



The Knowledge of Luxury

Luxury Institute's Wealth and Luxury Trends 2011 and Beyond

Providing Seamless Multi-Channel Customer Experience Becomes the Mantra of Luxury Brands

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(NEW YORK) October 12, 2010 - As the luxury industry enters the last quarter of 2010 and prepares for 2011, executives are grateful for what could have been a worse year considering the state of the world's economy. The truly global top-tier luxury brands are surging in China, while holding their own in the US, Japan, and Europe. Leading public companies have done much better than privately-owned brands by using their heritage, innovation, and resources to gain market share. Many family-owned European brands, rich with history but lacking innovation, have suffered and are desperately looking for capital. Overall, the industry has seen tepid growth; this trend is likely to continue for the next three years unless some unforeseen, and highly unlikely, positive event occurs and saves the global economy.

Meanwhile, many luxury executives have not been standing still. Stripped of its facade by the combination of a severe recession and the dawning of the age of transparency, the luxury industry has been fighting hard to maintain its relevancy. Behind the scenes, several companies have already conducted some direly needed soul-searching that has begun to pay off. Here are seven trends that all luxury brands should follow in 2011:

1. Luxury CRM Culture Dramatically Supersedes Operational CRM

Most top-tier luxury brands have already embraced Customer Relationship Management (CRM) from an operational angle. The Luxury Institute has spoken to several executives looking to find strong outsourcing partners to manage customer data, analytics and other operational CRM projects. Many CRM suppliers do a wonderful job of helping these companies segment the customer database and develop customer acquisition, retention and recovery campaigns that are delivered primarily via email. But what luxury brands and their CRM suppliers have come to realize is that Operational CRM is ineffective without customer-facing people who use the data to **Outbehave** the competition and deliver personalized and extraordinary customer experiences at stores and call centers. Executives at leading brands now understand that Luxury CRM Culture is not simply another project. It is a values-based system comprised of people, decisions, behaviors and dialogues with customers that need to

be inculcated, lived and reinforced throughout the organization daily. Look for top-tier luxury brands to mobilize for the heavy lifting that is required to create a sustainable and self-reinforcing Luxury CRM Culture in 2011.

2. Focus on Brand Values and Service Values

In his recent book on luxury strategy, our good colleague Jean-Noel Kapferer stated that unlike mass consumer brands, luxury firms don't need a brand positioning (e.g. Hertz: #1 in Rent-a- Car , Avis: We try Harder), but they do need an identity. We agree that a classic consumer goods and services brand positioning statement is not necessary in luxury. We do, however, insist that like their individual customers, brands must create their identities not only by the name, personality and style of the founder, but also through values by which they should be known and publicly judged. They can be one comprehensive set of brand values that establish the company personality while also acting as service values which define the customer experience. Brands can also choose to develop two distinct but related sets of brand values and service values. In a recent Luxury Institute LCRMA (Luxury CRM Association) survey, 90% of luxury executives agreed that luxury culture and values are directly linked to positive financial results. Ritz-Carlton has been a low-key service values pioneer, but it is taking a brash and bold consumer brand like Zappos to reignite the service values revolution. Look for luxury brands to recognize the critical importance of brand values and/or service values as the critical foundation for creating and consistently delivering extraordinary customer experiences in 2011.

3. Luxury Purges its Out-of-Touch, Arrogant Staffs

As top-tier luxury CEOs and their Boards discover the importance of a benevolent culture and values, they are also beginning to realize that the people who manage and deliver customer experiences must fit the new customer culture. In the managerial ranks of luxury today, many executives who entered the industry years ago for the glamour and image will find it difficult to traverse the new customer-centric landscape and will either opt out themselves or be opted out. In the sales and customer-facing ranks, people will soon be selected on their abilities to be brand and product experts, earn trust and build lasting customer relationships. Lone Ranger, toxic sales professionals who are currently tolerated will soon be out of fashion. How sales and profits are delivered will matter tremendously and people will be selected and promoted based on cultural fit as well as skills. Ritz-Carlton, Mandarin Oriental, Four Seasons, Lexus and Nordstrom have been doing this for years, but even they will have to move to a higher level of cultural relevance and practice, as companies like Zappos prove that there is far higher ground to reach in terms of selecting customer-centric people, living the values and transparency. Will some arrogance-driven luxury autocracies still survive? Yes, but in 2011 they will be the exceptions that prove the new rule.

4. Man the Websites!

One senior luxury executive recently told the Luxury Institute that “It’s a dark day for luxury when Zappos delivers a far better luxury experience than any luxury brand”. As luxury retailers learn to leverage the Internet for e-commerce, they are also learning that one thing affluent consumers expect from their online experience, if the need arises, is the availability and opportunity for quick, easy and immediate direct communication. In a recent Luxury Institute WealthSurvey, 62% of affluent consumers stated that when shopping online they feel more comfortable if they can call someone directly for assistance, and 60% said they are likely to abandon their online purchase if they cannot find quick answers to their questions on the website. In addition, 45% expect an obvious phone number to speak with a live sales or customer service representative. While luxury struggles with the answer, Zappos has beat them to it and gained the high ground. The secret that Zappos has learned is that only a small percentage of people need this call service very often. But when you run the math on lost luxury sales due to shopping cart abandon rates, you will see that having someone available for those infrequent, but critical, human interactions while shopping online is an absolute must. Look for most luxury brands to understand the connection between the call center and online channels and create a far better experience for customers in 2011.

5. Clienteling Goes from a Hobby to a Discipline

In a recent Luxury CRM Association clienteling survey, only 25% of affluent consumers reported that they have a relationship with a sales associate at a luxury brand. That was actually a high water mark, as other surveys that Luxury Institute partners have conducted indicate that only 8-15% of customers report having a relationship with a sales associate at top luxury retailers. Why is this important? Because this small group of luxury consumers give a retailer almost twice as much in wallet share. They also are likely to continue buying more over time if they have a relationship with a dedicated sales professional. Top luxury brands, while struggling with the challenge of peak hour staffing and a severe recession, have nonetheless seen the massive opportunity. They are rapidly evolving Clienteling from a hobby to a measurable discipline. Look for luxury brands to implement Clienteling best practices, adopt technology that enhance processes, reinvent Clienteling training into inspirational education, and begin measuring results with a laser-like focus in 2011.

6. Luxury Mobile Applications Come of Age

Top luxury brands, now well into a few years of e-commerce, and having finally ventured into social media, are determined not to miss the soon-to-explode mobile device shopping party. Luxury Institute research on the wealthy consumer use of mobile devices shows that 76% compare prices via mobile devices, while a rapidly growing 27% have purchased via a mobile device. In addition, 21% report that they use mobile devices to look up respective product information while shopping in stores. No longer

online neophytes, and having been in Korea and Japan long enough to see the explosive mobile addictions and the revenue-generating behaviors of Asian consumers, leading luxury brands are gearing up to use mobile applications to create simple, yet powerful, customer experiences on the go. We are near a tipping point where mobile devices will replace the laptop for many activities and transactions and luxury brands are racing to be a step ahead for a change. Tiffany's recently-launched mobile application for finding your perfect engagement ring is a good example of a simple and practical innovation that seeks to serve its customers. Look for luxury brands to develop many more relevant and powerful luxury apps in 2011.

7. Luxury Equips Sales Professionals with In-Store Mobile Devices

Luxury is about to begin testing equipping its sales professionals with mobile devices such as iPads and iPhones in its stores. For one thing, the devices can be used for collecting customer data such as scanning business cards or entering customer names and email addresses directly into the CRM system while keeping professionals on the floor. They can also be used to take customers through rich sales presentations that include video and audio enhancers. Thirdly, they can be used to search out-of-stock inventory anywhere in the retail system, conduct an online transaction, and arrange for delivery in real time. As customers opt in to having their own mobile devices announce their arrival at the store, sales professionals can be alerted to greet customers by name with custom offers ready, or at minimum be aware of what offers have already been sent to them. These applications are only the beginning of the use of mobile in stores as a customer experience enhancer for the sales professional as well as the customer. Mobile devices combine personalization efficiency and effectiveness with an unprecedented touch of caring and nurturing that are the Holy Grail of a true luxury experience. Look for lots of activity in this nascent but promising area in 2011.

About the Luxury Institute

The Luxury Institute collaborates with top-tier luxury brands to successfully transform their organizational cultures into profitable customer-centric enterprises. The Institute conducts independent and actionable research with wealthy consumers about their behaviors and attitudes on customer experience best practices. Our self-reinforcing 7-Step Luxury CRM Culture consulting process leverages our fact-based research and enables luxury brands to dramatically Outbehave as well as Outperform their competition. With a self-reinforcing customer-centric culture in place, our clients optimize their Operational CRM systems to build profitable long-term customer relationships. This combination of quantitative customer experience research and revenue-generating consulting delivers highly profitable solutions to leading luxury goods and services professionals and brands around the world. The Luxury Institute also operates LuxuryBoard.com, a membership-based online research portal, and the Luxury CRM Association, an organization of Luxury CRM practitioners dedicated to building customer-centric luxury enterprises.

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