

# Why has Luxury struggled online?

---

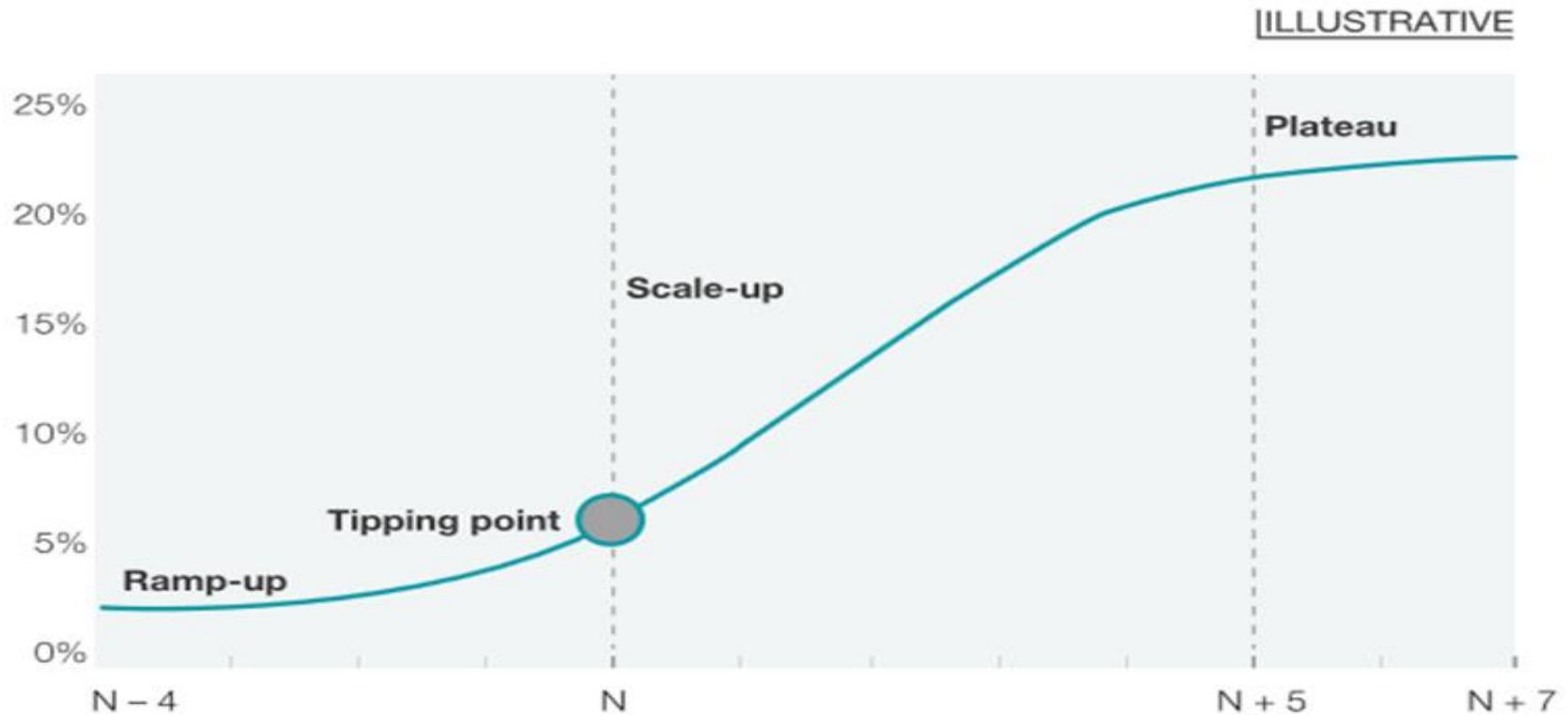
"Since the internet began, luxury brands have struggled to provide digitally the same high-end personalised customer experiences that they offer to in-store clients. Today, as well as delivering a lively digital presence, they must also operate in an omnichannel world."

- Global Powers of Luxury Goods 2018, Deloitte

# The Digital Development of Online Luxury Sales

Online sales of luxury goods may triple in the next decade.

E-commerce as % of total brand revenue



Source: Altagamma-McKinsey Digital Luxury Experience Observatory, July 2015

McKinsey&Company

# Online share of total luxury sales to reach almost 20% by 2025 . . .



Source: Mckinsey & Co.

. . . Making e-commerce the world's third largest luxury market, behind China and the United States

# How has customer shopping behavior changed?

---

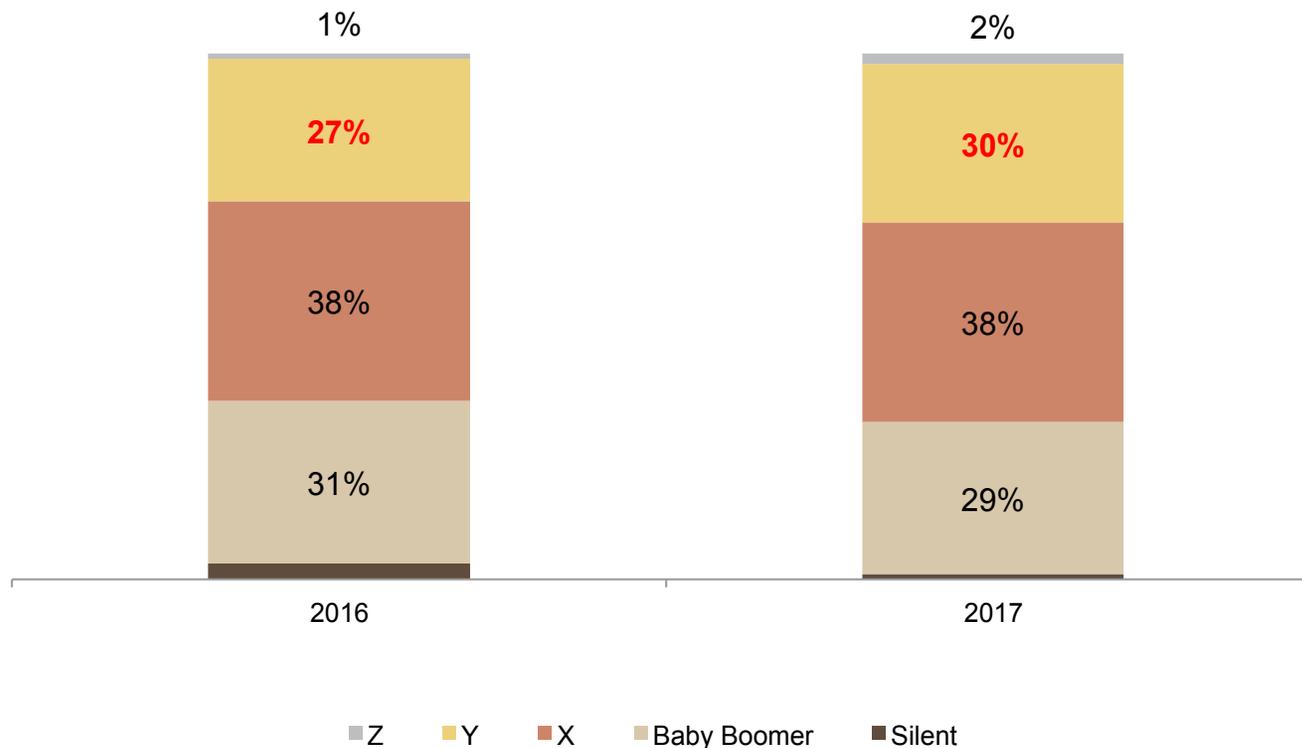


Source: McKinsey

# Millennials and Generation Z are Driving Luxury Sales growth

---

According to Deloitte, Millennials and Gen-Y will represent over 40% of the overall luxury goods market by 2025, compared with around 30% in 2017



Source: Bain & Company

# WHAT DO THEY WANT AND EXPECT?

Personalized, high value customized experience

Brand interaction across multiple digital platforms

In-store shopping

Lifestyle values - sustainability

The Consumer is More in Control  
of Their Shopping Experience  
Than Ever Before

# THE CONSUMER HAS EVOLVED:

Focus on

**BRAND EXPERIENCE**

Optimize for

**DIFFERENT PLATFORMS**

Personalize the Message

**AT EVERY TOUCHPOINT**

Reflect

**AUTHENTICITY & INCLUSIVITY**

# The Role of Physical Stores Needs to Change

---

- Stores are still a vital part of the business for luxury brands
- Pivot from a transactional role to wider consumer interactions
- No longer just a "brand temple"
- Deliver distinct, immersive experiences and engage in a genuine dialogue with the consumer
- Connect the e-commerce experience to the in-store and on-runway experiences
- Omni-channel approach to distribution
- Personalize, personalize, and then personalize some more
- Service needs to be better than ever – invest in talent
- Be a part of consumer's lives at all stages

# Apps Used Today More than One Year Ago

---

## 2017

1. Snapchat

2. Amazon

3. Instagram

4. Pinterest

5. Poshmark

6. Facebook

7. Target

8. Twitter

9. Sephora

10. Starbucks

## 2018

1. Amazon

2. Snapchat

3. Instagram

4. Sephora

5. Pinterest

6. Twitter

7. Poshmark

8. Wish

9. Ulta

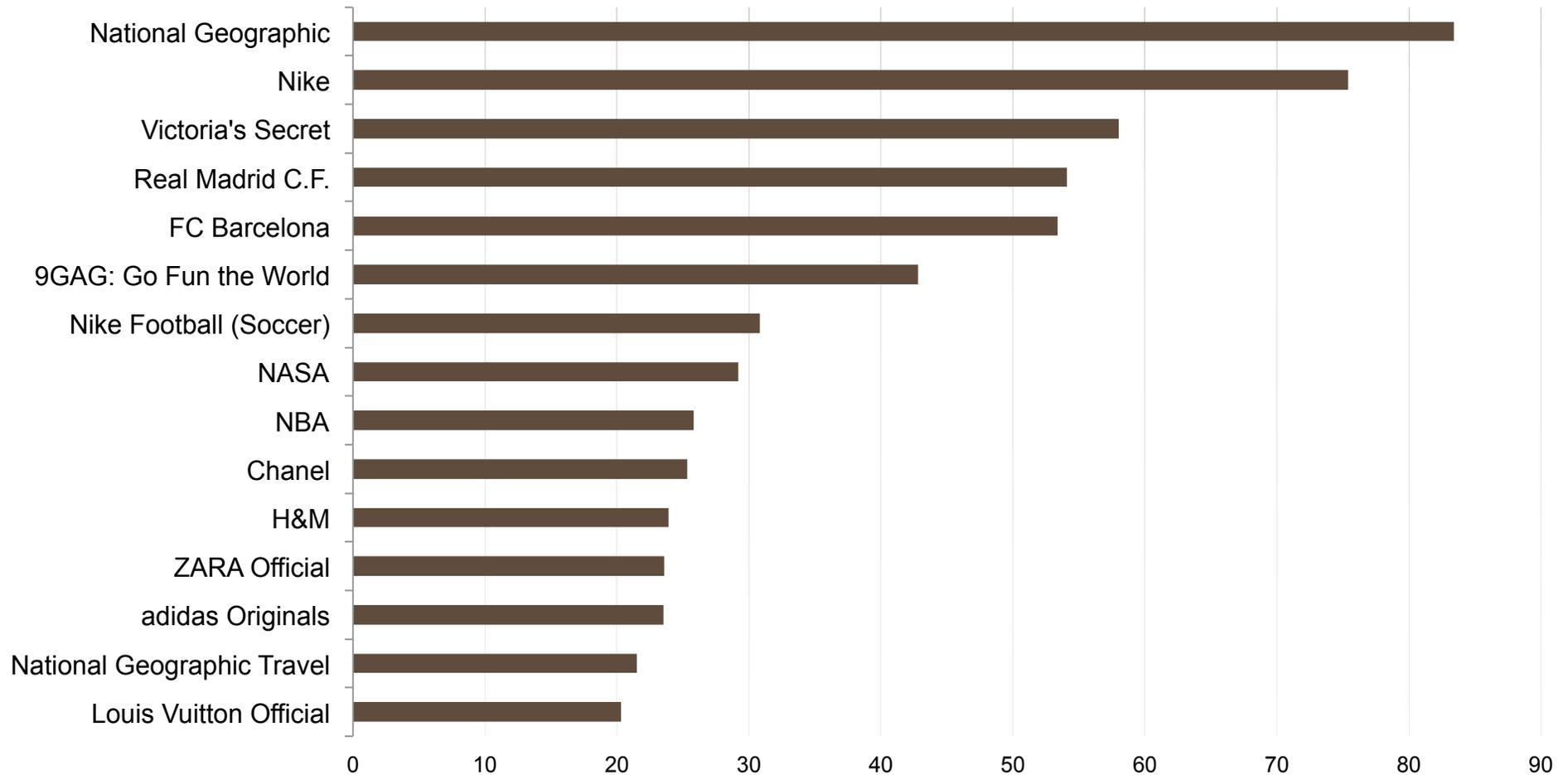
10. Google

# Instagram Stories

---

- Staying visible at the top of viewers' screens every day. Need to produce captivating Instagram Stories to engage with your followers **genuinely**.
- Focus on connection rather than conversion. Engagement is the most important goal.
  - Interactive polls to Stories
  - Swipe up and get redirected or "add to cart instantly"
- Understanding and serving the needs and wants of your audience.
- Use Stories to tell an actual story – go behind the scenes with product and designers
  - How dishes are prepared
  - Training sessions
  - How to put together an outfit
- Instagram takeovers – fosters authenticity and connects to new followers

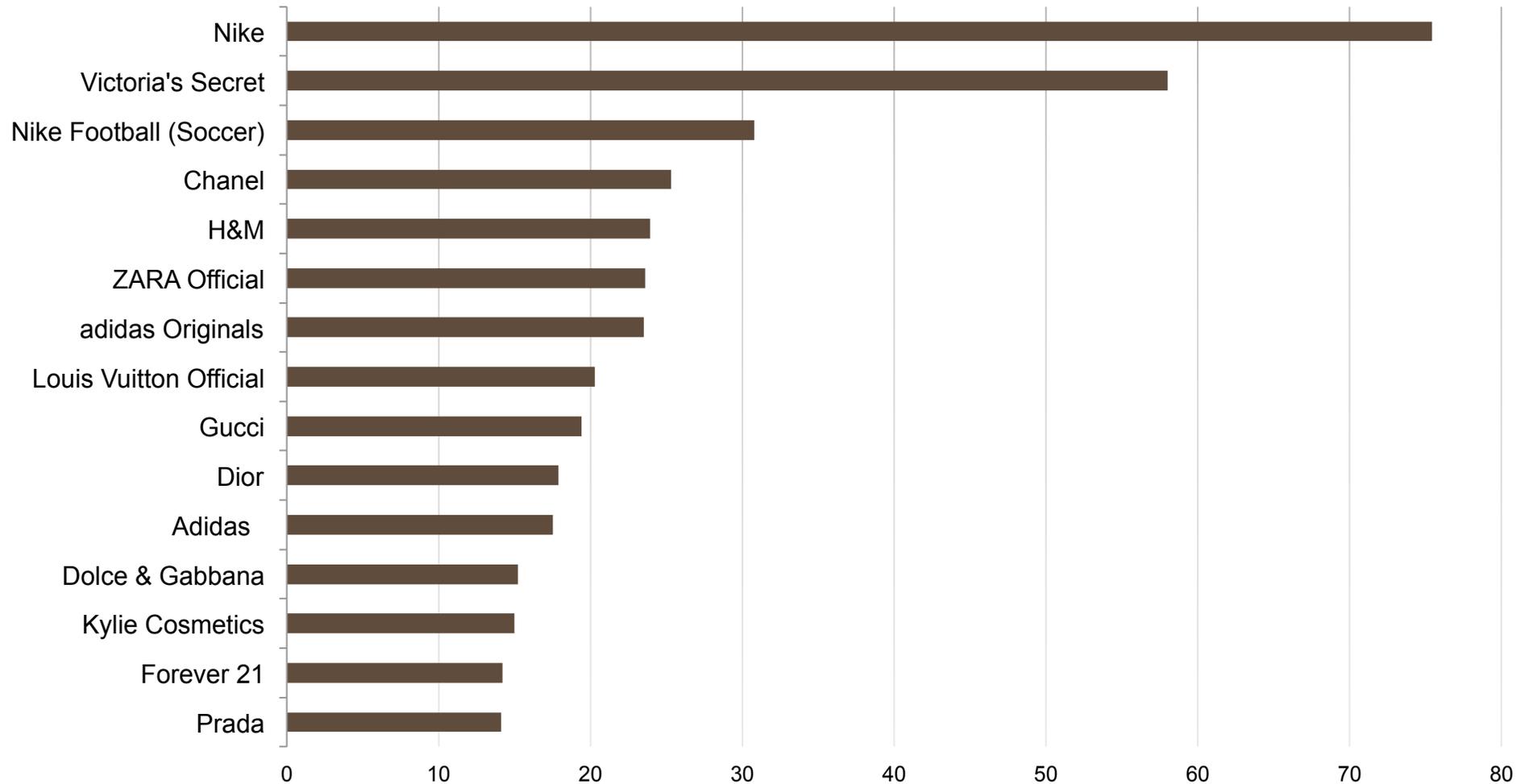
# Leading brands ranked by number of Instagram followers as of December 2017



(in millions)

Source: Statista

# Leading fashion brands ranked by number of Instagram followers as of December 2017



(in millions)

Source: Statista

# Amazon Alexa – Voice Search

---

- 39 million Americans own a smart speaker, up 128% YOY
- Gartner predicts that by 2020, 30% of all online searches will be conducted without a screen.
- Intelligent operating systems like Alexa, Siri and Cortana integrated not only with speakers but also home appliances, automobiles and other everyday electronics.
- According to BrightEdge, 66% of marketers say they have "no plans to begin preparing for voice search."
- While 50 million Alexa smart speakers have been sold since launch, only 2% of them were used to make a purchase from Amazon, according to The Information.
- Brands need to experiment with voice marketing through native advertising or other forms of paid promotion

# Luxury brands can learn how to best utilize Alexa from these savvy marketers

---

## CONTENT-BASED SKILLS

### TIDE

- Step-by-step instructions on how to remove any type of stain

### CAMPBELL'S

- Plan and prepare dinner, including emailing recipes and shopping lists

### PATRON

- Cocktail lab initiative recommends recipes, bartending tips and fun facts

### ZYRTEC

- Daily AllergyCast skill provides pollen count forecast local to the user's area

### PURINA

- Ask Purina helps aspiring dog owners to find the perfect breed for them

# Case Study: Gucci

---

2017 – ecommerce sales rose 86% and millennials accounted for about 50% of sales

- Blurring the lines between physical and digital sales
- Turned legacy of offline business into true omni-channel experience
- Appeals to Millennial/Gen Z desire for ethically conscious practices
- Vivid designs appeal to social media generation
- Joined Instagram in 2015 and now has almost 30 million followers
- Partnered with online influencers

# Disclaimer

Research publications from Chief Investment Office Global Wealth Management, formerly known as CIO Americas, Wealth Management, are published by UBS Global Wealth Management, a Business Division of UBS AG or an affiliate thereof (collectively, UBS). In certain countries UBS AG is referred to as UBS SA. This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. We recommend that you obtain financial and/or tax advice as to the implications (including tax) of investing in the manner described or in any of the products mentioned herein. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any prices indicated are current only as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is considered risky. Past performance of an investment is no guarantee for its future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in FX rates may have an adverse effect on the price, value or income of an investment. This report is for distribution only under such circumstances as may be permitted by applicable law.

Distributed to US persons by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Deutschland AG, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS Securities Japan Co., Ltd, UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. UBS Financial Services Incorporated of Puerto Rico is a subsidiary of UBS Financial Services Inc. UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

UBS specifically prohibits the redistribution or reproduction of this material in whole or in part without the prior written permission of UBS. UBS accepts no liability whatsoever for any redistribution of this document or its contents by third parties.

Version as per April 2018.

© UBS 2018. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.