

The 2007 Luxury Briefing Conference

Web 2.0 *Are you on board?*

Last month's Luxury Briefing Conference brought together speakers who specialise in doing business via the digital world. Our intention was to **inform, inspire and excite**, to show just a little of what can be achieved, and perhaps to persuade some companies to **boldly go** where luxury has been reticent to go before... here is a summary of the key points made on the day

Mark Cohen *Founder, Ledbury Research*

Setting the scene: the facts and figures of luxury online

- n Wealth is increasing faster than ever. Now 9.5m people around the world have assets of \$1m or more: 500,000 in the UK, 2.9m in the US.
- n Sales of luxury goods are growing steadily at 10% year-on-year and looks set to continue. In the UK sales are growing 20% year-on-year.
- n The online luxury market is growing at 20%, double standard luxury growth. In 2007 online sales of designer apparel, watches and jewellery will amount to \$3.1bn, but by 2011 could have doubled to \$6.1bn. Online sales currently amount to 2.5% of all designer apparel, watch and jewellery sales, with 1% being bought direct from brands, the rest from multi-brand websites. By 2011 4.5% of all luxury purchases will be made online.
- n The biggest online market is Japan, where 39% of high earners have purchased an item >£1,000 online, while the lowest is France at 19%.

In the US this figure was 28%, and 26% in the UK. In the UK the biggest online shoppers are male, while in France they are female. The other markets all had a similar male to female mix.

n The key opportunities for luxury brands to target these customers using Web 2.0 techniques and technologies are through...

- 1 Communities;
- 2 Networking;
- 3 Peer-to-peer;
- 4 User-generated content

n There is a particular opportunity when targeting the recently-wealthy. The established wealthy already have their networks and tastes established but the newly wealthy are still seeking advice and information on how to spend their money and looking for communities to help them. There is an opportunity for brands or others to provide those networks.

Saul Klein *Partner, Index Ventures* with **Bec Clarke** *CEO, Astley Clarke.com* **Miriam Lahage** *CEO, Koodos.com*

Wake up! Do you really know what is happening on the web?

Saul Klein: There are new forms of demand and customer expectation and this is the opportunity. Originally people thought that you couldn't achieve high price points on the Internet but this myth has now been exploded.

- n Websites must provide an end-to-end customer experience.
- n Stardoll.com, one of the sites Klein works with, now has over 10m users internationally and DKNY and Sephora are now using it to show their brands and reach the customers of the future. At the other end of the scale there is A Small World offering an invitation-only VIP online service and Doppler for frequent travellers. These address the demographic which doesn't want to be on Facebook or Bebo.
- n Search optimisation and fulfilment are both areas of neglect.
- n Try and do everything in-house, even if that means acquiring the expertise to kick-start your Internet efforts as it's such an important area.

Bec Clarke: Good old-fashioned (customer) service is still critical on the web with skilled staff who know about the product.

- n When setting up a website don't look to other luxury brands – look to the people who have already made a success of it like Tesco and Amazon.

n Concentrate on the web presence and making your site look good, but it's important to own your own technology or you can lose control.

n Brands underestimate the cost of setting up, maintaining and promoting a website. What works for one category will not work for others.

n It is surprising how much people are willing to spend – even first time buyers and people who don't know the brand.

Miriam Lahage: Brands think that they don't have control on the Internet. But with only a single point of consumer contact they have much more control than many other multi-brand retailers.

n When providing service on the Internet you must deliver. If customers feel comfortable, they will spend.

n The 'Last Touch' is critical: the last point of contact is always the one that is amplified, be it delivery, return, service, or whatever personal contact the client last has with you. This is how you build loyalty – offer what a store would, but then more. Word of mouth gets around about websites.

n User-generated content helps a lot - impartial reviews, style tips etc generate rich content. People want to be part of a community.

Claus Sendlinger *CEO & President, Design Hotels*

Selling an experience off the screen: why hotels (and others) are missing a trick

n One of the problems with the online world is that hotels copy hotels and retailers copy retailers. This is why everything looks the same.

n Brands need to create experiences online – at present they are using the Internet like an extension of a form or a telephone dial. They could learn from real estate and second home sites - eg

www.portosenso.com. It combines Google Earth maps with animated virtual tours and video.

n Hotels should also be destination advisors: there is a great opportunity for brand cross-marketing. Examples:

- 1 www.toyota.com/yaris with a virtual drive in a Yaris with your choice of music and advice on destinations and stores en route.

- 2 www.bugaboo.com with its child-friendly walks and suitable stores set against original local artwork.

- 3 www.geobeats.com features 13 cities and 30 short videos ranging from mainstream to underground;

- 4 www.wayfaring.com gives concierge-style tours. Hotels could offer tours like these to tie in with other brands.

n www.designhotels.com has a section called Black Box, where clients can get design inspiration and check out events around the world.

n The web is also a useful way to provide the consumer with an integrated travel experience – eg Virgin Atlantic or Airtroduction which deal with travel right from the start of the journey.

BRAND PANEL

Theo Fennell *Creative Director, Theo Fennell* Chris Sharp *Owner, The Rug Company*
Jo Lee *eMarketing, Paul Smith*

Michel Gutsatz (Moderator)

Luxury brands do not seem to understand about online communities. The Internet is about communications, collective interest and the communities are participative and collaborative. Brands need to consider customers as partners rather than it just being about selling. To do this you need to work out what your customers know about your brand.

Theo Fennell

n Our customers have grown up with our business so we know them very well. In Internet terms, we only know what our server tells us. We do know that they want the Theo Fennell experience, which involves luxury and a personal touch.

n Our approach to selling products on the internet is different from our approach to the stores. They are more about bespoke and more expensive pieces. The website is a useful introduction to the brand for those who are nervous. It will be some time before we sell our more expensive pieces online, but it is good for items that don't require a specific fit, like pendants and necklaces – they do extremely well.

n It's a different product and to run our site Amazon-style would give rise to us promoting fashion-led products rather than true luxury.

Chris Sharp

n This is a problem as often the return is the end of the sale as customers are then embarrassed to keep asking for other rugs to try. Our website is a catalogue and entry point. Any other use is wrong for our sector as we prefer to provide the highest personal level of service. With the Internet there will always be a high return rate, which is difficult for us. However we're developing an accessories line which we will sell online.

n We plan to build an online community of international designers. We want to keep the customer informed but not send them too much.

Jo Lee

n We've actually had a website since 1994. It took us a long time to decide to do it, but now it's doing fantastically. The site is now part of our portfolio of shops and we are about to develop it to include details of events, personal selections by Paul Smith and web exclusives.

n Our website has a store manager and sales assistants just like a real store. They know their best customers and details about them and call or e-mail them if something they like has appeared in store.

n One of the problems is the difficulty of conveying the humour of the Paul Smith brand over the Internet. Translating this and bringing it to life is an ongoing process for us.

Brent Hoberman *Founder, mydeco (also, Founder, lastminute.com)*

Why web will soon be critical to business success

n Mydeco, which launches soon, allows shoppers to try different furniture and design options in an online, virtual version of a given room, offering inspiration on different styles and ideas. Mydeco offers products at a range of price points.

n Brent's recommendations for luxury brands:

- 1 Be open to ideas. It's fair to be concerned about the company you keep online, but not overly so.
- 2 There really is no good reason not to sell online. The rate of returns might be high, but it's worth it. Some sectors do work better online than others – particularly those that are low-touch – but as images are getting richer this is less of a problem. There are also new developments coming along like virtual avatars based on body-measuring technology that will

change the process.

- 3 With any community you have to cater to the passions of the community and tap into this. The level of passion is often the same whether you are dealing with professionals or amateurs – it's just the level of expertise that alters.

- 4 Avoid Flash. It is bad for search engine optimisation as it is too slow. It requires dedication to the brand on the part of the consumer to sit through the Flash display. Many luxury brands base their websites entirely on Flash.

- 5 Editorial is very important. Mydeco has hired a well-known magazine editor to provide the copy which is going to become a major part of the site.

- 6 The whole process is difficult but it is good that it's difficult: when you come up with an original idea it is harder for people

Jeffrey Miller *Luxury Briefing's US Editor*

Humanity in Cyberspace

n When it comes to the web, Jeffrey feels that he is more “bored than onboard”. He already spends enough hours at his desk without adding to this by shopping, communicating or socialising through the internet. The medium is stupefying people into becoming “a collective of lard-asses”.

n 99% of web pages are ugly and it is so much more appealing to visit bustling stores and try on, feel and be attracted to products.

n He cited *The Four Hour Work Week* by Timothy Ferriss (how the epidemic of information has left us overwhelmed), and *The Shock Doctrine* by Naomi Klein (the concept of a global market is an artificial one) as taking interesting viewpoints on the subject. Maybe it is “the dose that makes the poison”, ie the problem is not the technology itself but the way that people use it. It's fine to stand firm against the technological revolution but there are other options – some companies are now bringing in ‘No-email Fridays’. The web is congested: how does e-luxury fit in?

n Early adopters have now cast the web aside and moved on to fresh markets. This means that all the ‘cool people’ have departed from places where they were previously to be found. Where have they all gone and is anybody addressing this market? This could be the target for luxury brands. How can Web 2.0 help reach them?

n There is great opportunity for luxury to revive itself. Aspects to bear in mind are:

❶ **Beauty** – Pages are currently like unfurnished rooms – two-dimensional, dated and constructed by technical teams using brand manuals.

n Soothe and calm the eye – you can have beautiful pictures of shops and places, a tour narrated by a child etc.

n Thrill with design which will make you stand apart from the others; invest in good designers.

n Beautify sites to play down the element of excess consumption. Draw customers into a magical world.

❷ **Art** – Co-brand with art, “the unassailable” – out-source projects to musicians, artists and architects. Provide surprises to be checked out regularly.

❸ **History** – Provide archive material – and not just photos of celebrities; use retrospective shots of shops or feature interviews with master craftsmen.

n Provide more texture and originality: a fusion of history/modern.

❹ **Humanity** – Provide pure luxury and pleasure – build a new brand paradigm in cyberspace, don't just be a parasite.

n Why is no luxury brand sponsoring sustainability or other new-territory charitable projects? Be the first. Rather a Gucci green car than a lumpen Prius.

n Advance deeper with confidence, and with beauty and humanity: Web 2.0 is in fact the perfect medium for this message.

Tyler Brûlé *Founder & Editor-in-Chief*

Why luxury brands aren't doing enough

n When Tyler Brûlé visited luxury brands in the process of launching the *Monocle* magazine and website he expected: ❶ to be confronted by dazzling on-brand websites and ❷ web-savvy marketing directors;

❸ media plans that merged print and web campaigns; ❹ aggressive e-commerce development plans; ❺ elaborate alliances; ❻ design studios buzzing with creative teams for special pieces; ❼ web producers and creative directors scheming to devise new ways of presenting sites;

❽ recording studios booked with talent; ❾ a confidence with the web and a boredom with print.... that I could tell them nothing new. “How wrong I was,” he told us.

n *Monocle* is a total media brand, a global briefing in print and online. It has a bookish quality and an affinity with coffee tables and bookshelves. It combines reportage, editorial and ink on page. The website allows visitors to watch unique film footage, listen to reports, reference back issues and buy subscriptions and merchandise. The film footage is on HD so that it is a complement to the *Monocle* magazine and not low quality like so much of the web.

n The web provides small luxury brands in particular with the opportunity to “come out swinging”. It works in the favour of the underdog in this respect. Through the Internet brands can have an hourly/weekly/daily relationship with customers. Lots of people are still ‘working on it’ but you really don't need to be a broadcaster to

make it work for you. There are lots of interesting ideas around but do bear in mind that the internet is about more than just translating your print campaign.

n When starting *Monocle* the initial revenue was low, but now it has managed to engage the consumer. Features of the *Monocle* site include a global overview of cities in partnership with American Express and a regular feature in partnership with HSBC of five great things that can improve your life. These provide a chance to champion cottage industries and also to provide guides to top cities around the world. The site also sells *Monocle* branded bags produced by Porter in Japan.

In nine months 1,000 bags have been sold with an average transaction being £185. It gives *Monocle* a chance to build a dialogue with the consumer. Luxury brands could implement their own variation on all of these things.

n What is needed on the Internet is...

❶ Stronger narration – use audio and video; ❷ Less chatter – social networks are tricky territory and not commercially convincing; ❸

Build in more layers – music/voice overs/navigation; ❹ Greater emphasis on exclusive limited offers so that people make a ‘retail pilgrimage’ to your site; ❺ Outstanding packaging that makes you want to rush home to open your purchase; ❻ Honesty. Tell the real story behind the product.

Dee Salomon *SVP, CondéNet*

How to engage the key influencers in a digitally-enabled world

n Rapid development of the web has brought about profound behavioural change: ❶ The change in media consumption from ‘media meals’ to all-day snacks from the ‘media buffet’; ❷ There has been a parallel shift from ‘push’ to ‘pull’ media; ❸ Media interaction, much of which is now self-select.

n Idea of influencers is not new (“Crowds determine conversations: conversations determine outcomes”) but the velocity and scale is.

n Who you reach is very important. Marketers tend to rely on appropriate media to find target audiences, but brands may by-pass media in the future. Your best customer could be the one who is the

biggest influencer – not necessarily the one who buys the most.

n Influencers gravitate towards sites with the best editorial content and information

n Media attracts its audience via content, editorial and design but the web allows for a utility and personal relevance not possible on paper.

❶ Influencers curate and originate content, voicing their preferences. This can be invaluable for brands to watch.

❷ Influencers participate with others, creating their own communities.

❸ Influencers increasingly integrate video. Video is the safest first step for brands wanting to venture beyond print advertising.

MEDIA PANEL

Jason Campbell *Editor-in-Chief, JCRreport.com* Tamara Heber-Percy *co-Founder, Mr & Mrs Smith.com* Amanda Gore *Director, PSFK.com*

Michel Gutsatz (Moderator): The web is about sharing passions.

Amanda Gore: There are currently 250,000 subscribers to PSFK's free and paid-for media sites. The idea of the Web is free information for everyone. PSFK is all about that and providing an honest voice. It has now spun off to *Likemind*, a coffee morning concept in 40 cities around the world allowing people to meet and connect. In this respect it's about community as well as online. It puts a face to the idea and this is what brands have to do though the Internet too – it's not just about sales.

n Using the web is about creating an understanding of a brand. People will research before they go out and buy. We will see virtual stores, biometrics and talking to and involving the customer. Also more location-based networking.

Tamara Heber-Percy: Mr & Mrs Smith currently has 50,000 paying members. There are plans to add more interactive elements to the website next year and join Web 2.0 but we are also wary about fake 'posts'. Mr & Mrs Smith provides a sense of community through

its booking team, which visitors can contact directly and form a dialogue with. Our books also provide a tangible element to the site as they are something that people want to possess.

n Build trust, talk to your customers, get feedback – and the sales will follow.

n There needs to be much more video and streaming. In Japan mobile phones are miles ahead and purchases are being made by mobile phone. There will also be more effort to stream customers and target them specifically. It's about providing the best service in every medium.

Jason Campbell: Net-a-porter.com users would love to tap into each others' knowledge and exchange tips, but there are very few sites which offer the opportunity to do anything like this.

n Create a culture. There's a sense of community associated with brands that goes beyond just owning a product

n Luxury has been polluted and bastardised. It should be about bespoke/unique/created for you. It has to make you feel luxurious and people love to know that they played a part in creating an item.

Natalie Massenet *Founder, Net-a-Porter.com*

The secret of our success

n The marketplace is now more crowded than it was when we started but we have survived by being global, targeting only women and providing a combination of media, entertainment and shopping which people have responded to.

n The spectacular failures of the past make people cautious but they were largely brought about by people thinking that the web revolution would take place faster than it did.

n The problem now is that they are underestimating the power of the web. You have to have the right mechanisms in place in advance and plan well; as you cannot let the customer down if your business suddenly doubles overnight.

n The editorial side of Net-a-Porter is important as the media provides a buzz about products but generally doesn't sell them. It makes sense to combine the two.

n Also, stores do not always provide what people want, and if they can find it on the internet, they will buy. Net-a-Porter has created a 24-hour-a-day experience and the internet is an opportunity for brands to do the same. People want to shop outside working hours. Use it as a brand extension.

n Brands shouldn't be scared of getting things wrong. Doing anything is good start.

n It's tough to find the resources to step into a new arena but it shouldn't be treated like an airport shop or second-rate experience as some are doing. Put your best stuff on the web – it's your most visible shop window.

n I also wonder why people put geographical restrictions on the stuff that they sell on the internet – like only selling certain products in the US or Asia. Why not make everything available to everybody?

n In terms of customer service, you don't need new people or skills – just think about what customers would want and don't lie or make false promises.

n You should work out what you need to do on the basis of what is right for your individual company and do it your way – and you have to believe that it is right for your brand.

n You don't need to shout about it. Gucci did it quietly and then developed it, and don't be scared to start small, even if you're a massive company.

n But do it today as it will be easier than tomorrow or the day after.

Chris Sanderson *Creative Director and Tom Savigar *Partner, The Future Laboratory**

Luxury in denial - why luxury brands have to commit completely to the web

n Most luxury brand websites are poorly designed and constructed, many have no e-tail...

n But wealthiest customers are the most active web users and they tend to want what they want when they want it.

n Brands are failing to use available technology, eg an RFID chip in a loyalty card that alerts a store to a VIC's arrival and his/her preferences.

n When it comes to the web, the design and user interface are everything.

n You need to decide why you have a website.

n Key aspects to think about:
Service; Engagement; Shopability; Differentiation;
Synchronisation; Seamlessness; Community

n Chris & Tom identified five themes from emerged from the day (see page 23 for a fuller version):

❶ **Waking up:** Where will the younger generation be looking for its luxury lift?

❷ **Selling your brand:** Raise the bar; deliver information and depth; tell the story – don't forget provenance and history; good editorial; it's not just about the web; go beyond the product

❸ **Making it work:** Give the customer control; create a seamless experience; keep it up to date; find out and understand how networks work

❹ **Keep it human:** Are you on board... or just bored?; don't forget sustainability

❺ **The 3 T's:** Truth; Transparency; Trust