

# How Technology is Transforming the Luxury Market



## Introduction

Think back to the year 2000. Your mobile phone – if you had one – made calls and sent texts. If it was a fancier model, you could take grainy pictures. High flyers who were ahead of the curve might have bought an expensive BlackBerry ‘email pager’ for working on the move. The internet was emerging from the bedrooms of computer geeks into mainstream use, and a little-known company called Google was beginning to challenge the search engine giants of the world wide web – Yahoo, AltaVista and Ask Jeeves.

It’s amazing how much technology can change in a short space of time. Today, over a third of the world’s population carries the internet in their pockets.<sup>1</sup> Companies that once bestrode the digital universe have struggled to survive or disappeared into obscurity. At work, people are more dependent on computers, mobile technology and 24/7 connectivity than ever before. In the scale of human history, and even in the context of the modern consumer age, two decades is nothing. But the impact of changes in technology over this time period is huge.

Luxury brands, which have traditionally depended on quality, craftsmanship and exclusivity as selling points, are in a whole new world. The digitally-connected consumer has more choice than ever, and expects a personalized, seamless online and offline buying experience. As luxury brands contend with slowing global sales<sup>2</sup>, high-end fashion businesses employ digital enterprise solutions to streamline product development and balance creative expression with the business of making money. However, luxury brands are wary of technology that might compromise traditions such as hand-crafting in the face of market pressures.

In this rapidly-evolving market, how can luxury brands take advantage of the technology revolution without losing the unique and exclusive attributes that loyal customers love?



<sup>1</sup><https://www.statista.com/statistics/330695/number-of-smartphone-users-worldwide/>

<sup>2</sup><https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-global-powers-luxury-2017.pdf>



**Part 1:**  
**The Power of Personalization:**  
**Creating Customer Connections**  
**to Stay Competitive**

Customers of luxury brands are accustomed to expert and accommodating service, purchasing with ease, a choice of buying channels, rewards for loyalty such as gifts or exclusive offers, and increasingly, personalization. Luxury brands have to meet evolving consumer expectations in the age of instant gratification and boundless choice.

A 2017 Deloitte report identifies two interconnected trends in luxury: the move from physical products to digital experiences and 'how luxury makes you feel', and increasing demand for personalized rather than standardized products, with 45% of luxury consumers asking for more personalization.<sup>3</sup> The main driver of these trends is the new generation of consumers.

## Millennials and the quest for uniqueness

Hardly a day passes without a headline-grabbing piece of research on the buying habits of people born between roughly 1981 and 1996<sup>4</sup>, known as millennials or Generation Y. Millennials are driving trends such as ethical diamonds<sup>5</sup>, sustainable cotton<sup>6</sup> and 'recommerce' outlets for pre-loved and consignment products.<sup>7</sup> Meanwhile, Generation Z, born in the late 90s and early 00s, is pushing fashion further into social and mobile marketing and retail.

Generations Y and Z have grown up in an era where people experience a flood of information, images and virtual noise every time they open a browser tab. They have an understandable desire to be perceived as individuals in the overwhelming online expanse and in real life. Luckily for them, it's easier than ever to source and purchase exclusive products that make them stand out from the crowd and express their unique personalities and values.

With more access to data than ever before, millennials are most likely to head straight to the internet to research a product before buying it.<sup>8</sup> On the other side of the data equation, online shoppers generate incredibly valuable data when they interact with brands online – whether it's by liking a Facebook post or making a wishlist on an e-commerce site.



<sup>3</sup><https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-global-powers-luxury-2017.pdf>

<sup>4</sup><http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>

<sup>5</sup><http://uk.businessinsider.com/millennials-want-cheap-ethical-diamond-engagement-rings-2018-5?r=US&R=T>

<sup>6</sup>[https://www.just-style.com/analysis/millennials-and-gen-z-shaking-up-the-cotton-industry\\_id131970.aspx](https://www.just-style.com/analysis/millennials-and-gen-z-shaking-up-the-cotton-industry_id131970.aspx)

<sup>7</sup><https://insideretail.hk/2018/02/14/recommerce-the-new-online-frontier/>

<sup>8</sup><https://journals.umcs.pl/h/article/viewFile/5078/4053>

## Generational preferences

However, this obsession with young buyers masks more general shifts in buying behavior. The internet has transformed habits of millennials' parents and grandparents too. Online shopping, from both computers and mobiles, now accounts for 37% of luxury purchases.<sup>9</sup> Breaking down that figure, millennials have the highest rate of online luxury buying, at 42%. The corresponding figure for Generation X-ers stands at 36%, with baby boomers at 26%.

Luxury brands don't just need to chase the younger generation. It's important not to forget about the preferences of older consumers, who are more likely to maintain a connection with a brand over a lifetime. Baby boomers tend to be loyal to specific store locations, and value product craftsmanship, reliability and guarantees.<sup>10</sup> Generation X-ers are generally sophisticated consumers who value quality and stay loyal to a brand, rather than a location.<sup>11</sup>

Despite the rise of online shopping, the retail store is by no means dead. Seventy-five percent of customers, across all generations, want to access products in a store<sup>12</sup>, 63% of purchases still take place in a physical store<sup>13</sup> and customers expect personalized experiences on a face-to-face level.



<sup>9</sup><https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-global-powers-luxury-2017.pdf>

<sup>10</sup><https://squareup.com/townsquare/generational-influences-in-buying>

<sup>11</sup><https://www.forbes.com/sites/yec/2018/05/17/generation-face-off-comparing-gen-x-y-and-z-shopping-behaviors/#32eeb1b6631d>

<sup>12</sup><https://squareup.com/townsquare/generational-influences-in-buying>

<sup>13</sup><https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-global-powers-luxury-2017.pdf>

## True personalization, online and off

The retail location is being re-imagined as an arena of memorable and unique experiences, rather than simply a place to shop. Concept department stores that combine several luxury brands and mix retail displays with art installations, exclusive promotional events and even spa experiences are at the forefront of the revolution in bricks and mortar, offering customers an immersive, multisensory luxury experience that makes them feel special.<sup>14</sup>

To deliver highly personalized interactions, luxury brands need to leverage the digital breadcrumbs customers leave behind. Artificial intelligence tools can synthesize data, identifying patterns and cultivating personal connections with individual consumers.<sup>15</sup> Brands that offer customization can use technology to immerse customers in the lifecycle of a product, from seeing their choice of buckle on a 3D model of a handbag to tracking the bag from factory floor to home delivery in real time.

While all generations increasingly buy online, personalized in-store service maintains the integrity of luxury brands and the loyalty of longstanding customers. Luxury brands mustn't forget to enhance in-store experiences in line with the development of personalized online services, and the digital integration of online and offline channels is a key piece of that puzzle.



<sup>14</sup><https://www.marketingweek.com/2015/09/30/four-trends-changing-the-definition-of-luxury/>

<sup>15</sup><https://wwd.com/business-news/business-features/think-tank-personalization-luxury-1202595989/>

## CONCLUSION

For luxury brands to succeed in a consumer environment where people are bombarded with choice and information, personalization adds the secret ingredient to the luxury purchasing experience. Luxury brands need to create an individual connection that invites consumers of all generations to feel their brand experience is exclusive.

Technology is the key to personalization. Effectively capturing and analyzing data gives companies the foundation of personalized service, offering a window into the unique desires and tastes of every person who interacts with your brand. Digital technology can then be used to manage and control the process of marketing, making and delivering personalized products that make individual consumers feel intimately connected to your brand.



Next: How can luxury brands use technology to develop collections that maintain brand DNA, but are also profitable? [Read part two to find out.](#)



## Part 2:

Drive Innovation to  
Balance Creativity  
and Commerce

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Luxury brands have to maintain a delicate balancing act. While exclusivity and craftsmanship are key, and quality products are expected to come at a premium price point, companies have to be careful to manage the cost of their products to maintain profits. On the other hand, diluting brand DNA with lower quality materials to keep costs low and profits high threatens a brand's luxury status and risks making products unappealing to discerning customers. How can luxury brands get the balance right?

## Seduce customers with showpieces

The top end of the luxury scale is aspirational to many consumers. Some of the clothing on the catwalk is 'wear-able art' and impractical to wear in real life. Catwalk collections exhibit the best and sometimes extremes of a brand's creativity and unique expression, inspiring customers with core elements of brand DNA that translate into wearable products that can be sold. In order to avoid making products so unattainable or impractical that no one buys them, luxury brands must solve a significant dilemma: how much should they compromise on creativity to create profitable collections?

Luxury brands that successfully balance creativity and commerce employ showpieces that are not necessarily meant to be sold. As one lingerie designer notes, showpieces are "pieces of stunningly beautiful design meant to covet and remember. These direct people to the brand's other products, the ones they can afford."<sup>16</sup> Showpieces unleash the creative expression of designers to produce memorable product imagery that can be deployed across physical and digital channels to increase brand desirability, leading to more sales of 'everyday' products.

<sup>16</sup><https://www.thelingerieaddict.com/2017/01/lingerie-designers-challenge-balance-creativity-commercial-viability.html>



## Product mix in a digital world

The world's most successful luxury brands have carefully crafted a product mix that balances genuinely exclusive and iconic products with lower-priced products such as cosmetics, fragrances and small leather goods sold in high volumes to aspirational consumers. However, in a world transformed by social media, global distribution and off-price outlets, consumers are aware of how available some luxury products really are, sometimes at discounted prices.<sup>17</sup>

While some brands retreat from the digital world and e-commerce, fearing that online shopping and the uncontrollable nature of social media will water down their brand image, others are confidently stepping forward to meet customers where they are; online. The internet isn't going away any time soon. A 2018 report suggests that one in five luxury purchases will be made online by 2025, representing \$74 billion in sales.<sup>18</sup>

To retain exclusivity in the digital era and still make sales, successful luxury brands pursue two connected strategies. First, using digital technology to cultivate consumer relationships, create a frictionless online and offline experience and market a brand narrative focused on aspirational lifestyles and values; and second, balancing the availability of entry-level, logo-heavy products with iconic products at higher price points with subtle brand signifiers.<sup>19</sup>



<sup>17</sup><https://www.businessoffashion.com/community/voices/discussions/has-luxury-gone-too-mass/the-luxury-brand-balancing-act>

<sup>18</sup><https://www.mckinsey.com/industries/retail/our-insights/luxury-in-the-age-of-digital-darwinism>

<sup>19</sup><https://www.businessoffashion.com/community/voices/discussions/has-luxury-gone-too-mass/the-luxury-brand-balancing-act>

## Innovate and surprise

Consumer-led trends are redefining luxury, moving away from traditional ideas that have defined luxury, such as wealth and exclusivity, to new values such as timelessness, individuality and sustainability. Luxury brands must put consumers in the driving seat and recognize that consumers, rather than designers or brand managers, are the final arbiters of what constitutes 'luxury'.<sup>20</sup> To do that, luxury brands need to commit to innovation as a priority.

Innovation is where creativity and profitability can find common ground. The main ingredient of innovation is creative problem-solving. For some brands, that means revitalizing product lines to offer new concepts and services. For others, it means original marketing strategies that meet customers in the virtual and real places they hang out, consume media and shop.

Innovation-centered fashion brands use technology and engineering expertise to make apparel and accessories that are smart and functional as well as beautiful. Creating highly technical products is time-consuming and requires great attention to detail, but digital solutions can be used to streamline the design, development, production and retail of luxury products that deliver value to customers and still help to build brand equity.

In the new luxury landscape, technology is an intrinsic part of luxury innovation, whether companies innovate by directly combining technology and fashion or by using big data to identify emerging trends. While it is important to use consumer data responsibly and subtly, the wealth of data produced by consumer interactions during browsing and buying offers the potential to surprise consumers with fresh, relevant products that reflect their personal needs and values.

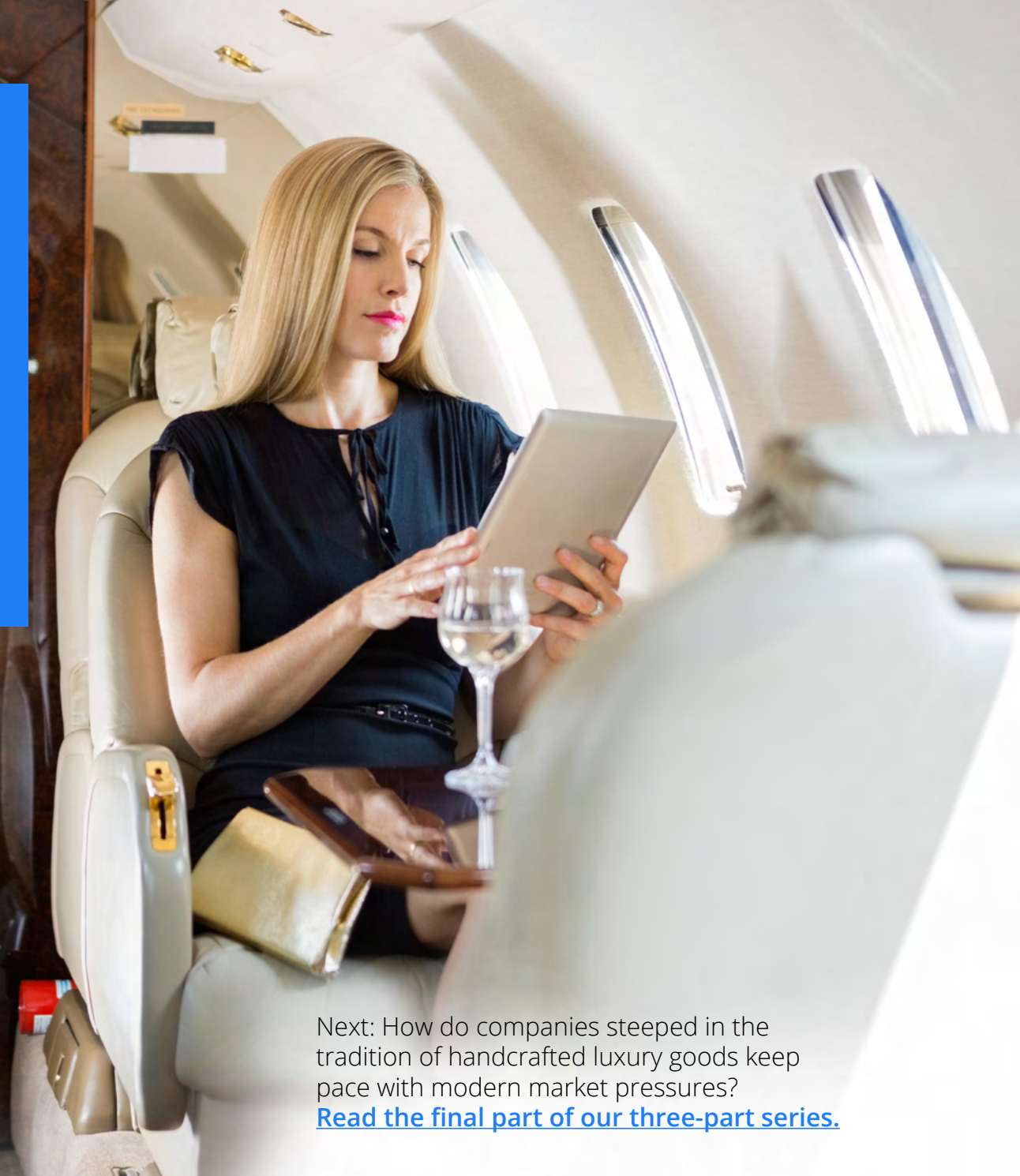


<sup>20</sup><https://www.forbes.com/sites/pamdanziger/2017/08/08/luxury-brands-innovation-is-no-luxury-but-a-necessity/#7718e205303a>

## CONCLUSION

While luxury consumers still value qualities such as craftsmanship, the modern consumer wants to feel as if they are part of a lifestyle and experience. Radical creativity is at the heart of luxury.<sup>21</sup> The creative energy of designers and product developers can be harnessed by luxury marketers to create showpieces and imagery that involves consumers in brand narratives before they ever spend a cent.

In order to maintain luxury status and still make a profit with lower-priced products, brands have to step up to the possibilities of social media, e-commerce and digital design and production technology. Creating a seamless path from inspiration to purchase that firmly integrates point of sale with marketing<sup>22</sup>, even if the product sold is different to the original inspiration, is key to making sales without diluting brand DNA.



Next: How do companies steeped in the tradition of handcrafted luxury goods keep pace with modern market pressures?

[Read the final part of our three-part series.](#)

<sup>21</sup><https://www.luxurysociety.com/en/articles/2017/12/six-insights-help-luxury-brands-stay-desirable-2018>

<sup>22</sup><https://adage.com/article/digitalnext/luxury-brands-innovate-die-digital-age/298149/>



**Part 3:**  
Transform Tradition  
with Technology

Many luxury brands are defined by their heritage and their luxury items because of the rarity of the components they are made of. Companies build up a reputation over generations of consumers because they are steeped in a tradition of craftsmanship in hand-tooled leather, embroideries, horology or footwear design. However, today's global marketplace demands speed and convenience, pushing luxury brands to compromise on time-consuming and labor-intensive traditional production. How do companies maintain the heritage, craftsmanship and preciousness that defines their brand while keeping pace with market pressures?



## Digital transformation

Luxury brands are feeling the heat from fast fashion and online retailers and changing the way they operate internally in response. Speeding up production processes and reacting quickly to customer behavior are high priority goals for many companies.<sup>23</sup> In pursuit of the fast fashion leaders, luxury brands and retailers are slashing the time it takes to get a new product to market, from an average of 12 to 18 months to as fast as four weeks.<sup>24</sup> Technology is at the heart of this change, with new digital tools enabling luxury brands to reduce product development times and enable expansion to emerging markets in Asia and Latin America.

Luxury consumers are particularly discerning when it comes to cost-cutting or time-saving measures. A recent research project defining the qualities of authentic luxury determined that, "First is the touch of the hand of the craftsman or product creator. That delivers the quality, workmanship and attention to detail the customer can feel. And the luxury carries its heritage, provenance, story and sense of place and time to connect with the individual."<sup>25</sup> When brands bow to time pressures, is it possible to maintain these qualities?

Modernizing luxury brand operations with new and innovative technologies such as Product Lifecycle Management (PLM) solutions, artificial intelligence and 3D modeling can help companies to transition to faster, more streamlined operations while maintaining a focus on brand values, traditions, innovation and quality. The use of sophisticated virtual 3D samples, for example, can cut time spent producing and the cost of revising several iterations of physical samples. Effective PLM solutions manage every aspect of product design, development and distribution in a centrally accessible system, updated in real time, that makes it easier for teams to collaborate across the globe without errors and time delays.

Saving time and streamlining the design and product development process with digital technology frees luxury brands from tedious administration work to focus on value-added work, such as innovative design, collection development, pattern-making, fabric sourcing, quality assurance and costing. Rather than erasing the 'touch of the hand' and traditional methods of design and production, the right digital tools make it easier for them to survive.



<sup>23</sup><https://digiday.com/marketing/luxury-brands-changing-operate-internally-react-faster-customers/>

<sup>24</sup><https://digiday.com/marketing/luxury-brands-changing-operate-internally-react-faster-customers/>

<sup>25</sup><https://www.forbes.com/sites/pamdanziger/2017/08/08/luxury-brands-innovation-is-no-luxury-but-a-necessity/#336d01e2303a>

## Supply chain visibility

Using technology such as PLM can provide a centralized view of all product-related activities from development to retail, which supports more strategic decision-making. This is especially important to ensure the product quality of finished products is consistent and of the standard associated with luxury brands. Supplier details, quality control checks and compliance documents can be managed and tracked centrally to eliminate silo-ed information. Some brands connect manufacturers and suppliers to the system for even more tightly integrated communication and management of the production process.

With technology that can better track and monitor end-to-end supply chain information, luxury brands can improve retail operations by fully integrating online and offline channels to avoid duplicated work and divided supply chains that are invisible to one another.<sup>26</sup> Traditional luxury retailers that are in the process of becoming multichannel retailers with an online dimension must recognize that leading retailers integrate offline and online supply chain, investing in versatile supply chain systems and scalable, flexible online platforms.<sup>27</sup>

To bolster their heritage status, some luxury brands are turning away from outsourced production on the other side of the globe and 'reshoring' manufacturing to their home countries for example.<sup>28</sup> Luxury brands who are considering reshoring to bring design and production closer together have a golden opportunity to revamp the technology they use to manage supply chains. Shorter and more tightly integrated supply chains can become even more efficient with software that fully links supplier communication, sampling and quality control with the rest of the product lifecycle.

<sup>26</sup>[https://www.ey.com/Publication/vwLUAssets/Retail\\_Operations\\_Six\\_success\\_factors\\_for\\_a\\_tough\\_market/%24FILE/EY\\_Retail\\_Operations\\_Six\\_success\\_factors\\_for\\_a\\_tough\\_market.pdf](https://www.ey.com/Publication/vwLUAssets/Retail_Operations_Six_success_factors_for_a_tough_market/%24FILE/EY_Retail_Operations_Six_success_factors_for_a_tough_market.pdf)

<sup>27</sup>[https://www.ey.com/Publication/vwLUAssets/Retail\\_Operations\\_Six\\_success\\_factors\\_for\\_a\\_tough\\_market/%24FILE/EY\\_Retail\\_Operations\\_Six\\_success\\_factors\\_for\\_a\\_tough\\_market.pdf](https://www.ey.com/Publication/vwLUAssets/Retail_Operations_Six_success_factors_for_a_tough_market/%24FILE/EY_Retail_Operations_Six_success_factors_for_a_tough_market.pdf)

<sup>28</sup><https://link.springer.com/article/10.1007/s12063-016-0116-x>





## CONCLUSION

While luxury brands have to preserve the traditional craftsmanship, quality and attention to detail that makes their products desirable, they need to be agile and innovative in order to gain the favor of the new luxury consumer. The modern face of luxury combines style and substance, delivers more value for its price, is of high quality and responsibly crafted, is authentic and not for poseurs, is democratic and inclusive, is both timeless and timely, and is socially responsible. It's a tall order for any company to live up to!

As one luxury expert points out, "If a luxury brand is managed with care at every stage of its own history, with attention and a sense of long-term investment, there won't be any urge for disruption, relaunch, revolution."<sup>29</sup> By investing in technology, brands can preserve craftsmanship and what makes them unique. Brands that retain an authentic sense of their heritage, while moving with the times, naturally evolve and bring customers along with them.



<sup>29</sup><https://www.luxurysociety.com/en/articles/2018/05/hermes-vs-kenzo-mindful-approach-luxury-brands-dna/>

## Conclusion – evolve naturally with technology

The dizzying pace of technological change and the democratizing effect of online shopping, social media, influencers, outlet stores and review sites present challenges for businesses that are used to an established way of doing things, whether that means constructing leather bags by hand or controlling editorial imagery through traditional media advertising.

However, this doesn't mean leaving loyal older customers, craftsmanship and heritage behind. Innovation is key. Luxury brands can judiciously use technology that maintains brand DNA while reaching a new generation of consumers, surprising existing customers with creative and personalized offers, delicately balancing creativity and commerce and streamlining production and retail.

With an innovative spirit, luxury brands can take advantage of the technology revolution to grow and evolve without losing that certain *je ne sais quoi*.



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