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Luxury brands must take control of their digital ops

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Change is in the air in the luxury market. Over the past year, we have seen brands such as Cline embrace digital sales by launching its own ecommerce site, making all product categories available to purchase online.

LVMH launched 24 Sves, an ecommerce platform where it sells its own labels, as well as non-LVMH brands.

And, most recently, Moncler announced that it is planning to invest further to boost online sales efforts due to its direct ecommerce channel growing by 30 percent in the last two years.

After years of cautiously dipping a well-manicured toe in online, it is clear that luxury brands have now woken up to its importance. They are now moving quickly to take control of their online brand experience and capitalize on its growth potential.

Online experimentation

Traditionally, luxury brands were hesitant to embrace online as they thought the Internet's global reach would damage the exclusivity and luxury cachet their brands were built on. They also believed their high-end propositions were best suited to the store environment, where expert sales assistants could give customers the time and attention they desired, while immersing them in the ultimate brand experience.

Instead of investing in their own digital capabilities, many preferred to experiment on luxury multi-brand online retailing sites, such as Yoox Net-A-Porter and Farfetch.

Through creative collaborations, capsule launches and online-only stock, they have been able to whet the appetite of digital-savvy, fashion hungry consumers of high-end goods, while avoiding investments in ecommerce technology, payment processing and distribution infrastructure.

Over time, due to the success of such sites, online has proven to be a viable sales channel for luxury brands. Multi-brand online retailers have helped prove that online is worth it, while taking on all the upfront capex risk.

Currently, the global luxury goods market is estimated to be worth \$1.5 trillion, and around 10 percent of all luxury

sales take place online.

Over-reliance spurring change

However, reliance on such platforms has come at a cost.

Luxury brands have found that they do not hold the same quality of relationships with customers as they used to have, and they are unable to extract the information they need to make products and experiences hyper-relevant and personalized to their customers.

The brands also have to pay third-parties what can be hefty fees to operate the ecommerce platforms and to extract even basic analytics, and all customers are treated the same, regardless of which brand they are buying.

As a result, luxury players are looking to take full control of their online presence and are making moves to take ecommerce operations in-house.

To do so successfully, they will need to ensure that they have the right mix of in-house skills and technology capabilities to operate their own webstores.

Taking control

With classic routes to market stagnating and growth imperative, luxury brands can no longer afford to hesitate when it comes to digital.

As they look to scale online, while keeping control of their brand and customer experience, they have important considerations to make to ensure their operating model is fit for purpose.

To inform their strategy, luxury brands should consider:

1. Evaluating which brands and markets offer the best opportunity online: Luxury groups with a multitude of brands need to determine which brands in their portfolio have the biggest opportunity for online trading and look to prioritize them.

The groups should take into account the audience that they are selling to, market demand and economic model.

2. Weighing up the long-term growth potential of setting up owned operations: Building an ecommerce operation from scratch does not come without significant investment.

While the sheer expense and complexity may appear too great, given the infrastructure required to serve multi-country, multi-currency customers, cost analysis points to short-term pain for significant longer-term gain.

All operations and technologies from contact centers, warehouses, fulfilment, invoicing and tariffs, Web site development, order management and integration with warehouse management and all ecommerce applications will need to be developed.

3. Developing in-house digital and trading capabilities: Going it alone means luxury brands will need experienced in-house teams to run and manage the new operations and technologies.

Brands need to understand the running of an ecommerce Web site from merchandising, Web analytics, digital marketing and other related skills.

Investing in skills such as analytics, campaign management and search optimisation will be critical to gaining insight into emerging consumer trends that can be fed back into research and development.

4. Optimizing the omnichannel experience: Creating compelling digital experiences is the priority of every brand.

Luxury players who are looking to scale online should also consider how they can use digital to enhance the cross-channel and in-store brand experience through enhanced clienteling or extended click-and-collect services.

By taking control of their digital destiny, luxury players will be well positioned to accelerate the growth of their ecommerce and omnichannel business, while re-cementing relationships with customers.

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