MSc International Master in Luxury Management

ABOUT

The International Master in Luxury Management programme is a unique double degree jointly created by NEOMA Business School and MIP Politecnico di Milano. IMLUX combines the appropriate academics and practical skills to offer a specialised course providing with the keys to understanding, creating and managing value in the luxury sector.

Combining French and Italian expertise, and counting on the support of the course’s prestigious partners Taittinger and the PRADA group, the programme addresses the creation of value and management tools in the luxury sector. Thanks to the interactive approach based on active learning and numerous case studies, company visits and professional seminars, you will acquire the practical knowledge you need on the main aspects of luxury management.

RANKING 4TH
THE PLACE 2020 EDUNIVERSAL RANKING OF THE BEST MASTERS IN LUXURY MANAGEMENT

WHY IMLUX?

- Obtain an internationally recognised double master’s degree (NEOMA BS and MIP Politecnico Di Milano);
- Enhance your professional skills thanks to numerous real-life projects;
- Benefit from a double experience in the two most renowned countries in the world for luxury: Italy and France;
- Profit from the contributions of professionals in the luxury industry (international groups and smaller companies);
- Successfully integrate the luxury market: 71% of IMLUX graduates find a job within 3 months in key management and marketing positions.
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ABSTRACT OVERVIEW

Nowadays, almost every interaction happens through digital devices. Millennials and Gen Z are today the most affluent luxury brands consumers, and those driving the global luxury trends and sales growth. These consumers are digital natives and have manifested strong preferences for personalised and seamless experiences integrated both online and offline. As a result, this tech-savvy generation will force luxury brands to become dramatically more digital than they are today, and experiences will need to move fluidly between the physical and the digital realms.

This report starts by offering an analysis of Artificial Intelligence and its possible implications concerning data privacy. It then interestingly assesses the likely best and worst case scenarios that could manifest; respectively data sensing to improve data collection aimed at better efficiency and performance, and an Al takeover, whereby human skills will be entirely replaced by robots.

The report goes on to explore how the Covid-19 pandemic has reshaped the thinking and design processes of luxury brands, and how they stepped up their technology game to compel with current customer trends. Problems linked to AI and new technologies are then determined, notably the amount of data available that makes deriving knowledge and insights difficult. However, solutions to these issues such as finding the right business tools for luxury brands exist.

Real examples of major luxury brands like Hermès, Chanel and Louis Vuitton will be used to better exemplify the relevance of the topic.

Besides, the report will also delve into a geopolitical approach to the future of luxury, taking into account the most poignant events of Brexit, globalisation, the Sino-US trade war and the like. Following this, future trends of luxury, such as luxury of authenticity and belonging will be presented.

Furthermore, the future of luxury can also tap into a more unconventional sector for luxury companies: online gaming. Gaming represents a high potential of growth for them, especially in the Chinese market, where luxury brands like Dior and Burberry appeal to consumers’ sentiments.

Technological advancements are in fact crucial especially in China, where consumers are amongst the most demanding in the world, and where luxury companies are adapting to their needs through VR and AI.
1. ARTIFICIAL INTELLIGENCE AND DATA PRIVACY

AI today represents a CRM tool to communicate over the brand, the items, the evolution and, moreover, to engage with customers.

AI can help brands to optimise their internal strategy, ranging from the consumer’s in-store journey, to the stock management (e.g. Kering Group’s Gucci) to product creation. With the continuous development of digital technology, many luxury companies can accurately locate their target groups and meet the needs of consumers through data analysis, which records past purchases and anticipates consumption preferences.

However, following this, a heated debate concerning data privacy followed.

In the pre-digital age, privacy was a concept tied to physical presence and private communications, which was easily enforceable and controllable due to its tangible nature. Conversely, in the digital age, several aspects of our everyday lives are becoming easily quantifiable and trackable.

Most luxury brands and others are trying to approach data privacy with a deliberate approach to implementation.

This means that they use data to improve customer-brand relationships or enhance interaction between the two. These brands master Edge AI (on-device AI) to obtain more data related to customers’ consumption habits, to optimise the elegant process required to build strong, mutually beneficial and thriving client relationships.

At the same time, improper use of data (excessive mining of customer privacy to achieve in-depth understanding) may result in privacy violations and loss of customer trust.

Therefore, how to balance the degree of data collection and privacy has become one of the key issues in the current digital development of luxury companies.
Data sensing: a brand's ability to collect and use consumer and operational data to improve efficiency and performance.

In this scenario all data is kept private and safely stored, protecting the customers' interests and solely used to address and respond to their needs and demands in the most accurate way possible. Improved customer experience with the brand, its products, environment and surroundings.

Human Rights: all are met at every stage of the brands' operations and work conditions. There are positive social and economic externalities.

The debate of robot's rights and AI rights is addressed. For example: suppose that a self-driven car is involved in an accident, whose fault is it? This would be addressed by solutions such as: technology and algorithms like the ones used by actuaries to calculate the "value of a life". They would assess the best possible outcome in face of a catastrophic (fatal) and inevitable event.
Three major trends were identified to come up with the potential "best scenario".

**Brand-tertainment**
- Linked with the entertainment world;
- Louis Vuitton and LoL: continuous presence on the big screen & digital events such as the GCDS runway show;

**Phygital**
- Fusion of physical and digital experiences, such as facial recognition technologies for skin product recommendations, skin tone detection, etc.;
- SK-II: launched a Smart Bottle;

**Strong focus on CSR:**
- Carbon emissions are reduced to zero, since brands made huge efforts to meet the set goals for genuine reasons.

The combination of these elements is context-relevant and aligned with Gen Z’s needs of dreams, exceptionality, individuality and uniqueness. Data gathering enables brands to personalise requests and preferences, and efforts are placed to avoid mass-production. This would optimise resource usage, provide a better LCA, reduce waste production and enhance creation of by-products. Moreover, these efforts would also lead to a realignment of corporate culture towards a **CSR-focused strategy**, instead of a profit-focused business model. Efforts and actions are oriented to the safeguarding of our planet and to the making up of the damages caused by humans. This would be the greatest positive societal impact any company could have and the best way to transcend in history.
Digital Dictatorship in China: according to Australian Broadcasting Corporation (ABC), an active pilot program has already assigned a score out of 800 to millions of people across the country. More than 200 million surveillance cameras are currently using AI and facial recognition software that adds or subtracts social points based on physical and digital behaviour.

The data collected from the vast network of cameras is blended with information from individuals' governmental, medical, financial, and even internet browsing records. People's scores can oscillate from good to bad in “real-time” depending on the person’s behaviour. Under this system, good Chinese are rewarded with bonus points. The benefits of having a good score include waived deposits on hotels and rental cars, VIP treatment at airports, discounted loans, access to high-speed transportation, priority job applications and fast-tracking to elite universities.

**AI takeover:** people are governed and controlled by robots. Replacement of the entire human workforce, the popular notion of robot uprising.

Example: Luxury Cars

Predominance of digital technologies will make humans lazy, less creative and less connected to each other.

Surveillance influence in our life: rising concerns about the probability that AI could develop to the point that humans cannot control it. Hawking theorises this as “spell the end of the human race”, outsmarting financial markets, out-inventing human researchers, out-manipulating human leaders, and developing weapons we cannot even understand.

Example: Low Social Credit Score in China

If you do not have enough points, you cannot purchase certain brands that reflect specific “good” values;

**Marketing Surveillance:** Alexa, Echo and Extreme.

**Alibaba’s Future hotel FlyZoo:** a unique robotised hotel in China. Alibaba, the e-commerce & technology giant, opened its first robotised hotel in December 2018, the FlyZoo Hotel.

The Alibaba Future Hotel in Hangzhou was built by Fliggy, Alibaba’s online travel platform, along with other business units such as Alibaba AI. Labs and Alibaba Cloud.

The exclusively digital attributes of the hotel will likely eradicate the human warmth that is proper to hospitality experiences.
2. How Technology is Accelerating the Digital Transformation of Luxury

E-commerce offers an enormous opportunity for growth for high-end brands to be at the service of their affluent and busy customers.

Nearly 80% of luxury sales today are “digitally influenced”, meaning that in their luxury shopping journeys, consumers hit one or more digital touchpoints. The typical luxury shopper now follows a mixed online journey, seeking the advice of peers on social media or looking for suggestions from trusted bloggers before entering a store, which often ends up with posts about their latest purchases.

The COVID-19 pandemic suddenly rendered shows and real-life experiences obsolete, "things of the past". As a result, luxury brands have had to rethink ways to market their products.

The virtual ‘e-vent’ is nothing new. However, the difference resides in that people are no longer able to attend live events and activities. Therefore, the new experience should be more enjoyable if it means shifting to a livestream.

The need for virtual events encourages brands to come up with new and innovative ways to interact with their consumers. For example, many brands that took part in the Shanghai Fashion Week integrated a “comment section”, virtual ‘after parties’ and a ‘see now, buy now’ e-commerce button.

Virtual events hold several advantages, among which an increased accessibility for a wider audience. In this regard, Carine Roitfeld swapped her annual charity gala, which usually takes place in Cannes, for a virtual fashion show. The event saw models, including Karlie Kloss, Winnie Harlow and Ashley Graham, turning their own homes into virtual runways. The online event benefited from a greater participation that equally contributed to the nature of the charity. On a sweeter note, virtual events also reduce negative environmental impacts.
Big data analytics enable luxury brands to deeply connect with their consumers, by understanding their lifestyles and consumption behaviours which allow them to build long-term commitment to the brand.

Providing exclusivity through the delivery of a delightful experience thanks to data analytics represents a competitive advantage. By segmenting HNWI (High-Net-Worth-Individuals), luxury brands can identify new opportunities to connect and engage with their customers.

Nonetheless, problems also exist in this field:
- **The scale of data** available makes extracting knowledge and insights a complex activity. Luxury brands need a clear and effective process to gather, store, sort and identify valuable information;
- **Security** is a significant problem when storing and maintaining private valuable customer information, luxury brands need to perform thorough and regular security audits with strict access policies to prevent data loss or data corruption.

Still, solutions to these problems can be:
- Identify the **right tools** for the business: luxury companies can tap into existing big data solutions to reduce costs and overheads;
- **Encryption, segregation, and strict policies** ensure the protection of sensitive customer information.

Global tech companies are rapidly building new data centers around the world, which changed the quality of available customer data. According to The Economist, big data is no longer just predefined digital information—databases of names, age, sex, and income. The new economy is now about analysing rapid real-time flows of mostly unstructured data: consumer social media comments on luxury forums, influencers photo feeds on Instagram, high-end customer engagement across an omnichannel purchase funnel and the like.

In collaboration with RetailNext, Montblanc deployed video analytics in their offline retail spaces, generating maps that show where customers spent most of their time in store. The company was able to identify where to place their various product lines and sales staff. What’s more is that the platform also allowed Montblanc’s employees to make decisions faster. Rodrigo Fajado, Montblanc’s brand manager, said that the software helped them increase sales by 20% after installation.
**Burberry** earned itself a reputation as a digital pioneer and leader in digital integration, technology-driven creator, and online experimentation. Burberry used its traditional brick-and-mortar stores alongside digital channels such as Facebook, Twitter, Pinterest, Instagram, and YouTube to gather customer data. Burberry developed “The Art of the Trench” campaign, showcasing everyday people wearing Burberry trench coats which revamped its London flagship store making it a digitally integrated showroom that delights and surprises customers.

What should companies do to benefit from big data and machine learning?

- First, set proper expectations out of the project as this would help measure its ROI and its success;
- Integrate data from social media and customer feedbacks with the data from sales, retail and other departments of the brand;
- Leverage the expertise of data analytics tools, techniques or service providers such as Oracle or IBM to gather more information about customer needs, pricing techniques, target audience, geographies and trends;
- Finally, use the information to provide better services and personalised products to customers or to improve day to day processes such as supply chain, sales, store layout, chatbots, customer experience, etc.

**Computer-generated imagery models** have such a big influence on social media that they actually collaborate with luxury brands like Prada, Balmain, Gucci and fashion magazines like Vogue and Elle. The number of fans is also visible on their respective profiles.

**Yoox**, part of the Yoox Net-a-Porter Group, has introduced a new feature targeting Millennials: an AI-powered virtual styling suite designed to help customers explore the Yoox catalogue in a new interactive and engaging way. Customers can choose to create an avatar according to their own gender, skin tone, and add the products to a wishlist, or of course buy them and share them on social media afterwards.

China has also launched its own version of Yoox: **Taobao Rensheng** on the Taobao platform, currently undergoing a beta test.
At first glance, luxury and digital seem polar opposites: on one side is the dream, the sophistication and the human aspect, while on the other is the immediacy, the accessibility and the machines.

The *phygital* is the key means of transition: it combines digital with physical human presence.

**Why is it important?**

- Digital technology reinforces the feeling of omnipotence amongst consumers;
- Blogs, influencers and social media all allow for easy sharing of moments and experiences;
- Constant availability (24/7);
- Accessibility from any point on the globe;
- Offer of timeless moments and face to face experiences: dialogue and human warmth at the very core of the experience.

The phygital fits perfectly into the luxury industry as the in-store atmosphere is airy and refined. It does not overload the shop nor it mechanises it. The human component is still very present, and sales associates are not replaced by robots.
The House of Chanel is against e-commerce. It is in fact impossible to buy Chanel products (other than makeup/beauty) without going through one of its shops.

However, the House signed a deal with Farfetch in February 2018, a technology expert - leader in the online marketing of luxury products - to install connected mirrors in its Rue Cambon shop. This revealed as a true enhanced retail experience combining the importance of physical but connected points of sale.

The concept of this experience was tested and applied exclusively to loyal customers, who can compile their wish list preceding their visit to the boutique.

This selection is then transmitted to the shop, where a real fitting room features the consumer wearing the chosen clothes via connected mirrors.

Exclusive images linked to the selected pieces accompany the fitting session, as well as a virtual tour of the very private areas of the House. This tool is intended to remain very discrete and exclusive.

The House has also worked with Random Studio on two projects:
1. The launch of the Chanel Première Camélia Skeleton watch at the Baselworld 2017 International Watch Fair;
2. The largest watch launch in the world. The House of Chanel asked Random Studio to create a scenography for a temporary revival of its flagship boutique: Place Vendôme in Paris.
The House of Hermès worked with Pauline Saglio, an interaction designer based in Lausanne.

The first project took place between June 2015 and June 2017: "The Magic Shoes". It highlights the richness of the Hermès women's shoe collection. The customer discovers this diversity through the various features integrated into the shop.

The second, in June 2018, is the "Carré Surprise". This project aims to showcase Hermès rich creative processes of silk. The in-store installation offers the customer a new perspective on the traditional Hermès square, which in fact hides a large number of surprises.

The third is called "The Magnifying Glass Bottle". This project aims to highlight the abundance of the Terre d'Hermès range through illustrations of its various olfactory expressions by means of animations. The spectator is invited to discover this diversity through playful experiences offered by several devices present on the catwalks, in the shops or in personalised areas.

Louis Vuitton has always been a forerunner in digital, in particular thanks to its "Louis Vuitton Pass" app. The app offers a preview access to communication campaigns and the possibility to order the visually present models.

The House has also collaborated with Random Studio on a project called "Volez, Voguez, Voyagez". This travelling exhibition retrace the House's adventure from 1854 to the present day. For the Seoul, New York and Shanghai editions, strong creations were created.

In the Shanghai edition, a space was decorated with lanterns and flooded with neon lights. Each lantern was integrated with a LED panel with synchronised and graphic scrolling messages, welcoming visitors. In Seoul, a large-scale (90m2) interactive LED wall was developed, inviting visitors to fly a plane over the cities of the world using their own bodies to control movement. Lastly, the New York edition of the exhibition was a digital metro station represented in Louis Vuitton style.

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Luxury brands have always tried to find a balance between exclusivity and accessibility, and we have reached a point in time when change is inevitable. The digital revolution has forced luxury brands to reconsider their position and on how luxury retailers need to provide rich in-store and online digital experiences by focusing on two key subjects:

1. Geopolitics and new technologies

Advances in areas such as nanotechnology, smart factories, additive manufacturing and autonomous cars completely reshape industries, and geopolitical factors play a determining role in the process of technological development. The geopolitics behind new technologies can be connected to labor flexibility and demography. Japan’s dwindling population could cost the country revenue, education systems and technological maturity. However, the country is more likely to adopt the technologies in service sector. China’s educational policy settled the course for technological development, capital availability and mobility. The USA spend instead substantial amounts of money on research and development.

2. Western companies’ strategies in Chinese luxury market

Storytelling has become a dominant technique in marketing luxury goods in China and the customers have shifted from ‘word-of-mouth’ luxury products purchases to buying them because of their appreciation of the brand experience.

The economic purchasing power in the Chinese population is fast-changing and the growing trend of young professional women and their spending power continues to rise. Western luxury brands are increasingly using WeChat to adapt to Chinese luxury shoppers. For instance, Sergio Rossi’s WeChat mini programme is used to harness the direct-to-consumer luxury trend in China, enabling consumers to personalise their footwear.

The e-retail experience offered to customers provides the brand with a 360° coverage through social media sharing, which deeply influences the purchase decision-making. French cosmetic brand Guerlain deployed a WeChat gamification marketing plan to introduce its new lipstick in China. This shows the brand’s willingness to derive the right strategies to cater to the Chinese market.
This section focuses on a purely geopolitical approach applied to the luxury industry. The events that follow are the most likely ones to deeply impact it:

**Globalisation:** the age of globalisation has been an incredible opportunity of growth for the luxury industry, especially as Western luxury giants like LVMH, Richemont and Kering were amongst the first to connect China to G7 countries;

**Brexit:** it will profoundly affect how companies inside and outside the UK conduct cross-border business;

**Protectionism:** the US’ adoption of protectionist policies in 2018 have resulted in slower consumer spending and higher consumer prices;

**Sino-US trade war:** the ongoing conflict between China and the US whereby the USA accuse China of unfair trading practices, while China from its part accuses the US of protectionism and hence of curbing the Chinese rise as a global economic power;

**Political uncertainty:** the impact of the Hong Kong protests is spreading to global luxury retailers, with the jewelry and cosmetics markets being hit and shops in the city centre being disrupted;

**Pandemic:** the advent of COVID-19 has dramatically hit the luxury industry. In the first quarter of 2020 the global luxury sales dropped by 35%, but they are expected to grow to -18% by the end of the year.
The luxury of belonging

Millennials and Gen Z Consumers are radically transforming the luxury market. These new consumers have different tastes and preferences, and seek for a more personal approach based on authenticity.

Young consumers are not seeking for the purely hedonistic aspect that luxury brands can confer to them like the “older generations” do. What they look for in these brands is instead a new value that gives them status. Therefore, from social connections to insider knowledge, luxury products must find their place in their daily lives.

There are several factors or trends that heavy influence Millennials’ purchasing decisions:

1. Collaborations
2. Second hand
3. Sustainability
4. Influencers

The luxury of experience

The experiential luxury market is growing fast. Brands are embracing the ‘phygital’ revolution: an example is the Porsche Experience Centre in Shanghai. The future of luxury retail is technology.

The new consumers - Generation z and Millennials - have different expectations when it comes to luxury. They search for a personalised experience both online and offline. In this new era, technology becomes therefore an integral part of the purchasing process.

The three major technological accelerators that are expected to influence the future of luxury retail are:

1. Augmented reality
2. Artificial Intelligence
3. Voice Commerce
The luxury of individuality

Clienteling 2.0 is a technique used by retail sales associates to establish long-term relationships with customers. They are able to see clients’ data about past purchase preferences and sizes and make sense of the behavioural patterns to deliver an extremely personalised shopping experience.

All the customer data are locked in a CRM/POS available to the sales associate including inventory checks to ensure the associate doesn’t recommend items that may be out of stock or sizes that aren’t available in the store at that time.

The luxury of authenticity

Sustainability and climate change are two key issues of our era, and these include cross-border migration, conflicts over water, and competition over territories due to melting ice.

Where are luxury brands situated in terms of this?
- Chanel pledged to reduce its greenhouse gas emissions by 50% across its own operations, and across its entire supply chain by 40% per unit sold, by 2030;
- Vivienne Westwood;
- Bentley.

The future is China

China was the least affected country by the economic downturn that has stalled the rest of the world. New stores are opening to meet the demand of Chinese consumers and their appetite for luxury brands.

Generation Y and Z (those born after the ’80 and ‘90) are the driving force of the luxury market, as they can benefit from the rapid economic growth. These customers might spend up to 41,000 RMB per person each year on luxury.

China is therefore one of the most attractive markets for luxury brands today, however also one of the most challenging, and mainly for cultural reasons.
6. **ONLINE GAMING IN THE LUXURY INDUSTRY**

On a different note, **online gaming** in the luxury industry can also be a good representative subject for the future of luxury.

More and more luxury brands are now entering partnerships with gaming giants to spread awareness and attract new audiences. Online gaming plays a key role especially in China. As a matter of fact, the Chinese population has always perceived video games as a weapon to relieve the stress accumulated both in schools and at work.

Other than minimising the frustration from these daily occupations, online gaming also serves as a fundamental tool to educate the Chinese population about their 5000 years of history, philosophy and poetry. The majority of online games includes in fact characters based on figures inspired by the Chinese history. However, online gaming does not just provide a correct and fine image of the Chinese culture to locals, but equally educates foreigner players.

Interestingly, in China, games are also used for **political purposes**: the China Communist Youth League exploits online gaming so as to “trigger” a national spirit amongst young players.

Furthermore, it is worth noticing that the size of the Chinese online gaming market gathers 484M players, accounting for a third of the entire Chinese population. Given this data, luxury brands should then take online gaming into consideration as a potential opportunity to further penetrate the Chinese market.

However, when collaborating with gaming giants, luxury brands should also keep in mind what the **possible threats** can be, such as:

- Cyber-bulling and relative brand image;
- Demand for instant gratification by an over-stimulated audience;
- Disruption of game developing efficiency due to Covid-19.

The pandemic has in fact impacted online gaming, but not only in a negative way. Beyond being a threat, Covid-19 also represents an opportunity for luxury brands. The partnerships between these and the gaming giants seem to be a **win-win strategy**, as both are benefiting from the cultural relevance they provide and the capital brought in through the collaborations. Striking examples of these partnerships include Louis Vuitton X League of Legends, Gucci X Tennis Clash, Burberry X B Bounce, and Dior Beauty X Pacman Tetris.
Burberry's boutique in Shenzhen allows customers to use VR and interact with the brand and its products in a new and exciting way. QR codes are placed on every product, which are then connected to digital screens. Moreover, the fitting rooms are designed to celebrate the experience of trying on Burberry products and each has a dedicated library of playlists to listen to.

The trend of using technology began in 2017, when Gucci enabled consumers to try on Ace sneakers through AR, as well as the collaboration between Estée Lauder and Google. When it comes to the future luxury industry and its application from a geopolitical perspective, two examples could be potentially used: Frontier and ByteDance AI’s Xiaomingbot.

The first one is a textile company that recently created a digital fabric platform where designers can find thousands of high-resolution images of different fabrics with the help of AI. The latter is the world’s first multilingual and multimodal AI news agent. This machine can create a whole new article and publish it in two minutes.
Following the disruption caused by Covid-19 and the ever-changing consumer trends, luxury companies are obliged to adapt to the reality of change that has been taking place in the technological field. To survive and thrive, luxury brands need to integrate online experiences and build the bridge between real life and digital realms. New technologies and AI allow companies to reach specific targets, getting to know customers’ behaviours in a way that was not possible before and building up a strong relationship through the delivery of exceptional and personalised experiences.

It is hence becoming of greater importance to blur the boundaries between ‘online’ and ‘offline’, which is to an extent already happening through phygital experiences offered by major luxury players like Hermès and Louis Vuitton, or equally thanks to partnerships between online gaming giants and luxury brands like Burberry.

However, it remains essential to be considerate of the potential risks of using smart advanced technologies. The analysis of the technological strategies used by Western brands in the Chinese luxury market helped us better understand the interplay between technology and geopolitical events. As a result, it is important to underline the key role that China’s history and culture play in the development of new technologies.
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