

24. Luxury and “Mobile First”

By Elias Barth

The luxury goods industry has registered with disquiet that digitalisation has also taken hold in one of the otherwise so trend and fluctuation resistant industries. Many had hopes that the changes accompanying digitalization would pass by luxury customers without further ado.

Recent developments and figures from the digital world dash this hope. The luxury industry has also finally arrived in digital reality and sees itself confronted with a general examination of its value creation chain. An almost disruptive potential is unfolding – digitalization on the communication and sales channel level. The buzzword “omnichannel management” defines the challenge and is probably to be found on almost all CEO agendas in luxury goods enterprises.

“One of the most important innovations of the digital era: Omnichannel”
Jason Bloomberg (Bloomberg, 2016)

The industry has recognised the importance of an omnichannel digital strategy. Strategy initiatives are being launched wildly by all the major luxury enterprises. One core question raised here: Should an omnichannel strategy place the focus on e-commerce and desktop-oriented digital consumption (desktop first approach) or on mobile commerce (m-commerce) and mobile-oriented digital consumption (mobile first approach)?

The most important luxury firms appear to favour the first variant. In none of the 2015 business reports from the large luxury conglomerates (LVMH, Richemont, Kering) is a mobile strategy mentioned. Mobile approaches are restricted to niche initiatives.

“The shift from URLs to social media is a natural parallel as readers shift from desktop PCs to mobile” Nicholas Carlson (Sherman, 2016)

But current consumer behaviour indicates another development. Looking at consumer behaviour, it soon appears as though the “mobile momentum” has already taken hold among customers.

The following pages describe that a “mobile first approach” in the omnichannel strategy better matches current customer behaviour than the present “desktop first approach” – also for the luxury customer. Based on a four-phase “customer journey”, it is explained with facts how mobile has now changed the customer journey and dominates consumer behaviour. Finally, strategic imperatives for drawing up a mobile first strategy are derived from a best practice example.

Even digitalization sceptics have since quietened down. The figures speak a clear language. The Internet penetration rate in North America is almost 90%. Not quite so high, but still significant is the rate in Europe (73.5%) and in Australia / Oceania (73.2%) (GlobalWebIndex, 2016). China, the growth driver so important for the luxury goods industry, plays by its own rules when it comes to Internet usage. Whereas the relatively low penetration rate of 50.3% may be perplexing, the true scale only becomes apparent with the absolute number of Internet users: 643.6 million. This makes China the country with the most Internet users (eMarketer, 2016). In view of these figures, even sceptics have to admit that digitalization is of relevance for all enterprises, also for luxury enterprises.

Another development has already taken effect – “mobile momentum”. The way in which the Internet is consumed is changing rapidly. Since 2012, the daily time spent on the Internet on mobile devices has jumped by almost 60% from 74.4 minutes to no less than 119.4 minutes (Statista, 2015). Compared with 2012, the most important US media formats are no longer consumed on the desktop (20.7%), but on smartphones (23.3%, previously 13.4%) (eMarketer, 2016). In the period between 2015 and 2019, the company eMarketer expects the number of mobile phone users who use mobile Internet to rise from 2.33 billion by almost 40% to 3.22 billion users (GlobalWebIndex, 2016).

In a nutshell, this means a shift in the traditional sales/communication media. Looking at the consumer behaviour of the millennials impressively underlines the shift. According to the Schullman Research Center, 82% of millennials prefer advertising on mobile websites (Mardenfeld, 2013). A survey among luxury marketing agencies also showed that the change towards mobile marketing has advanced rapidly among luxury customers in particular (eMarketer, 2012).

The figures show that the Internet is making its mark on all levels. Current consumer behaviour clearly shows that the choice of channel is developing away from the desktop towards the mobile format.

The awareness phase is passing seamlessly into the relatively new research phase. The most prominent phenomenon of this phase is the ROPO (Research Online, Purchase Offline) effect, which also applies to luxury customers. In 60% of cases in which luxury products were physically purchased in 2014, the luxury customer had previously found out about the product online. According to estimates, this effect is likely rise to 80% by 2020 (Solca et al., 2015). Here too, there is a shift in favour of mobile Internet. Approx. 25% of luxury customers frequently or always use their mobile device to inform themselves prior to purchasing (Dauriz, Remy and Sandri, 2014).

Today, sales can be implemented in two ways. On the one hand, there is the new sales channel via the Internet and then the classical sales channel of the physical shop, on the other. While the role of mobile Internet is obvious for e-commerce, it is now apparent that mobile Internet also plays a pivotal role in the physical buying process.

The data available to analyse the luxury customer's shopping behaviour “in-store” is unfortunately limited. What is certain though is that the general trend here too is moving towards mobile Internet. According to a study from Deloitte, 84% of “normal” customers already use their smartphone “in-store” today. A third of the study participants prefer a digital sales advisor here. The probability that customers in the store also buy something is in fact 40% higher when they include their smartphone “in-store” in the buying process (Lobaugh, Simpson and Ohri, 2014). This is particularly the case for luxury customers. According to Exane BNP Paribas, digitally networked luxury customers in fact buy 60% more than purely “in-store” customers (Solca et al., 2015).

Customer behaviour following the product purchase has also changed with digitalization. Besides the important “post-purchase” instruments, such as marketing events, loyalty programmes and repair services, the range of tools has also expanded. Social media today represent an irreplaceable bridge between the customer and the enterprise and serve for permanent communication with the customer.

76% of luxury customers say that the first touchpoint between them and a new luxury campaign or a luxury product is via social media (only 39% via print media) (GlobalWebIndex, 2016). Therefore, it is all the more important to orientate the digital strategy to this interaction interface. Specifically, this again means aligning development effects with mobile Internet, because social media are also consumed for the most part on smartphones (for example, 40% of all Facebook users have never once logged in via the normal desktop browser) (Williams, 2015).

As shown, mobile Internet is not only the mainstay for networked luxury customers in almost all phases of the customer journey. Brian Solis illustrates the current development: "Mobile is not only reshaping the customer journey, it is rebooting the entire experience in the process" (Solis, 2015). As mentioned in the introduction, this development has above all advanced from the customer perspective. Forrester Research listed the requirements of the luxury customer in a study: 51% of luxury customers demand a mobile website, 49% expect a mobile app and 43% would even like to be able to shop on a mobile website / app (Squardo, 2014). These customer requirements have to serve as the basis for luxury enterprises to formulate digital strategies. Against this backdrop, luxury enterprises should re-examine their omnichannel strategy and adapt it if necessary.

"Mobile is the central glue which joins up the various actions" Alex Meisl (Bradbury, 2014)

The US fashion company American Eagle Outfitters (AEO) pursues a digital strategy with a "mobile first" approach. The aim of the strategy is clearly set out by AEO's VP Digital Technology: "Our mobile-first focus has been critical for us. (...) We want to integrate all channels in the customer journey" and further "Our goal is to take away the friction that often exists when shopping on a mobile device" (Bloomberg, 2016). The AEO digital presence therefore always assumes that most access to digital contents is from mobile end devices ("mobile first" approach). All digital contents are therefore developed from this viewpoint and are matched to the physical objects (such as the shop). AEO's experience can be used to develop three specific recommendations for action for developing

1. Strategic partnerships: The requirements of customers for a smooth customer journey experience, both online as well as offline, are high. So, it is worth working with enterprises experienced in the field of digitalization and to avoid unilateral approaches. AEO, for instance, works together with an agency that already has many years of experience in developing apps and mobile websites for retailers.
2. Internal collaboration: A frequent problem with digital strategies is that the mobile aspects are considered in isolation. Brian Solis, from the digital consultant Altimeter, summarises this problem: "As a result, mobile strategies for the most part are focused on an isolated aspect of customer engagement (...). It is not uncommon for these departments to not collaborate with one another" (Solis, 2015). Besides strategy development that includes all stakeholders affected by digital activities (Retail, Sales, Marketing, Service etc.), structures also have to be in place that safeguard long-term exchange of information among the stakeholders.
3. Money talks: Ultimately, luxury firms have to decide to also release the necessary financial resources. Not for the digital strategy, but explicitly for the "mobile first" approach. It is not sufficient to simply view mobile commitment as a checklist box as part of the digital strategy (Solis, 2015). For example, only 15% of the advertising budget goes into mobile advertising, although the consumer spends most time on mobile websites (40% of the advertising budget is allocated to TV advertising and 20% to desktop advertising) (Nanji, 2015). If the mobile first approach is taken seriously, this also has to be reflected financially internally and externally.

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