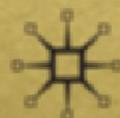


# Luxury Online

Styles,  
Systems,  
Strategies



Uché Okonkwo



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luxury online

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# luxury online

styles, systems,  
strategies

**Uché Okonkwo**

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*This book is dedicated to the memory of my grandfather John Okonkwo, who left great impressions on me, even as a child*

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# Foreword

It was not too long ago that to suggest that the Internet had an important role to play in the rarefied world of luxury was either an act of misplaced bravery or an outright heresy, depending on your point of view. Today, however, all the major players in this sector are falling over themselves in a rush to embrace the online world.

Until recently, the wisdom of using an official company website for anything more than a few bland declarations and a limited online brochure was still being challenged in the boardrooms of luxury conglomerates. Now, after a stampede to set up transactional e-retail websites, luxury brands, often with the self-consciousness of a child arriving at a new school halfway through the term, are looking to attach themselves to every new online phenomenon, from blogging to Twittering via YouTube and Facebook.

So why has it taken so long for the world of luxury to embrace the Internet and new technologies? Blinkered by fears of ‘channel conflict’ – diverting business from their bricks and mortar stores and upsetting their wholesale customers – luxury brands had convinced themselves that luxury was ‘different’, that it could not be ‘delivered’ online without being debased and undermined. So the received wisdom was that at best the Internet was irrelevant, at worst an insidious threat. The leaders of the luxury fashion industry therefore either ignored the online world altogether or opted for a half-hearted level of agnostic semi-engagement which left observers from the real world scratching their heads in bemused disbelief.

Luxury brands, for so long dismissive of the need to listen to their customers, had this time been left far behind by these clients. It has taken them a while to realize this. Indeed, it has been left to the pioneering entrepreneurs of the industry, with the vision and self-belief to challenge the received wisdom of the industry heavyweights, to demonstrate this. Their example illustrated that the Internet can be as powerful a force for change and growth in the rarefied world of luxury as it has proved to be in all other sectors of the retail world. Of course, the luxury Internet trailblazers had the advantage of not being encumbered by the legacy of business structures that were preoccupying their established rivals. They also had the sense to look at the wealth of research about the evolution of e-retailing, all of which pointed to the fact that the twin obstacles to delivering a rich ‘luxury’ experience online – conservative consumer attitudes and technological limitations – had been melting away quicker than ice-cream on a summer’s day.

The reticence of the established groups also helped create the opportunity for the new arrivals, of which Fabergé is one. The price of a piece of prime real estate on any prestigious luxury street or shopping mall around the world has become prohibitive to all but the wealthiest brands, even before factoring in the cost of building a retail temple grand enough to catch the attention of the passing customer. However, the cost of creating a presence to rival the same companies online is less intimidating. At the same time, the opportunity to offer a user experience and level of service superior to these established rivals has been very real.

These trailblazers have demonstrated, by wholeheartedly embracing the power of today's technology and combining it with traditional retailing skills, that it is possible to provide an online experience that offers a compelling alternative to the traditional location-bound and time-restricted alternative.

It was this opportunity that captivated my team when we set out to plan how to restore Fabergé to its rightful position at the pinnacle of luxury. We also saw the foot dragging of many established rivals as an opportunity. We identified the changes in consumer attitudes, accelerated by the early twenty-first-century economic crisis, and understood how these were enhancing the appeal of the Internet as the preferred primary point of interaction between the consumer and brand or retailer, irrespective of the category and price-point. We confirmed from research and practitioners that these trends were even more apparent among high net-worth audiences for whom discretion and convenience were becoming increasingly important considerations. We were excited by the opportunity that developments in software and imaging technology were providing to transform the online user experience into one that replicates the exclusive and intimate world of the high-jewellery salon. We were impressed by the scalability of an online flagship store open to the world 24 hours a day seven days a week from day one. We were attracted by the power of modern CRM software to nurture an enduring and personal relationship with our customers around the world and provide them with a level of service difficult to match with a black book and a telephone alone.

This significant and groundbreaking book explores all these elements and much more, for the first time. It provides invaluable insights to help all those looking to unlock the massive potential of the Internet and new technologies as an invaluable means of enhancing the luxury experience for the customer and the profit potential of its delivery for the provider. I intend to keep *Luxury Online* close to me for a long time, and I counsel you to do the same.



MARK DUNHILL  
CEO, Fabergé

# Acknowledgments

I may have offended some people by my refusal to discuss the contents of this book while I was writing it and so I will begin with a small explanation and apology hoping that they will understand (and still buy it!).

My main reason for being reluctant to discuss *Luxury Online* was because of the intention to present an extensive view of luxury e-business through a set of sound and objective strategies that are independent of any luxury company's direct influence. Although I interviewed several professionals and experts in the field, including academics, if I had allowed unsolicited opinions, unstructured viewpoints, invalid business models, not to mention incessant debates on the place of the Internet in the luxury world, my intentions would have been undermined. I also didn't want to appear to be in favor of any particular luxury brand or product and service category for that matter. As you can imagine this was tricky to manage, particularly when I had to crawl back to the same luxury companies that I refused to discuss the book with to double-check facts and figures (which was often) and to request for permission to use the images! I thank them for their support and for ensuring that our business relations and mutual respect have been sustained.

I also hope that the many people who wrote to ask for a peek into the book before its publication (including the American guy who was ready to fly to Paris for a surveilled reading of the manuscript for a few hours) understand that I was not in a position to oblige them, although my publisher put me in a corner by putting up the book's information online before I even completed the manuscript! This is however the beauty of the Internet – to create awareness and generate news!

I will begin by thanking the brilliant team at Palgrave Macmillan for all the work they have channeled towards putting this book together and getting it to the public – Stephen Rutt (for believing and being ever so patient), Alex Dawe (for being a super-woman who understands how to manage me), Paul Cooper (your enthusiasm is infectious!), Eleanor Davey Corrigan (for getting it), Adrian Scott (for your dedication to my work), Dylan Moulton (for being ever responsive), Regina Chan (for always thinking forward), Clare Hodder (for your creativity and flexibility) and my painstakingly meticulous editors Linda McGrory and Keith Povey and all at Palgrave Macmillan.

I'd like to thank especially Mark Dunhill not only for being so kind as to write the Foreword of the book, but also for being one of those who believe

in my non-stop preaching of the power of digital media and technology. His support means a lot to me.

I'd like to give a big kiss and hug to Yaffa Assouline, my "Queen Mother" of luxury, for being my constant source of inspiration and support and for sharing my vision. And to André Kolasinski, the "coolest Internet guy in town". Avec mes sincères remerciements!

The luxury brands that form the membership body of Club e-Luxe – the luxury e-business executive club that we created several years ago – have acted as my sounding board in all manners and forms for every aspect of luxury e-business strategy and execution. I owe all the professionals, brands and companies that have been involved in the club a note of gratitude for sharing the passion and dedication towards luxury online advancement – Louis Vuitton, Gucci, Cartier, Coty Prestige, Hermès, Christian Dior Couture, Boucheron, Piaget, Fabergé, Sonia Rykiel, L'Oréal, Parfums Christian Dior, Daniele de Winter, Gottesman Paris, A Small World, Skywire, Gilt Groupe, Luxe.TV, Luxury Culture and so many others too numerous to mention. Thank you.

I also owe a big thanks to all the luxury brands and companies that kindly provided permission for me to reproduce their content, images and screen shots in this book – Louis Vuitton, Gucci, Cartier, Boucheron, Chloé, Adler, Fendi, Lancôme, Rolex, Christian Dior, Coach, Valentino, Raymond Weil, Maison Calavas, Jaubalet, Van Cleef & Arpels, Chaumet, Guerlain, Viktor & Rolf, Oscar de la Renta, Giorgio Armani, Karl Lagerfeld, Rémy Martin, Hôtel Le Bristol, Ritz-Carlton, Fauchon, and many others. I appreciate your confidence and belief in this book.

I'd also like to thank the several online magazines, e-retailers, bloggers, bloggers, social networks, forums, TV channels and all the websites in the social web movement that granted me the rights to reproduce their text and images in this book – Luxury Briefing, Luxury Culture, Browns, Vivre, A Small World, Gilt Groupe, Sac de Luxe, Vente Privée, Taaz, Portero, My Wardrobe, Sonodea, My Virtual Model, Mila & Eddie, Luxe.TV, Luxury Channel, Avelle, Portero, The Watch Avenue, Koodos, My Fab, 20 Ltd, Billionaire 500, Iconic Chic, Mrs O, 43 Things, Luxist, Style Bubble, Shoewawa, Interactive Luxury, Greek Tragedy, C Koi Ton Rêve and many more. These trailblazing websites have all contributed to the advancement of luxury online and I'm honored to have featured them in this book.

My thanks also go to the indomitable Luxe Corp team and my long suffering Assistant and Webmaster for constantly averting potential disasters and for always maintaining a smile and for keeping me in check in spite of the constant pressure. Thank you to Jessica Reyfish for diligently tracking all the copyrights, to Taka Okazaki-Leblanc for understanding and working around my pressure cycles especially related to the deadlines linked to this book. You all contributed to making *Luxury Online* possible.

This book would not have been written without the support of my family to whom I owe my everlasting gratitude for keeping me solidly grounded – my mother whose well of love is endless, my sister Uju who understands “everything” and all my sisters and brothers as well as my father who are always there whenever, however and whatever. I may not say this enough but I’m really grateful to God for making me a part of the “Okonkwo” clan. I love you all and I thank you for believing in me.

Finally I would like to thank God for giving me the opportunity, resources and strength to write this book because, frankly speaking, I don’t know how I did it.

UCHÉ OKONKWO

# Author's Note

Luxury is online but is not yet in line. Did you notice? As an industry that is known for creativity and avant-gardism, it remains a surprise that luxury is playing catch-up to the rest of the world in embracing the e-culture and adopting digital technology. It is a well-known fact that luxury brands have been locked in a love-hate relationship with technology since it became apparent that the Internet is here to stay. But two decades after the arrival of the Internet, this scenario ought to have changed. The question of 'why' luxury should be online is no longer relevant but the current issue is 'how' luxury should present itself online, particularly as consumers take charge of their online experiences. The likes of Louis Vuitton, Gucci, Cartier and the Ritz-Carlton are paving the way and leading luxury brands to repent their anti-Internet stance but the journey remains a long and challenge-ridden one.

As the most powerful marketing tool that will drive luxury businesses forward in the next century, the Internet has become indispensable for luxury to reinforce brand presence, break into new territories, engage clients on a higher level and demonstrate overall value. This reality is both worrying and exciting. It is worrying because placing luxury, which is based on rarity and refinement, on a medium such as the Internet, which thrives on mass access and mass appeal, is logically paradoxical; and its excitement comes from applying the right mix of the relevant strategies, tools and techniques that will result in a powerful online presence for luxury brands and an enhanced experience for the clients.

The luxury consumer has been reborn after twenty years of interacting with the Internet. The shifts in their value systems and mind-sets have been heightened further by the global economic slowdown leading to a different luxury market climate. A new world order is in the process of emerging and the luxury market will never be the same again.

What does luxury require to excel in this new world? Luxury has to get its act together by embracing technology through an infused e-culture and adopting advanced strategies for e-communications, e-marketing, e-branding, e-commerce, client management, channel integration, social web marketing, website design, mobile marketing and applied technology in product development, merchandizing, retail, mobile and sustainable development. All of these have been addressed in this book.

*Luxury Online* is not about exalting or crucifying luxury brands, neither is it about providing magic formulas for \$millions in sales without strategic

vision. This is also not a technical book but one that addresses bottom-line business issues that luxury brands face in the context of the Internet, digital media and new technologies. It is an eye-opener that strives to reveal the approaches to overcoming the challenges of luxury online while meeting the requirements of business in the twenty-first century digital context. Its recommendations will lead to long-term client affiliation, business growth and sustainable brand value, even as luxury online strives to come of age.

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# Introduction

## Moving beyond slow motion

“A journey of a thousand miles begins with a single step.”

—Lao Tzu, Chinese Philosopher

In April 2005, I wrote an article titled “Can the luxury fashion brand atmosphere be transferred to the Internet?” which was published on Brandchannel.com. Within days, my inbox was flooded with emails from people all over the world with comments, opinions and incessant questions about this new business area that had become crucial in luxury management. The emails were mostly from luxury brand executives, entrepreneurs, analysts, academics and students with the common interest of understanding how luxury can be successfully presented online. The majority of the messages revealed major concerns about e-branding and e-commerce and others questioned the challenges of understanding online luxury clients, and yet other messages expressed urgency in identifying a coherent manner of communicating online while preserving all the qualities of luxury. Some people also wrote to tell me that they thought I was nuts to believe that luxury should be placed online as the Internet was a mass medium that has nothing in common with luxury. One gentleman actually went as far as saying that I was living in a bubble of my own imagination. However, in general, the undertone of most of the messages was apprehension, perplexity and some disorientation towards luxury online.

Four years on, I am still receiving emails based on this article (unbelievable!) and although the luxury online situation has evolved, there remains a wide gap in the strategies, business applications and knowledge of every aspect of luxury online. This was proved in June 2007 at one of the luncheons for my previous book, *Luxury Fashion Branding*, where I had an interesting chat with a luxury marketing executive. It went along the lines of “So why did you write the book?” And I gave an answer along the lines of “I discovered that there was a real need for a book like this because no business texts existed on the topic and there is an important evolution taking place in the luxury industry... etc.” He complimented several aspects of the book but also mentioned that he thought the chapter that analyzed luxury e-business could have been more extensive as

this was one of the most challenging business areas for luxury companies (by the way, this is the second longest chapter of that book!) Anyway, I informed him that I was aware of the nightmarish nature of luxury e-business and that I was already working towards another book as a way to make my own small contribution towards the evolution of luxury online. The result is the book you now have in your hands.

I became interested in and began researching and experimenting in luxury e-business several years ago (in 2001, precisely) when most luxury brands viewed the Internet with suspicious eyes and several were still debating whether the Internet was worth their attention or not. At this time, only a handful of brands like Louis Vuitton and Gucci had websites while others like Versace had only a front page and yet others like Prada hadn't even thought of going a step further than their domain name registrations. During this period, two comments that I heard from two of the most respected French luxury companies left me appalled at how dismissive and undermining luxury brands were of the Internet – an indispensable business tool – but their comments also confirmed the state of luxury online at the time. One of them told me, “Uché, we're not interested in the Internet and we will never sell our products online.” The second brand's response when I asked about their e-business strategy was, “Our CEO doesn't like the Internet and he doesn't use a computer. We don't need the Internet. The Internet is not luxury.”

If you're guessing that these two brands have since “repented” from this somewhat outdated standpoint, you're right. These brands are also struggling while playing catch-up to the rest of the luxury industry – which is what happens to late adopters – even though the luxury sector as a whole is playing catch-up to the rest of the business world as the Internet continues to evolve. So imagine how far behind these two brands currently are.

The reality of the lateness of luxury online and the urgent need to address the strategic issues in luxury e-business has led luxury brands to realize the importance of establishing Internet divisions and creating an innovative corporate culture. It has also led to the creation of Club e-Luxe, the executive club for luxury e-business professionals which is dedicated to enabling the advancement of luxury practices in the context of the Internet, digital media, new technologies and innovation. Since its creation in 2006, the club has been meeting the objective of providing luxury companies with access to the cutting-edge strategies, applications, techniques, tactics, developments, systems and expert knowledge that is required to meet the inevitable challenges that luxury is currently facing in adopting new technologies. It has served as a unique platform for the advancement of the e-business practices of major international luxury brands who are also provided with access to the expert consultants and developers in the field. Club e-Luxe's creation brought about a turning point in luxury e-business practices and is one of the reasons that writing this book was possible.

As you may have guessed, this book didn't come about as an abstract idea or an accident. I decided to write it because of a real gap that was identified

in my daily practice as a strategist and consultant for luxury companies. This gap is linked to the necessity for progression on both strategic and operational levels prevalent across all luxury categories irrespective of product or service type. Constant exchanges with my fellow luxury professionals confirmed the lack of a clear and reliable approach in e-business strategies, applications, operations and metrics attuned to the mechanics of luxury management. Some of them even confessed that their decisions related to the Internet and new technologies were based on intuition and instinct rather than on strategies that have been developed from sound knowledge and a clear understanding of the Internet and luxury market. They constantly asked all manners of questions about luxury online and very often I found myself having conversations along these lines.

Q: Do we really need to be online?

A: Without any doubt.

Q: We (finally) have a website. Isn't that sufficient?

A: Cyberspace exists beyond your website. You need to control your brand in the complete World Wide Web.

Q: How can we drive traffic to our website? Should we pay for Google ads?

A: Internet users and luxury consumers search for specific luxury brand names in Google and are not likely to use phrases like 'best luxury brand' except if they're journalists or researchers. So it is better to build your offline brand awareness to support your online searchability and complement this with online buzz marketing through the social web.

Q: Should we sell our products online because other brands are doing so?

A: Sell your products online if your clients expect you to (and in most cases they do).

Q: Are consumers likely to shop more online because of the slow economy?

A: The economic downturn will surely affect the way clients perceive the value of luxury goods and services. They will increasingly use the Internet both to search for and to purchase luxury. The rate of purchase however will depend on market specificities.

Q: But the Internet is for the masses and luxury is for the... well, the wealthy

A: The wealthy are all online, sorry.

Q: Is the Internet going to go away?

A: Make another wish, please.

And on and on it would go.

It may seem that luxury companies have been unnecessarily difficult in approaching the Internet and in adopting new interactive technologies but this is hardly surprising if we take into consideration the very core of the luxury business. Most luxury companies were built on the foundations of skill and craftsmanship, high creativity, relentless innovation, exclusivity, made-to-measure, a strong vision, a unique clientele and the kind of passion that often borders on insanity. This drove the development of products that are often described as “masterpieces”, whether it is jewelry, fragrance, wine, spirits, gastronomy, watches, leathersgoods, automobiles, fashion and accessories; and in the case of services, the best experiences and comfort from hotels, private residences, travel and concierge services. If you take these characteristics and merge them with the Internet, which thrives on mass appeal, accessibility, availability and in most cases a “one-formula-fits-all” approach, you will agree that these qualities are hardly compatible with luxury. This explains the original phase of suspicion, confusion and apprehension that most luxury companies went through with the Internet.

Thankfully, we have moved on. However, the luxury sector may not be moving as fast as its public expects it to be in adopting cutting-edge Internet applications. This is largely due to the reasons already mentioned and also discussed in *Luxury Fashion Branding*. For example, Prada, one of the most respectable Italian (and indeed international) luxury brands didn’t have a website until 2007 – nearly twenty years after the invention of the Internet! And having a website is just one baby step in the journey towards real existence in cyberspace. If you add the adoption of interactive media through other channels like mobile technology and digital products, this will make website development far less than a baby step. Another brand, Azzedine Alaïa, which is a far cry from actually owning a website, leads the pack of luxury brands that demonstrate Internet aversion although news and information about the brand can be found randomly online, initiated, spread and controlled by consumers. Yet others like Mikimoto, Berluti and Christian Lacroix, which all have websites, have not yet strategically elevated their online presence to correspond to their offline brand positioning and values through their websites.

Beyond fashion, luxury hotels like the Plaza Athenée and the Jumeirah Emirates Towers have also under-utilized the Internet’s potential as a powerful channel for brand reinforcement, communications and CRM and not only for reservations. Yet others like the Ritz-Carlton and the Four Seasons have developed websites that have sacrificed their unique brand experiences for features so identical that one could be mistaken for the other. The luxury car segment is also not left out in the Internet strategy under-utilization. Brands

like Aston Martin and Ferrari have focused on functionality and e-commerce with the occasional video and flash animation on their websites while others are like Maserati, which actually provides the driving experience online and presents its cars as valuable symbolic objects rather than products, but has neglected to use the Internet to power its thriving Maserati Club.

To depart from this gloomy picture however, several initiatives have been recently launched as pointers in the direction of developing advanced e-business tools, strategies and applications that are suitable for luxury companies to adopt for best practices. In addition to Club e-Luxe, which congregates members annually in Paris through a summit where the latest luxury online strategies and applications are unveiled, there have also been e-business-themed conferences organized by bodies such as Luxury Briefing, the Walpole British Luxury Association, the Milano Fashion Global Summit and the *International Herald Tribune*. But what luxury e-business advancement requires today is more than seminars and conferences, which is one of the factors that convinced me that this book should be written.

In continuance with the progression of luxury in the digital age, this book has been written to provide an indication of practices required for the luxury business in the context of the Internet and technology. It contains information, data and analysis that have been collected over a six-year period as well as observations, strategies and applications that have been validated in ongoing practice. It includes conclusions that have been drawn from examining over five thousand websites and web elements during this period and practical insights garnered from consulting for several luxury brands worldwide.

This book is divided into two main parts – Getting It! and Doing It! The first part – Getting It! – serves to explain the progression and current state of luxury online and the second part – Doing It! – provides analysis, strategies and tools of different aspects of luxury online that may be used to enhance its role in luxury management and to ensure its continuous evolution.

References have also been made to the works of respectable luxury professionals like James Ogilvy, through the *Luxury Briefing* journal; Yaffa Assouline through *LuxuryCulture.Com* magazine and the multiple business leaders whose works have been published on Brandchannel.com, in addition to hundreds of websites, blogs, plogs, vlogs, mlogs, social networks, discussion platforms, online communities and virtual worlds. Notable researchers and academics like Kevin Keller and Elyette Roux and business writers like Mark Tungate, Larry Weber, Robert Scoble, Shel Israel and Eric Le Reste have also provided invaluable content through their publications that I have used to highlight the continuous evolution of the Internet and new technologies in the business of luxury.

To the best of my knowledge, the information provided in the following pages was correct at the time of writing (January 2008–July 2009). However, due to the fast pace of the Internet evolution and constant updating of