxury

spending by 2017.² These new luxury consumers are creating new architectures for interaction, shaping the way the luxury market is developing and influencing the consumer mind-set at large. With contemporary trends fundamentally changing the way luxury is consumed, luxury brands no longer have a choice; long-cherished traditional strategies need to adapt to the digital world or be jettisoned, and new opportunities embraced.

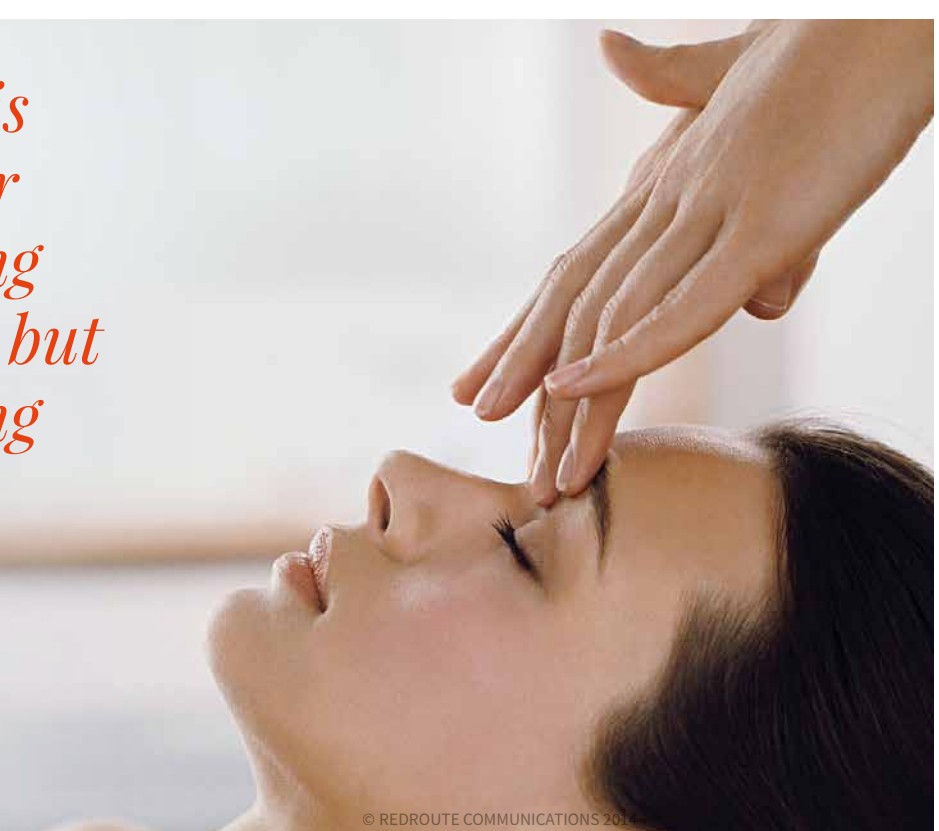
Commanding the phygital arena

Luxury-as-a-lifestyle demands the ability to interact with a luxury brand at every level and every touchpoint. The gap between the digital and physical areas of consumption is rapidly vanishing, merging to create the phygital. For example, using Twitter's Vine, an app that lets users create 6-second video snapshots, Matthew Williamson used photographer Sean Cunningham to share close-up details from the A/W 13 runway show, giving the fast-paced, personal insight into a brand that luxury consumers want.

Omnichannel marketing strategies are the new norm, not a value-add: "You cannot simply choose one avenue to retail – you must have all the ones your customer is accustomed to using," commented Ed Burstall, the Managing Director of Liberty.³ It is simply a matter of keeping pace with purchasing habits. For example a third of consumers say that the way they purchase luxury goods has changed over the past five years – 51% now research and purchase online, while 49% conduct research online before proceeding to purchase in-store.⁴

1 Boston Consulting Group; 'Luxe Redux: Raising the Bar for Selling of Luxuries'; June 2012
 2 American Express Business Insights, February 2012
 3/4 Somewhat London; 'The Goldpaper: New Luxury Millennials', May 2013

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Utilising these platforms as a form of digital disruption is more than just hopping on a bandwagon – within the first three weeks of Vine’s launch, users were tweeting an average of 2,324 Vines an hour.⁵ Though new media platforms have been long-ignored as being tonally inappropriate to the world of luxury, being able to leverage disruptive platforms like Vine is the new opportunity for luxury brands to stand out in a competitive market. Those that have adopted these strategies early are the brands that stand out from the competition. What is clear is that the established ‘rules’ for selling luxury marketing no longer apply – an aloofness or distance entrenched in many luxury brand experiences needs to give way to immersive, inclusive, shared experiences. Media that may have previously been eschewed are now simply the modes through which the phygital experiences are delivered and consumed.

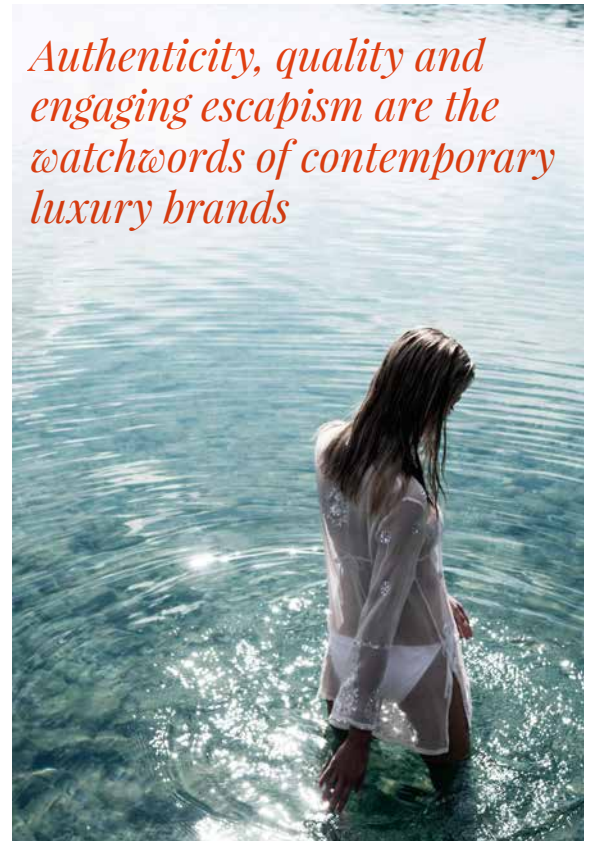
Becoming a part of consumers’ stories

Authenticity, quality and engaging escapism are the watchwords for contemporary luxury brands. The huge volume of information available to consumers has meant that creating a compelling brand story is more important than ever. But luxury brands also need to accept that the relationship is now a genuine dialogue. As ever, the contemporary luxury consumer wants to feel emotionally connected to a brand, expecting transparency and personality. What’s new is that if a brand does not respond directly and coherently to them, the traditional expectations of brand loyalty are instantly shattered.

As avid content consumers and creators, the modern luxury consumer wants to make luxury brands part of their own life story. Spending an average 7.2 hours a day online, mainly via mobile, they represent a huge opportunity for successful brands to capture attention.⁶ However, as they seek to absorb inspirational content in new ways, we also see a shift towards a ‘content-curation’ attitude: Google keyword searches containing the word ‘blog’ have been overtaken by those containing the word ‘Tumblr’ – a reblogging platform that at the time of press has 207.8 million accounts and around 80 million posts on a daily basis.⁷ Content curation takes a ‘scrapbooking-plus’ attitude, and the implication of this is that consumers are amassing content on a huge scale – the popularity of Pinterest being testament to this.

Consumers no longer admire their idols from afar – Lauren Conrad, reality star turned lifestyle-brand superstar, has more than 861,000 followers on Pinterest. Consumers pick apart aspects of celebrity lives and subsume them into their own; more than scrapbooking, these fragments become part of consumer identities. Mulberry, for instance, saw this trend, and named handbags after fashion icon Alexa Chung and model Cara Delevingne – Mulberry profits rocketed 38% to almost £50m in 2010 after the release of the Alexa bag.⁸

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The rise of ‘vlogging’ – video blogging – on YouTube is another fascinating avenue to market that brands are beginning to see the value in. What began as teenage girls explaining their daily make-up routine, or filming tutorials after school on how to straighten hair, has become a multi-billion dollar industry. These teens have turned into superstars like Fleur Bell (known by the nom de plume Fleur De Force), Tanya Burr, and Zoe Sugg (known as Zoella) – who between them have almost 10 million YouTube subscribers. Brands are using these teen icons to deliver their messaging with new, friendly-faced, ‘immersive’ marketing – consumers watch these internet stars deliver product reviews in their own words; watch them gush over new Celine handbags; or read their blogs about their luxury hotel stays in Greece. This is a new channel to consumer interaction that is rapidly expanding, that is accessible to luxury marketers and provides a new way of consuming content for their customers.

With 70% of luxury consumers happy to recommend their favourite brands on social media platforms – and a further 47% confident to openly criticise a brand on those same platforms – the hallmarks of the successful luxury brand have now become coherent, engaging omnichannel strategies, presented creatively, with inviting collaborative narratives.⁹

^{5/6} Somewhat London; ‘The Goldpaper: New Luxury Millennials’, May 2013
⁷ Mashable [web]; ‘Tumblr’ to Overtake ‘Blog’ in Google Searches, April 2012 [Google Analytics; 2012 - 2014] Tumblr [web]; ‘About Tumblr’, October 2014
⁸ Management Today; ‘Mulberry Bagsd Big Profit Jump Amid Asia Boom’, December 2010
⁹ Somewhat London; ‘The Goldpaper: New Luxury Millennials’, May 2013

Creating bespoke experiences

Pushing the possibilities of the phygital space, some forward-thinking brands are creating seamless, tailored luxury experiences; looking to provide luxury-as-a-lifestyle at every step of the purchase journey. At Alexander McQueen's McQ in London, shoppers chose a look on a tabletop-wide screen, before seeing what it would look like on the catwalk or in the mirror. Selected Burberry stores incorporate immersive phygital experience-creation, by utilising Radio Frequency Identification (RFID). Pick up a sweater, or handbag, and customers are presented with projections of matching items or suggested looks on mirrors and screens around the store – making for a truly bespoke shopping experience.

On a smaller scale, LMVH recently relaunched its Journées Particulières programme, opening up a previously insiders-only world to its luxury spenders, inviting them to workshops and demonstrations of how luxury goods are crafted – creating an interactive brand experience.

With the advent of 'wearables' (smart devices that you wear, such as the imminent iWatch from Apple) upon us, luxury brands – be they traditional retail products, experiences or lifestyle consumables – are waking up to

the impact of digital disruption, whether it be large-scale RFID innovation, buzz-worthy app-based loyalty schemes like Swarovski's Passport to Sparkle, or simply a tailored email newsletter.

What is clear is that brands cannot rely on traditional methods nor their name to inspire and maintain customer loyalty. Consumers have come to expect more than convenience – they crave innovative, memorable and purposeful experiences and interactions with a brand. The purchase journey must offer something meaningful to the shopper – whether that is technological novelty that also proves itself useful wherever the customer may be, or an insightful understanding of the way the brand enhances a customer's day-to-day life.

Luxury brands represent the utmost in desirable consumption. Consumers today want experiences that are personal and that are exciting, and the marketing must respond to this appetite, by creating ever-more extraordinary experiences, constantly looking for the rewardingly innovative. The trick is not to be innovative for innovation's sake, but to constantly view new experiences through the lens of the brand personality – disruption is positive, dissonance is to be avoided at all costs.

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Using big data for big impact

With disruptive technology innovation comes backstage benefits; data mining is not just for big business any more. And if luxury trends are failing to realise the time is right, their customers aren't. Almost half of luxury consumers surveyed in 2013 said that they would be happy for luxury brands to use their data for a more personalised service, with 37% specifically indicating they would want personalised email alerts.¹⁰ Topshop, at last year's London Fashion Week, livestreamed their runway show cross-platform, generating social buzz and inviting users to tag their favourite looks and colours and share with their friends. This information and customer feedback helped directly inform the brand's manufacturing, buying and branding strategies for the next season.¹¹

Avoiding the pitfalls of online exposure

Luxury is a market where reputation reigns supreme. The world of luxury e-commerce provides not only a whole new range of channels to enhance and promote that reputation, but also a vast array of trip wires and trap doors which, if not managed, can damage a reputation in an instant. With the proliferation of digital and online capabilities, luxury brands can engage with their customers twenty-four hours a day, but this means that they are also at risk twenty-four hours a day. Online, luxury brands can lose control of their pricing, presentation, and most importantly, proposition: what makes them different, rewarding and engaging in an ever-changing market.

The parameters of control have changed permanently. Whether it's counterfeit products, imposter outlets, or even retailers selling authentic but under-priced products – the way forward is to monitor and act in real-time. There are already products available that are designed to track in real-time and around-the-clock. Applying these products to the luxury market enables the opportunity to monitor the sanctity of pricing, product and the all-important brand perception – and then act accordingly.

What does this mean for luxury brands?

The institution of technological advances benefits both the customer and the business. As luxury brands understand more about their customers – their proclivities and behaviours – it becomes easier to create and maintain tailored content, to understand which areas to invest and expand in, and to spot which innovations will work for their market.

The luxury landscape is changing rapidly: the impact of the Millennial 'life is for living' ethos and the permeation of new platforms and technologies present new opportunities and new challenges that luxury retailers must confront to claim their stake of the growing e-commerce market. Brands must acknowledge a number of new trends that are having a huge impact on the way consumers behave – and the way they expect luxury brands to behave. Having a coherent understanding of these trends, and a strategy for tailoring and implementing them, is a first step on the road to maintaining success into today's changing market.

¹⁰ Drapers; The Luxury Report; November 2013

¹¹ Somewhat London; 'The Goldpaper: New Luxury Millennials', May 2013

What can luxury brands do to ensure that they succeed in this new arena?

- Enter the ring – use new channels, viewed through the perspective of the brand to use them creatively and engagingly.
- Have a coherent, compelling story – online exposure creates the need for a brand to communicate its uniqueness more simply and strongly than ever.
- Create a dialogue with a target audience – the failure to respond individually undermines brand loyalty in an instant.
- Data, Data, Data – understand the customers' vision of themselves, their desires, inspirations and motivations. Understand how the brand can respond to these needs whilst remaining true to itself.
- Ensure the brand's strategy promotes and protects in equal measure – new media channels have much to offer luxury brands, and as many pitfalls. It's necessary to be constantly alert to any damage to the brands image, whether through internal neglect or external negative opinion, and be capable of an immediate and positive response.

RedRoute is an integrated advertising agency, that believes our broader experience of industry sectors, brands, audiences and channels brings greater innovation, fresh thinking and value to every client, regardless of their market.

Matt Percival, Creative Director, RedRoute

Having been around the block a few times, it's easier to list what kind of project Matt hasn't worked on. With over 25 years as a creative, having worked around the world for brand, marketing and advertising agencies such as Interbrand and DY&R, he's no stranger to conceiving and implementing global, integrated projects below-, though- and above-the-line.

Anna Thairs, Junior Planner, RedRoute

Being one herself, Anna has a fascination with all things Millennial and digital. As well as being RedRoute's Junior Planner, she also runs the agency's social media.

To find out more about how RedRoute is helping luxury brands ensure they succeed in a digital world, or more about our partnership with 24/7 brand protection software Etail Eye, please contact Steven Cooper on +44 (0) 207 287 3557 or email steven.cooper@redrouteagency.com

