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## Overview

New media for the majority of luxury brands still remains at most the creation of a web site that presents pictures of their collection but has little in the way of an underlying marketing communication strategy supporting them. This discussion document outlines key elements that should be considered in the creation of a luxury brands eCommunications strategy. This is presented at a core strategic level stripping away the envelope of brand and tactical marketing communication.

The attention of this document is focussed on the high fashion women's ready to wear market; however the majority of the issues are equally applicable to other product sectors within the luxury goods marketplace. This document also focuses only on the sales and marketing side. We have not outlined business to business communication in the Luxury goods market as the scope for developments in communication between the financial markets, brand licensees and manufacture particularly in terms of supply chain management warrants a discussion document of its own.

## Developing a new media strategy for a luxury brand

The visibility of actions taken by leading brands affects consumer, partner and finance market brand perception hence the importance to make sure that all public activities are successful. This means that major projects can only be executed when success is guaranteed.

When meeting a finance director for a luxury fashion brand at Goldman Sachs Luxury Goods Conference I asked what their new media strategy was, the reply was, "We have an internet site!" In other words we would suggest, *Our strategy is inaction!*. Inaction has to be an informed choice and should not be considered a permanent choice. Continual assessment of identified opportunities against consumer, market and communication trends is required as changes in these areas may present opportunity.

Developing a solid an eCommunications strategy relies on the knowledge of the options that are open to the business and making informed judgements about what future options may be. From this, understanding decisions about action versus inaction or the ring fencing of opportunities can be decided.

## Key communication themes to focus eCommunications Strategy

There are three key communication theses for new media communication:

### Business to Marketing Partners (Or Influencers) (Pages 2 – 3)

Communication between the brand and its partners marketing the brand. Including PR, Marketing agencies, stylists and editors.

### Business to Consumer (Pages 4 – 7)

Communication between the business and its customers.

### Customer to Customer

Providing mechanisms and supporting brand community and sales referral between customers.

There are also business development opportunities within new media and these are outlined on Page 8. Here, business development opportunities present themselves which support the main new media strategy.

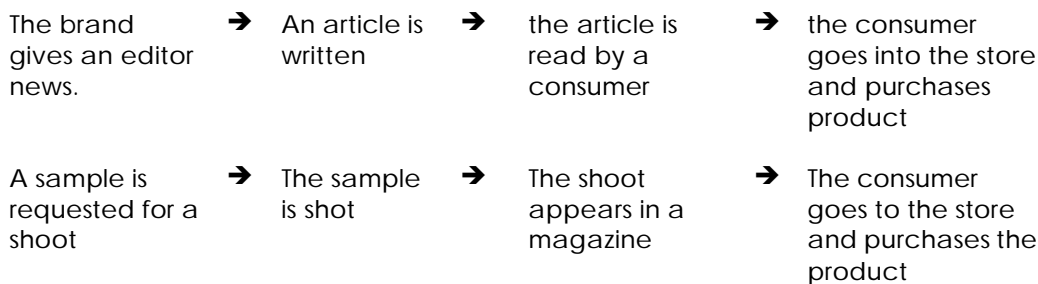
**Business to Marketing Partners**

Our vision for the future of new media communication to marketing partners.

The use of new media technologies in communicating with marketing partners is as much about taking traditional methods of communication and augmenting them with new media technologies as creation new channels of communication. Using new media we can measure the macro actions that make up the demand for information or product samples. *For example: we can measure the number of readers of an article and the conversion rate of readers of that article to buyers.*

By taking parts of the traditional communication process online we collect data and make judgements about which article has generated the most sales and what the triggers are within that article which have made the consumer react. Of course most advertising in high fashion is not tactical but used in the development of mind share of the target audience however the same principals can be used in measuring the effectiveness of a particular campaign.

Traditional communication process:



Our vision is that given the accumulation of historic data the business would be able to establish a cause and effect understanding which would allow the business to make a judgement as to the effect the article has had on sales.

Communication with marketing partners.

The brands relationships with its marketing partners is key to the maintenance and enhancement of its position within the marketplace. In terms of a new media communication strategy the brand will not wish to change the nature of the relationships but may look to enhance the way communication is achieved with new media technologies. Business benefit is derived from faster, quicker and continuous communication and from the measuring ability, which comes through the effective use of new media.

Who are the influencers and can communication with them be enhanced?

- Traditional influencers - Stylists
- Celebrities
- Photographers
- Editors

Examples of "business to marketing" new media communication projects:

*If press office sample requests were completed online would trend spotting from collected data allow the brand to anticipate product demand?*

*If editors and fashion writers had access to current and archive marketing materials would ease of access mean more features about the brand?*

*If fashion shows were web cast could the live audience for a catwalk show be expanded to include more influencers? What effect would this broadening effect have on sales and marketing?*

*If the designer was available for regular web interviews would the press office be able to grant more influencers quality time with the designer? What effect would this have on the influencer's relationship with the designer?*

#### Measuring success of tactical communication projects

With the collection of data from every part of the communication process we begin to understand consumer communication patterns and can then concept mechanisms to influence them. Having completed activities which collect and analyse data the creation of targets for success are easily implemented.

Ultimately the businesses understanding of communication activity shapes how the brand makes use of its marketing budget to acquire customers. It would be foolhardy to say that new media technology is the entire solution but the ability of new media executions to instantly measure action should be the start of understanding of how communication with key influencers affects the businesses revenue generation.

#### Example

*A major feature of Celines' internet site is a password protected section for the press. This section features: Agenda of events, sample requests, media library and contact information. This enhanced access to information gives global marketing partners 24/7 access to information about the brand.*

*Importantly if Celine have executed this service with a capability to measure they will be able to generate daily reports on:*

- *The number of samples requested by press*
- *The number of downloads of marketing materials*

*Performance levels can then be implemented which marketing partners can be effectively measured against.*

## Business to Consumer

### Our Vision for the future of new media communication in business to consumer in high fashion.

One day it will be natural for luxury fashion consumers to purchase product online as it is for them to walk into a boutique.

In the future luxury brands will have to engage directly in eCommerce. The main question is how to identify that the time has arrived. To a major extent the time will be dictated by the demand of the consumer to have access to the product through a new media technology (be that through the World Wide Web, interactive television or mobile technologies). Demand combined with the increased net margins eCommerce can offer make product sales through new media a certainty.

We believe that this will happen in the long term and that in the medium term secondary questions of customer relationship management, sales channels, supply chain management should be addressed. In the short term tactical activities should be executed to gain knowledge about the best mechanisms to be used to complete medium and long term goals.

Short term tactical activities as well as being the building blocks for a full blown eCommerce project should add significant value to the business today. Any short term projects should fulfil two criteria:

1. The activity adds value to the business today.
2. The activity fits with the medium and long term objectives.

### What will drive the luxury consumer online?

Customers enjoy the experience of purchasing their products in the physical environment of a store. What actions could cause a consumer to abandon the traditional store purchase route?

1. Geography and accessibility to the store
2. Limited availability – Timescales when the item would be available or the limited availability of the item.
3. Type of purchase; where market access to the product is not restricted to the brands own boutiques (sunglasses, perfumes).
4. The context of the purchase be it a present for a friend, wife, husband etc for Valentines Day, Birthday, Christmas, Mother's day or to make a statement to the receiver, Sorry, I love you, get well soon etc.
5. Presentation of the purchase opportunity. How the customer is presented with an opportunity to purchase the product.

Examples of Companies who are selling online:

*Both Gucci and LVMH both have eCommerce projects. Gucci have recently launched direct sales via their own internet site and LVMH invested in [www.eluxury.com](http://www.eluxury.com) three years ago to sell all of their brands online This demonstrates the two main approaches for selling online – Direct and Indirect.*

*What are the benefits for LVMH and Gucci?*

*The speed of technology development means that the shape of eCommerce will change and accessibility and usability issues will evaporate as will reticence on behalf of the consumer. Both Gucci and LVMH are taking*

*important learning steps within their organisations and although the extent to which this learning gives them an advantage in the future is not clear, important factors to consider are:*

- 1. The collection of consumer information backed up with data provided by the actions their consumers take online will give them the opportunity to identify and act on key trends earlier than their competitor*
- 2. The collection of consumer records allows them to engage in direct dialogue with their consumers and to implement ring fencing tactics to shield the consumer from other brands.*
- 3. The exploration of new media communications at an earlier stage provides later stage advantage as;*
  - a. Decision maker's will have bridged internal knowledge gaps and will be able to make informed decisions about future opportunities*
  - b. To a certain extent partnerships, suppliers and platforms for execution of opportunities will to have been tested.*
  - c. To a certain extent the companies will be aware of logistical issues including inter brand communication, logistics and supply chain management.*

**Tactical marketing opportunities for communication and eCommunication new media strategies.**

Tactical marketing opportunities are stand alone opportunities which can be taken advantage of outside of any main new media executions the business is pursuing. It is important that they are synergistic with the overall new media strategy. Below are examples of possible executions:

Poor line performance

Sales targets are missed for the first two quarters on a poor performing product line; the brand decides to launch a range of lower priced goods to ensure that sales targets are met. An eCommerce site is launched solely for the purpose of selling the range.

End of season excess stock

The channels for excess stock and over-production are enlarged by intermediaries entering the end of season stock market. Online clearance companies (i.e. [www.yoox.com](http://www.yoox.com)) are good examples of how an online clearance company can establish a trusted brand in this middleman sector online.

Partnerships

Through alliances, sponsorship and the creation of branded services create partnerships with other organisations who service the target consumer.

Private Banks	Recently Private Banks have been moving their criteria for customers downwards to having c50k of liquid funds available for investment. The banks have been working hard competing against each other to sign up new customers. Management of these new customers is primarily through online private banking sites.
Airlines	Airlines have been working on giving passengers internet access during flights.
<a href="http://www.showstudio.com">www.showstudio.com</a>	Cutting edge high fashion communication where photographer Nick Knight and friends (Kate Moss, etc) explores New Media and different ways of presenting fashion. There are a number of these edgy high fashion sites which have growing fan bases amongst key fashion influencers.
Internationals Companies – Intranet shops	Companies wishing to provide more value to their employees on their private intranets are partnering with businesses who can provide lifestyle value to their employees.
Concierge Services	Many online concierge services are establishing themselves as lifestyle managers for executives with little time to spare and will be important access points to luxury brand target customers in the future.

In-store new media technology

The use of technology to enhance to the shopping experience is becoming more commonplace.

Examples

*Levi employed laser measuring of customers to produce a bespoke pair of jeans for their customers in their California store.*

*Prada use various new media and new technology mechanisms to enhance the consumer experience in their flagship New York store.*

*Adidas employed laser measuring of footballers' feet to create bespoke football boots*

## Business development opportunities in new media

There are a number of business development opportunities, which make the trial of new media concepts viable. These include corporate venturing, purchase of failing internet start-ups and partnerships with synergistic businesses.

### Corporate Venturing in New Media

Corporate venturing is investing in new and existing businesses in order to explore opportunities without exposing the brand however sharing in the risk or success of the venture either financially or through gaining understanding of what works before major investments are made.

#### *Example*

*LVMH have been the first mover in this field investing in Luxury eCommerce site [www.eluxury.com](http://www.eluxury.com). This shopping site provides access to products from across LVMH's brands augmented with selected products from other high fashion brands.*

### Exit of Venture Capitalists from failed investments

Many new media ventures which attracted investment in the late 1990's are now failing and the investors are looking to exit. The opportunity in these failing businesses is that many were started with a focus on eCommerce, business to business marketplaces and supply chain management. Identifying the value to the brand in these failed businesses can only be achieved if the brand has a solid understanding of its own new media strategy.

### Partnerships with synergistic businesses

In developing new media applications it is possible that the mechanisms being created will also benefit other businesses. Partnering in such a case has to be well thought through and entered into with a full understanding of what is required from the partnership and how the partnership will develop. The main reasons for partnering are where development costs can be shared and or where the brand benefits from direct access to a new customer base. This strategy also works defensively by locking out competitors who wish to use these channels.

### What makes corporate venturing viable?

The number of support mechanisms for start-up companies in the UK is growing and the government have introduced tax incentives under the Enterprise Investment Scheme (EIS) which provide tax breaks on the invested amount. This means that for every £100k invested by in a new venture £40k is claimable back.

The US government have also introduced similar schemes to encourage investment in start-up companies that include schemes specific to investment in minority run companies.

#### *Examples:*

*Development of wealthy consumer acquisition mechanisms costs could be shared with private banks who also desire to identify and target wealth individuals.*

*Development of success of advertising mechanisms costs could be shared with media publishers.*

## Conclusion

Building a new media strategy must in the first instance mean tactical new media activities, which form a delicate and considered data and knowledge gathering exercise. A situation within the business must be developed where the business has a solid understanding of the opportunities and at what point they should be acted upon. Benefit to the brand, communication and return on investment is crucial.

New Media now presents many real opportunities that can be used to leverage brand position, support marketing and generate revenue. Which opportunity you execute on now and which you safeguard for the future needs to be understood to ensure that the business takes the correct course of action and that the knee jerk investments made during the height of the new media boom are not repeated.

## About PSFK

PSFK provides eCommunication consultancy services for luxury brands and have developed a framework for the formulation of marketing led strategies taking into account the complex and delicate relationships that luxury brands have with both market influencers, marketing partners and their customers.

Prior to establishing PSFK the founders Piers Fawkes and Simon King conceived and led eCommunication strategies for a number of international consumer brands including Georgio Beverly Hills and Hugo Boss fragrances.

Simon King

Piers Fawkes

8<sup>th</sup> May 2003

**Luxury Brands Internet Sites**

All luxury brands have an internet site and in the main their sites are primarily to provide users with information about the history of the brand and photographs to present the brands latest collection. In most cases the sites seem to be static and no efforts have been made in data capture or user communication. Outlined below is a good cross section of sites. It is also interesting to note the company the brand has employed to develop their site and although we must not read too much into the fact that they are produced mainly by design agencies and we do not know if there were any other strategic advisors in the background given experience within the sector this could be a key indicator as to the stage of new media strategy development within the brands.

Brand	Site Comments	Agency Used
Cacharel <a href="http://www.cacharel.com">www.cacharel.com</a>	Site has rudimentary elements of data capture but no reason for the site user to build a relationship with the brand.	Sites creators are NEO 5. A design driven agency unlikely to have provided Cacharel with a long term new media strategy
Celine <a href="http://www.celine.com">www.celine.com</a>	Site is split into two areas, press and collection presentation. The site has no user data capture mechanisms and no pull back. Celine has addressed a more important audience online the fashion press with its own area offering show videos, press releases and other press centric information. Importantly the site has a sample request service where stylists can request samples.	Site Creators are the Orbital Network in Paris a design driven agency with some eCommerce experience at a basic level. They are unlikely to have advised Celine on a long term new media strategy although the work they have completed on the Celine site to date demonstrates a good understanding of some of the basic audiences which a luxury fashion brand has to address.
Christian Lacroix	The site is haphazard and not user friendly. It could be argued that as a first or second site the company has produced that the experience is on brand presenting Lacroix in the gregarious and eclectic way he presents his own collections.	Site Creators are Aragorn. A Paris based design driven agency who have also worked for Jean Paul Gautier. They are unlikely to have provided Lacroix with either a medium or long term new media strategy although they have exhibited a rudimentary understanding of eCommerce mechanisms for JPG.
Emilio Pucci <a href="http://www.emiliopucci.com">www.emiliopucci.com</a>	Emilio Pucci's site is very on brand and is a well designed basic site. It has little in the way of data capture and some usability on the site is poor.	Site Creators are Digital Form, a New York based agency who have worked on many Luxury fashion projects including tactical projects for Cacharel. They are wholly a design driven agency.
Escada <a href="http://www.escada.com">www.escada.com</a>	Escada's internet site is a well designed basic site.	Site Creators are GFT.com. A German international IT consultancy and execution company. With GFT Escada have a partner who is well placed to develop a comprehensive IT strategy and perhaps even a good new media business strategy. However it is apparent that the GFT is not fully immersed in the Luxury goods market and this would probably prevent them from the suggestion of a comprehensive Luxury goods business new media strategy.

**Luxury Goods eCommerce Sites**

The internet hosts a plethora of luxury goods shopping sites from the online sales sites of department stores and boutiques to web only sales sites. The feeling you get when visiting most of these sites is of bargain shopping. Net-A-Porter is the only site I have found whose care about the way they present their own brand reflects back onto the way they present the brands the offer to their customers. Below is a review of 4 different online shopping sites each having a different approach to the issues of selling luxury goods online. These sites are representative of many other sites offering the same services:

Site Name	Brands Carried	Comments
Net A Porter <a href="http://www.net-a-porter.com">www.net-a-porter.com</a>	Total Clothing Brands Carried = 60  Including: Alberta Ferretti      Marc Jacobs Chloe                      Michael Kors Paul Smith              Pucci Missoni                    Roland Moret	Net-A-Porter are the UK play in this arena. The side is excellently designed with good product segmentation. The Net-A-Porter team have a long standing relationship with Vogues UK site targeting Vogue site users with offers based on editorial the site is producing. The magazine style of the site makes for easy browsing and the feeling of Luxury is not lost at any point throughout the site. London based customers can even have same day delivery of their purchases. More importantly the site does not give the user a feeling of being sold to.
eLuxury <a href="http://www.eluxury.com">www.eluxury.com</a>	Total Clothing Brands Carried = 17  Including: Dior                              Celine Louis Vuitton              Michael Kors DKNY                            Fendi	Being a company owned 50% by LVMH and 50% by Bernard Arnault I would have expected a much better user experience from eLuxury. The product is presented in an almost tacky way with "Best Sellers" and "Hot Pics under \$100". The site is just about shopping and not about experience. This shopping approach follows through with their partnership strategy taking button placements on internet search engine Yahoo for example.
Neiman Marcus <a href="http://www.neimanmarcus.com">www.neimanmarcus.com</a>	Total Clothing Brands Carried = 28  Including: Dolce & Gabbana      Michael Kors Roberto Cavalli        Escada Burberry                    Jean Paul Gaultier	Exactly the type of site you would expect from a department store unfortunately there is little differentiation between the purchase of a JPG top for \$500 and a Lacoste top for \$50. This is a basic shopping site in a similar vain to eLuxury.
YOOX <a href="http://www.yoox.com">www.yoox.com</a>	Total Clothing Brands Carried = 15  Including:  Gucci                            Chloe Dolce & Gabbana        Fendi Miu Miu                        Prada Paul Smith                    YSL	The best of the "Shopping" style sites. Founded two years ago by Federico Marchetti to sell end of season, second season product Marchetti persuaded his contacts in the luxury brand housed to off load their end of season stock to him. On course to hit \$12m in sales this year. The site is the best shopping on the web and has taken no time in extending its offer to the latest seasons products and a vintage shopping section.