

Win Big in Digital

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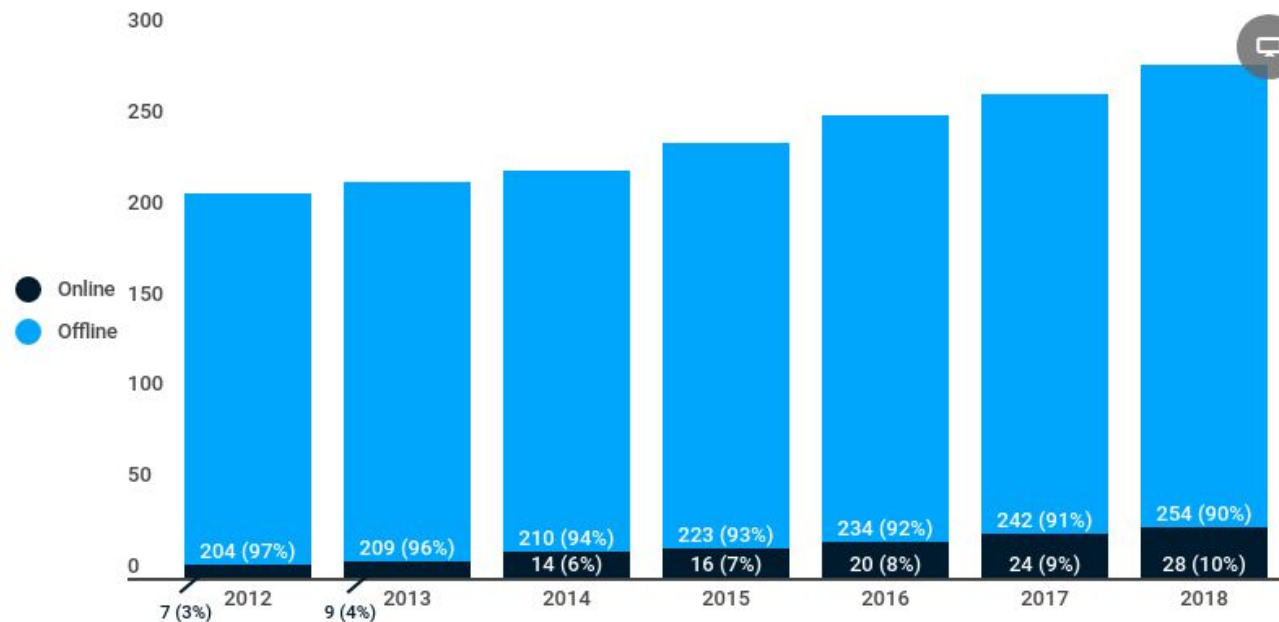


Introduction & Market Overview

~10% of the total personal luxury market is online...

Global personal luxury market¹

EUR billions



1. Apparel, Footwear, Accessories, Jewelry & Watches, Leather Goods, Beauty & Perfumes

Source graph: Forrester; McKinsey

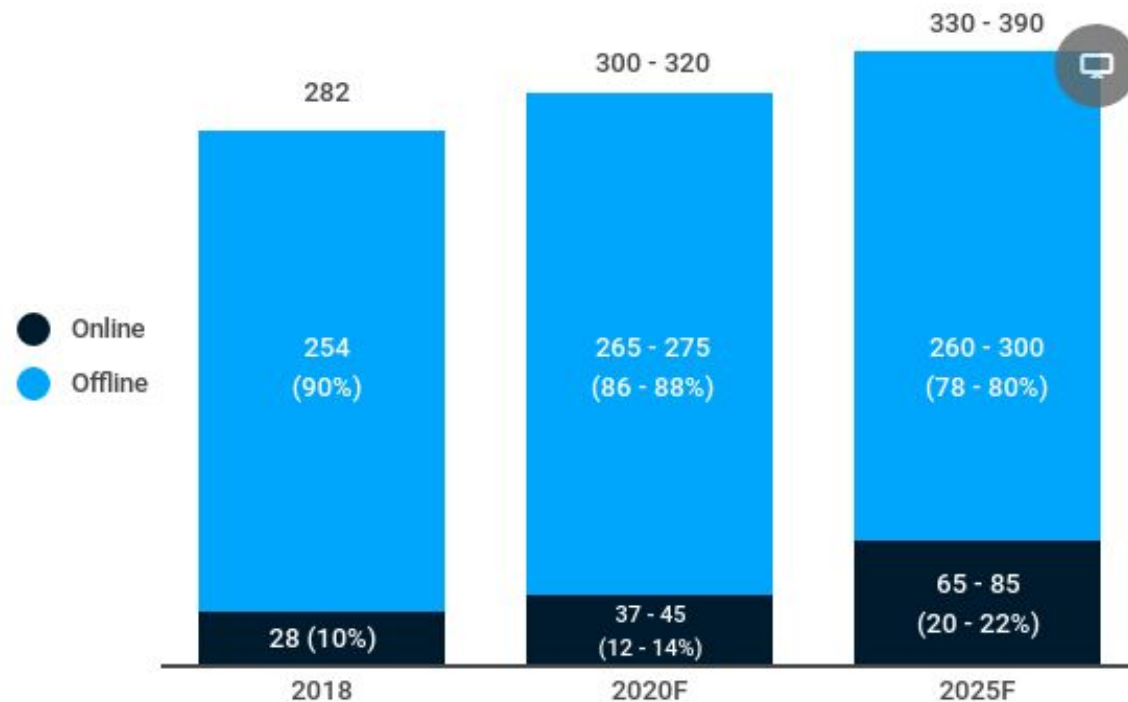
EUR ~
28 billion

online sales in 2018

... and it is expected to increase further to 20-22% by 2025

Global personal luxury market

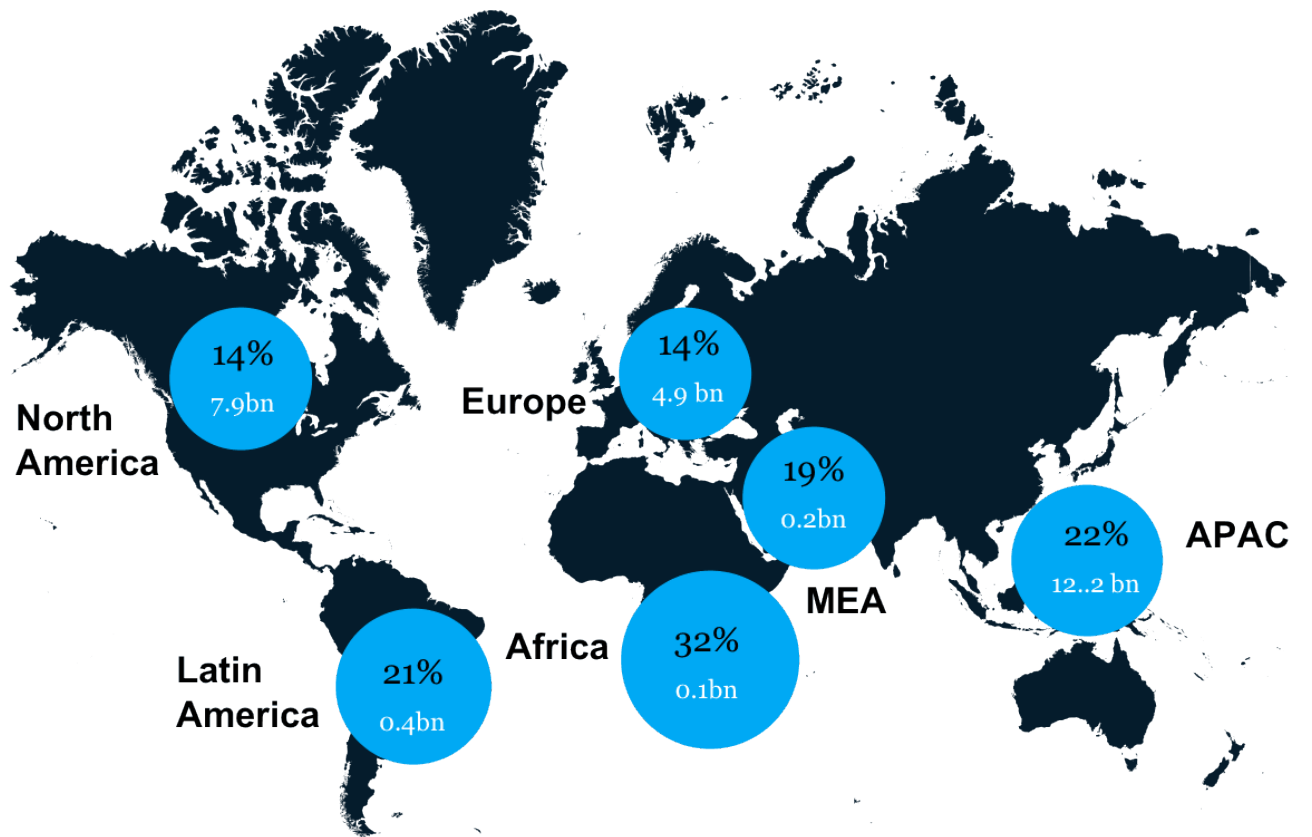
EUR billions



EUR
65-85
billion
online sales in 2025

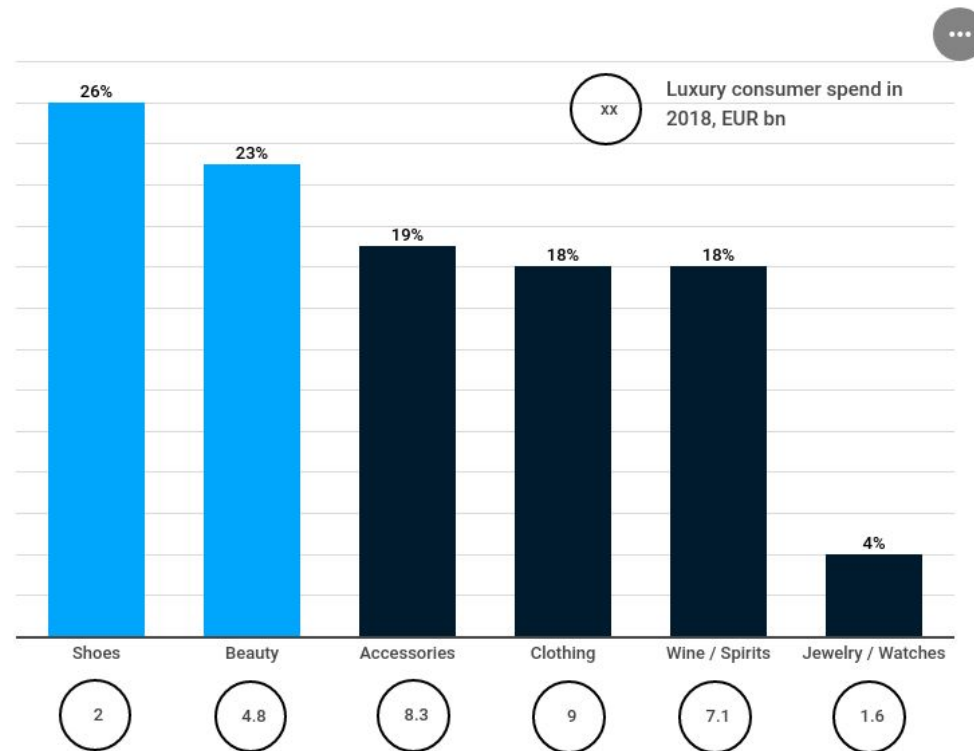
We see differences
between regions in terms
of growth in online
luxury sale

Online Luxury Sales growth across
regions, CAGR 2016-2018



The fastest growing categories in online luxury sales are Shoes & Beauty

Online luxury sales growth across categories, CAGR 2015-2018



What is going on?

1. Omni-channel is present and increasingly important
2. The new luxury channel ecosystem
3. Brand storytelling in a digital age
4. Using new technologies to guarantee authenticity and provenance



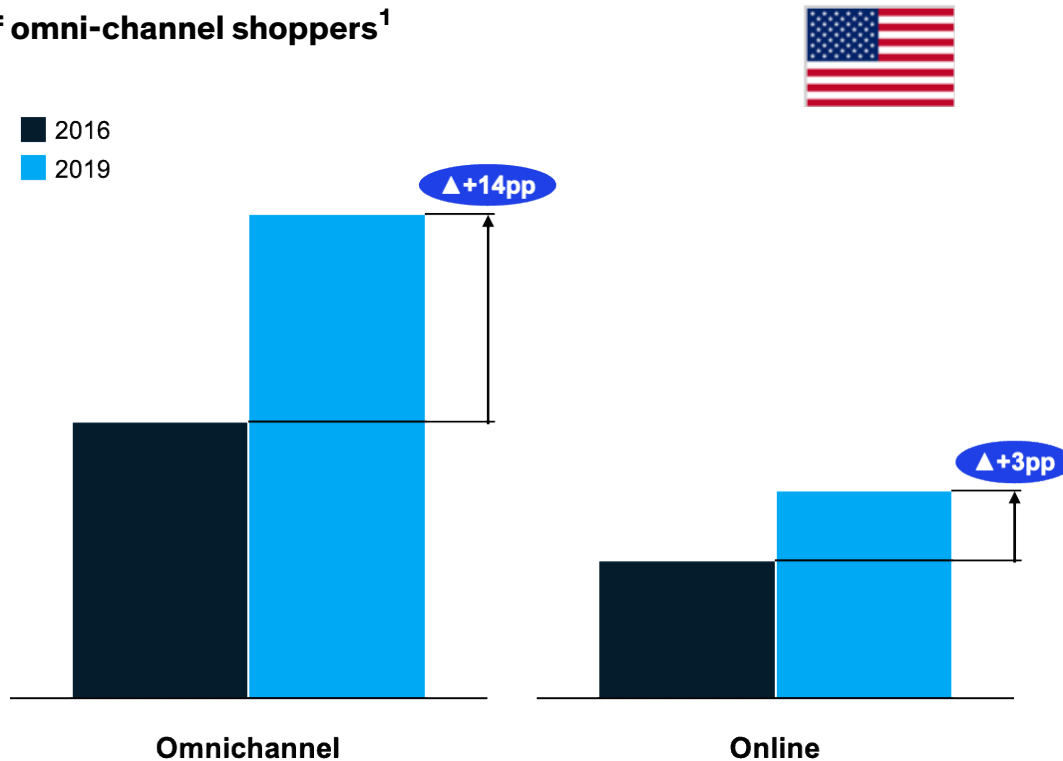
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Omni-channel: The store is not dead – omni-channel sales is increasing in importance

Share of omni-channel shoppers¹



¹ Apparel in the US

Source: Euromonitor; Forrester; CCP-luxury and press search; McKinsey

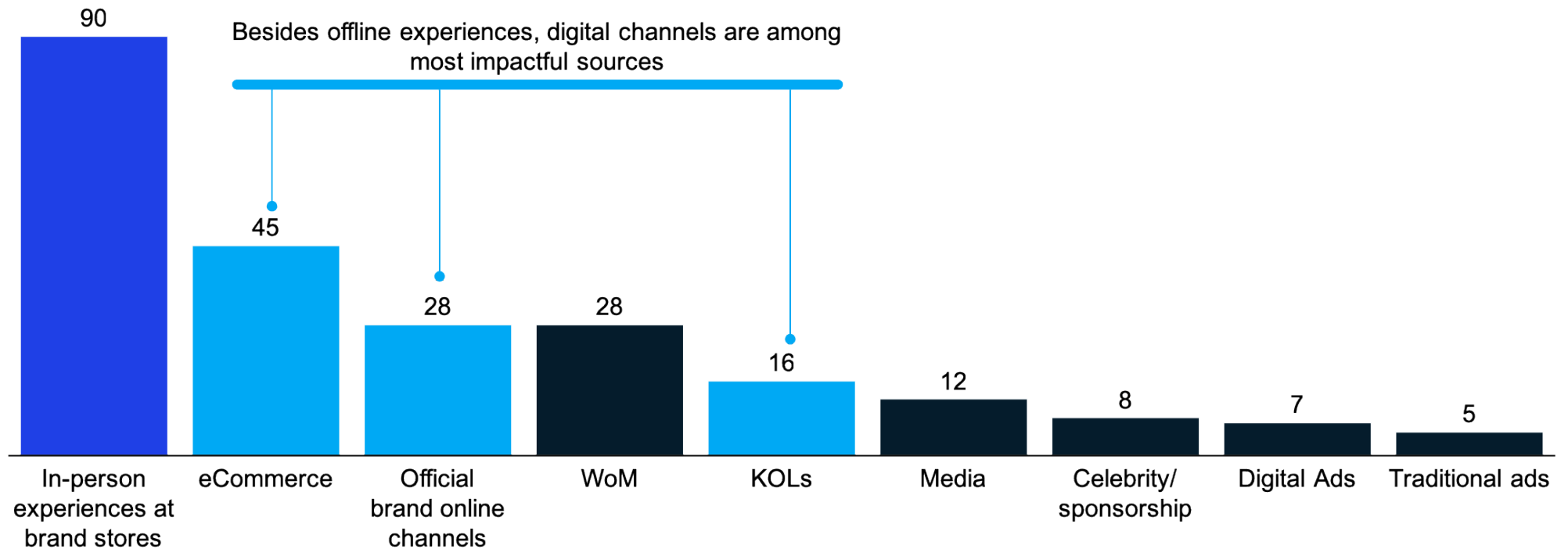
Omni-channel luxury shoppers in the US and Europe are

4 times as valuable

as those who shop exclusively online or offline

Omni-channel: Also in China, in-person and in-store remains an impactful channel for influencing purchase

What are the most impactful sources of information that influence your purchase (top 3 mentions)?
% of survey respondents



Omni-channel: Investing in omni-channel integration, e-commerce and digital marketing is the top priority for luxury players

What are the top 3 priority areas for your company in 2019? Luxury players' responses

#1

Invest into omnichannel integration, e-com and digital marketing

58%

#2

Improve in-store experiences

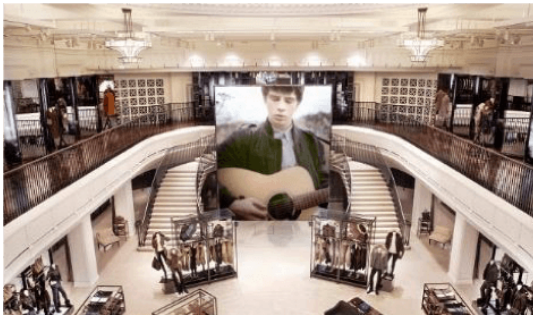
58%

#3

Invest in brand building to increase full-price sell-through

52%

Omni-channel: Luxury players are further integrating digital into their stores to enhance the experience



Designed as a fully digitally integrated store with full-length screens wrapping the store

Radio-frequency identification (RFID) tags ensures that product information automatically appears when customers walk into the fitting room



In Louis Vuitton stores, a "Digital Atelier" ensures customers get a personalized experience with touchscreen technology that allows them to design their own bespoke bags

In-house artisans at flagship stores allow clients to discover the brand's craftsmanship



Innovating to offer customers immersive experiences with digital showroom concepts, augmented reality, multi-media content, and high-definition screens – for example allowing customers to scroll through the entire catalogue on digital screen and trying models in a virtual mirror

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Ecosystem: E-tailers & platforms are capturing an increasing share of online luxury

Channels

Traditional brands' own webstores

Example players



Growth (CAGR%) 2015-18



Multi-brand

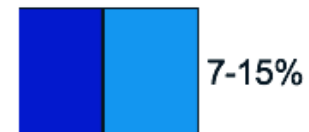
E-tailers



Platforms



Traditional players (e.g. department stores) moving online



Ecosystem: Major luxury players are mainly active in brand-owned channels, participation in mainstream and luxury platforms is still low

	Brand owned					Multi-brand						
						International leaders				Asian Leaders		
	Brand.com	Brand app	WeChat official account	WeChat mini Program	Instagram	Net-a-porter	Yoox	Farfetch	Mytheresa	Tmall Luxury Pavilion	Secoo ¹	Mei.com
Gucci	Active e-commerce	Active e-commerce	Active e-commerce	Active e-commerce	Directs to website	Active e-commerce	Active e-commerce	Active e-commerce	Active e-commerce	Active e-commerce	Eyewear only	Active e-commerce
Burberry	Active e-commerce	Active e-commerce	Active e-commerce	Campaign based store	Directs to website	Active e-commerce	Active e-commerce	Active e-commerce	Active e-commerce	Active e-commerce	No official presence	Active e-commerce
Cartier	Active e-commerce	Branding only	Active e-commerce	Campaign based store	Directs to website	Selected SKU only	No official presence	Eyewear only	No official presence	No official presence	Selected SKU only	Eyewear only
Louis Vuitton	Active e-commerce	Active e-commerce	Active e-commerce	Campaign based store	Branding only	No official presence	No official presence	No official presence	No official presence	No official presence	No official presence	No official presence
Dior	View offline inventory only	Branding only	Limited edition only	Campaign based store	Directs to website	No official presence	Active e-commerce	Eyewear and vintage only	No official presence	No official presence	No official presence	Active e-commerce
Chanel	Branding only	Branding only	Branding only	No official presence	Branding only	No official presence	No official presence	No official presence	No official presence	Beauty only	No official presence	No official presence

1. In 2018, Gucci partnered with Secoo.com to sell more than 100 SKUs in 8 categories

Source: McKinsey China Luxury Report 2019; Press search

Ecosystem: New joint ventures and strategic partnerships pop up across the ecosystem

FARFETCH

lyst

 Alibaba.com®

&

&

&

Harrods

LVMH

RICHEMONT

YOOX
NET-A-PORTER
GROUP

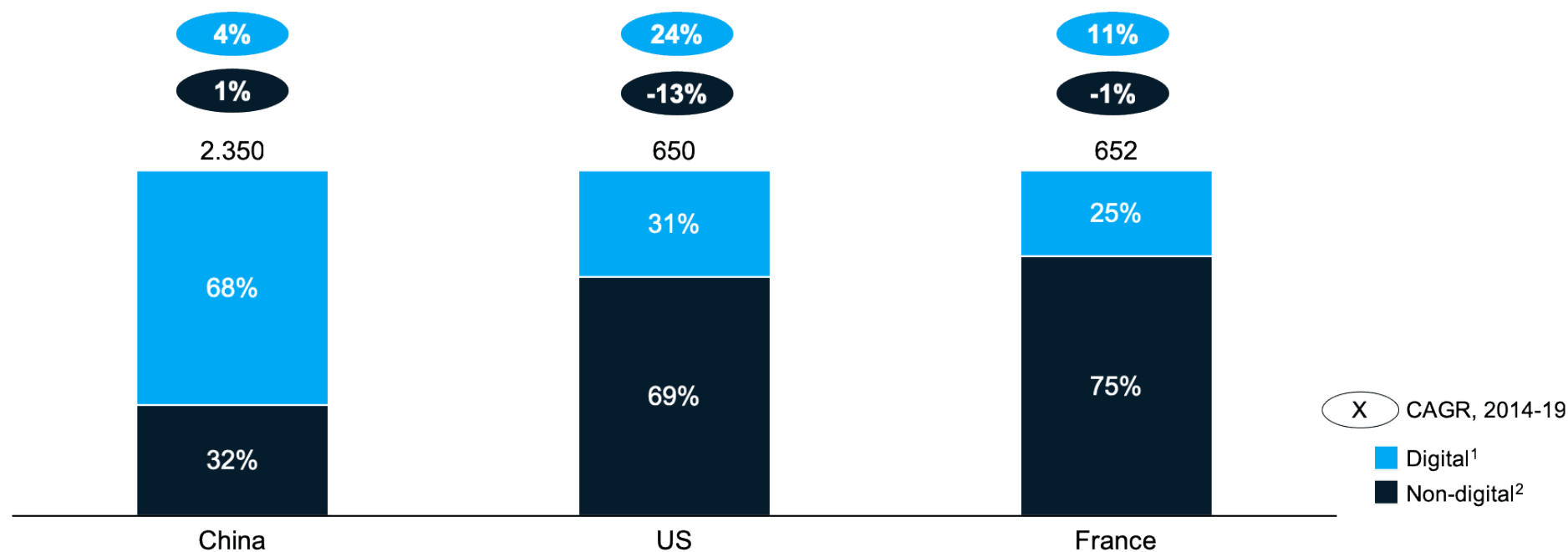
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Digital brand storytelling: China on the forefront of shifting marketing spend to digital (while Western markets are picking up speed)

Luxury players' marketing spend per channel, US\$M, 2019F

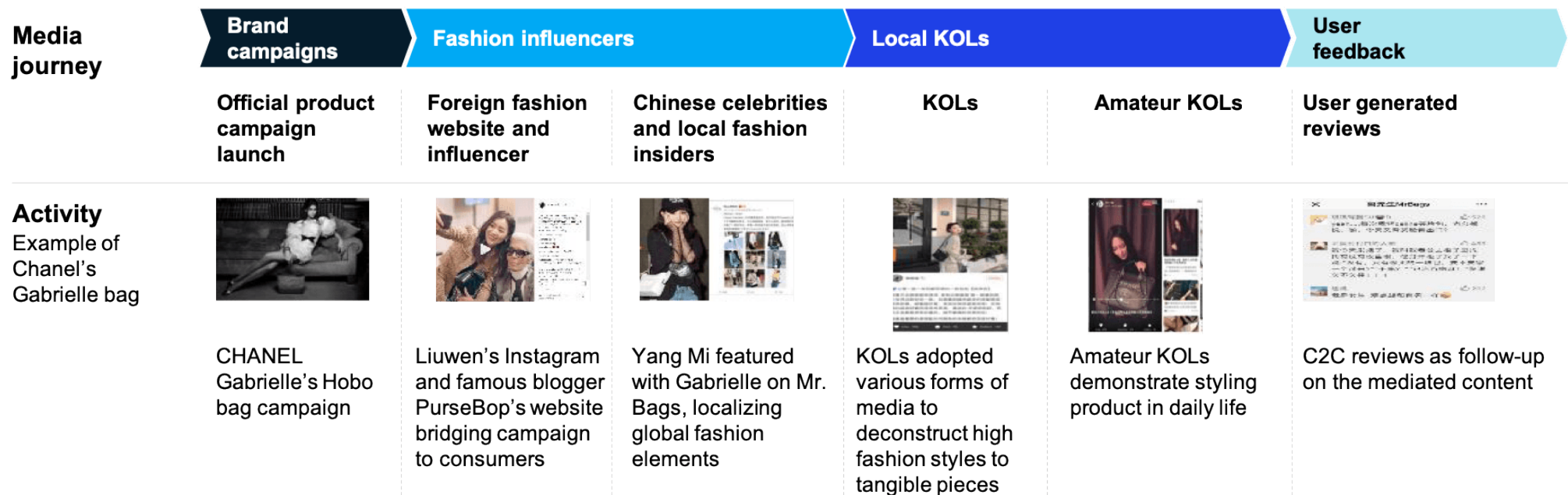


1. Digital: Display, search, video, social, and all other digital

2. Non-digital: TV, Magazines, Out-of-home, Newspapers, Radio and Cinema

Digital brand storytelling: Some brands use social media to help consumers contextualize luxury products in daily life beyond brand controlled campaigns (take Chanel for example)

CHANEL

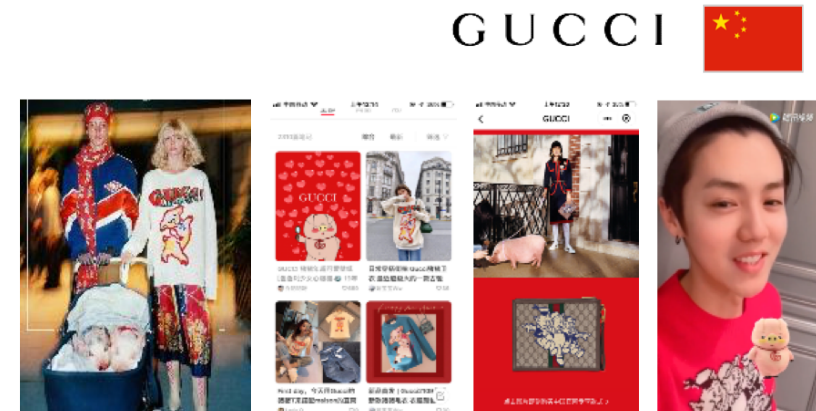


Digital brand storytelling: Omni-channel campaigns on new media channels can drive high frequency consumer engagement (take Gucci for example)

Omni channel campaign

Omni channel campaign (e.g., Pig Year series launch)

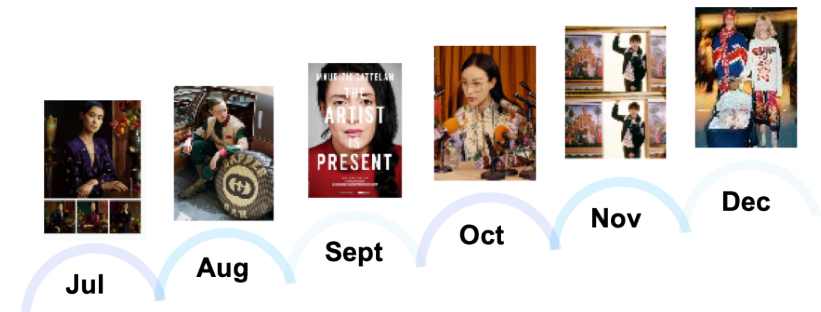
- Brand viral video/KOL promotion on social apps (Weibo, WeChat, Xiaohongshu, Douyin)
- Celebrity promotion on popular programs
- Easily convert to online channels



High Frequency engagement

New digital campaign with high quality creative almost every month

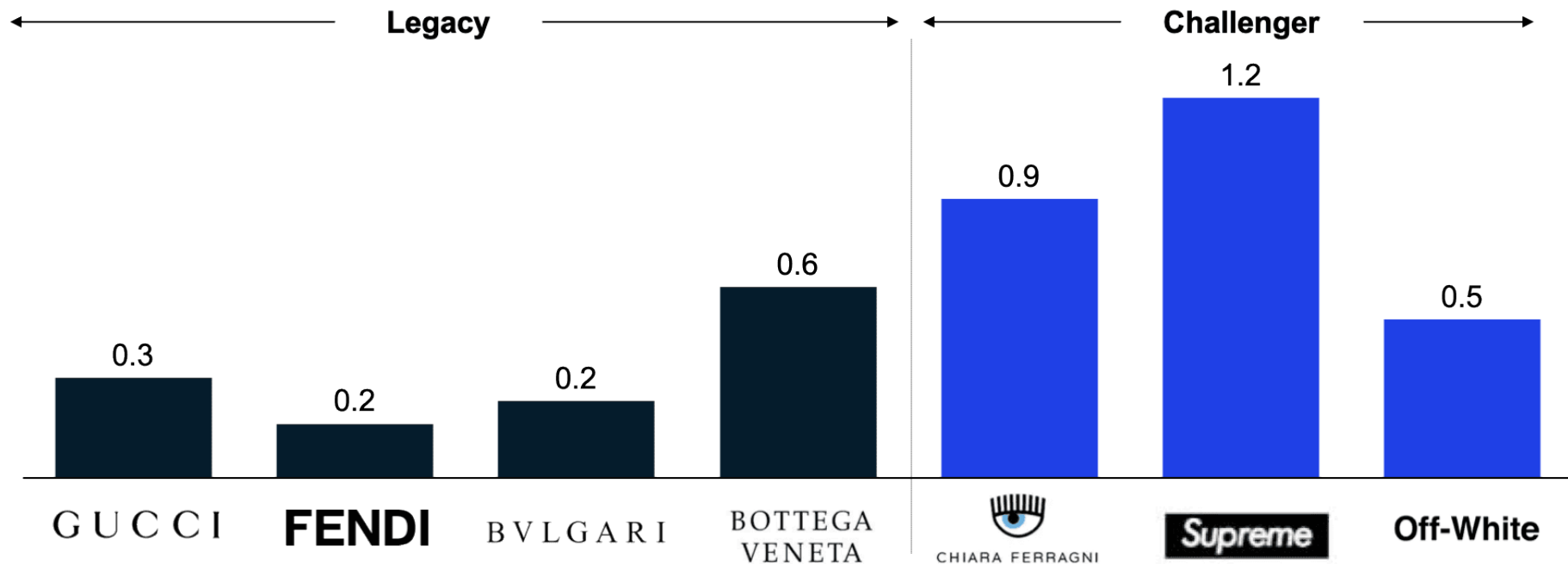
Actively engage with consumers on Weibo everyday and Wechat every week



Digital brand storytelling: Meanwhile, legacy brands are not yet driving same level of engagement on Instagram as challengers

Followers of challenger brands are more active and engaged than those of legacy brands

Instagram like – follower ratio (LFR)¹



¹ Average of number of likes on each post in proportion to number of followers over last 4 weeks (August 2018)

Source: Instagram, influencerdb.net; McKinsey

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Digital authenticity: With digital growth, luxury players see consumer need for trust in product authenticity as a top theme

What do you think will be the top trends for 2019? Luxury players' responses

#1

Consumer need for trust in product authenticity and creative originality

#2

Brands "self disrupting" in the face of changing consumer tastes

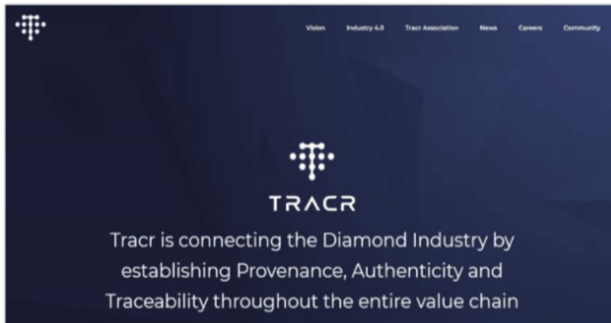
#3

A 'digital landgrab' by e-commerce players expanding service portfolios to both consumers and businesses

Digital authenticity: Brands are already experimenting with blockchain to ensure authenticity and traceability



TRACR



VACHERON CONSTANTIN
GENÈVE

LVMH

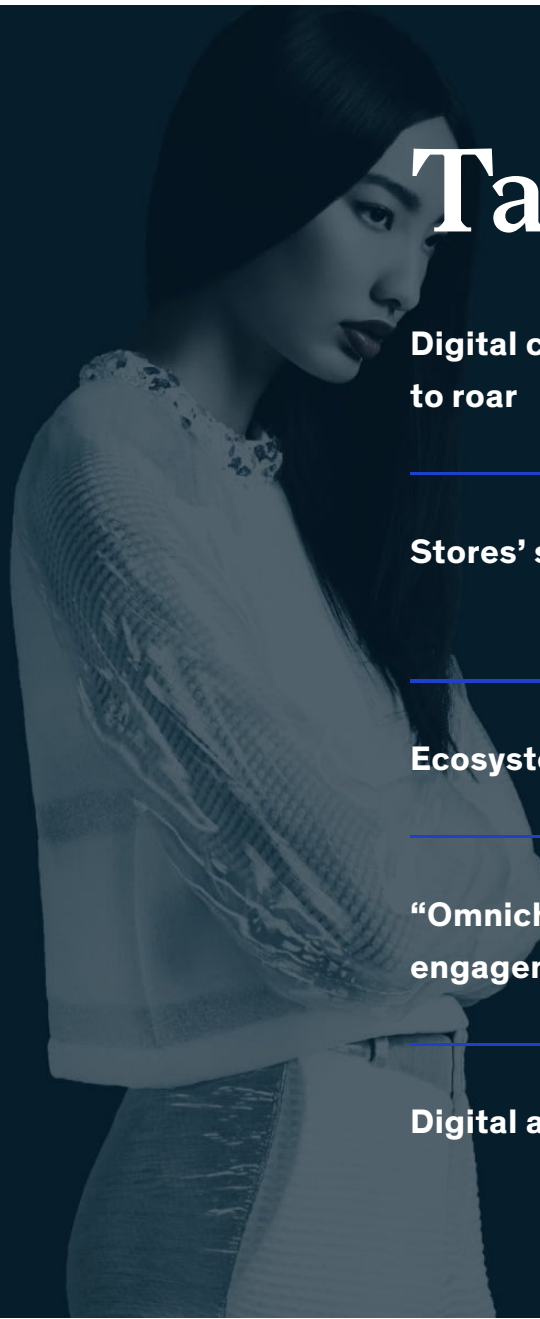


Louis Vuitton Owner LVMH Is Launching a Blockchain to Track Luxury Goods

Takeaways

Five key points to remember





Takeaways

Digital continues to roar

- €28 billion of pure online sales in 2018 to reach €65-85 billion by 2025, with penetration rising from 10% to 20-22%
-

Stores' second life

- Omnichannel customers worth 4x more than pure offline/online
 - New “old store” trap (e.g. the light bulb was not invented by continuing to improve candles)
-

Ecosystem play

- Let your brand grow while controlling fundamentals
-

“Omnichannel Digital engagement”

- Engagement is extending beyond pure digital: key to orchestrate narrative and touch points
-

Digital authenticity

- Authenticity becomes a hygiene factor as growth spreads across platforms (inc. secondlife.com)

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Thank you for listening to

Win big in digital

