

# *SHOPPING WITH A PURPOSE*

## *THE NEW RETAIL REVOLUTION*



POSITIVE LUXURY  
BRANDS TO TRUST

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## ABOUT POSITIVE LUXURY

Positive Luxury connects brands and consumers that care. Our mission is to inspire people to buy better and influence brands to do better. Positive Luxury awards the Butterfly Mark to brands demonstrating positive efforts towards the craftsmanship, service and design of their businesses.

Positive Luxury was founded in 2011 by Karen Hanton, MBE, founder of [toptable.com](http://toptable.com), and Diana Verde Nieto, pioneering sustainability expert and named Luxury Women to Watch 2016.



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# FOREWORD



Businesses today face tremendous levels of uncertainty and volatility. Driven by a host of factors, such as rapid technological developments, demographic shifts, sociopolitical instability, and slow economic growth, the business environment seems to be in a state of permanent disruption.

In the face of this, many companies are embracing purpose as an important lever for navigating turbulence, and are rethinking how they create and measure value.

Purpose is a far more familiar concept now than it was even a few years ago when EY Beacon Institute launched. Purposeful business has grown into a movement that has entered the mainstream. The current discourse is less about whether purpose is an important resource for companies – we believe the business case for this has been made – and more about how purpose can be realised, enabling companies to unlock its value.

Retailers offer an excellent lens through which to examine these issues – they are the front line of capitalism. In today's always-on world, they are in the market every minute of the day. Luxury retailers and brands, in particular, are often viewed as the aspirational vanguard. We are very pleased to work with Positive Luxury to examine the way luxury retailers and brands are facing disruptive change and how these highly focused consumer facing businesses are utilising purpose to drive benefits.

The EY Beacon Institute is a community of executives, entrepreneurs and luminaries advancing a transformation of the working world by redefining what it means to be a successful company in the 21st century.

We develop research and share stories on how leading companies are redefining success to create sustainable value. Most importantly, as a community of practitioners, we advance this movement through our individual actions and the way we lead our organisations.

I hope that you find this report insightful and inspirational, and invite you to connect with us at [ey.com/beacon](https://ey.com/beacon)—and to join the movement of those on the leading edge of transforming the working world.

Valerie Keller  
*Global Leader, EY Beacon Institute*



# CONTENTS

## INTRODUCTION | 6

## 1./ TRUST | 10

<i>Case Study: Tesla</i>	12
Trust - A Consumer Revolution	14
Trust + Transparency	16
<i>Case Study: Prada, Technology and Trust</i>	18
Purpose for a Purpose	20
<i>Case Study: Burberry</i>	22
Hire, Not Fire	24

## 2./ SUSTAINABILITY & INNOVATION | 26

<i>Case Study: Patagonia</i>	28
Innovative Thinking	30
<i>Case Study: Christopher Raeburn - Purpose Channels Innovation</i>	31
<i>Case Study: Kering - How Finding Purpose Drives Innovation</i>	32

## 3./ TECHNOLOGY | 34

Clicks and Bricks	36
Top Five Retail Technologies Changing the Way We Shop	38
i. Mobile First	40
ii. Getting 'Phygital'	42
iii. Creating and Curating - Content is King	44
iv. Case Study: Longchamp	46
v. Data	48
vi. Fast Delivery Omnichannel	50
<i>Case Study: Selfridges - Omnichannel Curating to Buy Better</i>	52
Purpose to Impact: The Forgotten Territory of Retail Staff	54
So What will the Future of Retail look like in 2025?	55

## 4./ IMPACT & OPPORTUNITY | 56

The Amazon Effect		58
Thoughtful Luxurian: Curating Consumers		59
H.E.N.R.Y. - 'High Earner Not Yet Rich'		60
Emerging Market to Take Over		61
Case Study: Lane Crawford - Connected Commerce		62
The Purpose Economy		64

## CONCLUSION | 65

## SOURCES | 66

## IMAGE REFERENCES | 68

## ACKNOWLEDGEMENTS | 70

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INTRODUCTION

*PURPOSE-LED  
BUSINESS,  
NOW THE  
EXPECTATION*

With the new global agenda on Sustainable Development ratified by the United Nations, new anti-slavery legislation in place on both sides of the Atlantic and 174 nations signing up to the Paris Agreement on climate change, 2015 saw the world unite in demanding a better future.

At the same time, we have seen the world wake up to the value of businesses with a purpose - with retailers and retail brands at the vanguard. With an appetite for more meaningful engagement with society, their stakeholders and their customers, these aspirations for greater purpose and meaning span traditional bricks and mortar retailers and the new wave of digital disruptors. Both have increasingly sought to be grounded in humanity, delivering products and services mindful of people and planet in an authentic way - inspiring a call to action.

Surviving – let alone thriving – in today's economy is hard. Retail in particular faces uncertain times, struggling with the impact and opportunity that new technology, new consumers and new ethical demands impose.

Mounting evidence – from consumer research showing people demanding and craving more from the businesses, brands, and companies they work and buy from; to academic examination of businesses that are best equipped to satisfy those demands – shows that purpose in business is no longer merely optional. For all businesses, it is an expectation. Creating or selling a good product or service is no longer enough to create value for customers, stakeholders and the physical environment in which we all operate.

Over the past five years, there has been an explosion of interest in *purpose-driven leadership*. Academics argue persuasively that an executive's most important role is to be a steward of the organization's purpose. Business experts make the case that purpose is a key to exceptional performance. Psychologists describe it as the pathway to greater well-being. And purpose goes hand in hand with sustainability - often described as a journey to secure the needs of today without jeopardizing the needs of tomorrow.

This evidence suggests that purpose is the key to navigating the complex, volatile and ambiguous challenges people and companies face today. Doctors have even discovered that people with purpose in their lives are less prone to disease and live longer, happier lives. This report identifies the rise of a new breed of purpose led retailer/brands and the return to purpose of many traditional luxury brands – all businesses with, as EY defines it, an aspirational reason for being that is grounded in humanity and inspires action.



## WHAT IS PURPOSE?

*“The basic drive of the company should be the creation of a better world for future generations.”*

- LUC BERTRAND,  
CEO of ACKERMANA &  
VAN HAAREN (AvH)

Put simply, it is a company's core reason for being. EY's Beacon Institute defines purpose as an aspirational reason for existence that is grounded in humanity and inspires a call to action. The definition carries the underlying concept that by acting on this purpose, companies create more value for their shareholders and society over the long term than by pursuing purely financial goals or a narrowly defined self-interest.

The luxury retail industry occupies an unusual space on this new horizon. Many luxury brands and retailers began life with deeply rooted purpose. However one chooses to define luxury, the underlying sentiment is one of quality, attention to detail and care for the customer. In some cases, luxury brands and retailers have drifted from the purity of their purpose – in some cases driven by the dogma of shareholder value. Today, however, many companies want to build a business that exists not only to serve their stakeholders, but also to contribute something valuable to society at large. Business leaders are finding an unexpected benefit in this new approach: focusing on the core benefits their companies bring to the world turns out to be a key comparative advantage.

New businesses seeking to establish their direction usually have purpose at the core of their proposition. The very act of starting a business involves an entrepreneur expressing their sense of purpose - an attempt to solve a pressing problem, seize a new market

opportunity or bring a fresh perspective to a tired process or product.

Mature brands and retailers looking to keep up with a changing world and future-proof operations find combining purpose and sustainability vital in defining a roadmap and mobilizing the necessary intellectual, financial and material resources.

This report examines the changing demands of consumers, employees and other stakeholders, the need for trust in all aspects of commerce and the effects of new technology. It shows that true purpose is more than a marketing or branding concept. It guides how a company conducts itself. Authentically purpose-led businesses use purpose to drive innovation, and as a guide for selling, sourcing and recruiting. A strong, unifying purpose delivers a strong ROI.



*“I think anybody who sets up a business sets it up with a purpose. I think just being in business itself, you’re almost definitely creating something to make a difference to other people’s lives. Otherwise, you won’t have a successful business.”*

- SIR RICHARD BRANSON,  
Founder of Virgin Group



**TRUST**

# Trust

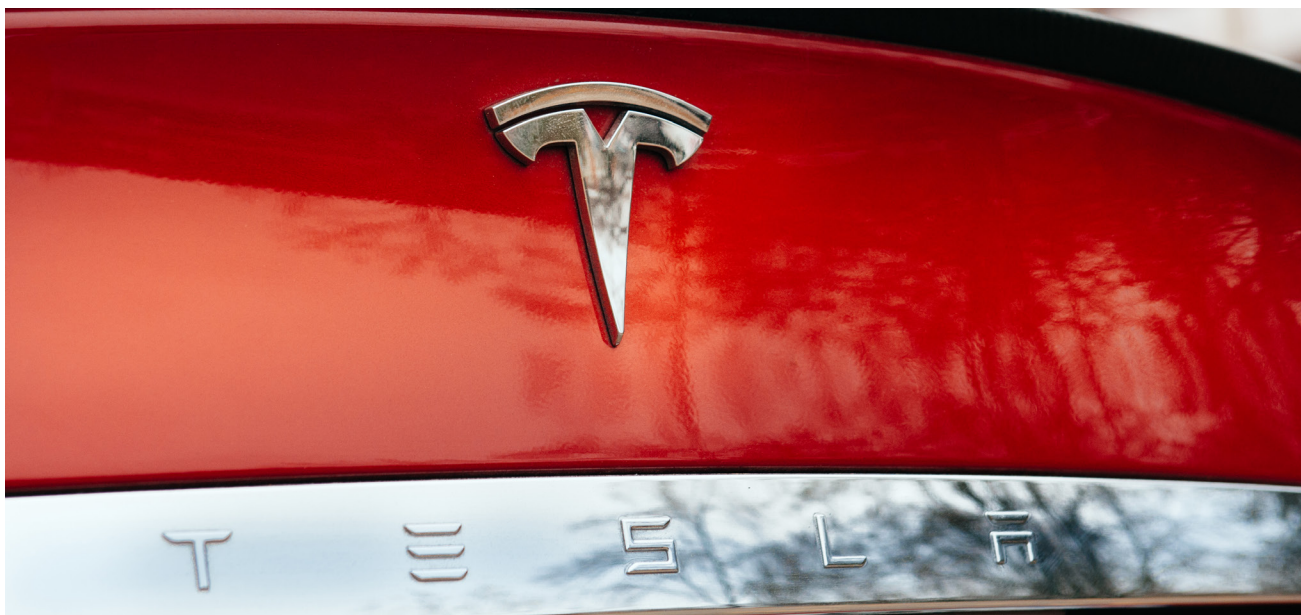
is as old as humanity but it's never been a more urgent issue. 2016 has seen a crisis in trust – a trust deficit between people, in leaders, in business and between nations. In theory, brands should benefit – the very idea of the brand is based on trust. Thousands of years ago the concept of brands began as a mark of origin, a symbol of reliability, of constancy and often of faith. The oldest generic brand still in existence is a herbal paste – chyawanprash, a mixture of fruit, herbs and spices prepared from a recipe first recorded in Ayurvedic texts over 3,000 years ago.

As industrialised society removed the umbilical geographical link between people and the goods they consumed, first the retailer and then the modern brand acted as gatekeepers for trust. The butcher, grocer, department store and the designer offered trusted expertise that ensured customers could choose from only the best. In recent years, that bond has been damaged if not broken thanks to events from supply chain scandals to data breaches.

The retail sector faces a pivotal moment in its history – as shoppers become increasingly fickle, as the digital vs. bricks and mortar landgrab enters new territory and with digital challenger banks like Stockholm based Klarna offering manufacturer to buyer guarantees – founder Sebastian Siemiatkowski predicts a near future where consumers buy jeans direct from the maker – brands are discovering that trust can be their greatest asset.

In a heavily saturated market with consumers surrounded by so much choice - available at the touch of a button – building loyalty is particularly difficult. A purpose-led brand with unique social and/or environmental objectives can stand out against the competition. Consumers are increasingly concerned with good citizenship, with purchasing from socially responsible companies and with wanting to feel they're doing good when they're shopping. Brands with purpose build trust and loyalty.

## CASE STUDY: TESLA



*"I don't actually like to disrupt, that sounds...disruptive..."*  
*Elon Musk said recently. "I'm much more inclined to say, 'How can we make things better?'"*

Since the company began in July 2003, Tesla's purpose has been "to help expedite the move from a mine-and-burn hydrocarbon economy towards a solar electric economy." Its mission is to "accelerate the world's transition to sustainable energy."

In June 2014, as part of a drive to build openness and trust, Musk embraced open sourcing - publishing the firm's intellectual property on the company website. As a symbolic gesture, Tesla pulled down the framed patents from the walls of its Palo Alto headquarters.

As Musk explained at the time, "We believe that Tesla, other companies making electric cars, and the world would all benefit from a common, rapidly-evolving technology platform."

Tesla's decision to offer its technology to the "world's most talented engineers", whether or

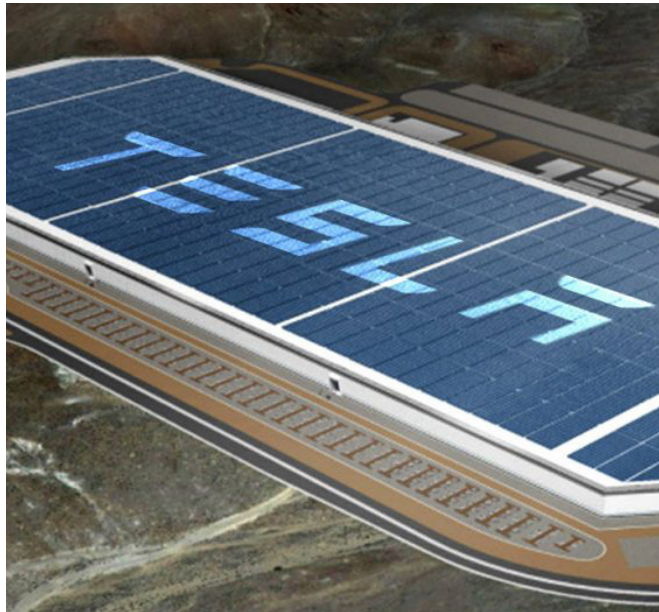
not they're working for Tesla will lower the barriers of entry, grow the electric car segment and ultimately make Tesla's cars more affordable to the public.

Advance orders for its 2017 Model 3 topped \$10 billion in the first two days after orders opened. The Model 3 could shave 300,000 barrels per day off gasoline demand in the U.S. by 2035.

*Top:* Tesla Gigafactory in Nevada. Covering 5.8mn square feet, the factory is aimed at making batteries for its electric vehicles.

*Bottom:* Elon Musk, co-founder, CEO and product architect of Tesla Motors.

*Opposite Page:* Tesla Model S.



## TRUST: A CONSUMER REVOLUTION

The strongest consumer trend of 2016 is the increasing desire for trusted brands – with new generations demanding trust based relationships. Research shows that 45% of people say their trust in a business increases if they believe it has contributed to the greater good. The majority of those surveyed (80%) believe companies can take specific actions both to increase profits and improve the social or economic conditions of the community.

The younger generations are proving less trusting of business than their predecessors. According to one survey, 83% of millennials (those born between the early 1980s and the early 2000s) agreed with the statement “there is too much power concentrated in the hands of a few big companies” — a much higher percentage when compared with earlier generations.

With the growth of big data, more businesses are looking to secure additional data from consumers. Research shows that consumers understand this – and were happy to share within a trust-based relationship. Many (75%) of consumers were willing to share their most sensitive data, including address, mobile phone

number, name and date of birth in exchange for a product or service they value and a brand they trust. Even more consumers (80%) were positively influenced into sharing personal data with companies when they received special offers or data-enabled benefits.

Positive Luxury’s own research – one-to-one interviews with key influencers, opinion formers, industry experts, CMO’s, CEO’s and executives across a broad section of the retail industry – showed that consumer trust was a central concern to almost in senior positions.

“We’re witnessing an awakening of socially conscious consumers who are also increasingly expecting retailers to reflect their own values and contribution to society,” said Sonja Healy, Founder of Supernomad. “With media coverage on questionable practices of many prominent retailers with regards to living wages, zero hour contracts, aggressive tax minimisation and their behaviour towards suppliers, more consumers are now starting to realise they can have a positive impact in this by taking their business elsewhere.”

Tania McNab, Founder, La Maison Couture agrees. “Consumers are becoming more discerning about the heritage and integrity of brands products in the luxury marketplace,” she explains. “Consumers are becoming more aware and more concerned about

the provenance of materials, such as gold and diamonds and the social conditions under which a company operates.”

Generation X and millennials in particular expect greater social responsibility from brands. Mintel research found that 51% of consumers believe they should boycott retailers that act unethically. At the societal level, the trust deficit could have far-reaching implications for business’s license to operate.



Above: Tania McNab, founder of La Maison Couture.

***“Consumers do not follow because they have to, but they want to – for themselves. In the same way, consumers do not buy what we do; they buy why we do it.”***

- KLAUS RITZENHÖFER,  
Founder, Apropos



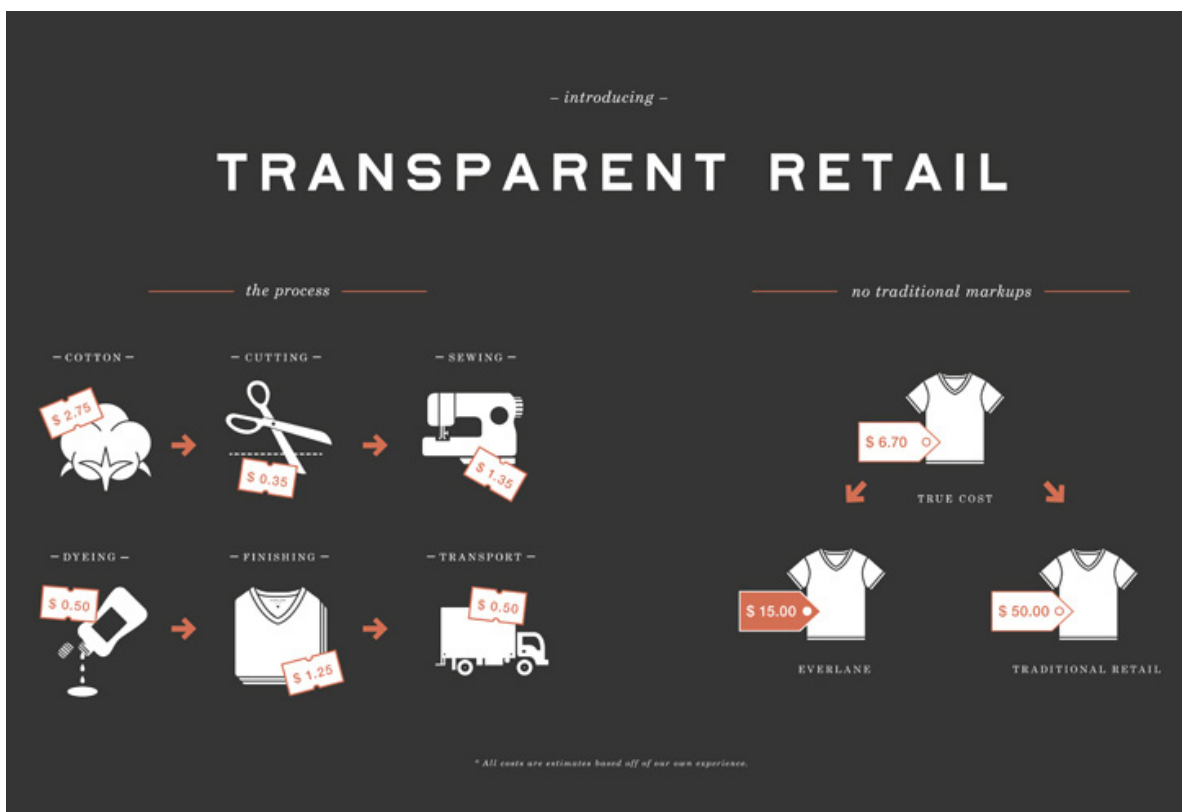
**Top:** Trust is the consumer revolution.

**Bottom (clockwise):** Klaus Ritzenhofer and Daniel Riedo of Apropos. Apropos, The Concept Store, located in Germany, is a generous shopping emporium with futuristic styling.



Right: Everlane shirts

Bottom: Everlane (infographic from 2013) has made several marketing efforts to communicate their business in a transparent way.



## TRUST + TRANSPARENCY

The fashion industry has been slow to engage with transparency – supply chain scandals continue to rock the industry. Consumers, however, are beginning to expect more than exclusivity from luxury design brands. They want to know where their clothes came from and how the environment was affected in the process. With tech-savvy, millennial consumers increasingly taking hold of the market, companies are being held to a higher standard.

And the industry is responding. Smaller, newer brands, such as Everlane, Reformation, Cuyana and Zady are vocal advocates for supply chain transparency and sustainable fabrics as part of their overall purpose. When Yael Aflalo launched Los Angeles based label Reformation, for instance, she defined the following purpose ‘we make killer clothes that don’t kill the environment.’ In 2009, the company didn’t advertise its use of recycled vintage garments and deadstock fabrics on the advice of its former PR agency, which told Aflalo that such messaging was “not going to resonate with fashion consumers.”

“For a little while I listened,” Aflalo said recently. “But we had seen the change in the automotive industry, seen the change in the food industry, where people [were expressing

demand for] sustainable options. And we knew fashion was going to be next. I think it’s just going to be a steady march, it’s been changing over past few years and will continue to change.”

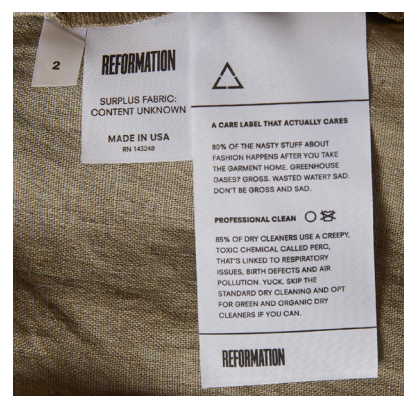
For Earth Day this year, the brand launched an environmental impact scale called RefScale. Customers can now click on the globe icon featured on every item’s product information page to discover just how much water and carbon dioxide were used and saved compared to industry standards during the manufacture of each item. This message has attracted celebrity fans including Taylor Swift, Rosie Huntington-Whiteley, Alexa Chung and Sophia Bush.

Since its 2011 launch, fashion startup Everlane has published detailed information on its factory, specific materials used and the exact production process – touting “radical transparency” as part of its mission to “make the most beautiful essentials, at the best factories, without traditional markups.”



*“This past year we have seen incredible growth in global customer’s appetite for authentic products that have high levels of provenance and creativity. Customers are willing to buy from the far side of the world in order to get something truly unique with a real story behind it and this has been enabled by internet technology.”*

- ROB PASSMORE,  
CEO & Co-founder,  
JEWELSTREET.COM



Left: Yael Aflalo, co-founder of Reformation. Right: Reformation care labels include engaging tips on after-care for consumers.

## CASE STUDY:

*PRADA Technology & Trust*

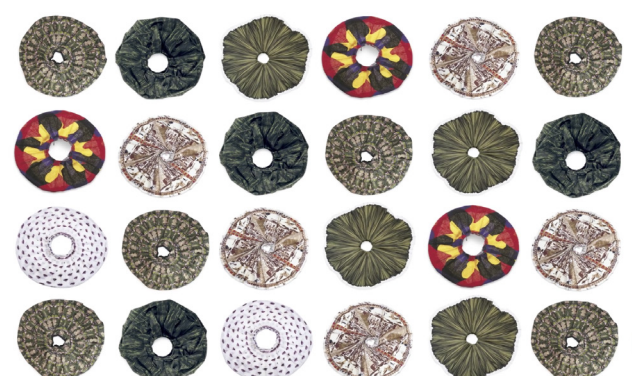
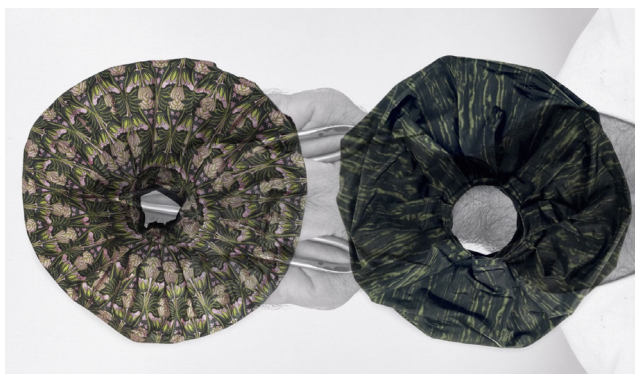
*At the end of 2015, Prada announced that it was making its Corporate Social Responsibility program - its series of initiatives to assess and take responsibility for its effects on environmental and social well-being - accessible to the public via a standalone CSR website.*

This visually appealing platform emphasised Prada's "commitment to civil society's fundamental values: respect for the environment and observance of ethical principles."

The company defines its approach as being 'against cliché, against banality', CEO Patrizio Bertelli told the Harvard Business Review. Having spent the 1990s "believing that our future depended on our ability to gain market share through acquisitions in Western Europe and the United States," the company renounced expansionism to focus on its core brands, Prada and Miu Miu. Even during the expansionist years, Bertelli insisted on

respect for employees. When the company purchased high end English shoe maker Church's, many expected Prada to move Church's Northampton factory to cheaper land.

"But when I visited the factory, I saw that people's lives were organized around its location," says Bertelli. "Most employees lived nearby and would go home for lunch. If we moved them out of town, their quality of life would be compromised. So we kept the factory in town. That decision has paid dividends. We retained nearly all the company's very hardworking and talented people, who have rewarded us with increased productivity."



*This page:* Prada's CSR Video contains a beautiful and creative messaging system that ties in their branding as well as their sustainability messaging.

*Opposite Page:* Prada, Bangkok, Thailand.

PRADA Group | Corporate Social Responsibility

A NEW PERSPECTIVE ON THE PRADA GROUP

## PURPOSE FOR A PURPOSE: TRUST ALL THE WAY DOWN

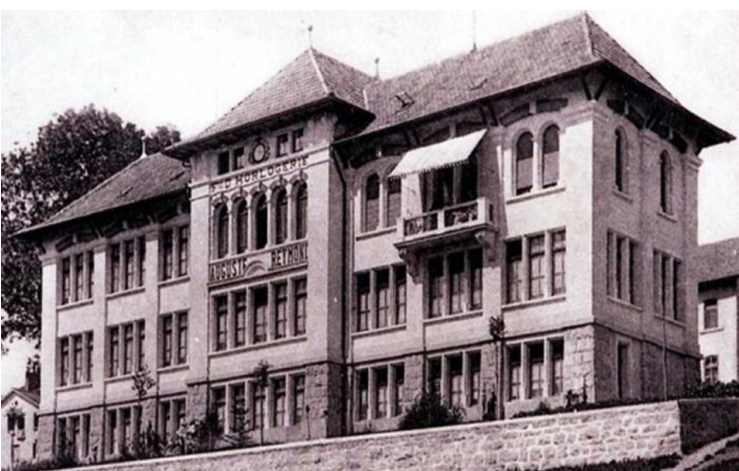
“Purpose guides how a company conducts itself,” says Klaus Ritzenhöfer, Founder, Apopos. “Therewith, employees feel more invested, engaged and loyal to the brand. At the same time this picture will be presented to the customer world. In order to create value, a sustainable organizational culture needs to hire people who believe what you believe, not just people who work for the paycheck but who can identify with the company’s DNA. A comprehensive purpose through all channels of an

organization leads to a service oriented business, which is able to drive growth.”

The luxury Swiss watchmaker Auguste Reymond has manufactured watches in Tramelan, a village in the Jura mountains, for over 100 years. The company’s philosophy values ‘independence, honesty and creativeness’ – retaining a firm belief that pricing should reflect real value and that a watch is both a tool and a piece of jewellery. Auguste Reymond’s devotion to handcrafted watches from a small community seemed old-fashioned and out of step during the decades of dogmatic adherence to shareholder value. Recently, however, new entrants to the luxury watch market have taken greater inspiration from Auguste Reymond than Swatch.

Luxury Dutch watchmaker Gronefeld was launched in 2008 by brothers Tim and Bart with a core purpose - to build the best, most exclusive mechanical timepieces in the world. As a result, the team of 12 only make 30 pieces a year, and hand deliver them to the buyer wherever they may be. Finland’s Stepan Sarpaneva has only made watches to order since 2003 – limiting his output to fewer than 50 Sarpaneva timepieces per year. As makers of timepieces, they value highly skilled craftspeople and insist on taking time to perfect their product.

This faith in staff is spreading through luxury retail – in a sense, marking a return to luxury’s bespoke craft and customer care roots. With an appetite for



Left to Right: Auguste Reymond’s factory in Tramelan 1902; Sarpaneva’s KO Korean Northern Lights.

more meaningful engagement with society, their stakeholders and their customers, these company's aspirations for greater purpose and meaning spans brands, traditional bricks and mortar retailers and the new wave of digital disruptors. All have increasingly sought to be grounded in humanity, delivering products and services mindful of people and planet in an authentic way.

"There are many elements to being purpose-led. Part of it is identifying and connecting to the roots of the business -- going back and figuring out why it was started and why it exists," according to Andrew Winston, Founder, Eco Strategies. "Purpose-led companies pursue well-being and prosperity, broadly defined,

not just short-term shareholder value."

This trend is being driven by Millennials who – according to Jim Clifton, chairman and CEO at Gallup – prefer purpose over paycheck, are pursuing development over job satisfaction and prefer ongoing conversations to annual reviews.

"Most millennials don't care about the bells and whistles found in many workplaces today -- the pingpong tables, fancy latte machines and free food that companies offer to try to create job satisfaction," Clifton explains. "Giving out toys and entitlements is a leadership mistake, and worse, it's condescending. Purpose and development drive this generation. It's not just their job,

it's their life."

Lord Browne, Executive Chairman of L1 Energy and the Chairman of Huawei Technologies (UK) Ltd, agrees: "In a war for talent, it is essential that you appeal to people through the purpose of your company. Everyone, young and old, wants to work somewhere that aims to create a better world. Simply taking money from society is just not that exciting."



Left to Right: Gronefeld's workshop; Millennials prefer purpose over paycheck.

## CASE STUDY:

**BURBERRY**

*When former CEO Angela Ahrendts took the helm at Burberry in 2006, she invested heavily in building an in-house digital team and created a strategic innovation council staffed with the youngest and most-forward thinking directors in the company. She updated the company's purpose – founded by Thomas Burberry to innovate in textiles, originally to provide the farming community with waterproof clothes – and declared Burberry would follow this heritage whilst 'protecting, exploring, inspiring'.*

Driven by the strategic innovation council, Burberry has pioneered seamless digital and physical shopping experiences with stores that are extensions of the company's digital presence.

The company was one of the first luxury brands to colonise Instagram, Pinterest and Twitter, using bold photography including Art of the Trench, a photo platform that allows visitors to upload photos of themselves in iconic Burberry trench coats.

Ahrendts may have departed, but the 'protect, explore, inspire' culture she left behind means Burberry is leading the fashion world's move to buy now, wear now collections – with its September 2016 runway collection available immediately

while other brands were still presenting their spring-summer 2017 offerings."

"The biggest change to luxury retail this year is the switch to show now buy now," says Veronica Chou, president of Iconix China. "Burberry is leading the change – with Thakoon, Tom Ford and Tommy Hilfiger. It pushes the production chain to be faster, but if something sells out it sells out and actually reduces the amount of discount products and old stock."

**Top:** Burberry is now selling their styles straight from the runway.

**Bottom:** Burberry's latest September 2016 campaign.

**Opposite Page:** Burberry in Kuala Lumpur in Malaysia.



## HIRE, NOT FIRE

The workforce is often a retailer's largest controllable expense and can account for more than 10% of revenues in an industry with low profit margins. In the past – and still in many areas – the workforce is seen as a cost driver rather than a sales driver. Retailers have often focussed on minimizing those costs – through reducing staff numbers or using highly flexible zero hours contracts.

Recent research - including projects from MIT's Zeynep Ton and the Wharton School's Marshall Fisher, Serguei Netessine, and Jayanth Krishnan - shows that cost cutting in fact diminishes the potential for sustainable profits – and that retailers who invest in staff see long term reputational and financial benefits.

Ton found that retailers who pay their employees more, have more full-time workers and salespeople on the floor and invest in training them are not only better places to work - they are more profitable than most of their competitors. Fisher, Krishnan and Netessine found that every additional dollar spent in payroll produced between four and twenty-eight dollars in new sales.

Zebra Technologies's global shopping survey found 64% of customers would buy more at stores with engaged customer

service staff – “the importance of trained, accommodating store associates can't be underestimated: helpful sales associates ranked second to product availability in influencing how much a shopper spends,” the survey found.

Many of the leading figures interviewed by Positive Luxury agreed.

“Our stakeholders are employees and customers - how we treat our customers and how we act internally, are one and the same,” says Lisa James-King, Owner, B-Glowing. “I believe the companies that focus on simplicity and personal relationships will create a sense of peace and ease with their customers. The louder the world gets, people are looking for a respite, brands that make them feel relieved, relaxed and stress-free.”

“Internally, purpose should be embedded into the team's work and will increase engagement, reduce staff turnover, improve motivation and in the long run make the company more profitable,” according to Joel Palix, CEO, Feelunique. “Externally, it will attract and retain customers by encouraging an emotional connection and loyalty to the business.”





Christopher Raeburn x Woolmark at London  
Fashion Week AW16, ICA Theatre with  
3D Designer Patrick Donohue



# *SUSTAINABILITY* *and* *INNOVATION*

HOW PROTECTION,  
PROGRESS & PURPOSE  
TRAVEL HAND-IN-HAND

Recent surveys of consumer sentiment - across luxury and a range of other industries - found consumers across the globe embracing a more traditional trust-based consumption that involves family, friends, and living well. In the new world of luxury, consumers want to “be” rather than “have.”

“Purpose drives growth through consumer education and awareness,” says Jean Raazi, CFO, Rêve En Vert. “The key is to enroll the consumer in the purpose rather than preach that purpose to the consumer.”

Sustainability and business growth have traditionally been seen as entirely separate - one the responsibility of the CSR department, the other in the hands of the sales team. In luxury retail, however, recent trends show an increasing number of businesses seeing sustainability as a key to generating value in the face of social, economic, and environmental change.

“Consumers are... increasingly demanding responsible business and responsible brands,” according to Paul Polman, Unilever CEO. “Our experience is that brands whose purpose and products respond to that demand are delivering stronger and faster growth. Business can play a leadership role in disrupting markets in support of sustainable living – and they will be rewarded by consumers who are also seeking responsibility and meaning as well as high quality products at the right price. There is no trade-off between business and sustainability.”

In 2014, Unilever’s “Sustainable Living Brands” – including Lipton, Hellman’s, Dove, and Ben & Jerry’s - grew at twice the rate of its other brands, and the growth rate improved in 2015. These products – identified by Unilever as helping to achieve its goal of growing business, while reducing its environmental footprint and improving people’s lives – delivered nearly half of Unilever’s growth in 2015. According to research commissioned by Unilever, across five markets, 54% of consumers want to buy more sustainability.

“A purpose-led brand can use their unique social and/or environmental objectives to give them a differentiated voice to help them stand out against their competition,” says Emma Scotton, Director, Know Global. “Millennials as a consumer group are more conscious than any other about good citizenship, about purchasing from socially responsible companies and they want to feel that they’re doing ‘good’ when making their buying decisions. By using their purpose as a marketing tool, brands can give themselves a personality and a heart which will enable them to differentiate themselves and to engage with and attract a loyal customer base, which will naturally drive growth for their business.”

## CASE STUDY:

**PATAGONIA**

*Patagonia grew out of a small company that made tools for climbers and now makes clothes for climbing, skiing, snowboarding, surfing, fly fishing, paddling and trail running. In each sport, the company explains, reward comes in moments of connection with nature. As a result, Patagonia's product design is rooted in simplicity and utility.*

At the same time, the founders love of wild and beautiful places inspires the staff and board to donate time and services. Patagonia uses recycled polyester and organic, rather than pesticide-intensive, cotton. All of this is focused around making the best products possible for a demanding consumer who may rely on Patagonia for survival.

The company is adept at communicating its purpose. In 2015 it sent a biodiesel-fuelled, reclaimed-wood camper on a six-week cross-America tour repairing outdoor gear and selling used Patagonia

products along the way. This demonstration of absolute commitment to purpose has delivered double digit growth. The company had revenues of some \$750m in 2015. Patagonia commits 1% of total sales – or 10% of their profit, whichever is the greater – to environmental movements.

As one of the first companies to qualify for B Corp status - (To qualify as a B Corp, a firm must have an explicit social or environmental mission, and a legally binding fiduciary responsibility to take into account the interests of workers, the community

take into account the interests of workers, the community and the environment as well as its shareholders. It must also publish independently verified reports on its social and environmental impact alongside its financial results.) Patagonia has stayed true to its purpose in every aspect of its marketing.

On Black Friday 2011 Patagonia took out a full-page ad in the New York Times that read, Don't Buy This Jacket. The ad's text broke down the environmental costs of the company's top-selling R2 fleece sweater and asked consumers to think twice before buying it - or any other product. It's true the attention the ad received helped to bump Patagonia's 2012 sales significantly, but as a one-off stunt it would have had little long term impact.

In 2013 the company launched its Responsible Economy campaign, mixing talk and action. Patagonia has been piloting second-hand-clothing sales at its shop in Portland, Oregon, and has made product repair and recycling a growing part of its business model. The company recycles about twenty thousand pounds of clothing per year and repairs some forty thousand garments; their Reno

repair shop is the largest facility of its kind in North America.

These actions are at the heart of its Worn Wear campaign, launched at the same time. The Worn Wear promise is effectively a purpose lead contract with its customers – Patagonia pledges to make products that endure, and to repair, resell, or recycle them as necessary, while consumers pledge to buy only what they need, and to care for garments from purchase to the recycling bin.

Patagonia marketing campaigns communicate their recycling innovations in clear, simple messages.

## Better Than New



Patagonia Puffball Pullover from 1995

## INNOVATIVE THINKING

A detailed illustration of dandelion seed heads and seeds. One large seed head is in the bottom left, with several seeds floating upwards and to the right. The seeds are depicted with fine lines for the feathery part and a small arrow-like shape for the seed itself.

In the past year, sales of consumer goods from brands with a demonstrated commitment to sustainability have grown more than 4% globally, while those without grew less than 1%.

Sixty-six percent of Nielsen's global respondents say they are willing to pay more for sustainable goods, up from 55% in 2014 (and 50% in 2013). 68% are prepared to pay more for products and services that come from companies who are committed to positive social and environmental impact.

This demand is being met by a new breed of innovative thinkers in luxury – who see sustainability as a driver of rather than brake on innovation.

*“Good purpose plays a key role in innovation. Noble ambition takes what can't be done and makes it doable. Rather than using or wasting leather of endangered animal species, for example, the luxury industry can try innovative carbon-free man-made material or new material made out of abundant natural resources.”*

- SUNG JOO KIM,  
CHAIRPERSON & CVO,  
SUNGJOO GROUP

## CASE STUDY:

# CHRISTOPHER RAEBURN

## *Purpose Channels Innovation*

Right: Christopher Raeburn's AW16 campaign.

Bottom: Raeburn's Women's mac raincoats utilise re-appropriated military fabrics.



*Avant-garde British designer Christopher Raeburn's sustainable "Re-MADE" approach to fashion design has impressed the luxury industry. The New York Times Suzy Menkes said, "It is Mr Raeburn's clear vision of clothes that protect man and the planet that make him an original and exceptional designer".*

Raeburn's REMADE line takes its inspiration from utilitarian and military clothing - adapting and reconstructing surplus military pieces into contemporary garments and accessories. Raeburn's purpose - that products can be produced with integrity while answering any brief - means he "wants people to feel satisfied with the designs and enjoy it even more knowing that the collection meets the criteria of the bluesign system. We're providing someone with a better choice."

This approach encourages innovation - he has used Visetos canvas alongside technical

materials such as Schoeller 4-way-stretch and Ecoalf Nylon (made from recycled bottles) to create revamped silhouettes in collaboration with South Korean luxury label MCM's archive trench coat, parka, bomber and riding jacket.



## CASE STUDY: GUCCI



*"Sustainability is embedded in the very concept of luxury," says Marie-Claire Daveu, chief sustainability officer and head of international affairs of Kering. "If one of the key roles of our industry is to beautify the world, we have no greater responsibility than to do so ethically and sustainably."*

Until 2013, Kering was known as PPR – short for Pinault-Printemps-Redoute. Historically, PPR was a holding company with a wide range of assets run much like a private equity firm. Starting in 2005, the group began a major transformation – turning from a financial company with no clear purpose into a luxury and sport group, comprising the likes of Gucci, Stella McCartney, Brioni, Bottega Veneta and Alexander McQueen.

Along the way, the company found its purpose and, according to CEO François-Henri Pinault the name Kering reflects this.

Kering, he explained, can be pronounced 'caring' in English, "which expresses our company culture of taking care of our brands, people, stakeholders and the environment." The stem 'ker', which means 'home' in Breton, is a reminder of the group's origins in the Brittany region of France.

Kering's purpose - *Empowering Imagination* – underlined the company's ambition to create, innovate and realise its brands' artistic and financial potential in the most sustainable manner. The group had just taken a global leadership position on sustainability with ambitious



Dionysus Handbag: GG supreme canvas print made from polyurethane instead of PVC – one of the new materials invested in by Gucci's parent group Kering.

targets – in 2012 the group published a four year plan, specifying targets including reducing carbon emissions, use of water, ethical sourcing and eliminating the use of PVC.

One of the innovations these targets have prompted is the Materials Innovation Lab – an initiative aiming to make responsibly-sourced raw materials available to all labels, with the aim of incorporating them into textiles and products. As a result, the group has amassed a catalogue of up to 2,000 alternative materials and fibres for their designers and fashion houses. Kering has also developed an innovative process for leather tanning that uses no harmful metals, leading to reduced water and energy consumption.

At the same time the company is involved in a Python Conservation Partnership – a scheme raising awareness of snakeskin supply chains with a view to protecting the species and ensuring that all sourcing is ethical and responsible – as

well as a program of crocodile conservation on Madagascar with the French Centre du Commerce International (CCI).

Programs and guidelines have been put in place to guide labels towards launching and managing stores and offices heating, lighting, and building materials in a sustainable manner.

Gucci has pioneered regenerated cashmere, using fibres from offcuts to create new lower-impact cashmere without using water or chemicals, Alexander McQueen reduced water consumption by one third by using organic cotton while Bottega Veneta helped develop more than 54,000 square metres of chrome-free leather for its leather goods collection, significantly reducing water and energy use.

Reporting on progress in 2016, Kering's achievements have been impressive – including increased traceability and sourcing, improving leather quality with a lower environmental footprint,

dramatic reductions in carbon and water use, and hitting 91% of targets in eliminating PVC.

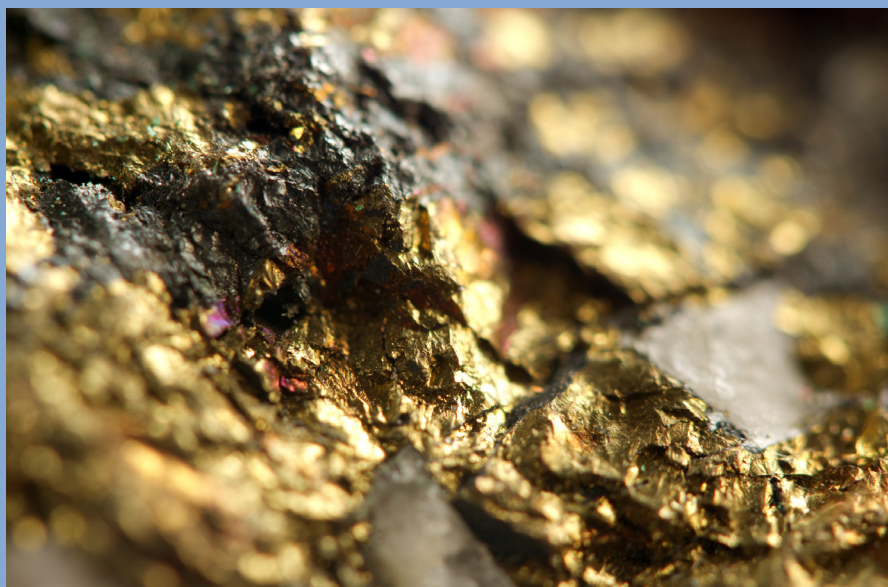
Crucially, however, Kering also reported on the targets it failed to hit and discussed its learning – that new, innovative business models and internal frameworks needed to be created to provide support for more sustainable production processes; that meeting some targets required fundamental changes to systems in the supply chain where cross-sector collaboration is required to improve standards and practices; and that simply auditing suppliers was less effective than building relationships and industry collaborations that raise awareness and support suppliers to help them meet new standards. Kering's successes were more trustworthy when published alongside this honest account.



# TECHNOLOGY

## AND THE CHALLENGE TO LUXURY

'Seeing Beyond Virtual Reality's Horizon'  
VR Tunnel at Samsung 837



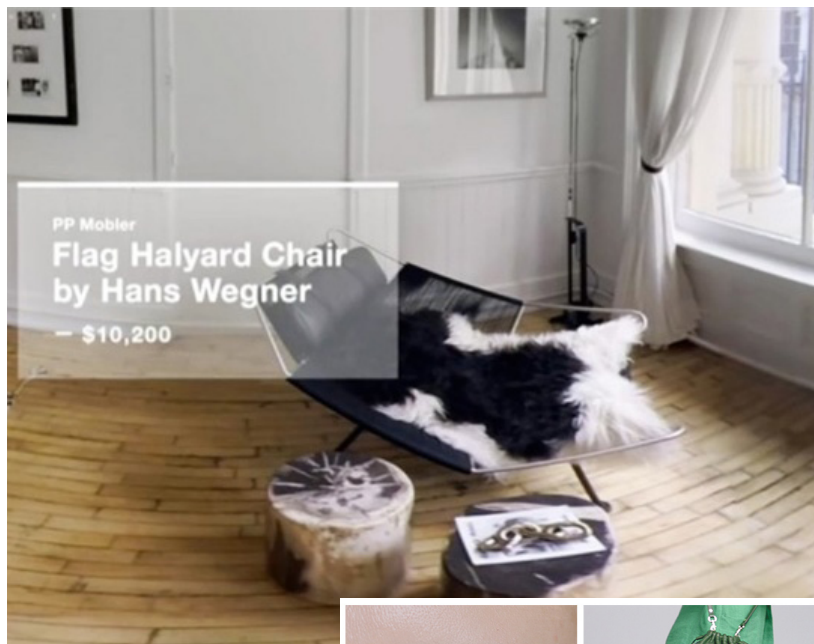
Like all incumbents, retailers and brands have viewed technology with suspicion and reluctance over recent years – for bricks and mortar stores, online shopping seemed at times to pose an existential threat.

Research suggests a staggering 40% of high-end brands still do not sell via the web. Historically, luxury companies have been hesitant to make the online leap, afraid that it signifies the opposite to a luxury retail experience – lacking intimacy, personal touches and above all, exclusivity.

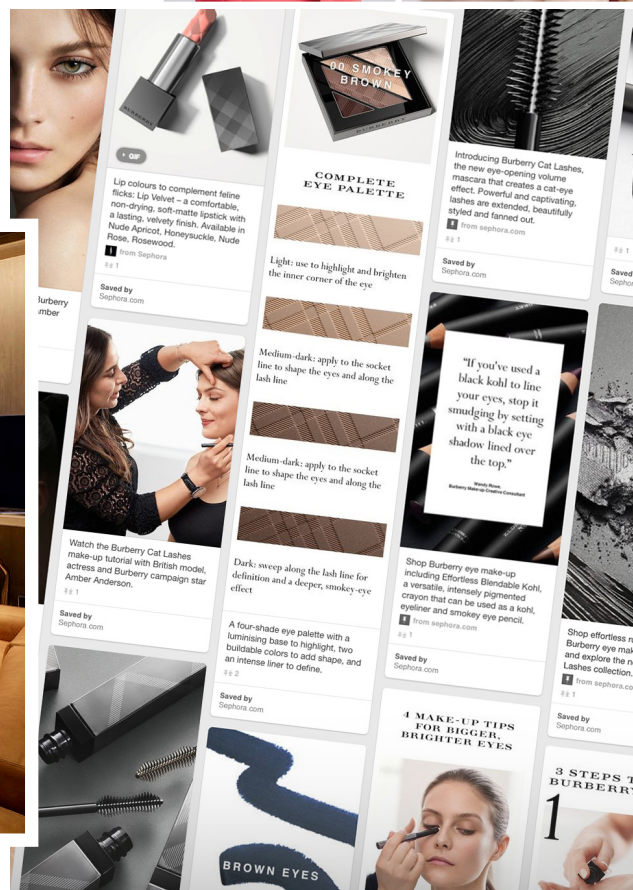
At the same time, online stores' problems with abandoned shopping carts and slow revenue growth proved vexing. In 2016, some answers began to emerge – pointing a new form of retail, a new approach to shopping and new ways of doing business.

Globally, high-income households have greater web access than their peers and, this year, the Yoox Net-a-Porter Group reported that revenue grew 31% in 2015, offering more evidence that high-end shoppers are increasingly happy to shop digitally. What's more, nearly 40% of Yoox Net-a-Porter's sales came from mobile – with a 180% surge in sales from native apps such as The Net Set according to CEO Federico Marchetti.

And in the world of luxury retail, the relationship between brand, retailer, designer and customer is changing.



Clockwise from top left:  
World of Niche concept  
store, 'The Apartment' by  
SapientNitro and The Line;  
John Frieda's Shades of  
Me Instagram campaign;  
Burberry's leverages  
Pinterest's beauty audience;  
Harvey Nichols' concierge-  
style service for  
clients; vegetan  
sneakers from  
World of Niche  
(@teamepiphany).



## CLICKS + BRICKS

For retailers and brands – particularly luxury brands – the physical experience has always been core... touching, feeling, trying on, taking staff advice, alongside the separating of people into personal spaces like members of different clubs, using exclusivity and rarity as badges of belonging.

As retail becomes increasingly digital, British luxury authority Walpole argues in its recent predictions report *How to Attract the Luxury Consumer* in 2020, the luxury retail space must change. Walpole recommended: exclusive collaborations with relevant partners, secret and exclusive brand experiences and personal online interaction. Already stores and luxury brands are beginning to use technology in bold, innovative, and luxurious ways to create experiences – mixing and matching real world and tech.

There's World of Niche, an invite-only, sneaker store with a strict no-photo and no social media on any platforms; Harvey Nichols hotel-style concierge services that target customers via personalised technology; Sapient Nitro x The Line where customers are taken on a virtual journey into an apartment where they can explore rooms, products and clothes; Burberry's summer

debut as the first luxury brand with a personalised experience on Pinterest; and John Frieda's new campaign 'Shades of Me' using an Instagram algorithm to analyse users' hair colour and their Instagram feed to generate customised video stories.

Futurologist Ian Pearson imagines town centre flagship stores acting as theatrical entertainment spaces, with items home-delivered by the end of the day. Smaller branches near transport hubs might become simply click-and-collect centres.

Purpose-led companies are better placed to embrace these technologies, according to EY's Beacon Institute. By focusing innovation on a compelling "bigger picture," purpose encourages everyone, from R&D to customer-facing staff, to think beyond incremental product or service improvement. It empowers people to look for solutions and innovations that will deliver durable value and returns while setting clear boundaries on the space the company operates in.

## What does technology mean for luxury retail?

Positive Luxury spoke to industry leaders and retail technology specialists to understand how on-and-offline shopping is changing with technology.

"The luxury industry lives on its heritage, but the industry as a whole increasingly sees greater value adopting digital literacy to its day-to-day operation for product development, just-in-time distribution and clear understanding of its core and potential customer base," explains Sung-joo Kim, Chairperson & CVO of Sungjoo Group.



Selfridges & Co. Project Ocean

Images courtesy of Selfridges & Co. and Elemental Design for Selfridges.

# TOP 5 RETAIL TECHNOLOGIES CHANGING THE WAY WE SHOP



## 1

## MOBILE FIRST

*“Over the last year, the use of mobile devices has now strongly overtaken the use of desktops when it comes to customers’ online purchasing habits. Based on this demand, developers are designing more streamlined and easy to use mobile sites and apps, with faster and more secure checkouts.”*

- LEONA MANI,  
Founder,  
The Good Place

Most recent 2016 projections suggest that more than 30 percent of all commerce will be conducted on mobile devices, and more than 80 percent of consumers will use some form of mobile device and/or mobile application to drive purchasing decisions. Showrooming – where consumers sample products whilst searching for cheaper versions on their phone – is changing the way shopping decisions are made.

Luxury has traditionally lagged in this area – 80% of high end fashion brands, for instance, have developed mobile websites, according to one survey, but only 3% of luxury apps allow for mobile commerce.

There are a growing number of exceptions – since 2014, Harrods’ iPad magazine app features a make-up studio where customers can apply make-up to selfies to test colour schemes and then purchase the result.

Burberry, Kate Spade, Ralph Lauren, Louis Vuitton, Tory Burch, Coach, Gucci, Michael Kors, Calvin Klein, Hugo Boss, Jimmy Choo, Tommy Hilfiger, Marc Jacobs, Diane Von Furstenberg, Cole Haan, Hermes and Sephora all offer sophisticated apps, often with live-streaming of runway shows via social media, while some offer one-click payment systems and customized programming on Apple TV.

In most cases, the companies with clear purpose are innovating successfully. Sephora, for instance, cites ‘inspiring fearlessness’ as its purpose, encouraging bold choices in beauty, business and life. This extends from training and supporting its female teams to early uptake of new technology. Sephora’s To Go app recently added Store Mode, which turns on additional beacon-powered features that support and enhance the in-store shopping experience,

like scanning products for rating and review info, quick access to purchase history and Loves list, access to loyalty status information and even augmented reality.

E-commerce agency Biglight thinks mobile is potentially most useful to bricks and mortar retailers than purely e-commerce operations. In the future, Biglight sees retailers presenting a different version of their mobile sites to customers in-store - using in-store Wi-Fi as a trigger - that allows them to easily find the product they are looking at by scanning the barcode, for example, then place an order using click & collect in that store or another store.

More companies are expected to deploy beacon technology in their bricks and mortar stores as smartphones play an increasingly crucial role in the shopping experience. Retailers use location-based beacons

with Bluetooth Low Energy to communicate with shoppers who have the store's mobile app and walk near a beacon placed in the store. They can provide store maps, alert customers to special deals, offer product information or remind them of how many loyalty points they have.

Harrods' The Make-up Studio was designed for their magazine app and fit to format mobile devices. The steps begin with interactive customisation, and finish with a product pop-up for consumers to shop.



## 2

## GETTING PHYGITAL

*physical + digital*  
=  
*phygital*

Reaching millennials whether they are researching a purchase or are ready to buy involves more than just having a website or a store.

WGSN has identified two emerging trends over the past two years: the rise in omnichannel purchases, and the need for physical experience. These have given rise to 'phygital': physical retail experiences, combined with digital browsing. Phygital is a response to the human need for direct person to person interaction – especially with the emotional element to luxury sales.

“Consumers are more and more at ease with shopping online, even products that were traditionally purchased in stores such as foundation and skincare where personal consultations are given,” says Joel Palix, CEO, Feelunique. “Traditional bricks and mortar businesses are seeking to emulate the elements that make online retail so successful to keep up with consumer’s demands. We see also a growing trend for new brands to actually launch

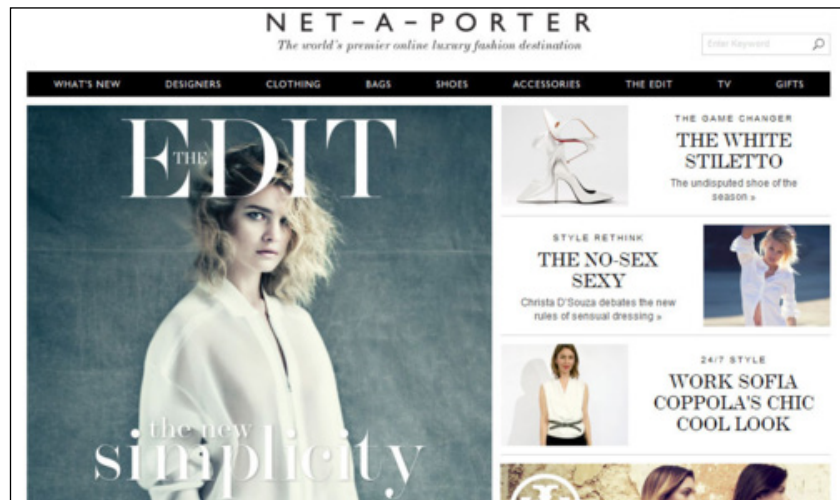
in digital media before even touching a bricks and mortar retailer.”

“It’s vital to understand the new power of customers based on their social connectivity and technology devices,” agrees Werner Studer, Executive Director, IDGS. Net-a-Porter and Style.com both enable traditional luxury brands to be ‘phygital’. Net-a-Porter’s online presence captures consumers at home, passing them on to luxury bricks-and-mortar stores to deliver the physical experience.

Net-a-Porter's purpose rests on its five core values -

- *Be the best*
- *Lead not follow*
- *Exceed expectations*
- *Smart and stylish*
- *Service starts with yourself*

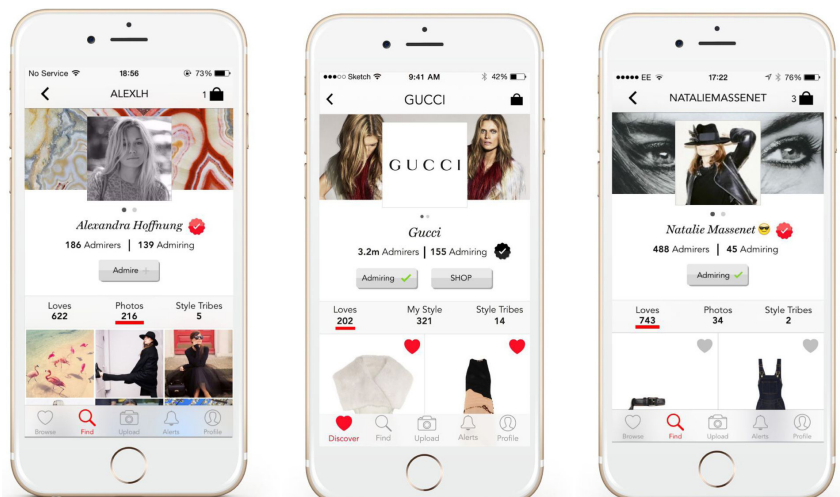
As a multi-national and multi-cultural company, a culture of collaboration and respect encourages creativity and talent. As a result, when it comes to technology, the company has always developed bespoke solutions rather than to rely on off-the-peg.



Top: Net-a-Porter's The Edit Magazine

Middle: The digital shopping experience built into the Porter magazine app.

Bottom: Creating the community with the Net Set.



## 3

## CREATING &amp; CURATING: CONTENT IS KING

To date, retail has focussed on the product. This is changing - brands and retailers are shifting focus and finding ways to engage consumers with stories that about much more than just the product.

“Consumers have changed their mindset from ‘buying’ to ‘being,’” according to Raphael Bemporad, co-founder of innovations company BBMG. “For a long time, brands have been trying to get a consumer to buy something; it is now about inspiring people to be something.”

“Perhaps the biggest change in industry in the recent era is the shift beyond physical value creation to virtual value creation,” says Georges Kern, CEO, IWC Schaffhausen. “For retail, where desire may trump necessity, virtual value creation is paramount. The creation of experiences and the value of storytelling are clear in this context and are furthermore dependent upon each other to create a coherent brand environment. We are committed to sustainable and

ethical practices which deliver a coherent storyline related to brand transparency. Purpose can be viewed as an indication of social zeitgeist. As we see these days, consumers are keen on details and the stories behind products.”

IDGS further identifies the rapid change in customer spending as the desire for experience overtakes the desire for possession – across the world, consumers are spending more on communication, entertainment, holidays and food and drink than was traditionally the case, making retailers work harder for the dollars. New technologies allow for an exponential increase in storytelling opportunities – developments from in-store social commerce through digital personal shoppers, to interactive store marketing, in-store digital kiosks, virtual and augmented reality allow real world and digital interaction and investigation.

“Ecommerce has had a tremendous impact on retail, but not in the way most people expected,” says Millie Kendall

MBE, Marketing Director of BeautyMART., “In beauty it is not cannibalizing sales as we first expected, what has happened is that editorial content that accompanies products online has meant that retailers have had to editorialize their offer in store. As magazines have had to adapt to the threat of online content by becoming sales channels in their own right, retailers have had to add content to their presentation. There is often a delay in purchase, we read about a product, we research it, we go into store to try it and we may buy it then or later online, but we spent more time indulging in editorial content and this has had a massive impact on the retail industry.”

This has recently led to collaborations with magazine editorial – since November 2015 US Elle’s ShopNow program makes its editors’ product picks available to ShopAdvisor’s and RetailMeNot’s mobile proximity service and mobile coupon app. The apps’ 25 million users get push notifications if they are within a mile of partner stores letting them know Elle’s

suggested buys are near.

For its September 2016 collection Burberry partnered with print publication GARAGE Magazine for an interactive cover. GARAGE's Issue N°11 features model and frequent Burberry campaign face Rosie Huntington-Whiteley. On the cover, Ms. Huntington-Whiteley is shown wearing a black trench coat with text reading "Scan to reveal the new Burberry collection from September 19" around her silhouette.

The cover activation was timed to coincide with Burberry's London Fashion Week catwalk show. By scanning the cover and the Burberry editorial with GARAGE magazine's app, readers could watch the show from 'a virtual front seat.'



GARAGE Magazine Issue N°11 limited edition interactive feature with Rosie Huntington-Whiteley and Burberry

## CASE STUDY:

*LONGCHAMP***THE HERO OF THE  
STORY NEED NOT  
BE YOU.**

Longchamp's mobile-optimized Paris Premier microsite includes an interactive map offering 360-degree views of the 1st arrondissement – with additional content about the handbag inspired by the district.

The microsite showcases other craftsmen, artisans and local businesses, demonstrating the store's umbilical connection to and support of their neighbourhood – inspired by Longchamp's original desire to work with local craftsmen,

which began with its first factory in Segre in 1955. (The factory is still in use today).

From the homepage, the consumer can open an interactive map with location in a pop-up. These include a button to “visit,” which brings up a 360-degree visual of landmarks such as the Jardin des Tuileries or the Louvre – consumers can click and drag to see the entire panoramic scene. Customers can virtually enter local businesses – such as Café Verlet or bookstore Librairie Galignani.

Opening up the experience to an international audience, Longchamp's microsite is accessible in English, French, Japanese, Spanish and German, with an additional version for Chinese consumers on WeChat.





*Top:* Alexa Chung for Longchamp's Autumn 2016 Campaign.

*Opposite Page (top to bottom):* Longchamp's Paris Premier microsite; as part of Longchamp's interactive map, customers can digitally experience locales such as Café Verlet.

## 4

## DATA

Flagship stores on the Champs-Élysées like Galeries Lafayette and Printemps have recently been testing smartphone frequency detectors and connected merchandising displays to experiment with collecting data from shoppers as soon as they approach their retail store — much like online retailers have for years used “cookies” planted in web browsers.

This customer intelligence seeks to understand why one shopper chooses Gucci over Louis Vuitton, for instance. Indeed, today retailers can view customers’ purchase history across multiple channels from a single point, helping build a comprehensive picture of loyal customers. Statistics about individual customers, their shopping habits and their opinion on products that they have shared on social media, are now available. Using this data collected from technology it is possible to create completely bespoke experiences

designed to make the consumer feel valued and important.

“The digital space’s ability to offer real-time data and insight into customer behaviour gives brands a unique opportunity to connect with customers,” according to George Gill of GGMR, a digital consultancy to the luxury sector. “The increasing array of technology, tools, creative formats and touch-points enable businesses to deliver an incredibly personalised experience through exclusive partnerships, content, experiences and products.”



*“The last year has really seen data explode into the retail mainstream. There is a real recognition of the importance of data insights for overall business improvement. Better insights will ensure smoother process across the supply chain and increasingly less unsold stock. This innovation has come from the desire to run business models more efficiently with tools that are readily available.”*

- ELIZABETTA CAMILLERI,  
CEO/Co-Founder,  
Sales Gossip

*“As retailers we have a role to play with transparency and providing more information to consumers so they can make informed choices based on what they care about.”*

- RATHNA SHARAD,  
CEO/Founder, Runway2Street

When data services company Frog surveyed consumers worldwide about data privacy, 97% of people surveyed expressed concern that businesses might misuse their data. Identity theft was a top concern (cited by 84% of Chinese respondents at one end of the spectrum and 49% of Indians at the other). Privacy issues also ranked high; 80% of Germans and 72% of Americans are reluctant to share information with businesses because they “just want to maintain their privacy.”

“The digitally immersed generation (they do tend to be younger or younger at heart) are more informed and aware of wider social issues than previous generations due to both mainstream and user-generated social media, where they can interact with like-minded people and organisations around the globe,” according to Sonja Healy, founder of supernomad.com. “They’re also more likely to

witness the implications of the actions by earlier generations. From both an ethical as well as a business perspective, this holds a massive potential for opening up a dialogue with customers and engaging them in sharing thoughts and opinions about provenance and purpose.”

Data works both ways, however. This instantaneous interconnectedness and real-time data analysis will create new opportunities customers to spot any gaps between a company’s image and its actions in reality.

Interconnected consumers demanding responsible behaviour from retailers and brands will only spell trouble if brands refuse to listen or avoid transparency. Understanding needs, conversely, can produce positive results from awkward situations. When Chanel was accused of plagiarising Mati Ventrillon, a small Scottish knitwear brand, at the end of 2015, Karl Lagerfeld’s

house responded with full transparency - promptly issuing an apology and crediting Mati Ventrillon design as the source of inspiration.

Chanel’s purpose, set by founder Coco Chanel, includes craftsmanship to create forward thinking elegance, but also authenticity, dignity and female independence. With this in mind, the brand’s quick response turned a reputational threat into a sympathetic brand relationship thanks to transparent, trust based communications. Ventrillon took to social media to thank Chanel, describing the company as “very open and helpful throughout the process... They immediately apologised and said they were going to look into the situation... with their apology and by crediting the design they have shown respect and support of small artisans.”

## 5

## FAST DELIVERY OMNICHANNEL

Consumers buying luxury goods online are more apt to pay extra to ensure a package's on-time arrival than those purchasing other products, according a survey by Dotcom Distribution. Luxury clientele has higher expectations of the ecommerce delivery service, making fast shipping, packaging and communication key to winning repeat business.

Thirty percent of luxury shoppers rank fast delivery as "very important," higher than the average 19 percent for all consumers. Shoppers are also willing to raise their shipping price to receive a package early. Forty-four percent said they would add \$6-9 to their order, while 22 percent are willing to add \$10 or more to receive an order faster.

At the same time, many luxury brands are building online boutiques that showcase exclusives, rather than the full product range, to create a new

kind of demand so brands can retain their elite status. Hermes site doesn't include their highest value pieces – the Birkin and Kelly bags. Instead, consumers are directed to the store, where specifications can be discussed in person.

This artful blend of new tech and old stone is at the heart of the rise of omnichannel retailing in the age of "me commerce" – where the consumer is boss. Omnichannel – in its simplest definition – is a complete combination of in-store and online, using every single channel from mobile and social to personal shoppers and in-store events. Over the past few years, the more mature retailers have realised that to master omnichannel, retailers need to create a seamless customer experience across all of these platforms.

"An omni-channel business which operates both online and in store and where customer

feedback and opinion is of utmost importance means purpose creates customer engagement much more effectively than traditional retail methods," says Leona Mani, Founder, The Good Place. "And in a business like ours where we are bringing new brands and products to market, the strength of this connection is vital. Ultimately, people buy things that make them feel good about themselves, and from businesses that they trust."

Despite the obvious opportunities, many retailers facing tough trading conditions are wary of embracing omnichannel for cost reasons – in difficult trading environments, integrating relevant back- and front-end systems is hard and very expensive, requiring expertise that many retailers lack – because many of the best engineers and designers are looking to work for tech companies.

*“The successful retailers of the future will know how to seamlessly integrate offline & online experiences.”*

- HASSAN PIERRE,  
Founder, Maison de Mode



Above: Zalora is Thailand's largest fashion retailer. They aim to build their "omni-channel" fashion platform for both offline and online activities to suit the multiple complexities of consumer shopping behaviour. They have collaborated with Kernel Business Consulting to create a two-headed strategic & experiential model.

## CASE STUDY:

*SELFRIDGES & CO.*


BUYING BETTER  
INSPIRING CHANGE

*Omnichannel  
curating to  
buy better*

Selfridges first opened over 115 years ago – and yet in recent years its seamlessly linked on- and-offline presence puts almost every modern retailer to shame. The physical and digital worlds share the same buying team and staff swap between the two to ensure a consistent culture and complete breakdown of silos.

Selfridges hosts an impressive 15 million visits a year to its Oxford Street store but earns 100 million visits to its website – 25% of which come from

overseas, across 120 different countries. Two thirds of all purchases made from Selfridges overall have a digital element – some recent sell-out items had half their purchasers coming from Japan.

For most of the stores' history, it used to be that shopping was a Saturday afternoon pastime. Now, the following week's shopping starts online on Sunday night and could be concluded either in-store or out. Selfridges aims to be present every step of the way.

Over the past twenty years, Selfridges has gained a powerful

reputation for understanding the emotional side of physical world shopping – its window dressings are works of art and in-store events can range from philosophy talks to circus shows. People visit Selfridges for the sense of fun and for the customer service so the store ensures that part of the offer is seamlessly connected as well.

As a result, in-store events are streamed live to Selfridges website – as well as YouTube – and the site redesigns its front page to match the window displays every time they're created. The store launched a new social media-friendly,

shoppable app in May 2016 - offering personalised shopping experiences across the Selfridges range, and enabling customers to browse products via an embedded Instagram feed.

Selfridges is not a discount retailer so it does not send deals and bargains to its consumers – nor is it plundering data. Instead, the store is about curating – so it offers consumers products they do not know they want yet. This ongoing omnichannel project is part of a wider £300m investment into the company's flagship Oxford Street store, which is due to be complete by 2020.

All of this is smoother thanks to the Selfridges business philosophy built around 'the human element' – the store's social purpose. The company uses its position – and its mission to be a 'theatre of wonder' – to inspire people, both partners and customers, to buy responsibly and champion sustainable products that contribute to healthy and happy communities.

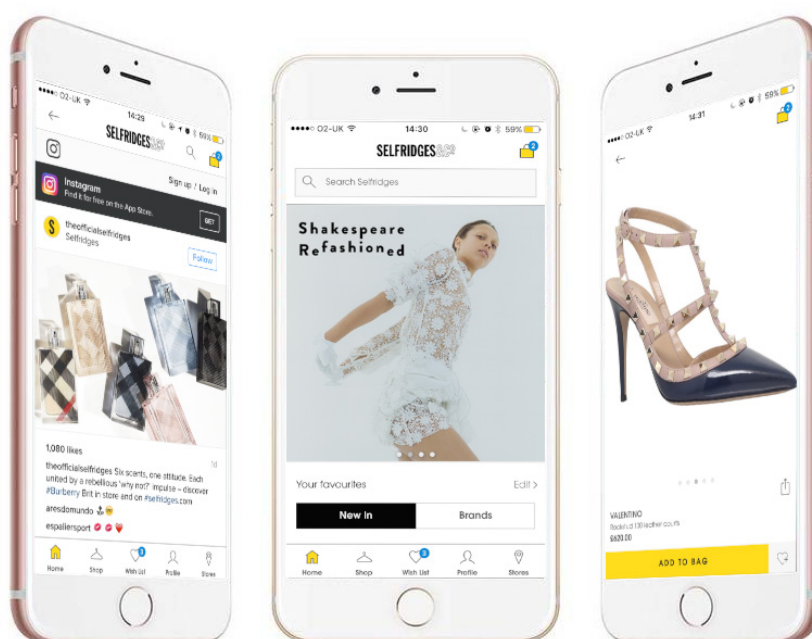
The resulting Buying Better, Inspiring Change campaign informs every aspect of the business, from the negotiations Selfridges buying teams have

with all third parties, to the company's ongoing Project Ocean initiative which removed all single-use plastic bottles from its stores in 2015, to its Bright New Things project encouraging a new generation of ethical fashion designers earlier this year. The campaign was awarded the World's Best Sustainability Campaign by a Department Store at the Global Department Store Summit 2016.



Top: Selfridges' Project Ocean Campaign. Bottom: The Selfridges app links shopping as well as their social community.

Opposite Page: The Oxford Street flagship store in London.



## PURPOSE TO IMPACT: THE FORGOTTEN TERRITORY OF RETAIL STAFF

Amidst the rise of all this technology, smart retailers realise one thing:

“Sales staff can make the greatest impact for especially luxury retailers versus other sectors,” according to Ryan Fisher, co-author of *Retail Operations: People Are Still the Best Investment*. Staff, Fisher explains, are driving the brand, driving the purchase and creating what may be described as ‘irrational loyalty’ – the customer will choose the retail brand first, regardless of price or location.

In retail, Uniqlo and John Lewis both offer examples of strong employee relationships. Training at Japan’s Uniqlo stores goes into great depth from role-playing exercises to lessons on how to properly return a customer’s credit card, employees are well paid and, if performing well, can expect two to three pay rises per year. Good employees are given more responsibility regardless of experience and shopfloor workers can easily work up to corporate level.

Every John Lewis employee is a Partner, and has an opportunity

to influence the business through branch forums and the divisional John Lewis and Waitrose Councils. The councils have the power to discuss ‘any matter whatsoever’, and are responsible for the non-commercial aspects of the business: the development of the social activities within the Partnership and its charitable actions. All Partners receive an annual profit share.

Both stores have cutting edge technology propositions – in terms of omnichannel and on the shop floor. The transformation of both is a result of the companies purpose – in John Lewis case to always provide the best and refuse to be undercut, while Uniqlo promises to make customer’s and employees lives better.

EY’s Beacon Institute argues, in its *State of the Debate on Purpose in Business* report, that purpose motivates people through meaning, not fear, providing a more effective basis for driving transformation. It clarifies the long-term outcome, allowing people to understand the need for change rather than feeling alienated by technology or transformation that is imposed from above.

Staffing remains the single largest controllable expense item on the balance sheet. With margins tighter than ever, the ability to finely match customer demand with workforce supply will become more critical than ever. However, according to a recent

study from software management company Square Root, more than half (58%) of retailers either have employee training programs they believe are very ineffective, or don’t have training programs at all.

Going forward, technology can fill the gaps retailers need for long-term success – provided staff are fully included. “Store managers and district managers are a retail organization’s greatest change agents -- they see what’s working and what’s not on a daily basis, and they’re best equipped to take action on that information,” says Square Root’s CEO Chris Taylor. “But they’re not being set up for success. Luxury retailers may be selling big-ticket items, but a lack of internal investment in their teams is contributing to its decline.”

*“Purpose is an aspirational reason, which inspires a call to action and therewith a driver of transformation. Purpose driven organizations have greater employee satisfaction and a loyal customer base.”*

- KLAUS RITZENHÖFER,  
Founder, Apropos

## WHAT WILL THE FUTURE OF RETAIL LOOK LIKE IN 2020?

*“It seems the fashion industry in general is embracing a faster paced environment and a sense of immediateness.”*

- JOSE NEVES,  
Founder, Farfetch

- Global online retail sales to reach \$27 trillion by 2020, of which \$4 trillion will take place online.
- In some countries - such as United States and United Kingdom - online will account for a quarter of total retail sales by 2020.
- Everything from the product to the in-store experience can be customised and personalised by the shopper as retailers increasingly offer real-time customisation tools to their customers.
- The rise of purpose-led retailers and brands. Manufacturer retailers will open more connected flagship stores designed and created around the product's philosophy. Retailers will curate selections based on unique purpose and identity.
- Shorter time gap between ordering a product and delivery.

*The next generation of luxury consumers are here to take advantage - younger, digital-savvy and with higher expectations of brands. Not only do they expect brands to be available online, but they expect a seamless experience to go with it.*

A dramatic scene with silhouettes of people walking on a stage under bright spotlights. The silhouettes are dark against a bright, hazy background. The spotlights are arranged in a line, creating a strong sense of direction and focus. The overall mood is one of anticipation and movement.

# ***IMPACT & OPPORTUNITY***

The luxury market is facing uncertain times. Sales at the six largest U.S. department stores fell \$660 million in the second quarter of 2015, meanwhile 21st-century China is urbanizing on a scale 100 times that seen in 19th-century Britain and at ten times the speed. The world's top 600 cities (measured by absolute GDP) are expected to drive nearly two-thirds of global economic growth by 2025.

During the next decade, seven new cities will land on the list of top luxury cities: Beijing, Chongqing, Guangzhou, Hong Kong, Rio de Janeiro, Shenzhen, and Tianjin. In luxury women's ready-to-wear, the weight of emerging countries will grow from less than 10 percent a decade ago to 32 percent in 2025. In luxury spirits and high-end cosmetics, the share of emerging markets will nearly double in the next decade, reaching 44 and 47 percent, respectively.

For luxury brands currently battling slower retail sales at their brick-and-mortar stores and a slowdown in China's economy — one of the main drivers of the global luxury retail industry — this is a time of heavy impact but immense opportunity.

## THE AMAZON EFFECT

Slumping sales at U.S. department stores and Amazon's clothing sales rising \$1.1 billion in the second quarter of 2015 show how many retailers and brands are now in competition with the pioneering e-commerce site.

Amazon's CEO and Founder, Jeff Bezos, in his 2016 annual letter to shareholders, credited Amazon's corporate culture - in particular the "inseparable twins of invention and failure". This means the company is a magnet for people committed to experimenting. Bezos underlined his commitment to purpose

by including his 1997 letter to shareholders: his declared aims were the same then... innovation without obsessing about the short term share price.

Amazon is now gradually embracing the bricks and mortar model. At the moment, Amazon has just one store - a bookshop in Seattle. During May's annual general meeting, however, CEO Jeff Bezos announced a rolling expansion programme - starting in San Diego and spreading across the US, opening possibly as many as 400 bookstores. "We're definitely going to open additional stores," he told shareholders. "How many we don't know yet."

*"We've had three big ideas at Amazon that we've stuck with for 18 years, and they're the reason we're successful: Put the customer first. Invent. And be patient."*

- JEFF BEZOS,  
CEO, Amazon



Clockwise from top left: Amazon delivers fashion; Amazon CEO Jeff Bezos; bricks-and-mortar bookstore which will also display ratings by Amazon customers.

## THOUGHTFUL LUXURIANS: CURATING CONSUMERS

The luxury audience is intelligent and curious and increasingly uninterested in attaining status from a price tag. For experience focussed conscious consumers, brands are helping them achieve their health and wellbeing goals. Nike's local running clubs and Lululemon's in store yoga and mindfulness classes are good examples – both arise naturally from the company's purpose.

The American Well-Being Study showed consumers value their health emotionally more than physically, but 63% don't know how to reach the state of "emotional well being, like relieving stress and increasing self-esteem." Just 36% of Millennials and Baby Boomers are "very satisfied" with their well-being, with those in Generation X polling at 27%. 65% of respondents say brands "could be doing even more" to facilitate consumers' in their quest for a stress-free, self-affirming life.

To meet this, brands in the luxury space are enticing luxurians with talks and debates. Armani has

curated tweet talks, whilst Chivas hosted a debate on luxury at the V&A to interrogate luxury from aesthetic, conceptual and cultural perspectives.

For these engaged consumers, social selling is poised to alter the current retail model. French atelier Christian Dior recently offered its followers on Chinese messaging and social application WeChat the opportunity to purchase a limited-edition handbag directly through a post and French menswear house Berluti is introducing its Fast Track footwear to Chinese consumers through a contest exclusive to WeChat.

*Below: Nike Running Clubs tap into well-being for their consumers.*





## H.E.N.R.Y. 'HIGH EARNERS NOT YET RICH'

Future ultra-affluent consumers like HENRYs (High-Earners-Not-Yet-Rich) are young – 25-34 – household incomes of £100k – £250k. For worried brands and retailers, HENRYs spend almost half as much on luxury purchases in comparison to ultra-affluents, and prefer to spend on experiences and lifestyle enhancing products.

One response to this is a series of partnerships between luxury brands or retailers and hotels to create immersive experiences. The Neiman Marcus Closet

is a complimentary personal-shopping service offered at the St. Regis in Washington DC. Guests name their style inspiration and provide sizes and body type information. The personal-shopping team then stocks the guest's closet with clothing and accessories from the store ahead of their arrival. It's an appropriate service from a store that has always put intimate customer service – from introducing the first in-store gift wrapping service to the world's first loyalty program – at the heart of its purpose.

Boutique perfumer Le Labo, meanwhile, offers in room amenities and a spa in the Park Hyatt in New York and the London West Hollywood

opened a new penthouse by Vivienne Westwood in January 2016 including one hour of private, after-hours shopping at the Vivienne Westwood store in West Hollywood. Immersive collaborations offer brands and stores the chance for an intimate relationship with customers. The risk is that businesses with nothing to say will seem empty and dull – like a bad first date.



## EMERGING MARKET TO TAKE OVER

The global market for luxury goods will reach \$374.85 billion by 2020, according to Transparency Market Research - up from \$296.15 billion in 2013. This growth is dependent on an increase in ultra-high-net-worth individuals, volatile established markets and increasing GDP in China, India, Thailand, Indonesia, Vietnam, South Africa and Singapore.

For brands and retailers the purpose driven message remains the same - building trust builds business. Over 80% of online purchases in China are made on established marketplaces rather than brand sites as wary Chinese shoppers trust Jingdong and Alibaba's Tmall guarantees of authenticity, trustworthy payment methods, return policies, delivery and customer reviews.

Social selling is poised to alter the current retail model - French atelier Christian Dior recently offered its followers on Chinese messaging and social application WeChat the opportunity to purchase a limited-edition handbag directly through a post and French menswear house Berluti is introducing its Fast Track footwear to Chinese consumers through a contest exclusive to WeChat.

Traditional luxury brands and retailers should be wary of local competition. Three Indian companies made the 2015 top 100 luxury brands list - watch brand Titan and jewellers Gitanjali Gems and PC Jeweller.

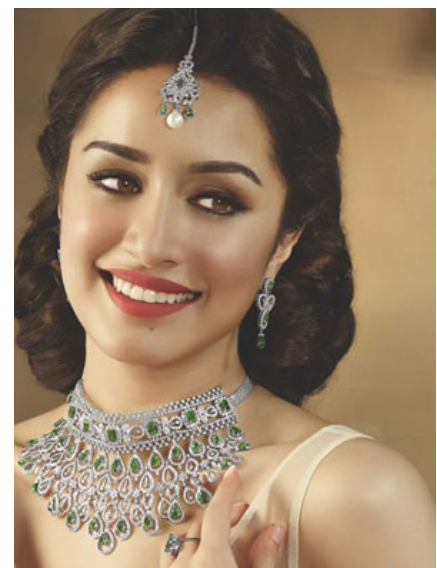
*"We all know that retail on a smaller, local level benefits from the prosperity of its local community – conversely it is also the first to feel the pinch. Most small businesses understand that it is in everyone's interests as a whole to contribute to the social health of the community it serves. However it's the larger retail businesses that also need to emotionally commit to pursue purpose over profit."*

- SONJA HEALY,  
Founder, Supernomad

As a result, global luxury brands are getting local - Hermes, for instance, provides a bespoke Sari collection, whilst the likes of Gucci, Chanel and Jimmy Choo tailoring designs for India's wedding market. Regional exclusives and promotions in-store and on local social platforms help reach new customers.

"Old school luxury is dependent upon rarity and exclusiveness and – in search of that - the industry used to deal with endangered animals and precious materials with negative environmental consequences" Sung-joo Kim, Chairperson & CVO, Sungjoo Group. "As a status symbol, people in the emerging markets still heavily demand that kind of luxury goods but good purpose is playing a role in changing that."

Below: Gitanjali Gems is one of the top luxury brands in India.



## CASE STUDY:

*LANE CRAWFORD**Connected Commerce*

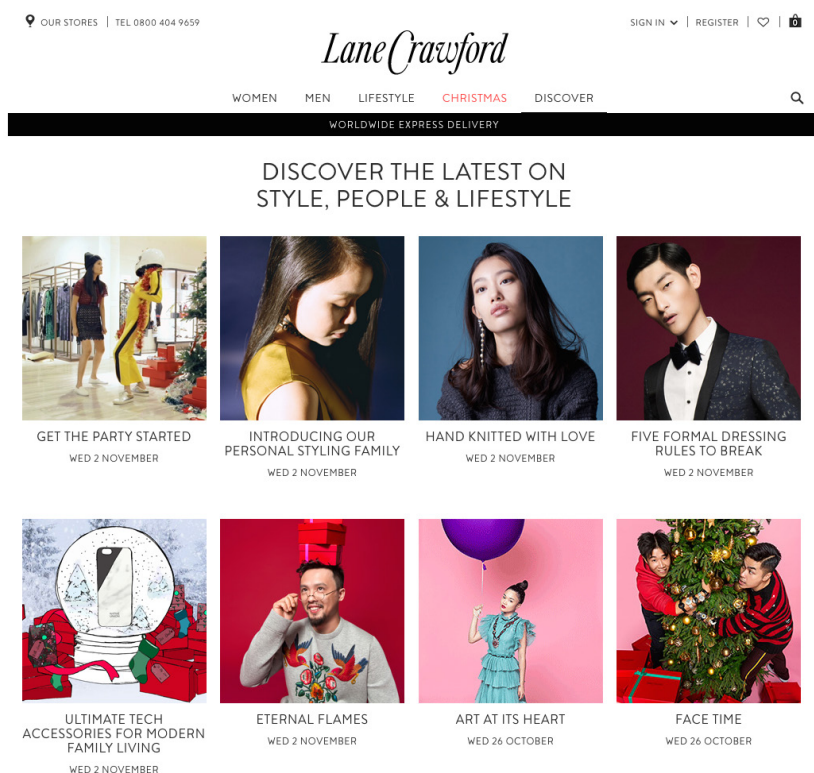
*Founded in 1850, Lane Crawford is an iconic, luxury department store driving a “connected commerce” strategy focused on creating a seamless shopping experience across its physical stores in Greater China and its global online store.*

With more than 600,000 square feet of retail space, Lane Crawford has 10 points of sale, across Hong Kong, Beijing, Shanghai and Chengdu. With an online store, purpose built for China while also shipping globally, Lane Crawford is China’s first luxury omni-channel fashion retailer.

Lane Crawford showcases more than 800 international brands - including established fashion giants such as Dior and Gucci, edgy young labels including Alexander Wang, Acne, and 3.1 Phillip Lim, and rising Chinese designers like Ms Min and Chictopia - but

operates a wholesale model with direct brand partnerships in a market otherwise dominated by concession models.

This enables Lane Crawford to present its edit with authority in creative store environments fusing fashion, design, art and music and extend elevated levels of personalised service. Consumers can join its “world of style” club with free shipping on all orders, the chance to be first to know about new products, enjoy express one-step checkout, and reward points for purchases. The company also places support for young Chinese designers at the heart



Lane Crawford has a dedicated retail space for emerging talent. *Left:* Lane Crawford's Discover online community. *Below and opposite page:* Lane Crawford incorporates a "buyer's model" rather than a "concession model", with a buying team of 85 fashion experts to determine what brands the store will carry.

of its purpose - with in-store exhibitions and showcases as well as sales.

Lane Crawford's omnichannel approach emphasising both in-store sales and e-commerce helped it keep Hong Kong sales stable during the massive student protests of 2014. Omnichannel customers spend more and shop more frequently than the stores single-channel customers.

Although Lane Crawford president Andrew Kieth recognises the "see now, buy now" model employed by Burberry, Tom Ford and others, as having the potential to impact business, he

believes that the well-travelled, technology savvy and fashion-loving consumer will enjoy "see now, buy now" but "there needs to be a deeper consideration for the participation and time needed for other important stakeholders in the industry. The chronology of a fashion calendar needs to sustain brands of various scales that approach their business differently."



## THE PURPOSE ECONOMY

The sweeping changes in consumer attitudes, arrival into the market – and job market – of new generations with new demands, the increasing pressure on natural resources and legislation on climate change, and the enormous complexity of innovation and expansion in an ‘always on’ world are accelerating the arrival of the purpose economy.

The phrase was coined by Aaron Hurst - CEO of Imperative, founder of the Taproot Foundation. His research shows CEOs are predicting this new economic era will reach a tipping point in 2020.

“While people will always find satisfaction from small wins (and they’re important steps in any truly novel or influential achievement), it’s the big, hairy, audacious goals that ignite commitment and overcome the pessimism from intermediary failures,” Hurst argues. “We are all busy, and our resources are stretched. It’s the historic

opportunities that spur us to change our priorities and let our purpose prevail. If you just wanted to create a nice business, you went to the bank for a loan. If you want to aim for the stars, you need rocket fuel.”

Most companies are in the early stages of this evolution. New Jersey-based Boll & Branch, on the other hand, is at the heart of the purpose economy. It offers luxury bedding with Fair Trade certification. Co-founder Scott Tannen partners with Chetna Organic, which helps small farmers transition to organic techniques. The expense of chemical farming puts Indian cotton farmers in debt and threatens their health. By converting to organic, health increases, profit margins skyrocket, and a portion of the additional money the farming cooperatives earn goes directly to building schools, clean water supplies and teaching members of the communities various trades. Boll & Branch mills have a strictly monitored 8-hour workday, and workers earn 220 percent more than average factory workers in the mill’s home town Calcutta - alongside free lunch, full health

care for the entire family, and private education for children.

But these admirable social investments can only get a company so far. Its products have to be good, too. Boll & Branch bedding is good enough to become one of the biggest viral-marketing successes of the past few years. Within six weeks of launching in 2014, Boll & Branch sold more sets of sheets than it had expected selling in its first 18 months. The company generated sales of \$1.75 million in their first year, \$13 million in 2015, and estimates in excess of \$30 million in 2016. A percentage of this revenue is dedicated to Not For Sale, an anti-human-trafficking organization. Boll & Branch promise that for every sheet set or throw purchased, a night’s sleep is provided for a human trafficking victim.

The heart of the new purpose economy is about optimizing the meaning and fulfilment which employees, customers and stakeholders feel every day. The companies that can do this will be leaders in this exciting new era.

Our supply chain is conflict-free, but many others around the world are not. That’s why a portion of every purchase goes towards **NOT FOR SALE** 🚫 to fight human trafficking.

Every single customer has a powerful impact.



**1**

SHEET SET OR THROW

=



**1**

SAFE NIGHT OF SLEEP



Image courtesy of Boll & Branch.

Above: Boll and Branch at the heart of the purpose economy.



# CONCLUSION

The retail environment has rarely been as complicated to navigate. New entrants, new consumers, new markets, new technologies and new pressures have made every investment decision – from point of sale software to store design – a critical business decision.

The business leaders, opinion formers and experts interviewed by Positive Luxury have identified a number of issues, challenges and opportunities. How luxury retailers and luxury brands choose to deal with these issues may well be an existential decision.

All the evidence points to one conclusion – that purpose led companies with a clear philosophy and an eye on the long term, that nurture stakeholder relationships and contribute something to society are best placed to survive and thrive in a world of near perpetual revolution. As everything changes, it's those who know themselves who remain constant.

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