Luxury First Look 2020

Customer shopping behavior has changed for good – what are the consequences?

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Recap of 2019 holiday sales

According to Mastercard, total US retail sales rose 3.4% with **online up almost 19%**

**By category:**

Total apparel sales increased 1% YOY with online up 17%

Jewelry sales increased 1.8% with online up 9%

Electronics and appliances were up almost 5%

Home furnishings were up 1%

ShopperTrak reported store traffic fell almost 8%
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
What do consumers want?

Fast

+ 

Flexible

+ 

Less Hassle

=  

More online sales
Stores continue to evolve

- How do you convince the consumer to go to the store?
- Store as the hub of a customer-centric model
- Exciting and immersive in-store experience
  - American Dream
  - Away
  - Story at Macy's
  - Pop-up shops
- In-store technology
  - Convenience
  - Cashierless (Amazon Go)
- BOPIS
Top consumer trends

• Going green and local
  – organic and cruelty-free brands

• Embracing repeat experiences

• Divisive political climate leading to rising interest in socialism

• Alternatives to banking and cash

• Personalization
  – omnichannel marketing strategy

• Mobile device use continues to rise
  – mobile sales up 40% in 2019
  – usage continues to rise

• Tweaking social media profile
  – change composition of news feed and advertising

Source: Gartner
Consumers want purpose-led brands

Decisions aren't just being made on product selection or price.

Consumers want to know what a brand stands for.

They expect brands to align with their personal value.

Opportunity for brands to build more authentic and profitable long-lasting relationships with consumers.
"The public expectations of your company have never been greater… Every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Without a sense of purpose, no company, either public or private, can achieve its full potential."

Larry Fink, Chairman and CEO of BlackRock, Inc.
Across 36 CPG categories comprising 40% of the total CPG market in dollars, Sustainability-Marketed Products delivered USD 113.9bn in Sales in 2018, +29% vs. ‘13 and are expected to grow to USD 140.5bn by 2023.
Across 36 product categories studied, Sustainability-Marketed Products account for 16.6% share of market (USD) in 2018, up from 14.3% in 2013.
How has customer shopping behavior changed?

55% of US consumers begin their online product search on Amazon

Source: McKinsey
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
Lifestyle retail is winning the day

- Transforming traditional brick-and-mortar retail locations into lifestyle destinations
  - Work
  - Eat
  - Shop
  - Exercise
  - Relax

- Internet cannot replace social experience

- Example: Sundy Village in Delray Beach, FL

- Stores showcasing experiences in traditional malls:
  - Samsung hosting photo tours
  - Target and Walmart in-store kid friendly events
THE CONSUMER HAS EVOLVED:

Focus on
BRAND EXPERIENCE

Optimize for
DIFFERENT PLATFORMS

Personalize the Message
AT EVERY TOUCHPOINT

Reflect
AUTHENTICITY & INCLUSIVITY

Source: Conde Nast
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
What should companies do?

- Establish an emotional connection with your customer
- Operate with a purpose
  - STAND FOR SOMETHING!
- Be clear and authentic
- Stand up for what you believe in
  - Be a purpose-led brand
- Let the consumer be part of creative process
  - co-development of products and experiences

Source: Accenture
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