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The Luxury Omnichannel dilemma

Is omnichannel the right path for Luxury brands?

Executive Summary

pwc

September 2018

The Luxury Brand dilemma: offering convenient services pioneered by Mass Market brands or staying exclusive but conservative

Delivering outstanding cross-channel shopping journey

vs.

Being exclusive & protecting uniqueness of store experience

The irreconcilable Luxury dilemma?

Fast

Transactional

Services driven by customer

Affordable & reachable

Timeless

Brand immersion & experience

Product offer driven by the brand

Unique & unreachable

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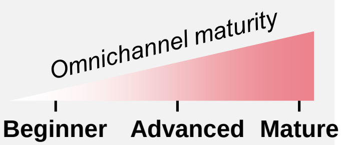
The ambition of this study is to assess Luxury brands' omnichannel maturity and understand whether customers' expectations are fully/partially addressed

Brand omnichannel maturity

For each brand, omnichannel services were scanned and rated on a 3-level maturity scale.



Then, each service, depending on its criticality, was weighted to calculate brands overall omnichannel maturity score.

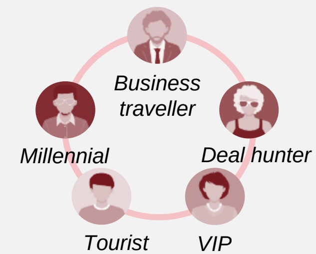
Omnichannel Score on 100

Objectives

- Benchmark Luxury brands' omnichannel performance
- Analyze the correlation between omnichannel services maturity & brand positioning

Customer omnichannel expectations

Luxury brands customers personae were defined and their expectations on omnichannel services identified.



Then, for each brand, customers omnichannel requirements along the customer journey were assessed.

Objectives

- Identify omnichannel pain points along the customer journey
- Highlight key omnichannel services to be delivered

Source: Strategy&

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We screened omnichannel service offerings of selected 104+ Luxury brands from various segments & categories

Luxury brands from apparel to watches & jewellery

Apparel, bags & accessories	Watches & Jewellery	Fragrances & Cosmetics
66	**21**	**17**

Luxury brands from ultra high-end to aspirational

★ ★ ★ *Ultra High-End*	**35**
★ ★ *Super Premium*	**37**
★ *Aspirational*	**32**

Luxury brands were segmented taking key dimensions

Price point	*Product uniqueness*
Brand experience	*Distribution control*

Luxury brands were screened by consolidating data from:

- *Store visits*
- *Websites*
- *Mobile App*
- *Deliveries*

Source: Strategy&

Our Luxury brands omnichannel maturity assessment leverages a set of ~20 customer services along the customer journey

Customer journey*

Research	Purchasing	Delivery	Customer care
Key omnichannel services overview **			
E-commerce channels *Brand.com, dept. store, e-retail / social media*	**Multi device e-commerce** *Desktop, mobile, transactional app*	**Click & Collect service**	**Returns & Refunds** *Chargeable / free at post office, PUDO*
Online shoppable assortment breadth *Very few, subset, all assortment*	**Payment methods** *Some / all credit cards, Paypal, Apple pay,..*	**Multiple delivery modes** *Home, Pick-up Drop-Off (PUDO), hotel, on-the-go,..*	**Post purchase feedback** *Standard, brand customized, personalized*
Real-time product availability *View on online / offline stocks*	**My sales cockpit** *Wish list, historical purchase, on / off integration*	**Delivery lead times** *< / > 2 days, same-day delivery*	**Customer chat** *FAQ, assistance number, Standard / advanced click to chat,…*
Price & Promotions display *Some / all products, aligned on/offline promo*	**Gift option** *Chargeable, Free*	**Delivery cost** *All modes free, express chargeable,..*	**Loyalty program** *On vs. off loyalty program integration*
Online product look & feel *Description, picture, video, 360° view…*	**Packaging experience** *Standard, brand customized, personalized*	**Delivery footprint** *Delivery vs. store location countries*	**Additional online services** *Standard, repairs & alteration free / chargeable ,…*
Online product customization *Not shoppable, shoppable…*			**Online booking in store** *Book time with store Sales Associate*

* *The awareness step of the customer journey is outside the scope of the study*
** *Non-exhaustive*
Source: Strategy&, PwC Customer survey 2018

Despite high price point and focus on image, Luxury leaders do not match level of services set by leaders of Mass Market

1. Throughout the customer journey, **Luxury brands lag behind** in delivering Omnichannel services at the level of performance of Mass Market brands

2. **70% of luxury brands struggle to catch up** and **do not meet expectations** of all Luxury customers' personae: "Millennials", "Business Travelers", "Tourists", "Deal Hunters" and "VIPs"

3. There are **five 'must-have' services** to be mastered in an Omnichannel journey. Each of them require a set of dedicated capabilities to create a best-in-class & personalized experience

4. Overall **Omnichannel remains a tactical move**. The focus is delivering an end-to-end and **differentiated customer experience** revamping the role of the Luxury store

Source: Strategy&

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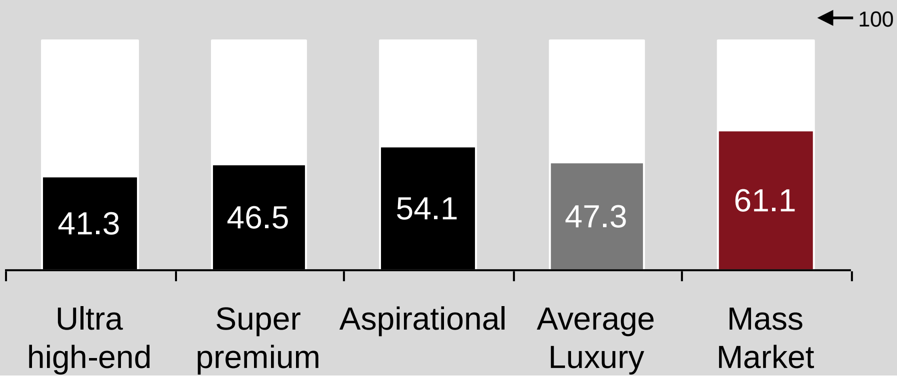
Luxury Brands Omnichannel Maturity

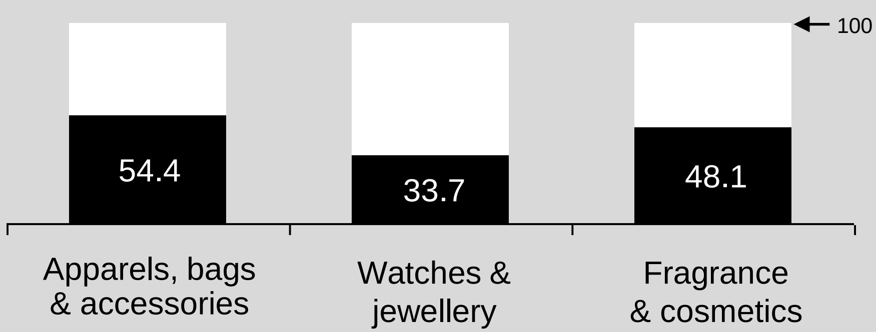
Luxury brands' omnichannel maturity is poor compared to mass market; watches & jewellery is the least performing product category

Average omnichannel Score per brand segment



- Luxury Brands' omnichannel performance (47.3 / 100) does **not reach average omnichannel score**
- Mass Market omnichannel index is the highest with **20 pts superior to** Ultra High-end brands'. Aspirational brands are catching up to meet mass market standards (**7 pts difference**)

Average omnichannel Score per product category



- Overall, Watches & Jewellery brands are the least mature when delivering omnichannel services and are **20 pts away from reaching the average omnichannel score**
- Apparel, bags & accessories brands are the best performing but **surpass the omnichannel index average just by 4 pts**

Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

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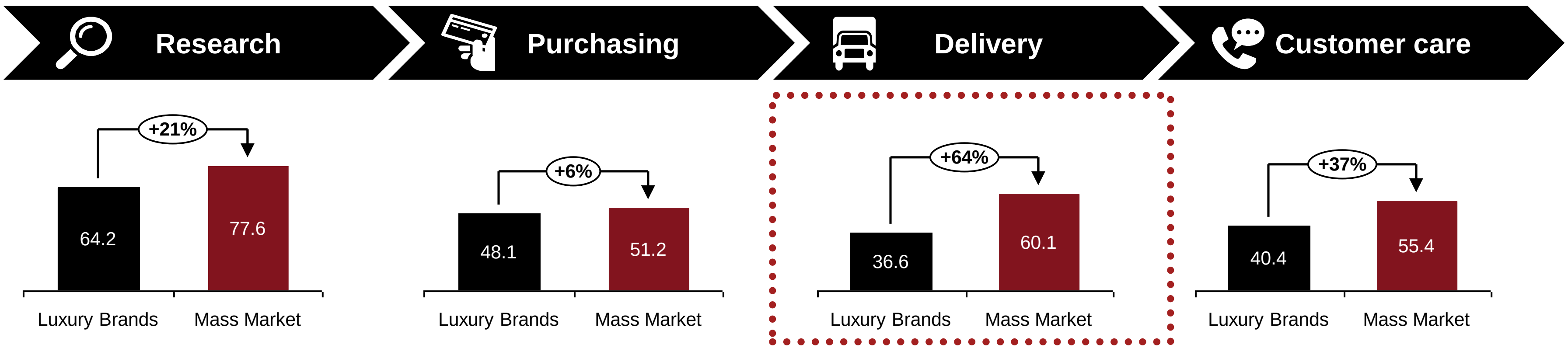
The Delivery step is the Achilles' heel of Luxury brands with a significant gap vs. Mass Market performance (+64%)



Key takeaways

Mass Market is more mature in proposing undifferentiated offer services across channels compared to Luxury brands by:

- Displaying all the **brand assortment and related prices** online to enable the purchase journey
- Leveraging **social media** as a selling channel and not exclusively as a brand window

Omnichannel purchasing performance is similar for luxury and mass market, but:

- Mass Market brands are better in delivering **convenience**: transactional mobile app, multiple payment methods and an integrated sales cockpit (wishlist, historical data, …)
- Luxury brands are more mature in proposing **high-end services in packaging**: gift option, elaborate packaging

Omnichannel maturity of delivery services for Luxury brands is clearly lagging behind Mass Market:

- Key strength of the Mass Market is to offer **multiple delivery models** (incl. 'Click & Collect') with a **fast delivery time**
- **Given Luxury price point, expectation** is that delivery fees be covered by the brand, yet in most cases fees are charged to the customer, creating frustration

After-sales omnichannel experience is unequally mature for Luxury and Mass Market:

- Mass Market enables a **seamless experience** in the shopping journey by proposing multiple return models and integrating loyalty on/off programs
- Luxury brands offer **differentiated services**: free alteration service, Repair service, book time with store associate,…

Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

2

Omnichannel customer expectations

Luxury brand customers expect digital offers to provide the level of service they are accustomed to

5 typical Luxury brand personae

MILLENNIAL

"I want to buy everything, anytime, anywhere"

22-37 years

- Shops preferably on **mobile app**
- High sensitivity to brands with **strong presence on social media**
- Seeks more an **experience** than a product
- Expects **seamless and integrated** omnichannel services

BUSINESS TRAVELLER

"I want an easy, convenient and fast shopping experience"

30 - 60 years

- Shops **for close family** (wife / husband, kids) preferably in **duty free & department stores**
- Has **little time and needs flexibility**
- Seeks **efficiency & convenience** by leveraging commute time

TOURIST

"I like to visit stores abroad & enjoy local Luxury experience"

No specific age

- Seeks **brand experience** in brand and department stores
- Shops specific **local assortment / exclusivities** for him/herself and relatives
- Looks for **Detax**
- **Hedonistic & open minded**, inclined to co-creation

DEAL HUNTER

"I want to buy my products at the best price available"

No specific age

- Seeks for **price** more than product and experience
- Knows what s/he wants
- Benchmarks prices from **all eCommerce physical & digital channels**

VIP

"I like to feel that I am a unique customer to my preferred brands"

> 40 years (mostly)

- Looks for **sales associate engagement** and has preferred high-end brands
- Seeks **dialogue** with brand experts
- Expects **premium & personalized service** along the customer journey

Source: Strategy&, PwC Experience Center, customer interviews, focus group

70%+ of brands in our sample do not address Millennial and VIP needs

% Luxury brands meeting profile's omnichannel needs

Luxury Brands challenges	TOURIST	BUSINESS TRAVELLER	DEAL HUNTER	VIP	MILLENNIAL
% Luxury brands meeting profile's omnichannel needs	51%	27%	26%	15%	26%
	Tourist omnichannel key needs are basic but not addressed by half of the Luxury brands in our sample	Key deal breaker for Business Traveller is the absence of on-the-go delivery. Today this service is rarely proposed by brands in our study	Expectation is to have full visibility on assortment and prices. Such transparency is not easy to access: limited assortment and pricing display. Moreover on and off loyalty programs hardly match	Differentiating services such as product customization, book-time with SA online feature and 3+ delivery modes are poorly offered	Wide set of omnichannel services expected by demanding Millennials is not delivered: product customization, real-time product availability, Click & Collect…

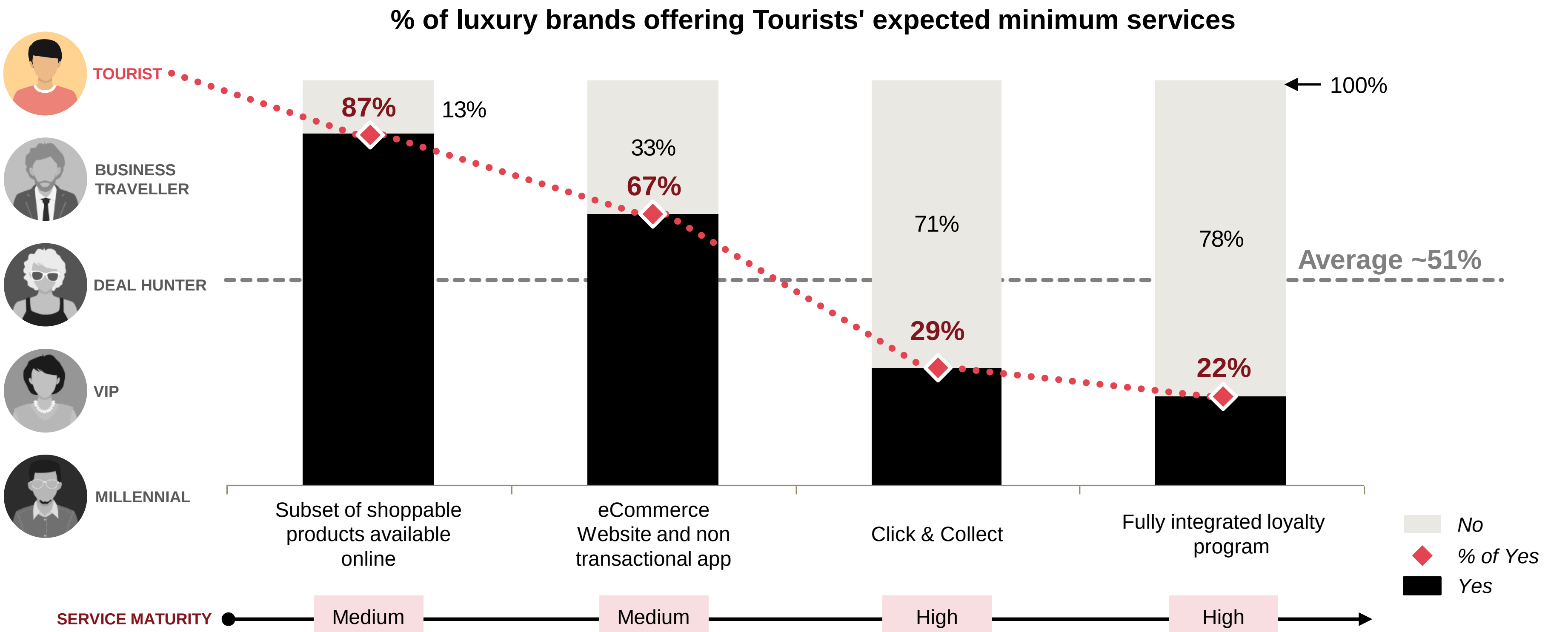
Level of omnichannel requirements

Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

50% of Luxury brands meet Tourists' expectations, but are still lagging behind in delivery & after sales

Research | Purchasing | Delivery | After sales

What is the share of luxury brands addressing Tourists' expected minimum services?



Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

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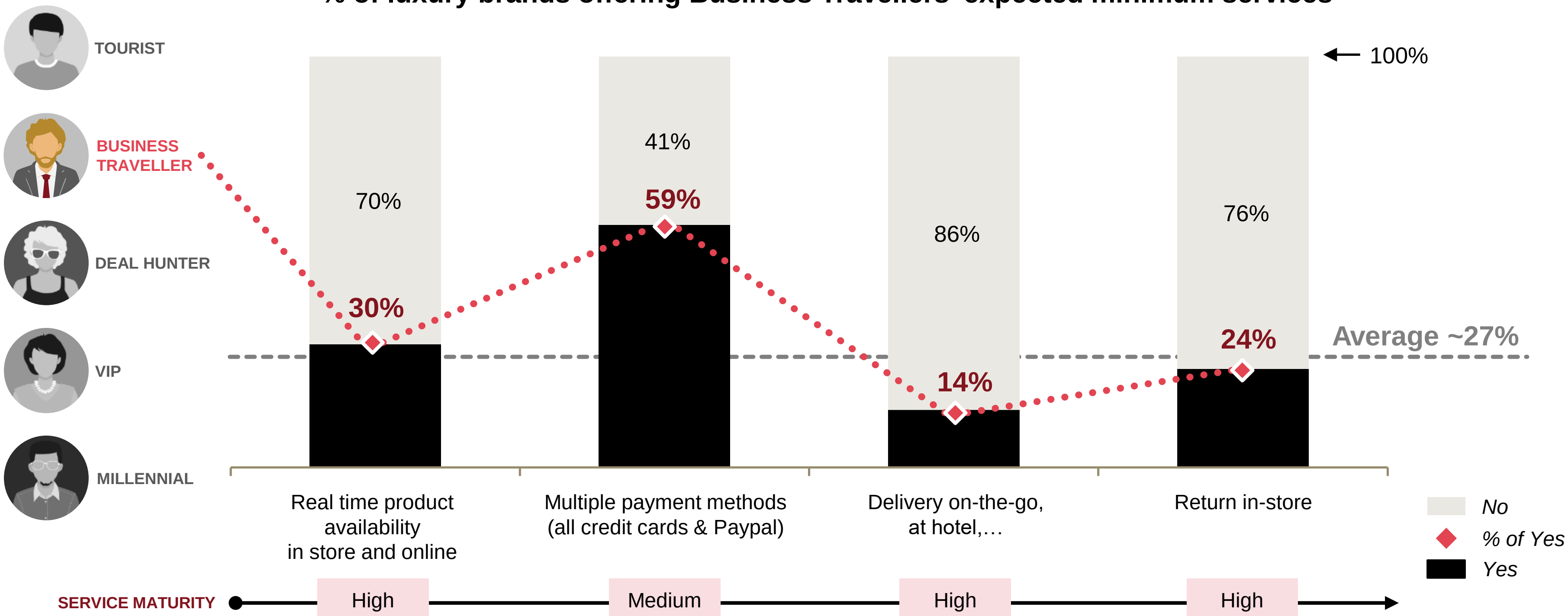
"Same day delivery", the most critical service for Business travellers, is offered by less than 15% of the brands in our study

Research | Purchasing | Delivery | After sales

What is the share of luxury brands addressing Business travellers' expected minimum services?

% of luxury brands offering Business Travellers' expected minimum services



Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

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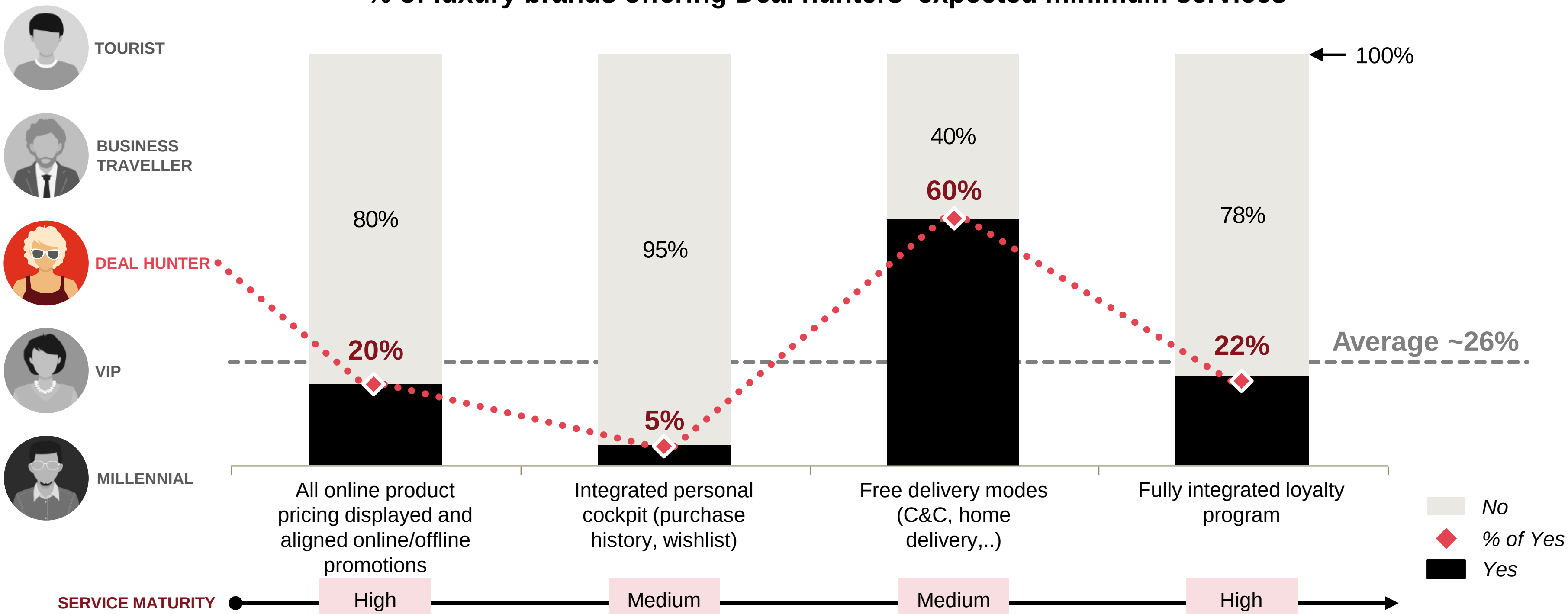
80% of the brands miss Deal hunters' critical expectations: limited price display and non-integrated loyalty program

Research | Purchasing | Delivery | After sales

What is the share of luxury brands addressing Deal hunters' expected minimum services?

% of luxury brands offering Deal hunters' expected minimum services

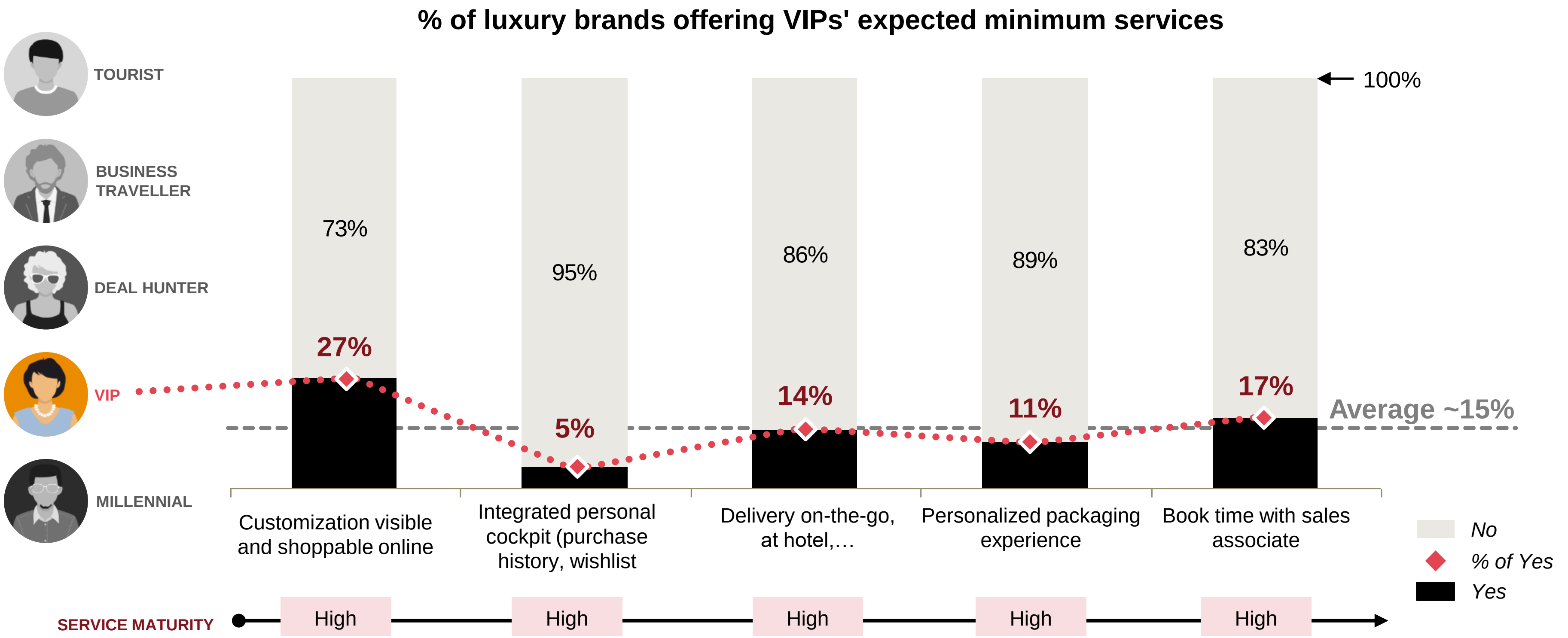


Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

Exclusive features such as online customized product and Sales associate in-store reservation are not yet deployed impacting VIPs' experience

Research | Purchasing | Delivery | After sales

What is the share of luxury brands addressing VIPs' expected minimum services?



Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

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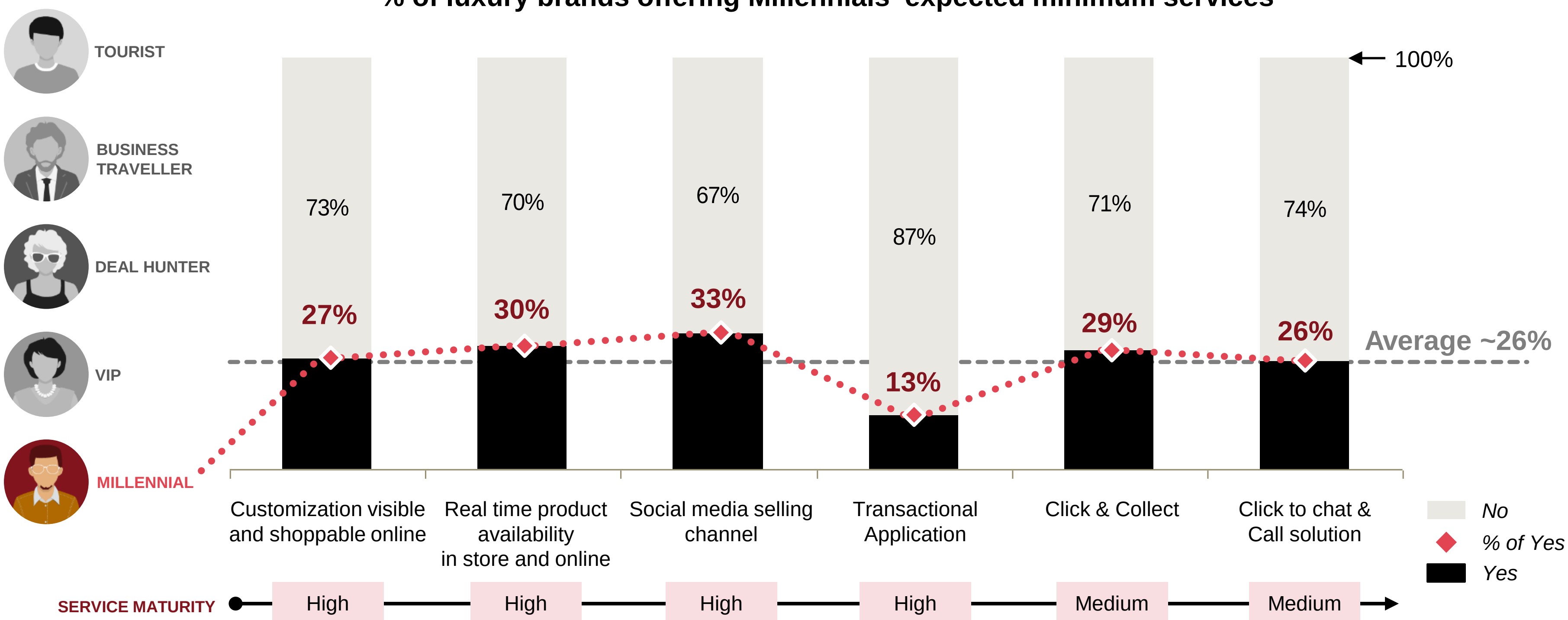
Luxury brands fail to match Millennials' multichannel needs specifically on mobile devices, and for real-time product availability

Research | Purchasing | Delivery | After sales

What is the share of luxury brands addressing Millennials' expected minimum services?

% of luxury brands offering Millennials' expected minimum services



Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

3

Omnichannel must-have services

Luxury brands must master 5 critical services to meet their customers' expectations

3 **Return in-store**

2 **Home delivery and Click & Collect**

4 **Integrated Loyalty**

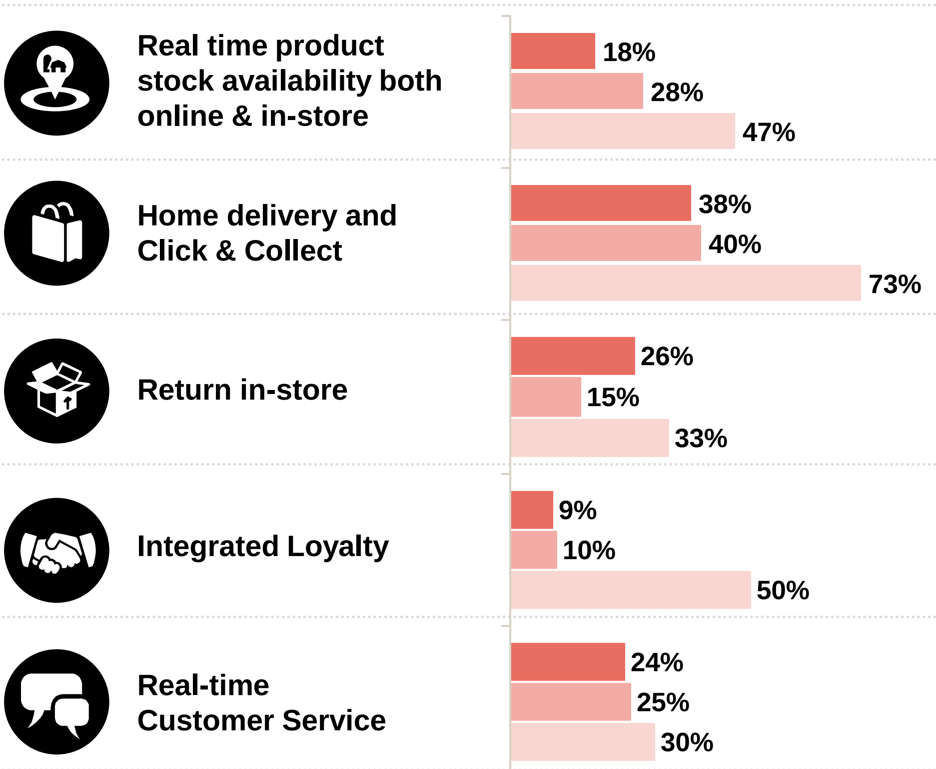
1 **Real time product stock availability both online & in-store**

5 **Real-time Customer Service**

Source: PwC 2017-18 annual customer survey interviewing 24,000 online shoppers in 29 territories to better understand shopping behavior.

The more exclusive the brand, the fewer key omnichannel services delivered

% of Luxury brands offering omnichannel key services



- **Aspirational brands** offering key omnichannel services is (on average) twice the number of Ultra High-end and Super Premium brands

Average per segment		
	23%	Ultra High end
	24%	Super Premium
	47%	Aspirational

- **“Home delivery and C&C”** and **“Integrated Loyalty”** services are offered significantly more by Aspirational brands than other Luxury brands
- Ultra High-end and Super Premium brands offering omnichannel key services is **quite similar** except for “product availability in store” service which is offered by 50% more Super Premium brands and “return-in-store” service more offered by Ultra High end brands

Source: Strategy& 2018 omnichannel performance analysis: 104 Luxury brands assessed

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Differentiated customer experience

Improvement in omnichannel performance is the result of a set of standard services coupled with a differentiated online journey and a tailored store experience

Differentiated online journey

- Brand/store websites localized content
- Personalized search results
- Online product customization
- AR/VR (virtual fitting room…)
- AI (personalized recommendations, chatbot, virtual assistants…)

Differentiated store experience

- Store uniqueness
- AR & holographic assortment
- Product "Shazam" mobile app
- Digital mirror in-store
- Showroom customized products
- Digital service kiosk
- Order in store for home delivery

2

Deliver differentiated and customized experience

Common omnichannel platform

- Product availability in-store
- Return in-store
- Home delivery, C&C
- Integrated loyalty
- Real-time Customer Service

1

Build omnichannel services platform

Source: Strategy&

Omnichannel is a tactical decision for Ultra High End versus strategic for Super premium brands

	Ultra High End	Super premium	Aspirational
Omnichannel relevance	Tactical	Strategic	“Survival”

All brands should go omnichannel, but key questions need to be answered before launching a smart omnichannel move tailored to brand stakes

	Ultra High End	Super premium	Aspirational
Key stakes	• Deliver a **personalized** and **unique experience** to customers • Leverage omnichannel to **generate traffic in store** • Go / No go on e-commerce, **limit assortment** and focus on **pop-up sales** • **Digitalize the store** to develop brand experience offline	• Preserve **brand image equity** • Fix remaining **omnichannel pain points** (mobile, 3+delivery modes, returns in store…) • Protect **customer loyalty** • Define **best distribution strategy** on brand.com, multi-brand platforms and marketplaces	• Keep **improving omnichannel service execution** • Extend **omnichannel service scope** • Bring **convenience to the customer**: buy anything, anywhere, anytime • Increase **revenues in all channels,** keep developing online • Leverage data to improve personalized shopping experience
Strategic questions	**How can Omnichannel enrich my brand experience?**	**Which Omnichannel services are key to my brand?**	**How to consolidate Omnichannel performance?**

Source: Strategy&

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About the contributors

Authors

Vincent Barbat
Lead Partner
Digital & Operations
Luxury, Retail and Consumer Goods
vincent.barbat@pwc.com

Filip Bourée
Director
Supply Chain & Operations
Fashion & Cosmetics

filip.bouree@pwc.com

Jérémie Lonchambon
Senior Manager
Sales & Customer Operations
Cosmetics

jeremie.x.lonchambon@pwc.com

Laetitia Moukarzel
Senior Associate
Customer Operations
Cosmetics

laetitia.moukarzel@pwc.com

Our Retail & Consumer goods professionals

Pascal Ansart
Partner
Brand Strategy
pascal.ansart@pwc.com

Anne-Sophie Dulong-Nativelle
Partner
Customer Experience
anne-sophie.dulong@pwc.com

Anne-Lise Glauser
Partner
Deal Strategy
anne-lise.glauser@pwc.com

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