



Luxury fashion:

Building the customer experience of the future

**Essential advice on putting
data and customer centricity
at the heart of recovery**

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**A big thank
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Key takeaways



Brands need to move from taking a product-centric approach to their strategy, to one that is customer-centric.

With new and evolving customer habits emerging rapidly around the world, the customer should underpin the decisions of every team and not solely CRM.



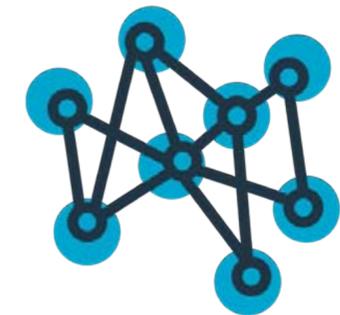
Omnichannel is not a question anymore. It is a necessity for brands looking to compete with a new generation of businesses that are digital-first.

Luxury players can create a distinctive and powerful experiences with their store estates, but digital opportunities need to be seen as an extension of the brand experience and not just an e-commerce opportunity.



The accelerating divide in media consumption between today's heavy spenders and the brand ambassadors of tomorrow needs careful consideration in marketing budgets.

It is critical to ensure you are building relevance with the digital-first audiences that will be your future customers, whilst remaining relevant to your higher spend demographics.



Build use cases for data transformation to assess its impact and ease of implementation.

This can start you on your journey and help you understand the steppingstones that can lead to the biggest wins within the evolving digital, data-led landscape.



Executive summary

At the start of 2020, the gap between the luxury and high-street fashion industries was already visible. Mass market brands were steaming ahead with their digital transformation programmes, with omnichannel marketing and content strategies at their core. Then came COVID-19, instigating widespread disruption across the entire retail industry. With businesses around the globe forced to close stores and turn to ecommerce to survive, some brands excelled. Others, inevitably, could not keep up.

London's central shopping hub, including Oxford Street, Bond Street and Regent Street, the home of many luxury fashion stores, was severely affected by the lockdown. Between June and July it experienced a 72% year-on-year decline in footfall, as international visitors were unable to travel and domestic tourists avoided inner cities. British-based luxury brands have reported a 70 to 80% reduction of footfall in their stores in the period from March to July, reports Walpole. The group says its London-based members have reported only five to 10% of their normal sales volumes in the capital.

The reduction in tourism has put a huge strain on the luxury fashion industry. With more than half of customers travelling to luxury stores from overseas, primarily from China, brands have taken a huge

financial hit. This could be further exacerbated by proposed changes to duty free and the VAT refund scheme in the UK, post-Brexit. These could see the UK market become a much less attractive destination for luxury shoppers.

Inhabiting a more traditional industry than their counterparts, luxury brands have been slower to adopt technologies and services common amongst mass-market brands. Inherently focused on the product, rather than the customer, many luxury brands have lacked the ability to provide engaging and personalised digital experiences for shoppers. This is a missed opportunity to connect with younger audiences – the customers of the future.

Brands such as HURR, Farfetch, and Selfridges are forging the path for others to follow. They are connecting with new generations of luxury consumers by focusing brand strategies on sustainability, a cause close to the hearts of millennials and Generation Z. Through a partnership, Selfridges, HURR and Oxfam promoted Second-hand September, encouraging customers to rent and swap garments and driving a new wave of consumers into stores.

By 2025, online channels are expected to continue growth until they control up to 30% of the fashion

market. Mass-market fashion brands have been quick to adapt to digital demand, with the likes of ASOS and Boohoo blossoming as pure ecommerce brands with constant streams of audience-targeted content. But luxury faces a challenge to engage digitally with an audience that much prefers a premium physical experience. There are only a handful of online luxury brands performing in this space. Net-a-Porter, Farfetch and Matches Fashion are leading the way, fusing tailored and premium platforms.

Faced with a smaller domestic audience, a major reduction in footfall and a less advanced online offering, the luxury fashion industry needs to take considerable steps to quickly stem the onslaught of falling sales in a changing world. Advancing data maturity needs to sit at the heart of this. This will ensure they can understand their audiences, adapt their business strategies, and tailor online experiences to effectively engage with their customer base.

In this report, we draw on fresh insight from across the luxury fashion sector, alongside Ekimetrics' unique analysis, to demonstrate how businesses can cater to the evolving customer, create luxury omnichannel experiences, and embrace disruption and digital transformation.

Catering to evolving customer behaviours



Capturing domestic opportunities

Business of Fashion recently reported that luxury fashion has just undergone its worst ever quarter, with sales across the board being heavily impacted. The pause of tourism during the pandemic is arguably the biggest disrupter. Pre-COVID-19 data from Bain shows that global luxury sales were made up of 46% domestic, 50% Chinese and 4% other international shoppers.

In the past few months, demand in China for luxury products has seen huge growth, as shoppers have been unable to visit flagship stores abroad, such as those in Central London. Even Gucci wasn't immune to the pandemic, as Kering announced its second quarter profits had declined by 58%. This came a day after LVMH reported a 68% drop, due to China effectively shutting down over the first half of the year. The UK market has experienced a similar situation, as luxury fashion tourism ground to a halt.

The UK and China have very different domestic shopping habits, which is also a contributing factor. Younger Chinese audiences will spend on average £15,000 to £20,000 across each luxury shopping trip and are typically more digitally advanced than UK audiences. They perceive 'extra' products – vibrant patterns or alternative designs – as highly fashionable. In comparison, a UK customer is likely to spend 30 to 50% less on an average luxury shopping spree, while selecting more understated and low-key fashion items.

It's imperative that luxury brands have an acute understanding of these differences and drivers of customer behaviours. They must draw on these insights to reach potential customers on the right platforms, to capture growing domestic opportunities. With the UK Government announcing that Brexit will bring an end to tax-free shopping in all UK airports and ports from January 2021, this is set to bring even more luxury-tourism disruption for

retailers. Harrod's has recently announced that it is tackling this reduction in footfall by opening mini stores in Milton Keynes and Essex shopping centres to capture more local opportunities and engage a younger audience.

To respond to these challenges, luxury retailers must have a deep understanding of their customers, leverage customer analytics to identify behaviour shifts, and adapt their customer and business strategy accordingly. Doing so will let brands communicate much more efficiently, and personally, with their international, domestic, and future customers. Customer centricity not only informs communication strategy, but also has wider business implications across product, assortment and merchandising when adapting to the shift to a high proportion of domestic business in most geographies. Brands that succeed in this will gain higher affinity with their audience and a greater return on investment.

Another fundamental tool is Marketing Mix Optimisation (MMO). Placing a focus on how to optimise a brands' various sales channels (e.g. offline vs. online, boutique vs. outlet, owned vs. wholesale, in-app vs. online purchase) amidst ever-evolving media consumption habits, such as the rise of TikTok, will allow businesses to effectively steer their marketing strategy towards business objectives. MMO is a holistic tool, that will allow luxury brands to understand the long- and short-term impact of media investments in traditional and emerging channels, as well as their effectiveness in engaging various customer segments (for instance, existing loyal base vs. recruiting future loyal shoppers). CMOs can then leverage these insights to balance various business objectives and an evolving context, whilst building brand appeal over the long run.

As brands consider creating omnichannel platforms tailored to their existing audiences and explore new communication routes with new generations, being able to identify and adapt to changing consumer behaviour will aid luxury marketers in defining their data and digital strategies. Those that utilise MMO and consumer insight functions will succeed in the new climate.



Creating a luxury omnichannel experience



Digitisation of luxury

COVID-19 has accelerated digitisation across a huge range of industries and a worldwide lockdown has forced luxury brands to rethink strategies and offerings to engage with both potential and loyal customers. Beauty has excelled at adopting this fast-paced transition. From L'Oréal's '[Skin Genius](#)' initiative to [MAC's](#) sponsorship of gamified content, brands across the beauty space are revolutionising their customers' omnichannel experiences. They are replacing the physical aspects of the purchase journey with personalised and engaging online ones.

There are some luxury fashion brands leading this transformation. During lockdown, [Chloé](#) established an online content platform that featured a series of talks, DIY guides, and live music performances via its Instagram feed. Similarly, [Alexander McQueen](#) launched a programme titled McQueen Creators, asking its social media followers to reimagine its most famous designs with materials found at home. And [Dior](#) virtually reopened its Christian Dior: Designer of Dreams exhibition via its YouTube and Instagram channels. However, the wider industry has a way to go to compete within this space.

When it comes to the new generation of luxury fashion customers, there is an ever-stronger incentive for brands to invest in digital transformation to engage and build relationships with the digitally native audience. It is essential to understand where these customers are, how they interact with brands and how best to reach them. And it is equally important to track the right KPIs, over the long-term, to measure the impact of these initiatives. Targeting the customers of tomorrow now helps build brand affinity but will not necessarily be a strong driver of sales until they have the disposable income needed in the sector.

The physical shopping experience is equally as important to luxury customers as the products they purchase. In the UK, a typically older and wealthier shopper chooses luxury brands for the premium in-store experience and brand quality. They want the exclusivity and the feeling of being pampered. In the current climate, brands have a huge job to do in encouraging these customers to shop online to get back on top.



The omnichannel experience



Firstly, in response to changing demand, brands need to develop an omnichannel strategy based on a deep understanding of their audience, to create a seamless and unique brand shopping experience. And secondly, they have to effectively communicate this pivot in offering to encourage customers to trust and adopt digital engagement with the brand.

Omnichannel experiences are not simply an ecommerce function – they are an opportunity to engage with customers across different social and media platforms. Working with key opinion leaders is a popular tactic to build relationships with younger audiences. Recent examples include Prada partnering with TikTok star [Charli D'Amelio](#) during Milan Fashion Week, and Burberry's work with Brooklyn Beckham.

By tying ecommerce, digital and physical strategies together, rather than viewing them as individual channel entities, luxury fashion will see a much greater return on investment. With the rush of sales shifting online through the pandemic, some brands have taken the opportunity to enhance their own e-commerce platforms rather than relying solely on online retailers. This will allow them to take ownership of the brand experience, better deliver a seamless customer journey across multiple touchpoints and develop a stronger customer – brand relationship. Customer centricity is at the heart of this. In a competitive digital space that is heavily crowded, relying on products to sell themselves is no longer enough. By getting under the skin of their audiences, both primary and potential, luxury brands will be able to customise the premium service and personal connections that shoppers desire more effectively.

Data and analytics can provide the insight and guidance for brands looking to undergo digital transformation through building omnichannel strategies across the entire customer journey that encompass owned channel content, media activity and ecommerce experience, tailored to key audience groups. As businesses build their ecommerce footprint, they will find themselves having access to more and more data points on customers and their purchase journey. Having visibility of the full customer journey across online and offline platforms means that business can provide that seamless personalised experience, enabling them to better cut through the noise of a busy online space. They can more effectively persuade their primary audiences that their loved shopping experience is set to be amplified via digital innovation, rather than forsaken or replaced.

Providing a seamless customer experience across the entire purchase journey can incur high technology costs, so the design of the digital transformation solution needs to provide value for the customer as well as the brand. This is where a deep understanding of your customer and a coherent strategy is essential in ensuring investment well spent. In this space, one size does not fit all. And with a continued spotlight on data privacy, brands must carefully evaluate their data capture and analytics strategy to prioritise according to the biggest value it can deliver for the business. In doing so, they will see a greater return on investment.

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Embracing disruption and transformation



A new generation

In comparison to high street brands and the beauty industry, luxury fashion has been slower to adopt new data-led technologies and services. But the pandemic has played a role alongside other factors in forcing many brands to reconsider their traditional ways, with the narrowing of collections becoming a growing industry trend. [Gucci](#) has announced it will only release two 'seasonless' collections, rather than five, per year, while [London Fashion Week](#) has transformed its digital shows to be presented digitally. COVID-19 is the catalyst that has forced the high-fashion industry to reconsider what is important to brand fans, and the market as a whole.

There is an emerging generation of customers who favour brands with a purpose that is in line with their own values and identity. For instance, sustainable manufacturing or visible diversity in their employees and models. According to the recent luxury sector report from [BCG](#), about 60% of millennials and Generation Z seek personalised relationships with brands. They want to develop an emotional connection with the brand and have products that are ultra-customised to them. This is an area in which Nike currently excels, by enabling customers to design their own trainers or embroider garments. This new generation is redefining the relationship and engagement between brand and customer, challenging the prevalent product-centric luxury model.

Communicating a purpose

Sustainability is arguably the largest issue facing luxury brands, particularly when exploring new ways to build affinity with a new generation of customers. Nearly 60% of 18- to 24-year-olds have switched to lesser-known brands due to their sustainable credentials. Almost 80% of UK consumers reported that they have changed purchase preferences based on brand and retailer's social responsibility, inclusiveness or environmental impact. More than ever, consumers hold the power to boycott brands that they feel do not reflect their values. Understanding the drivers of customer behaviour and major industry trends is essential for luxury fashion businesses to ensure they are growing a customer base of tomorrow.

Vogue Business' most recent report takes a detailed look into how Generation Z's influence has the power to change the industry as a whole. Luxury brands will be forced to adapt to this new landscape that reflects changing societal views on sustainability, responsibility, and diversity. This evolving landscape has thrust data transformation to the top of the fashion agenda as a result. Brands must build the capabilities to demonstrate with their actions the

commitments that customers now expect of them; investing in powerful new forecasting tools can support more effective buying processes to avoid wastage as one example.

A key area that brands have to address is the environmental impact of online orders as e-commerce growth accelerates, including the delivery and return of items. To ensure retention and growth, brands must 'pivot to purpose' to reflect changing attitudes surrounding topics such as sustainability and consistently deliver a premium experience across their marketing strategies.

Data and technology can provide brands with the key to developing better experiences for existing and the new generation of customers, while maintaining their inspirational image. Utilising market and customer insight will provide businesses the power to transform their brand and thrive in the new marketplace. It will let them explore the use of emerging technology, including virtual and augmented reality, developing services such as fashion taxonomies that allow customers to engage with products before purchasing. These technologies have the potential to minimise the volume of returns and lessen the environmental impact as a result.



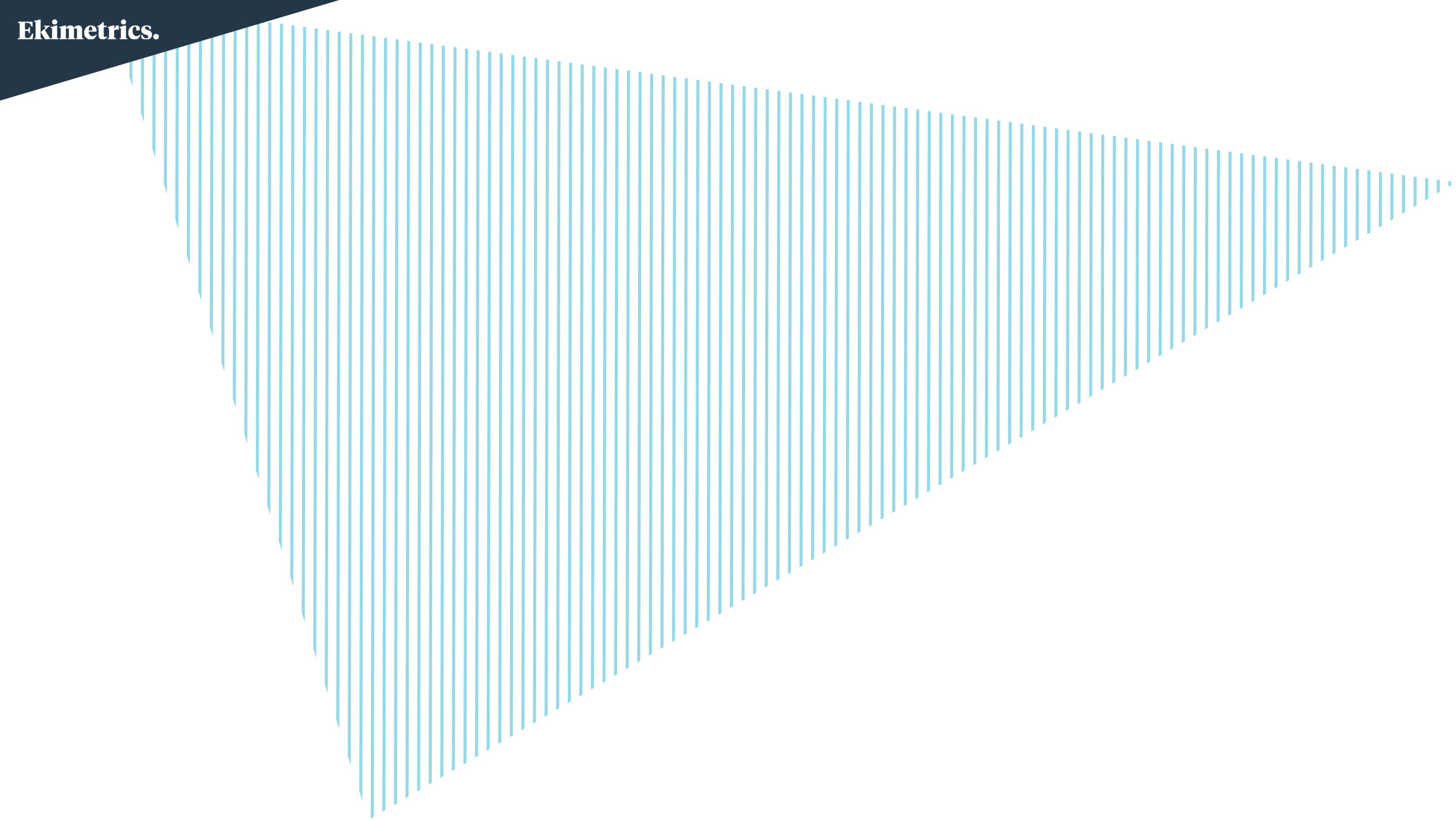
Data-guided transformation

When initiating their business transformation, luxury brands should start to assess their maturity toward data. This assessment will consist in determining the usefulness, applicability and accessibility of data for the business, and benchmarking it against key competitors. Luxury brands should identify the most incremental use cases where data can drive business impact and fuel the corporation transformation agenda.

Understanding the true value of customer data is also crucial. For example, knowing whether a product has been bought as a gift or not will allow brands to tailor their marketing activity around particular products and seasonal calendar spikes such as Christmas or Mother's Day. As their digital footprint grows, businesses can pivot to be data-guided rather than data-led, applying key insights and technology where necessary to ensure the strategic and premium brand experience is consistently delivered.

Finally, to build brand data maturity, the change has to come from within. Nurturing internal business culture will allow better adoption of this technological revolution. Upskilling brand workforces to apply data and analytics when shaping omnichannel strategies will create the optimum conditions for this transformation to take place.





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Conclusion

“COVID-19 has provided the [luxury] industry the opportunity it has been wishing for to start over,” Robin Givhan, Washington Post Fashion Critic.

To stay ahead of catastrophic disruption and relentless competition, brands must use this unprecedented opportunity to gain insight into the full customer journey. This can enhance the customer experience and engage a new generation of customers.

Luxury businesses are now well positioned to rebuild from the ground up, redefining business structure while adopting new technologies and consumer bases. Establishing fresh strategies and ideas that hold the highest appeal for customers will enable luxury fashion businesses to build lifelong brand affinity and drive revenue in a post-pandemic world.



Essential steps to upgrade your brand's relevance in a rapidly shifting market:

- 1.** Ensure you are planning factors in both international and domestic markets to capture the incremental gains as different travel and tax regulations are enforced in the future.
- 2.** Utilise the best communication channels and tools, such as MMO, to cater for evolving customer behaviour and drive sales through a diverse set of channels in response to the current market challenges.
- 3.** Luxury brands must put customer centricity at the heart of their digital transformation solutions to provide customers with a premium digital experience.
- 4.** Businesses must assess their data capture and analytics strategy to prioritise value for both the customer and brand to realise true returns on their investment.
- 5.** Build data capabilities with a gradual pathway of implementation that will progressively expand the data and analytics skills across the organization, empowering employees to adopt a data driven decision making mindset along the way.
- 6.** Businesses should prepare to digitally transform their brand by integrating data infrastructure early on in the process.







A view from Matt Andrew, MD, Ekimetrics UK

Luxury fashion has been built on a foundation of reverence to product above all else. That is what makes something luxury, but you can still be customer-centric while delivering a product vision. With a greater understanding of the value of data and its strategic uses, brands will be well positioned to capture the growing digital transformation opportunities and thrive in the new luxury landscape

At Ekimetrics, we help brands put the customer at the heart of strategy and develop marketing effectiveness programmes that deliver value for both the brand and the customer.

We leverage analytics and AI to augment the client experience through engaging, innovative, and scalable solutions powered by valuable data, built to adapt to ever-changing customer expectations and personalisation needs.

Certainty through marketing science

Leveraging data effectively is complex and challenging. We're here to explain it in human terms and get to the crux of how it can help your business.

If you're in need of a human and straightforward conversation about optimising your marketing performance to leverage the opportunities in grocery, please do get in touch.

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Ekimetrics is a pioneering Global data science consultancy, enabling companies to build powerful data and analytics capabilities to drive marketing and business performance.

Recently named a strong performer in the 2020 Forrester Wave report for its marketing measurement and optimisation solutions, Ekimetrics helps brands unlock unique audience and market insights to drive efficiencies and return on investment.