

LUXURY RETAIL'S DIGITAL MOMENT

How Luxury Brands Are Taking Advantage of the Digital Age



FOREWORD

ANTICIPATING A MULTICHANNEL + MOBILE 2015

We are excited to share the results of WBR's luxury digital marketing report, "Luxury Retail's Digital Moment," which provides survey-based insights into how luxury advertisers approached digital marketing over the last year.



"There will be great opportunities for luxury retailers to integrate display advertising with multiple other digital channels using advertising initiatives that get mobile, web, video, and social advertising working together in real time."

Key findings include:

- 92% of luxury retail respondents increased their digital marketing investment in 2014.
- 77% say increasing brand awareness is a primary goal; 60% say driving trackable conversions is a primary goal.
- 61% used third-party vendors for display advertising; 31% used vendors for multichannel initiatives.
- 59% prioritized retargeting. Additional priorities included real-time targeting (52%), real-time optimization (44%), mobile (37%), banners (33%), and video (26%).
- In mobile, 58% of luxury retailers were satisfied with their mobile initiatives in 2014; 63% are building a roadmap to integrate store and mobile; 82% have a mobile optimized site.

Based on these results, 2015 is going to bring on very productive digital marketing and corresponding increased spending, using tactics throughout the entire marketing funnel from awareness to eCommerce conversions. Expectations are greatest for mobile marketing and drive-to-web store initiatives. There will be great opportunities for luxury retailers to integrate display advertising with multiple other digital channels using advertising initiatives that get mobile, web, video, and social advertising working together in real time. We also expect mobile technologies, such as geolocation, geofencing and in-store beacons, to contribute significantly to multichannel initiatives. More than ever, mobile and advertising technologies are available to help luxury retailers engage their most valuable prospects across every digital touchpoint.

We wish you the best in these endeavors and invite you to get in touch with RadiumOne anytime for consultative guidance.

All the best,

Your friends at RadiumOne

TABLE OF CONTENTS



EXECUTIVE SUMMARY	4
KEY FINDINGS	5
RESEARCH FINDINGS	
LUXURY'S DIGITAL ASCENDANCE	6
DIGITAL MARKETING PRIORITIES	
+ SPENDING TRENDS	10
THE MOBILE OPPORTUNITY IN LUXURY	14
CREATING A DIGITAL NARRATIVE THROUGH	
CONTENT + SOCIAL MEDIA	16
KEY RECOMMENDATIONS	19
APPENDICES	20
LUXURY INTERACTIVE	21
WBR + WBR DIGITAL	21
RADIUMONE	22

EXECUTIVE SUMMARY

The past ten years have comprised the single most powerful and innovative time in the history of technology. Every industry is being disrupted by technology. Everyone and everything is being connected by the mobile and social revolution, which has placed hundreds of thousands of applications at consumers' fingertips. This has created a sea of data unlike anything that has ever existed.

In the last two years alone, 90% of the world's data has been created. Cloud, social, and mobile technologies have transformed business models and consumer behavior. Customers are interacting with brands more frequently and more profoundly every day. In order to succeed in this new business environment, companies have recognized the need to turn to technologies that are native to this new social, mobile, and connected world. To foster loyalty and growth, companies must grow with their ever-changing customers and find the key to easily adapt to their ever-changing needs. In order to be successful in the omnichannel world, companies must be ready to sell, service market and engage with their customers anytime, anywhere and on any device.

Brands have long emphasized touchpoints—the many critical moments when customers interact with the organization and its offerings on their way to purchase and after. But the narrow focus on maximizing satisfaction at those moments can create a distorted picture, suggesting that customers are happier with the company than they actually are. It also diverts attention from the bigger—and more important—picture: the customer's end-to-end journey.

Customers demand more depth, emotion, & personality from companies. As a result, it seems every brand is trying to be a human brand, but few get it right.

While creating digital brand awareness and adapting to consumers' preferences continues to be at the forefront of marketing campaigns for luxury brands, retailers have begun to realize the linchpin of the brand experience is delivery consistency across the omnichannel journey. Creating a great customer experience is the driving force in fostering customer loyalty.

It was with that in mind that over sixty thought leaders from the world's largest luxury brands came together at Luxury Interactive to evaluate current online retail and digital opportunities for luxury brands and professionals. Professionals from companies such as Saks Fifth Avenue, David Yurman, Viceroy Hotel, and more contributed to the survey's results.



Customers demand more depth, emotion, & personality from companies. As a result, it seems every brand is trying to be a human brand, but few get it right.

KEY FINDINGS

LUXURY BRANDS ARE INVESTING IN DIGITAL AND E-COMMERCE CAPABILITIES TO KEEP UP WITH CHANGING CONSUMER BEHAVIOR.

Luxury consumers are increasingly engaging with digital content and purchasing products online. With pure online sales of luxury products doubling over the last year, luxury e-commerce is growing faster than the retail industry at large. Brands are responding by investing in digital advertising and improving the personalization and targeting of their marketing messages.



Digital assets have become crucial tools for brands to tell their stories.

SEARCH ENGINE MARKETING AND DIGITAL ADVERTISING HAVE BECOME LUXURY BRANDS' TWO MOST IMPORTANT DIGITAL MARKETING CATEGORIES.

With luxury consumers doing more product research online and leveraging mobile search, search engine marketing has become a primary concern for luxury brands. Digital advertising is also extremely important, and luxury brands are turning to third-party solutions providers to help navigate the nuances of modern digital advertising, such as programmatic media buying.

LUXURY BRANDS ARE LEVERAGING CONTENT AND SOCIAL MEDIA TO MEET AND INFLUENCE CONSUMERS IN DIGITAL SPACES.

While print advertising and event marketing remain important in luxury retail, digital assets like commercial websites, content microsites, social media accounts, digital advertisements, and web publications have become crucial tools for brands to tell their stories. Most luxury brands are leveraging these digital spaces to build on their narrative, using a combination of in-house and third-party content.

RESEARCH FINDINGS

LUXURY'S DIGITAL ASCENDANCE



73% of survey respondents asserted that brand awareness is a more critical advertising goal than conversions.

With 20% of all luxury sales now being influenced by digital media, luxury goods are in the midst of a transition. Luxury consumers are changing their media consumption patterns, spending more time searching for products online and placing greater emphasis on the recommendations and ratings they encounter on social media. Thus, although the market for luxury products has traditionally hinged on print, in-store advertising, and event marketing, the industry has begun to increasingly prioritize digital and social media marketing. Building out these digital capabilities is especially critical considering that many luxury customers have come to expect great digital experiences. Digital is not just a sales opportunity; it's a branding opportunity.

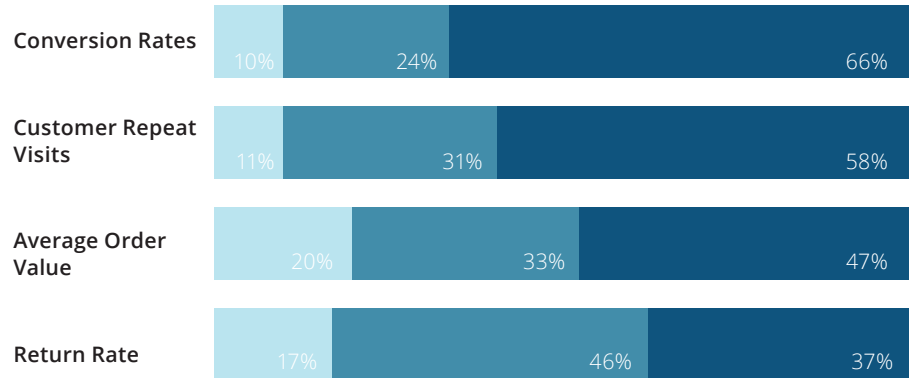
The renewed emphasis on digital marketing has yielded strong results for luxury brands, which saw pure online sales double since last year. Survey respondents reinforced this positive trend, with 66% noting that their digital conversion rates increased over 2013. More than half of those surveyed also saw a rise in customer repeat visits, although average order value rose for only 47% of respondents. For luxury brands, however, sales and conversion rates are not the only key performance indicators for advertising. In fact, 73% of survey respondents asserted that brand awareness is a more critical advertising goal than conversions.

Although the digitization of luxury brand marketing is still in its earlier stages, brands have taken some important steps forward. Most luxury retailers are now placing emphasis on following the customer's path to purchase, with more than 40% making that understanding a priority. In addition, luxury marketers are improving the personalization and targeting of their campaigns, leveraging customer data to deliver more valuable messaging. Third-party solutions providers have played a critical role in the development of these digital capabilities, especially search engine marketing, email marketing, and display advertising.



LUXURY'S DIGITAL ASCENDANCE

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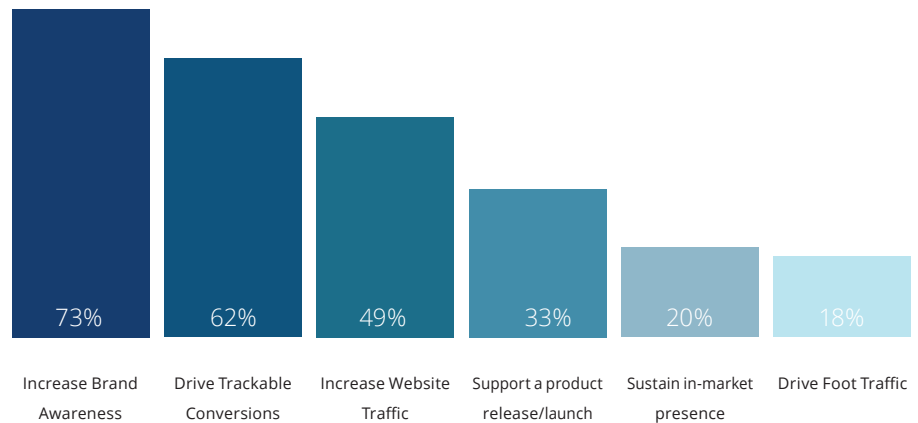


Over the past 12 months, nearly two-thirds of luxury brand marketers saw conversion rates increase, although less than half saw an increase in average order value.

Overall, pure e-commerce sales for luxury goods doubled to 4% of all sales, although it is estimated that approximately 20% of all luxury revenue is influenced by digital media.



LUXURY'S DIGITAL ASCENDANCE



Brand awareness is the top advertising priority, with conversions coming in second..



HOW MUCH FOCUS DO YOU PUT ON FOLLOWING THE CUSTOMERS' PATH TO PURCHASE?



42% of respondents place a heavy emphasis on tracking their customers' paths to purchase.



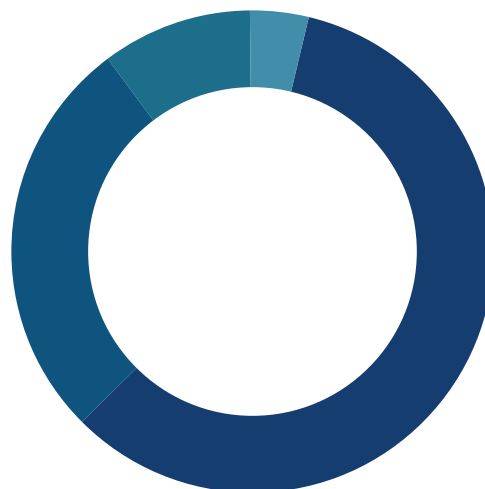
- 14% Little focus
- 12% Not Sure
- 32% Some focus
- 42% A lot of focus



HOW WOULD YOU DESCRIBE THE PERSONALIZATION AND TARGETING OF YOUR CURRENT MARKETING ACTIVITIES?



The majority of respondents reported that their marketing activities are only somewhat personalized and targeted.



- 59% Somewhat targeted and personalized
- 27% Not targeted and personalized
- 10% Very Targeted and personalized
- 4% Not sure



HOW IMPORTANT IS MARKETING AUTOMATION IN YOUR CURRENT DIGITAL MARKETING PROGRAM?

Respondents were evenly split on the importance of marketing automation, indicating that it is not a critical priority for all brands.

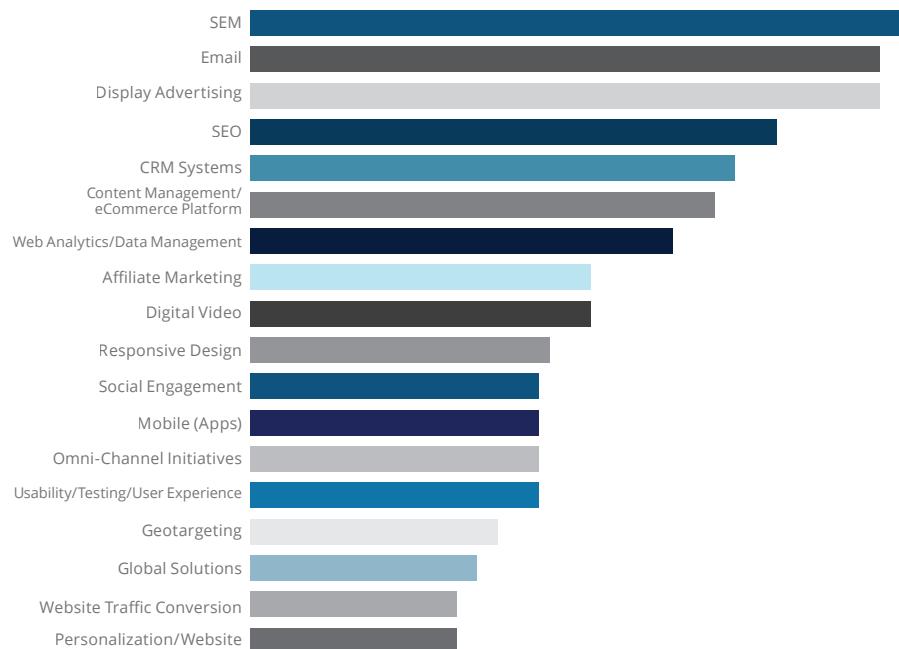


- 10% Not important
- 26% Somewhat important
- 16% Not sure
- 30% Important
- 18% Very important



IN WHICH OF THE FOLLOWING AREAS ARE YOU UTILIZING A THIRD-PARTY VENDOR?

SEM, email, and display advertising are the most common areas in which businesses are utilizing third-party vendors.



Given the increasing popularity of digital initiatives like programmatic media buying, it is no surprise that most luxury brands are using third-party solutions providers for display advertising.

DIGITAL MARKETING PRIORITIES + SPENDING TRENDS



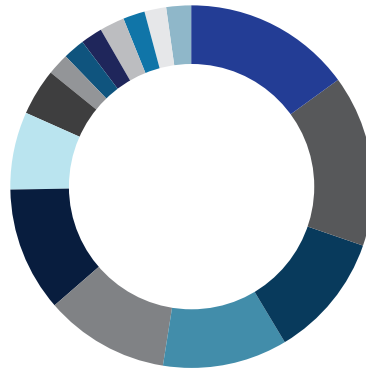
Improving marketing personalization and increasing brand awareness are the top two reported digital marketing priorities for 2015.

Luxury customers have become accustomed to personal shopping experiences, exclusive products and experiences, and stylish imagery. The challenge for luxury brands has been to migrate these experiences into the digital world without losing the core brand identity. After all, luxury retailers are keenly aware of the power of digital marketing to influence brand perception. Accordingly, survey respondents indicated that personalization and brand awareness are their top digital marketing priorities for the coming year.

As luxury retailers have placed greater emphasis on e-commerce and digital marketing, corporate budgets and priorities have shifted accordingly. However, some brands are moving much more quickly than others: while 30% of survey respondents are spending less than 5% of their marketing budget on e-commerce initiatives, a similar number (29%) have devoted more than 10% to e-commerce. Despite the disparity in budgetary spending, investment in digital initiatives has increased almost across the board, with the greatest shares of digital marketing spend going toward search and digital advertising. Finally, with luxury shoppers spending more time on social media, brands are committing more resources to promoted posts and videos, especially on Facebook.

Despite the plethora of digital capabilities available to luxury brands, perhaps the most critical and widely-utilized has been digital advertising. Made simpler and more streamlined through automated media buying software, digital advertising helps marketers serve a variety of goals. Luxury brands, however, will be focusing their ad format spend on three main priorities: retargeting, real-time targeting, and real-time optimization.

WHAT ARE YOUR TOP DIGITAL MARKETING PROJECTS OR PRIORITIES FOR 2015?

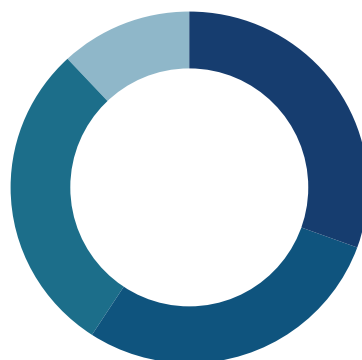


- | | | | |
|-----|---------------------|----|--------------------|
| 15% | Personalization | 2% | Web traffic |
| 15% | Brand Awareness | 2% | Spend optimization |
| 11% | Social Media | 2% | Promotions |
| 11% | Mobile & M-Commerce | 2% | PR |
| 11% | Conversions | 2% | Logistics |
| 11% | Content | 2% | Emergent markets |
| 8% | Omnichannel | 2% | CRM |
| 4% | Automation | | |



WHAT PERCENT OF THE MARKETING BUDGET AT YOUR COMPANY IS SPENT ON E-COMMERCE INITIATIVES?

Nearly a third of the brands surveyed spend less than 5% of their marketing budget on e-commerce initiatives.

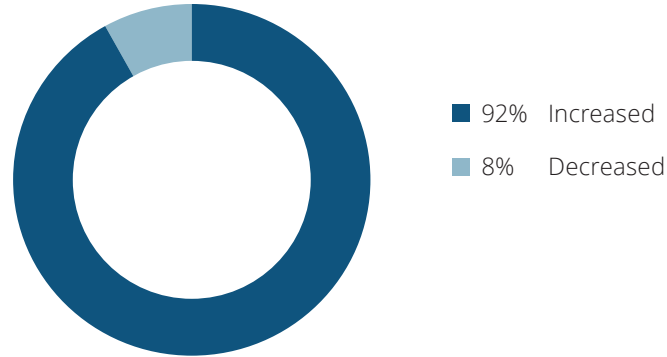


- | | |
|-----|-----------------------------------|
| 30% | 0-5% |
| 29% | 5-10% |
| 29% | More than 10% |
| 12% | We are an eCommerce-only retailer |



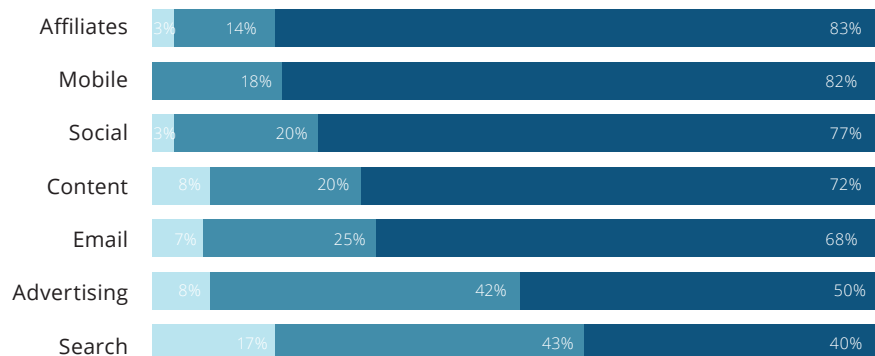
HAS YOUR INVESTMENT IN DIGITAL INITIATIVES INCREASED OR DECREASED IN THE LAST 12 MONTHS?

Respondents overwhelmingly affirmed that their investment in digital initiatives has increased over the last 12 months.



WHAT PERCENT OF YOUR DIGITAL MARKETING BUDGET DO YOU SPEND IN THE FOLLOWING AREAS?

Search tends to be the largest budgetary investment for luxury brands, with advertising coming in second.

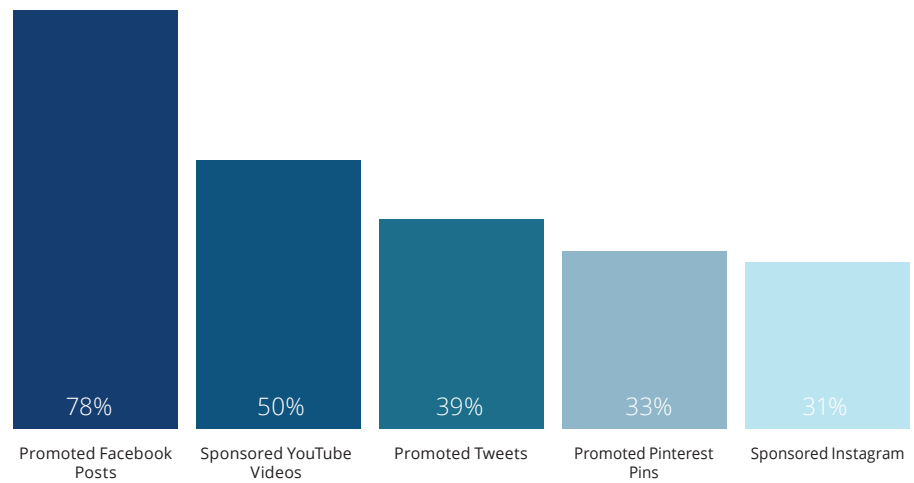


Search is a top priority in part because customers are conducting searches in a wide variety of contexts. Currently, more than half of luxury shoppers' searches are done on mobile devices.



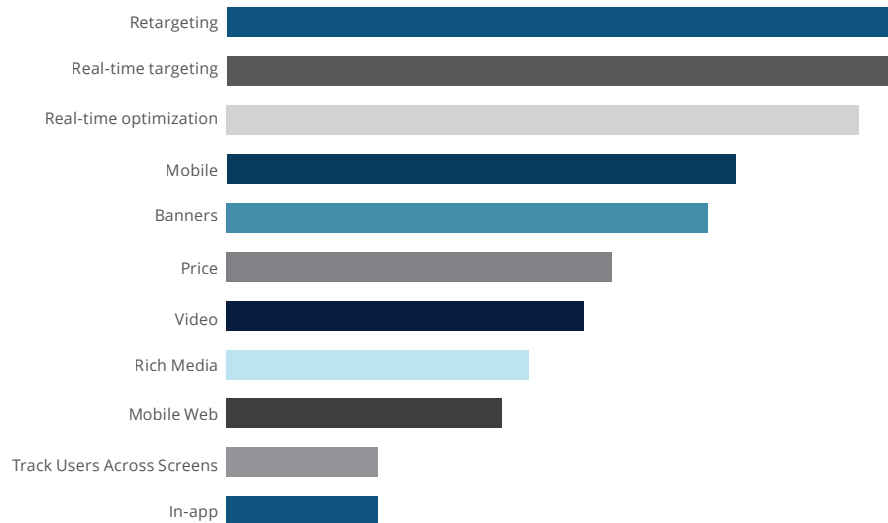
IN WHICH OF THE FOLLOWING SOCIAL MEDIA INITIATIVES ARE YOU INVESTING?

78% of respondents are spending on promoted Facebook posts, while 50% are sponsoring YouTube videos.



WHAT ARE YOUR PRIORITIES FOR AD FORMAT SPEND?

Retargeting, real-time targeting, and real-time optimization are the top three priorities for ad format spending.





THE MOBILE OPPORTUNITY IN LUXURY

Almost two-thirds
of respondents are
actively working to
integrate in-store
experiences
with mobile.

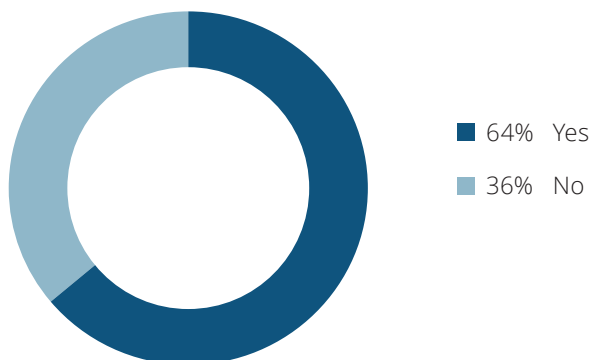
The mobile revolution has had a profound impact on the luxury category, with three out of four luxury shoppers reported to own a smartphone. These connected customers present a powerful engagement opportunity for luxury retailers, whose brands are more embedded than ever in consumers' daily lives. Luxury shoppers are increasingly using mobile devices to search for products and stores while on the go, so while luxury mobile commerce may not be growing as quickly as m-commerce is in other retail categories, mobile has become a crucial tool to help drive store traffic.

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ARE YOU BUILDING A ROADMAP TO INTEGRATE STORE AND MOBILE

Almost two-thirds
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WITH REGARDS TO YOUR MOBILE STRATEGY, WHICH OF THE FOLLOWING DO YOU HAVE IN PLACE?

Mobile-optimized websites are the top mobile capabilities luxury brands will be pursuing over the next year.



ARE YOU SATISFIED WITH THE RESULTS OF YOUR MOBILE INITIATIVES TO DATE?

62% of respondents are satisfied with the results of their mobile initiatives





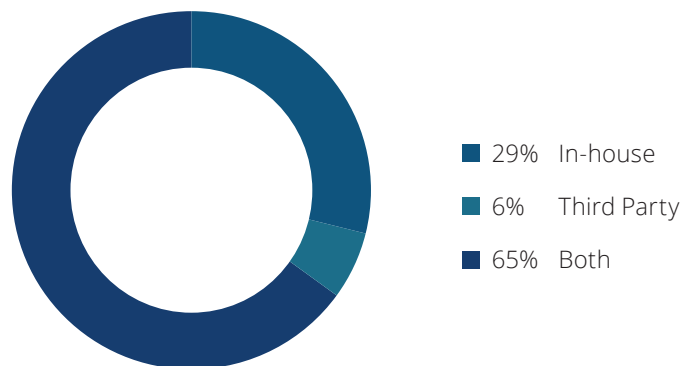
CREATING A DIGITAL NARRATIVE THROUGH CONTENT & SOCIAL MEDIA

Nearly two-thirds of the brands surveyed are using some combination of in-house and third-party content, with only 29% creating all content in-house.

From a brand-building perspective, digital marketing has created a rich new medium through which luxury retailers can tell their stories. Brands are taking advantage, using commercial websites, content microsites, social media accounts, digital advertisements, and web publications to differentiate themselves. While this digital narrative can be extremely powerful, creating it requires a wide variety of multimedia and written content, which can be a major investment. In the present study, 65% of respondents are using some combination of in-house and third-party content, indicating that it is common practice for retailers to tap internal and external resources to develop content.

Because social media offers such an expansive audience and the ability for people to share the pieces they engage with, it has emerged as a primary outlet for brand-created content. However, broadcasting content over social media does come with some inherent risks, which is why 44% of respondents are vetting their content through their legal departments. Finally, while nearly all luxury retailers are utilizing social media in one way or another, social media messaging platforms have not yet caught on. In fact, less than half of our respondents have already deployed social media messaging strategies

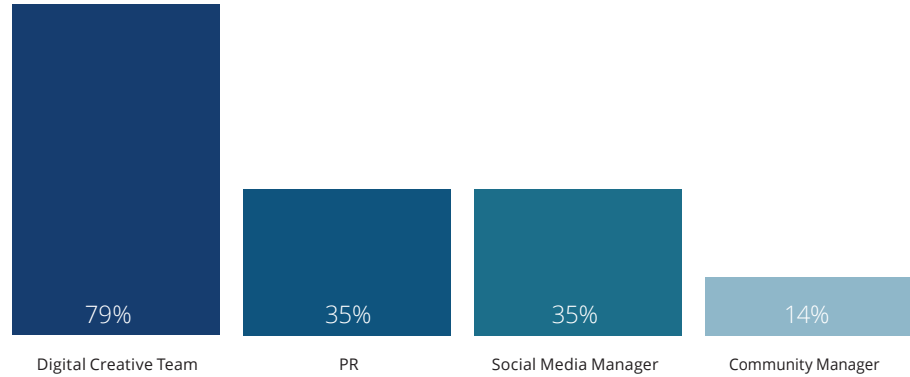
HOW ARE YOU CREATING CONTENT?





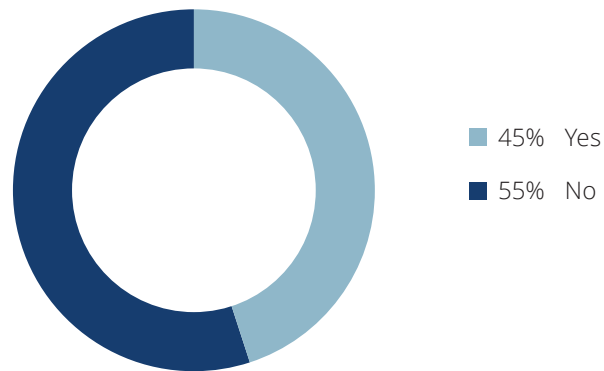
IF YOU ARE PRODUCING THE MAJORITY OF YOUR CONTENT IN-HOUSE, WHO OVERSEES THESE INITIATIVES?

Of those brands that are producing the majority of their content in-house, 79% have digital creative teams.



ARE YOU LOOKING TO INTEGRATE SOCIAL MEDIA-MESSAGING PLATFORMS (SUCH AS WECHAT)?

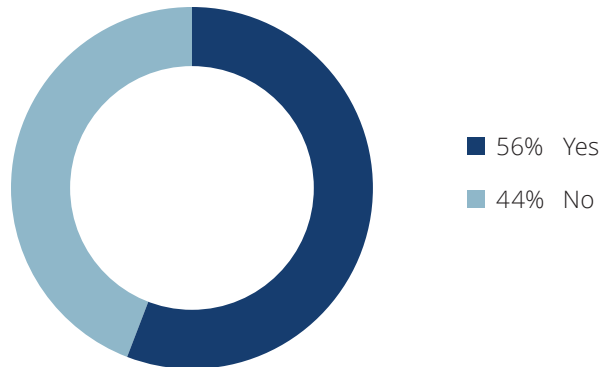
The majority of respondents are not currently interested in utilizing social media messaging platforms.





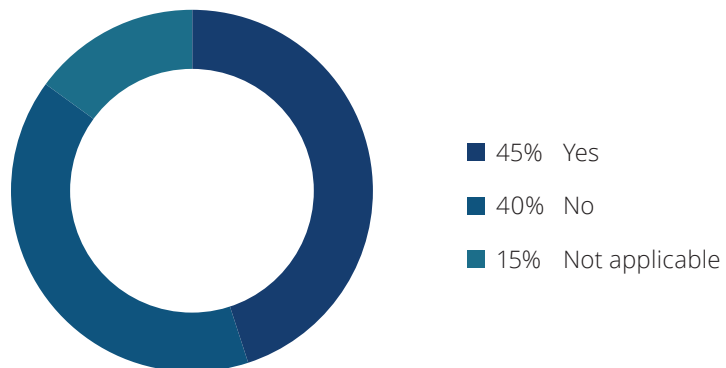
ARE YOU VETTING YOUR CONTENT AND SOCIAL INITIATIVES THROUGH YOUR LEGAL DEPARTMENT?

Just over half (56%) of respondents are vetting their content and social initiatives through their legal departments.



ARE YOU TRACKING THE PATH TO PURCHASE ON ANY OF YOUR SOCIAL MEDIA PLATFORMS?

Respondents are split on social media tracking, with 45% actively tracking the path to purchase on social media and 40% not tracking it.



KEY RECOMMENDATIONS

LUXURY RETAILERS MUST CONTINUE TO BUILD OUT E-COMMERCE CAPABILITIES, PLACING SPECIAL EMPHASIS ON AN UNDERSTANDING OF THE CUSTOMER'S PATH TO PURCHASE



Online-only luxury sales will continue to grow, and at great pace. Brands must be equipped with the right tools to win over digital customers, create seamless shopping experiences, and ensure great customer service after the purchase.

LUXURY BRANDS NEED TO TAKE ADVANTAGE OF THE MOBILE OPPORTUNITY.

The ubiquity of mobile devices has given retailers unprecedented access to consumers. Luxury retailers need to take advantage of mobile opportunities by optimizing websites for mobile, integrating mobile into the showroom experience, and delivering targeted, contextual messages through mobile platforms.

BRANDS SHOULD CONTINUE TO CREATE THEIR NARRATIVE THROUGH ONLINE CONTENT AND DIGITAL ADVERTISING.

While content creation can be a cumbersome process requiring many resources, it is an exceedingly important form of engagement. Similarly, digital advertising has become highly sophisticated, giving brands the power to deliver compelling ads to the right consumers at the right times

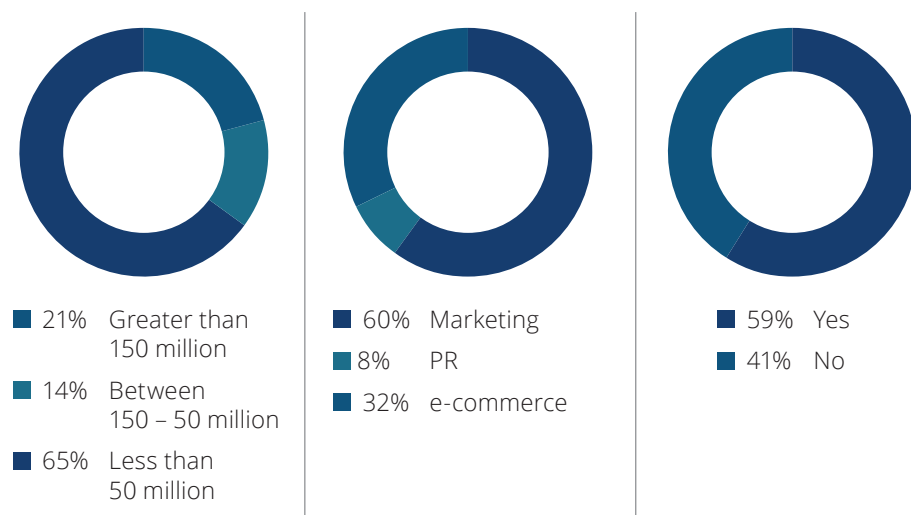
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APPENDICES

APPENDIX A: METHODOLOGY

For this report, Worldwide Business Research conducted in-person and online surveys of 52 luxury brand executives representing a variety of industries. Survey participants included decision-makers and executives with responsibility for their firms' digital marketing and e-commerce strategies. In-person surveys and interviews were conducted on-site at the 2014 Luxury Interactive Conference. Responses were collected in October of 2014.

APPENDIX B: DEMOGRAPHIC INFORMATION





ABOUT LUXURY INTERACTIVE



LUXURY INTERACTIVE
DISCOVER AND CREATE A NEW LEVEL OF ONLINE EXPERIENCE

"The caliber of the brands here is really phenomenal. It's great to see a mix of very high-level theory with practical application. You need both to get value out of a conference, but you also get a look at what new tools are out there and what the best brands are doing to truly mobilize their e-commerce and social media strategies. I have nothing but good things to say."

**- Felicia Yukich,
Manager, Social
Media Marketing,**

Now in its 9th year, Luxury Interactive is the premier luxury branding & digital marketing summit. Every year, 300 luxury executives from some of the world's top luxury brands come together to network and examine the newest trends, challenges, and opportunities in the digital luxury space. Omnichannel expansion, e-commerce optimization, and optimized content creation and execution are just a few of the core themes Luxury Interactive focuses on. From champagne roundtables to in-depth sessions, attendees learn from luxury executives spanning a variety of industries.

Want to hear more from the innovators shaping the digital luxury space?

See what they will be discussing at Luxury Interactive 2015!

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WORLDWIDE BUSINESS RESEARCH

WBR  **DIGITAL**

WBR is the world's most dynamic large-scale conference company and part of the PLS group, one of the world's leading providers of strategic business intelligence with 16 offices worldwide. Every year, over 10,000 senior executives from Fortune 1,000 companies attend over 100 of our annual conferences – a true "Who's Who" of today's corporate world. With a deep commitment to building lasting relationships and delivering quality content and networking, WBR inspires your career.



ABOUT RADIUMONE

RADIUMONE™
WE KNOW YOUR NEXT CUSTOMER.

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RadiumOne builds software that automates media buying, making big data actionable for brand marketers. RadiumOne uses programmatic advertising to connect brands to their next customers by incorporating valuable first-party data about behaviors, actions and interests demonstrated by consumers across web and mobile touch points.

Headquartered in San Francisco, RadiumOne has offices across North America, Europe and Asia-Pacific. To learn more about RadiumOne, please visit <http://radiumone.com>.

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