Luxury brands' Clienteling: profiting from understanding customers' individual needs

Enhancing customer retention rate to ensure luxury industry's growth

INDICE

"Currently, stores are still quite designed to be points of sale rather than relationship building centres"

"Stores need to be redesigned aesthetically and digitally to be spaces that make clients feel special and inspire them to buy"

Milton Pedraza, founder and CEO of Luxury Institute

ABSTRACT

In today Luxury marketplace consumers have more and more expectations of what their experience with a brand should be like. Whilst in the past quality and lure of luxury products alone sufficed to tempt buyers[1], today's customers want more. To fill up the occurred customer satisfaction gap, luxury companies' managers need to develop an emotional engagement between brand and customer. This new customer-centric approach focused on the whole shopping experience rather than the mere product sale is turning out to be vital to the survival and growth of luxury retailers, pushing up *customer retention rate* – properly using all data produced – and creating value by leveraging the *trust factor*, so cultivating *brand loyalty* among customers (Castaldo, 2009). To turn this new brand philosophy into reality, it is important to ensure the clientele a personalized and memorable shopping experience across all touchpoints.

In pursuing this customer-focused brand strategy, many luxury retailers struggle to integrate their increasingly broad variety of distribution channels to offer a *holistic* and *unique experience* that shows consistency and same memorability across them. However, the ambition is worth the effort. Attracting new clients and inspiring as many as possible to get back shopping more, as well as keeping retaining loyal and regular customers, it is a matter of *exclusive brand experience and relationship-building differentiation*. It means

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[1] Product centricity.

constantly delivering a service which exceeds customers' ever-growing expectations and needs and inspires trust.

In today digital world, *Clienteling* takes the retailer-customer relationship to a whole new level. By keeping a carefully updated history of purchases (see Fig. 1 e 2), preferences, likes and dislikes, it becomes possible to get to know luxury customers' shopping habits, as well as their attitude towards a specific luxury brand or product.

All the above allows retailers to know closely any of their customers and at least cluster them[2] – the higher is the number of variables tracked and included in the database the wider will be the range of potential clustering rules – in a way that helps develop detailed insight, specific and different for each cluster, or individual consumer, and accurately target actions to deliver a constantly personalized service to any customer (see Fig. 3).

Customer retention rate is bound to grow when retailers make customers feel their brand is the best alternative in the marketplace. The basis for an accurate clienteling strategy, which is crucial for making customer feel special, is capturing efficiently customers' specific shopping taste and habits. To do that retailers must keep updated customers' personal information and collect and storage any piece of it in a way that ensures high quality of data. Once taste and habits have been defined, all actions in any touchpoint can, and

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[2] Data science and BI allow to even target 1 to 1 actions.

actually must, be targeted to offer every time a new and enhanced experience by exploiting all the potential of modern digital tools. Touchpoints might be either physical, offline, or virtual, online. In both circumstances, customers will expect the experience with the brand to be the right continuation of previous one regardless of where they take place. Advertising and marketing actions as well as sales assistants' in store reception and looking after should capitalize on everything the organization as a whole collected over time, hence leveraging everything company CRM knows about customer.

Thus, the key for success lies in inspiring trust, among consumers, in the organization's values and abilities to create value-added by delivering unique and coherent service and focusing transparently and individually on *clients' dreams and preferences.* Building trust means making consumers aware of the rationale behind the need to share personal data, that is to establish a win win relationship in which the business grows in a sustainable way and customer gets an enhanced luxury brand experience.

CHAPTER 1

1.1 Why is Clienteling vital to the survival of any luxury brand?

It takes tact and attention to detail to build profitable and long-lasting relationships with consumers. For instance, sales associates in any brand store around the world must have easy access to complete and up to date information about the clientele, and this requires efficient and regular customer data collection and a well structured CRM[3]. The data collection must be carried out using diversified techniques and providing a targeted understanding of the clientele. The latter can only be pursued through *individual customer experiences* both physical and virtual that go in the direction of an intimate customer approach, leading to ensure luxury retailers as much personal information as possible about consumers. Data will then drive a customized service, ready to be offered to any customer.

In other words, Clienteling entails a meticulous method to be followed across all channels and touchpoints in order to make the *customer journey* be unique and suit customer's specific features at any time.

Sophisticated Customer Relationship Management is vital to the prosperity and continued growth of luxury retailers. Luxury retailing isn't about high volumes of customers. Instead, it's about affluent customers who spend a lot of money, and will return to purchase

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[3] Customer Relationship management.

further if they are treated well and their ever changing dreams are understood and get satisfied at any time. They need to be given a memorable experience, a reason to go back to it rather than a competitor. Luxury customers desire retailers to know their taste, their personality, therefore they expect any new shopping experience will be personalized, contextualized and somewhat different from previous ones.

So here it is the challenge: how can a luxury brand guarantee customer loyalty?

1.2 Building Relationships and Increasing Sales

Creating that personal relationship between sales associates and customers is not just for show. It has been found that appropriate Clienteling tactics can triple data collection rates and double retention, especially for the top 20% of customers who drive 70% of sales. With this in mind, can any luxury brand really afford to miss out on the opportunities available to them as a result of clienteling? In order to drive sales through a closer and structured relationship with customers, retailers first of all need to be able to deliver a client-centric experience which makes each individual feel valued. To do this, a clienteling program which integrates a CRM system to store and analyse information on individual customers is a necessity. The gathered data are then used to build a 360˚ insight about that particular customer that allows to deliver a personalized service through specifically tailored interactions online, via mobile, and in-store.

Insight produced by analysing individual customer's information can be displayed on mobile devices kept at hand by sales assistants or key accounts. This helps to guide the sales associates on how to interact properly with the consumer. Sales assistants can, among other actions, quickly and easily identify the most appropriate path around the store's departments to make the customer bump into their favorite products, or they can proactively offer product related services as well as complementary items according to customers' individual needs and habits.

An example of a potential outfit that matches currently available brand products with individual customer taste in clothes.

Finding out-of-the-box ways to get data on customers' shopping behaviours, purchasing patterns, and even personal interests, can turn out to be essential to draw them in in the first place and hold on to them later on. For example, if a sales associate were to receive an item to its store that was out of stock previously, they could search

the database and find out who had expressed interest in that item during the time it was out of stock. The sales associate could then get in touch with those customers to let them know about the occurred availability before anyone else. This is a prime example of a client-centric experience that makes customer feel valued.

1.3 Mobile Matters

One of the most popular drivers of shopper personalization and C*lienteling* within the luxury industry is via mobile. Fortunately, luxury retailers often have the budget to purchase tablets and other mobile devices to make in-store customer experience both memorable and profitable. Mobile devices are a quick and easy way to gather customer data, and equip sales associates with an effective tool ready to deliver both insight into customer mind and what will likely inspire them, using historical data, and real-time information to customers who can then exploit other, digital shopping opportunities, hence tearing down any wall between brand's online and offline touchpoints. Customers can check new arrivals in virtual catalogues and item lists, not yet available in store, with the possibility to enjoy personalized brand experience as well as order items and get home delivery. At their fingertips sales assistants have what the customers' previous purchase history, profile notes and preferences tell them about what next shopping experience should be like.

The presence of mobile devices opens the doors to cross-selling and up-selling[4]. The range of products available on smartphone or tablet in the hands of sales associates would typically represent a major extension of the items available in-store, enabling customers to make purchases on mobile which can then be delivered to the customer hometown store, home or work address. These interactions are forecast to help drive up luxury companies' profit and they are actually doing it already. The growing use of mobile and, speaking generally, digital in luxury brands' strategy is meant to account for 40% of total luxury market growth in profitability by 2020[5]. Digital ecosystems and IoT will boost the potential of mobile as more and more features and functionalities will be available, opening new possibilities for value exchange[6] between organizations and customers.

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[4] Up-selling is the practice of encouraging customers to buy a comparable higher-end product than the one of interest, while cross-selling spurs customers to purchase related or complementary goods. These two selling tactics offer different benefits and can be most effective when practised together. Up-selling and cross-selling will be mutually beneficial if they are done properly. They will provide maximum value to customers and wider profit margins to organizations that implement them, thanks to the lowering of many marketing channels' costs.

[5] An IBM study carried out in 2016 says.

[6] Value exchange, security and transparency are the three pillars of digital trust for brands that operate both online and offline.

1.4 Careful Capturing of Personal Data

Whilst there is no doubt that capturing useful customer data leads to boost both growth and retention rates thanks to the opportunity to design tailor-made customer journeys, personalize any individual shopping experience as well as rethink the customer-brand relationship as a whole, the method of collecting the relevant information should be carefully considered and managed. It is vital that your customer's data is collected in a sensitive manner, especially as many luxury and premium brand customers are even more suspicious of personal data sharing than any other industry's clients, and some times they are just not keen to give out their personal details at all. Great care must be taken to ensure that the process is unobtrusive and allows to hide certain fields of customer information, preventing sales associates from extracting certain details. In addition to this, retailers have a responsibility to ask if their customers are willing to be contacted and in general to be compliant with new privacy and data security protocol[7]. Trust is the key to getting customers' personal data and exploiting all the opportunities triggered by new technologies as digital ecosystems and the IoT further expand. Customers say they want more personalized experiences and for this to work, massive amounts of personal data must be gathered and analysed; at the same time, as more data is collected and transacted, cyberattacks become increasingly common and consumers have started worrying about the organizations and the way they use their data. While opportunities around personal data and its aggregation and analysis have skyrocketed over last years

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[7] GDPR.

(see Fig. 4), obtaining it has become harder than ever, and this is where trust can be the game changer.

Opportunities around personal data

Reshaping customer **experiences**	Selling more **existing** products/services through targeted marketing	Developing more **innovative** products /services	Uncovering opportunities in **new markets**	Facilitating **targeted advertising**	Generating direct revenue from providing anonymized data to **third parties**
Contextual personalized information creates a richer experience for the consumer	*Personal data helps companies identify existing products and services that customers might want to buy*	*Personal data helps companies develop new offerings aimed at meeting specific customer needs*	*Insights from collected personal data can be used to enter new markets*	*Using personal data advertising can be more targeted to individuals' interests*	*New revenues can be generated by sharing (anonymized) data with third parties*

Fig. 1. Tremendous untapped value lies in the ability to aggregate and analyze personal data

Fig. 4 World Economic Forum, Jan, 2017[8].

Consumers are caught in the middle between organizations that ask their data for mutual benefit and malicious forces that want it for unkind purposes. Personal data is the new currency of the digital economy. It is difficult to acquire (see Fig. 5), but if firms manage to do that it allows them to deeply know customers and generate insight, especially from data about their purchase history in terms of products, colours or styles individual luxury consumers are interested in. This insight, if capitalized on by marketing teams and in-store staff, will trigger targeted actions towards clients who will therefore experience something new and customized and feel the brand truly and effectively cares about them.

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[8] Personal Data: the emergence of a new asset class, World Economic Forum, Jan, 2017.

Consumer trust in companies handling their personal data

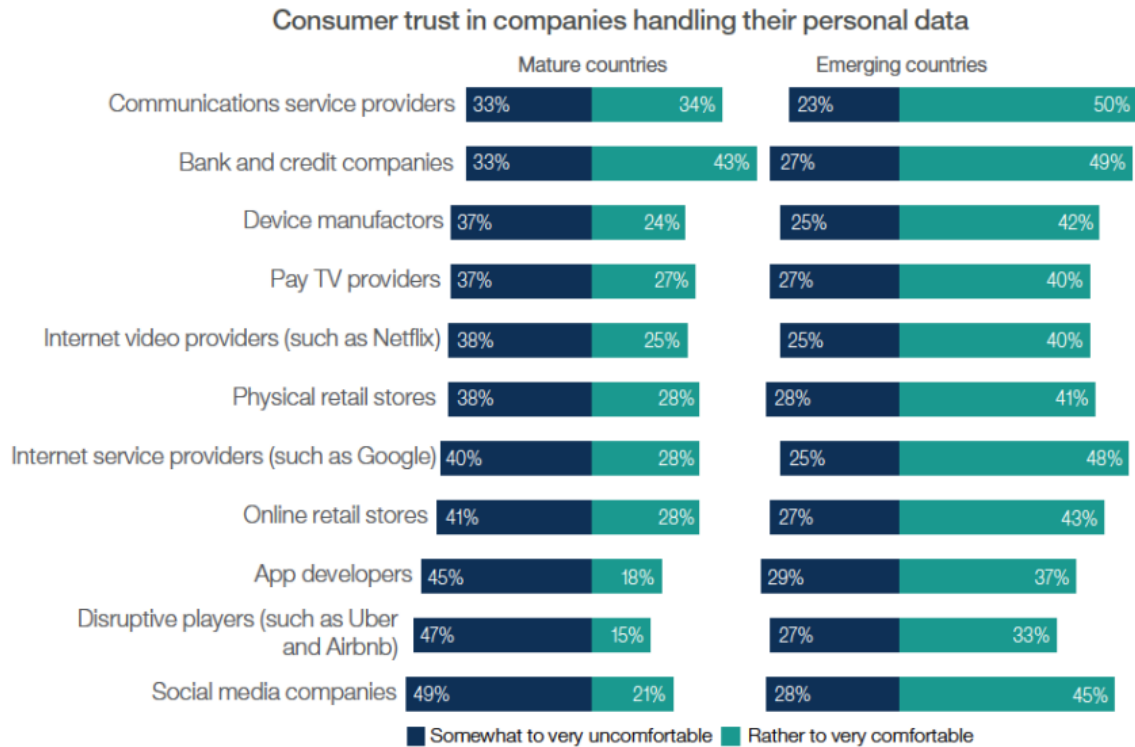|	Mature countries		Emerging countries	
	Somewhat to very uncomfortable	Rather to very comfortable	Somewhat to very uncomfortable	Rather to very comfortable
Communications service providers	33%	34%	23%	50%
Bank and credit companies	33%	43%	27%	49%
Device manufactors	37%	24%	25%	42%
Pay TV providers	37%	27%	27%	40%
Internet video providers (such as Netflix)	38%	25%	25%	40%
Physical retail stores	38%	28%	28%	41%
Internet service providers (such as Google)	40%	28%	25%	48%
Online retail stores	41%	28%	27%	43%
App developers	45%	18%	29%	37%
Disruptive players (such as Uber and Airbnb)	47%	15%	27%	33%
Social media companies	49%	21%	28%	45%

Fig. 5 Highlights from the fall 2016 Global Telecom Consumer survey, Feb, 2017[9].

Over the past three years, the volume and severity of data breaches and abuse has continued to grow and trust in all types of organizations that handle personal data has declined among consumers around the world (see Fig. 6). The primary concern seems to be that firms might sell customers' personal data to third parties without even asking their consent. Many consumers are also concerned about the security of their personal data and how much companies know about them.

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[9] Highlights from the fall 2016 Global Telecom Consumer survey, IBM, February, 2017.

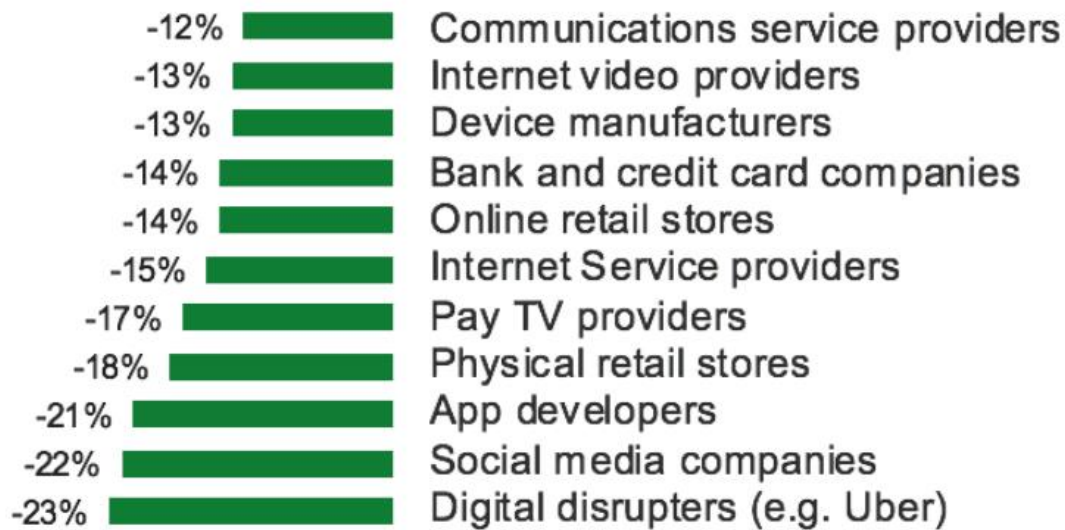|	
-12%	Communications service providers
-13%	Internet video providers
-13%	Device manufacturers
-14%	Bank and credit card companies
-14%	Online retail stores
-15%	Internet Service providers
-17%	Pay TV providers
-18%	Physical retail stores
-21%	App developers
-22%	Social media companies
-23%	Digital disrupters (e.g. Uber)

Fig. 6 Decrease in consumer trust in companies in the last three years[10]

Customers' suspiciousness regarding personal data sharing with organizations has grown bigger over the past three years and made them select thoroughly which firms they want to trust and give information to. Trust is now more than ever before a factor of differentiation, enabling personalized services and enhanced relationships only for those companies that succeed in gaining it.

1.5 Delivering Global Consistency

For global players, care must be taken with worldwide market differences over tax and confidentiality government policies. For instance, in China, customer information cannot be shared internationally, but sharing this information domestically across Chinese stores is perfectly acceptable. Delivering consistency and

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[10] Overcoming the digital trust deficit, World Economic Forum, January, 2018.

seamless journey across multiple stores, either offline or online, is vital for the building and development of efficient relationships with customers. This way only, can each customer receive the same level of service and attention to detail both in their local store one week and in Paris shop the next while on vacation.

The traditional ways of luxury retailing can no longer guarantee success. The marketplace is tougher and more competitive than ever and retaining customers has become a quest rather than a given. In order to succeed, retailers need to deliver a client-centric approach that puts the consumer at the centre of the brand. In the era of digital and global virtual connections, a client-centric approach can only be achieved collecting customer data effectively, distributing it among all parts of the organization and, based on it, offering a personalized journey as well as a customized brand experience. When used correctly, the gathered information can help to develop loyalty and drive sales both in store and online, so putting the brand in the forefront of customers' mind.

1.6 CRM bound to lead Luxury industry's growth

"Customer retention rates are between 10-30% in the top-tier brands, even with multiple stores" said Milton Pedraza[11], CEO of The Luxury

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[11] Milton Pedraza is the CEO of the Luxury Institute. Over the past 15 years, Milton has established the Luxury Institute, first and foremost, as a high-performance client relationship consulting firm serving more than 1,000 luxury and premium goods and services brands across dozens of categories. The Luxcelerate System has helped brands significantly improve client data collection, conversion, and retention rates. In addition, the

Institute. This should suffice to understand the big role CRM may play in driving up client retention rates, which in turn means higher sales volume with increased reliability and stability of forecast revenues, so less business related risk and more investment opportunities and chances to grow. In fact, until the marketing evolution has not gone all the way through a complete brand focus on costumer rather than product, brands that operate in the luxury industry will experience poor-quality customer relationships and lack in ability to preserve those relationships. All this results in low customer retention rates among luxury brands, although it's common knowledge that to keep a customer is less expensive than to acquire a new one.

Top sales associates across industries believe that the sales model does not work efficiently in many retail companies. Instead of building profitable long-term customer relationships, most sales associates focus just on transactions. Customer retention rates are between 10-30 percent in the top-tier brands, even with multiple stores and channels available for customers to make a purchase. When stores are empty, most associates stand idle, wasting time, the company's money and even their own earning opportunities. Sales professionals are the single greatest expense for retailers, yet their productivity is low compared to their true human potential. Marketing and advertising get more attention and investment even though the moments of truth happen not on Facebook, or with a banner ad, but between human beings. The idea of CRM and loyalty programs seems anathema in the luxury market. There appears to be an

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Institute has conducted more research with affluent consumers than any other entity in the world.

intellectual and emotional disconnect with offering your luxury customer a loyalty card with which she can accrue points for future discounts. Surely, luxury consumers do not need to watch the pennies, and those on the peripheries of luxury do not want to be caught doing so. Although this hypothesis might ring true, using it as an excuse to dismiss CRM outright for the luxury market is fundamentally flawed. It confuses strategy with execution. Points on plastic might well be a paradigm too far for some. But the principles of belonging, personalization and reward which underpin CRM are very much at the heart of the true luxury. Buying into luxury brands is hardly ever exclusively about the product, it is more about what the combination of product and brand says about you, how that makes you feel about yourself, and how that helps form the image that you present to others. In short, luxury brands have always been about the whole experience. In short, even though loyalty card is not the right tactic to execute service personalization in the luxury market, a well done management of customers' personal data can be capitalized on in several other ways, from inspiring any customer individually to purchase what is most cohesive with their taste to redesigning the customer journey in a tailor-made and contextualized manner.

1.7 Burberry's Customer 360 Program

Probably the best example of real multi-touch point CRM in the luxury market is Burberry's Customer 360 Program. A registration program that invites shoppers to share their fashion photos, through which Burberry's sales associates can get insight about shopping history and preferences, and share data online for which customers are then

rewarded with a better in-store experience through the alignment of Big Data[12].

A Burberry shop shows how Tech is changing the in store experience.

Sales assistants in any Burberry store can use tablets as mobile fashion consultants to help make on-the-spot recommendations, thanks to predictive analytics. Combining each individual's purchase history and Twitter posts with data on fashion trends and available items actually help Burberry staff greet each customer by name as well as look them after with customized product suggestions, such as

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[12] Big data is an evolving term that describes a large volume of structured, semi-structured and unstructured data that has the potential to be mined for information and used in machine learning projects and other advanced analytics applications. Big data is often characterized by the 3Vs: the extreme volume of data, the wide variety of data types and the velocity at which the data must be processed.

a clutch bag that will go with the dress the customer bought from a Burberry store while on holiday abroad or showed interest in by liking or commenting a post or a photo on a social media. This kind of connected experience aims to use data and technology to replicate the hyper-personal connected experience of the historical luxury marketplace when business was conducted locally and face to face.

Burberry's CRM program uses data and digital approach to create personalized, intuitive and helpful connections *en masse* in the new luxury environment characterized by a diverse and fragmented global market in which modern-day luxury consumers are among the most connected individuals in the universe and, therefore, there is no shortage of data. CRM has always been all about relationships, facilitated by personalized and relevant experiences. Thanks to digital, CRM can today be carried out more efficiently by use of clients' shopping histories as well as their preferences and taste about future luxury trends which are publicly and clearly shared in their social media profiles. All of this can drive engagement and trust in the brand and in turn boost brand loyalty, customer retention and, in the end, sales and bottom line numbers. These principles have always been at the heart of how successful luxury brands conduct themselves and set themselves apart from the mainstream. Times have changed, people have changed, but the substance of what consumers want from their luxury brands has not. A personalized, intuitive and responsive shopping experience is still at the heart of what luxury stands for.

So rather than being afraid of CRM and loyalty drivers potentially de-valuing their equity, luxury brands should go back to their roots and rethink how the principles of exquisite customer relationship

management, that has set the industry apart for generations, can be applied to today customer in the new digital economy.

1.8 Luxury Institute's 10 Innovative Action Steps That Drive Sales in This Uncertain Economy

Through Customer Culture engagements with many luxury brands carried out over the past few years, the Luxury Institute headquartered in New York has empowered best sales associates around the world to design *Relationship Building Values and Standards*. These principles and criteria drafted by sales associates themselves are empirically proven to drive long-term customer relationships which in turn are the key to higher retention rates. The RBVS[13] can be applied in ten simple, effective and measurable action steps by any sales associate around the world within the luxury industry. These action steps have also been created with the wisdom of the best luxury sales associates in the entire world and, if they are deployed faithfully, will help brands increase dramatically customer acquisition, retention and referral rates despite the threats of this uncertain global economy where many brands still stumble.

- *1 Mobile for Relationships*

Providing sales associates with powerful mobile devices helps them to build relationships instead of just executing transactions. To dramatically increase customer retention, it is crucial to educate and equip the sales team to use mobile devices to collect relevant

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[13] *Relationship Building Values and Standards.*

customer data and to communicate with clients respectfully and intelligently, giving them well founded suggestions. Looking into the tech industry, a large percentage of the investment in retail store technology today focuses on streamlining the sales process to serve the customer faster and better. Apple is one of the most successful pioneers in this worthy goal at its stores. Most of these platforms, however, are designed only to speed up and make more efficient in-store transactions, even at Apple. The best sales professionals utilise available in-store computers when the store is quiet to contact customers. They even use personal mobile devices during low traffic periods or after hours to cultivate strong long-term customer relationships. Sales associates need to be more mobilised to make relationship building their top priority.

- *2 Stop Spam*

Stop spamming customers and start sending simple, relevant, targeted emails from sales associates instead. Sales associates complain that one reason clients, especially top-tier clients, refuse to share their email is the fear of daily or weekly inbox of junk by marketing emails. For these 20% of customers who account for 70-80% of revenue, sales associates must build true and close virtual-human connections. Sending personal, individualised emails or having one-to-one phone dialogues creates value for the customer and the brand. When it comes to put in practice a CRM program, emailing customers can be an efficient tool if sales associates are stimulated to generate their own simple, brand-appropriate emails to top clients. Email open rates can soar beyond 50% and conversions will go up dramatically, too.

- *3 Share & Update*

Sharing the customer profile transparently with the client and asking for updates allow luxury brands to build trust and loyalty. This way customers perceive clearly sales assistants' trustworthiness and are more likely to accept further requests about personal data updates. When personal data have been taken transparently customers are also willing to ponder shopping advices and follow sales assistants' suggestions. Customers, indeed, acknowledge these purchase tips stem from analytical studies of individual customers' taste and preferences and are so based on information they have deliberately chosen to provide. Customers profiles need to draw from reliable personal information that have to be constantly updated to ensure the accuracy of estimates about individual shopping taste.

Transparency is the key to make customers feel involved in the CRM process and persuade them that their engagement is necessary to its success. Luxury brands, indeed, must not only encourage sales associates to focus on obtaining and updating customers data, but they must also encourage customers themselves to share that information. Simply asking the customer if they would like to review their personal details and purchase history to update it so they can be looked after better. While the idea may seem risky to some, it is just a natural progression in the age of social media and open communication. Engaging customers by being honest is an opportunity to learn more about how the clientele want and need to be served. This is a pre-cursor to what Doc Searls, author of "The Intention Economy-When Customers Take Charge," sees as the future. He predicts a time soon when customers will actually take charge of each vendor or brand relationship through full ownership of

their personal data[14]. Until then, this simple step of an effective CRM program, characterized by transparent and up to date data sharing will earn the trust of clients and give you valuable insights, but it is only for those who carry out actions with complete integrity and courage.

- *4 Have Enough Staff*

Sales associates admit that many stores are understaffed, even while brands build more stores in low-traffic locations[15]. Hiring more sales assistants in existing stores with historical affluent clientele can surely help managers shift the focus of optimizing staffing from traffic to relationship building. The result is understaffed stores in peak traffic times and overstaffed stores during low traffic periods while customer attrition climbs to alarming rates. Hiring enough sales associates and providing them with mobile devices, so that they can handle traffic when stores are full and also create extraordinary experiences for their customers, will boost sales and improve the current haphazard staffing approach.

When staff is used intelligently, sales associates' productivity grows in slow times as well. By empowering them to contact current customers proactively, recover lapsed customers and cultivate referral prospects, luxury brands optimize store staffing and watch customer satisfaction and relationship building rise.

- *5 Offer Direct Contact*

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[14] New GDPR regulation goes already in this direction.

[15] Luxury Brands Retail strategies to improve CRM, BlogLux.

It is essential for relationship building to ensure that customers have sales associate contact data even if they do not provide their own. One may think it is common practice amongst luxury retailers for sales associates to provide each customer they interact with directly with their contact details. Actually, many brands in most stores supply sales assistants with nothing or with generic store cards. A few actions will make sales associates at any store ready for building trustworthy, long-lasting and profitable relationships with their customers. First of all, each member of the sales team needs proper personalised business cards. Then, every sales professional must be fully educated and rehearsed in how to present their credentials in a way that inspires trust, even if the customer declines to share their information in the first place.

It is a valid option to also prominently display the sales associate's full name, email and phone number on the purchase receipt to guarantee that every customer can contact directly the human who served them at the store. When sales associates earn customers' respect with expertise, trustworthiness and caring and can also be easily contacted as needed, their presence at the store will start be perceived by customers as a useful human shopping support rather than a hassle.

- *6 Reassign Relationships*

When sales professionals leave, there is no time to be wasted and relationships need to be immediately reassigned. Retail customers reveal that one frustration they often have is that when their closest sales associate leave the company, the brand acts as if its relationship has been cut with the customer as well. The customer is

never transitioned or contacted to keep a connection with the brand and start being looked after by a new sales associate.

This is a huge mistake and loss of surely interested customers since they very likely expressed their preferences to the brand in the first place and, despite the sudden lack of communication, they will likely be keen to buy the brand again. Creating an outreach process prevents brands from losing clientele whenever a sales associate leaves. Store managers need to directly make an effort to seamlessly connect the customer with a new compatible sales associate. Brands cannot ignore or hinder a customer only because a sales associate can no longer serve them. Quickly transitioning relationships to other sales assistants in a humanistic and functional way can significantly contribute to retention metrics rise.

- *7 Cultivate Tourists*

Tourist customer relationships must be cultivated as deeply as local customer ones. In many luxury stores around the world today there is a growing percentage of buyers who are tourists. This trend is extremely high especially in major and most visited international cities like New York, London and Paris where most of affluent clientele in the world is concentrated. In these major stores the percentage of tourist customers is often above 50%.

In the age of digital and hyper-connected world, tourists are still mistakenly seen as transient buyers despite the fact that most of them have surely interest in purchasing from the brand again. Moreover, they want to be served with same care and attention by brand sales assistants in any store around the world when they travel. Brands can fulfil tourist customers' wishes by sharing their data

across stores and all distribution channels. Customers are then looked after anywhere the same way, given the sales associates have globally all the same information about each individual customer.

Brands need to leverage global online capabilities and stores in the customer's home city to build long-lasting relationships. Sales associates have started to develop measurable standards for collecting critical tourist customer data. The CRM standards for affluent tourist shoppers aim at transitioning tourist customers from wherever they have been reached around the world to stores in their home town. The objective is, of course, to encourage them to buy again both in-store and online, through effective relationship building. The way to achieve this goal implies gathering the maximum amount of relevant tourist customer data, regardless the specific spot in the world where tourist customers get in touch with the brand. This is only possible thanks to digital and its tools. In today's global digital marketplace, indeed, there is no point in treating tourists as one-time purchasers, hence risking to lose potentially great and regular customers.

Building long-term relationships with tourists pays off in increased sales and revenues across brand's multi-channel global network.

- *8 Referral Programs*
Creating an interactive referral program where clients, at least top-tier ones, can proactively build their relationship with the brand and other customers as well represents another step forward towards an utterly customer-centric rethink of the luxury industry. Customers can be asked to invite interested friends to a personalized shopping

experience or store events. However, most brands are not yet using effective customer retention programs, customer referral programs are already common practice in many luxury brands' stores internationally.

Referrals can only be achieved once a sales associate has earned the individual customer's trust that entails having already cultivated a long-term engagement with them. Even then, the associate must take care how to approach a customer for referrals without being invasive. According to Milton Pedraza, CEO of the Luxury Institute, teasing out the right approach to diverse customers is both an art and a science. On the science side, it is essential for luxury brands to create a measurable education program to ensure that any sales associate is able to build customer relationships that also generate referrals. Then brands can hopefully watch sales increase even with low marketing costs. For what concerns the art side of the job, sales associates need to be consistently inspired to practice customer engagement in all stores in a systematic, measurable and humanistic way.

- *9 Empower Employees*

A fundamental role in implementing a CRM strategy effectively through targeted actions is played by store managers. Their activities earn the best results in terms of increased in-store revenues when they get empowered to coach their teams of sales assistants daily with objective metrics. For top-performing sales professionals their career is seen as a relationship-building endeavour, with some affectionately calling it their Olympic sport. It requires store managers to inspire sales associates to use humanity, first and foremost, and combine it with measurable high-performance based on education, deliberate practice and coaching. Only if empowered to coach and

assess sales professionals by means of established standards and metrics, luxury store managers could then hold them accountable for what happened to customer acquisition, retention and referral rates in any specific period and at any specific store. The best store managers are actually not managers at all. They are more of coaches who are fully equipped with customer and sales associate metrics. Thanks to the metrics they are able to objectively assess, inspire and lead their teams to relationship building success on a daily basis. When all the back-office work has been automated, store managers must be empowered and asked to lead the relationship building process with both associates and customers and drive it to a stable success in an organized and measurable way.

The employees' empowerment can go even further and deeper considering weekly sales calls with brand managers. Once instituted, the weekly sales calls allow sales associates to directly present updates about customer data collection and customer retention rate progress to company's top management. Thus, they will feel even more inspired to perform well and achieve higher results in terms of sales.

- *10 Consider Alternatives*

The need for customer data to lay the foundations of a relationship between brand, in the person of its sales professionals, and customer points out the problem of common unwillingness amongst affluent luxury customers to disclose personal info. Brands must think of alternative ways to manage to collect the sought relevant information about clients. An interesting fall-back is to create an ad hoc email address if a customer refuses to provide email data. This new idea is now gaining traction as most sales associates reported that

customers, especially top-tier ones, are unwilling to share their email addresses. The reason is that they fear to receive only marketing emails which they regard as spam rather than customized communication from the brand.

Another option, perhaps the most innovative and potentially successful one, is to start cooperating with a vendor relationship management pioneer such as Azigo. Azigo as well as all VRM[16] suppliers aim to build the relationship the other way around. Customers themselves will engage brands in a relationship whenever they wish to. Azigo will help customers create an email address and mailbox that they can use for getting inbox from brands that they deliberately choose to hear from. Thus, customers can avoid compromising their private address while still being reachable by the brand. Despite the early stages of development Azigo and other VRM providers have got so far, it may prove valuable to begin testing partnerships with these intermediaries. The great hockey player, Wayne Gretzky, when asked why he dominated the sport, said "I don't go where the puck is, I go where the puck is going." Transitioning the quote from sports to the luxury industry, Customer relationship management is where the puck is and Vendor relationship management is where the puck is going.

What these ten CRM actions have highlighted is the extreme importance technology has been gaining in today's luxury retail environment. However, this commodity is now evolving into a utility and implementing CRM and VRM systems will do very little if human

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[16] Vendor Relationship Menagement.

beings, represented by customers and sales associates, do not utilise digital tools to effectively build long-lasting relationships, interacting with each other. The Luxury Institute has demonstrated how brands can develop relationship building power through Customer Culture. Moreover, thanks to its close connections with world's leading luxury and retail brands it has proposed ten action steps which if implemented drive sales and, perhaps will lead the entire luxury sector towards a sustainable, stable and growingly profitable future. When implemented, these action steps increase trust in the organization among customers and it leads the enhancement of *brand loyalty* that is the main driver of CRR[17]. Thanks to higher CRR digits, forecasts about luxury brands' sales, revenues and profits will grow dramatically. The whole industry's growth and future investments will benefit from appropriate *clienteling* strategies even though the global economy is uncertain and the retail landscape shifting.

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[17] Customer Retention Rate.

CHAPTER 2

2.1 How did modern clienteling come about?

Shopping the old fashioned way meant strolling through town and that itself was such a "feel good" experience. Consumers and the shop owners very likely knew each others. When a customer walked in their trusted shop, the shop owner greeted them by name, asked about family and even reminded them of last purchases done there. Thus, client was then offered helpful suggestions. Short time later, transaction was completed and the customer walked out the shop with exactly what she sought after. There were no wait times, lines, only a smile on customer face, because she had received customized service from a "friend".

However, that corner store today is most likely part of a large brand and is only one of many stores serving millions of customers. That friendly, one-to-one intimate relationship with the shop owner has extinguished and been replaced with impersonal service and an overall lack of connection between seller and buyer. Consumers more and more often walk out shops disappointed and stressed out. They have wasted time queuing and felt uninspired by the dull shopping experience and the indifferent sales associates' approach. This way retailers, especially luxury ones, miss out on great chances to engage new customers, perhaps affluent ones into long-lasting relationships. Consumers still yearn for a personal and exclusive experience while shopping, even the youngest ones do so. Despite

the global dimension of today luxury clientele and the overall detached mindest of modern people which make them reluctant to share personal or family business, they still seek unique individual relationships with their favorite brands, excitement and exclusivity when committing to their next luxury purchases.

2.2 How the relationship between luxury brand and its clientele has changed with society

In days when luxury was the preserve of the elite, the brand experience was face to face, behind closed doors and very personal. As the luxury industry has expanded and become international, brands have started to find new strategies for engaging customers and making them feel special. In today's world, both luxury clientele and the way they shop have changed; indeed, even traditional brands have had to adapt to assure their share of the market.

One of the myths surrounding luxury clientele and their attitude towards loyalty to brand is that this audience does not care about rewards and loyalty strategies because its wealth is inherited, therefore they are not interested in programs aimed at lowering the amount spent, especially when it entails some time or personal data. Studies by the Harrison Group, among others, confirm that most of today's luxury consumers in the world come from entrepreneurial success stories and middle-class background rather than coming from families where wealth inheritances have occurred. In the aftermath of the last global recession, newly affluent customers, different from previous ones in terms of behaviour and personality,

tend to reflect their middle-class values in their buying decisions more than ever before. These new luxury consumers have high expectations of premium service levels, preferential treatment and insider access (Review Harvard Business, 2018) and many market researches have proved that this important cluster of clientele they also rank loyalty programs at the top of important elements of a company when it comes to luxury brands and rewards at the top of attractive features these program can present. Luxury brands must think thoroughly about rewards and how to define them in a way that matters to clients. It remains of paramount importance that prestigious clientele have personalized and memorable shopping experience across all touch points (EngineGroup UK, 2015). To achieve this result, loyalty initiatives must integrate insight coming from personal data and extraordinary customer service with unique opportunities and promotions, mixing soft benefits of privilege with tangible rewards. Luxury retail brands such as Harvey Nichols, Saks and Bergdorf Goodman provide cardholders with little luxuries which set them apart from the rest of the shopping public such as free delivery, points accrued towards complimentary gift cards and member-only previews, tastings, offers and events.

It is certainly a start, but it is a technique that has already rolled out well beyond the luxury market. Luxury brands need to be doing more, in more touch points, both digital and physically to really make CRM work for them.

2.3 Leveraging the experience from the past to best exploit the capabilities of digital

Learning from the past how to appropriately serve luxury customers and look after their needs brings along a lot of changes in a brand's strategy. First of all, luxury brands must value and leverage their physical stores and the sales associates working in there. They both represent assets of fundamental importance to the success of any strategy that focuses on cultivating customer loyalty and attachment to the brand.

Luxury retailers must define a way to recreate the magic of the past and the unique atmosphere customers could once find in their favorite brands' store. Reproduce those magical feelings to adapt to today's world is the real challenge brands now have to take on to again make the store the center of the brand experience. Customers must be served in a personal way and given the opportunity to let sales associates in any store around the world know who they are, what their purchase history with the brand has been so far and what their current taste and preferencies are. Only this way consumers will again leave the store having had a memorable experience and with a positive association for the brand.

So here it is the question. How can luxury retailers recreate the magic of the corner store and treat all their customers as if they have known them for years, reconnect with them in a personal way and offer customized, quick and seamless service?

The answer is, of course, *Clienteling* and with technological progress, as sales associates geared with specific mobile devices, it is possible and, in some cases, it is already happening.

2.4 The enhanced opportunities triggered by the trust factor in digital economy

Building close and steady relationship with customers, and with stakeholders in general, has always been, and will likely continue to be, the main source of growth for any kind of business, either sales volume or turnover speaking, as well as the primary risk management factor. To reach this point in brand-customer relationships, organizations must work on inspiring trust in their brand among people, through fair behaviour, value sharing, transparency and responsibility, rather than merely satisfying customers' contingent needs.
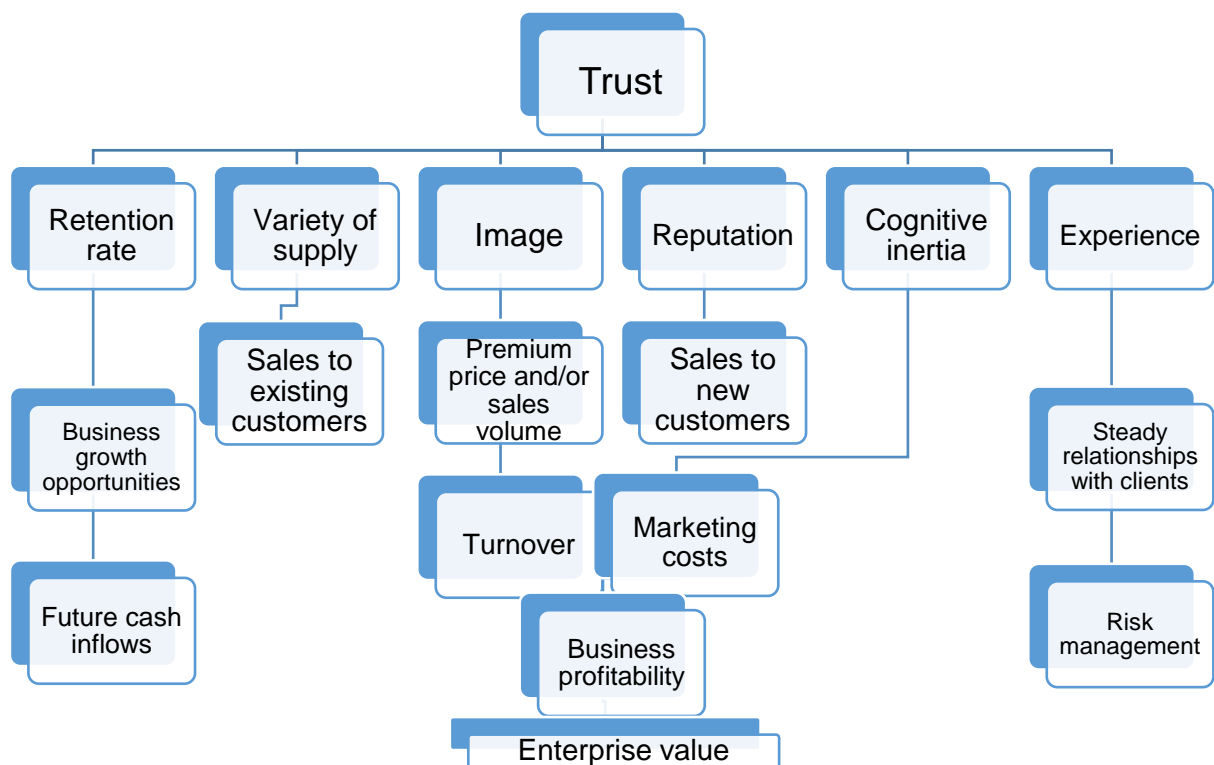
Trust model, Prof. Sandro Castaldo, Bocconi, Milan, 2009[18].

In the era of digital economy, trust becomes even more crucial to business success. Organizations are now measuring their strategies not only in monetary terms, but there is also a new unit of measurement, namely consumers' personal data. Current available technologies have allowed the development of two disruptive digital phenomena – digital ecosystems and IoT – that are widening a lot the range of opportunities triggered by building close and steady relationships with customers. Thus, trust has now an even heavier weight than before, because it grows the amount of personal data consumers are willing to share and firms can capitalize on by exploiting new technologies.
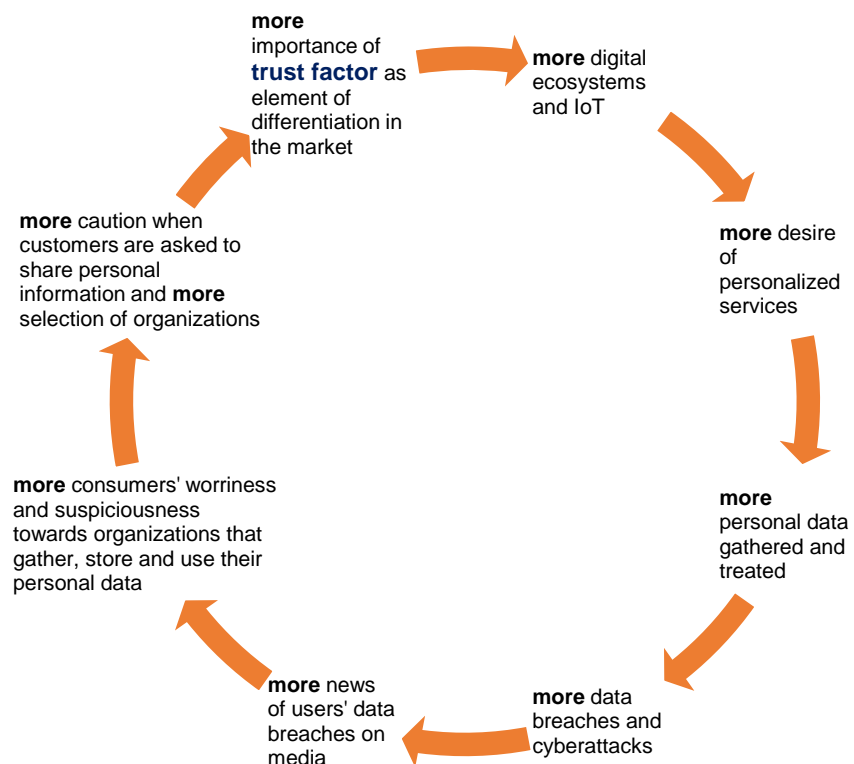
[18] (Castaldo, 2009).

Trust cycle in digital economy.
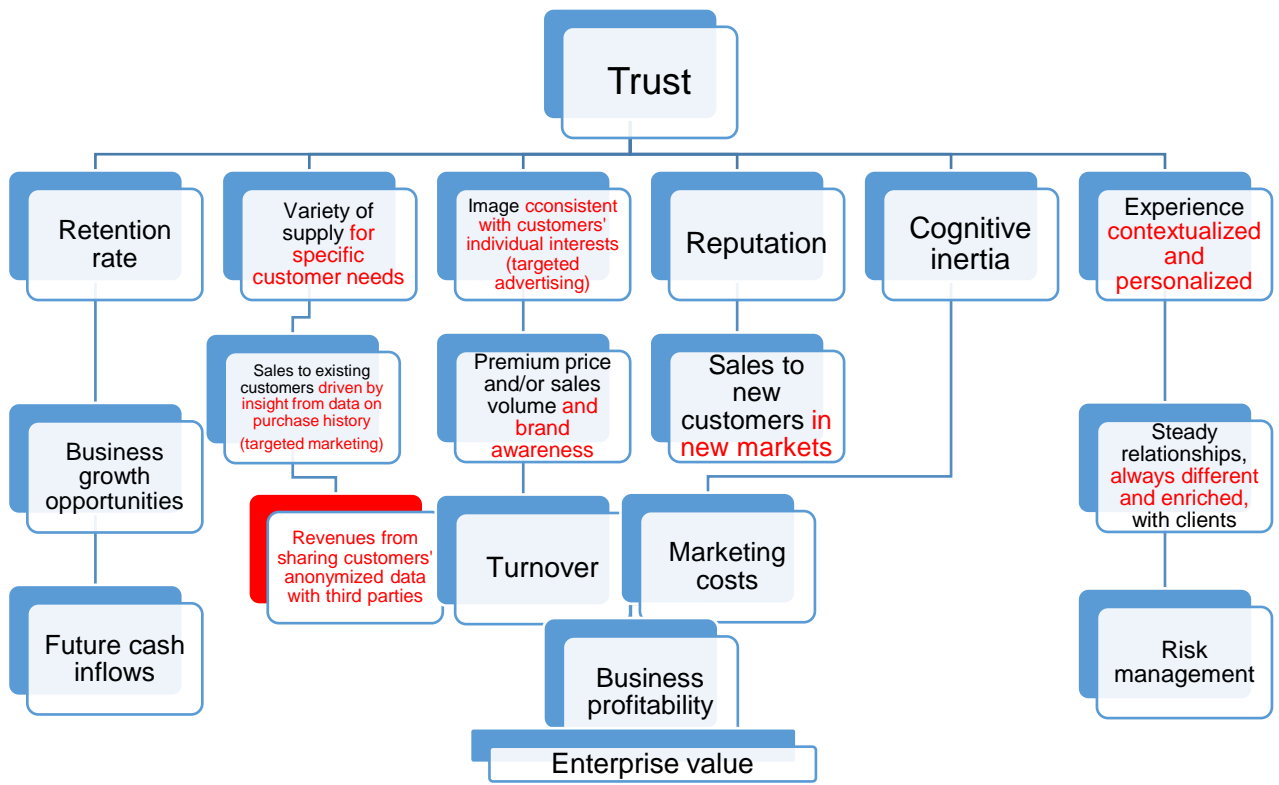
An upgrade of the Trust model in digital economy era.

2.5 The three main components luxury retailers have to master to build a successful Clienteling strategy

- *1 Information*

As we already said many times information is power, actually it is the new currency in today digital economy, and this is most certainly true in retail. We thoroughly explained above how good would it be if sales assistants had easy access to insight produced out of detailed information about their customers' personal shopping history? This information could help facilitate close engagement between the

associate and customer and could assist with recommendations and more intimate conversation that make client feel special.

Fortunately for retailers, the technology already exists and is accessible. Sales associate apps that arm sales give access to customers' wish lists thanks to BI[19]. Matching likes and dislikes inferred from past purchase history with the new collection items and using other clues about purchase size and clothing size which are embedded in it to offer customized 1 to 1 service, can now be readily available. This individual customer centricity drives engagement between brand and customer via the sales associates. Sales associates now can have a "360 degree view" of their customers because all personal data shared with the organization is accessible no matter where it was originally generated - from a search on a mobile device, a like, view or share on a social, an input on a desktop computer or even collected in store, actually any store of the brand around the world. The information is then stored and continuously feeds the algorithm, so up to date insight about the individual consumer is made available to all associates around the world with a push of a button.

- *2 Personalized 1 on 1 Communication*

Customers expect it. They know exactly what brands are capable of today with proper use of data and technology. It's critical that sales associates create a personal connection with their customers, showing it was the brand intent to create and exchange value. One way to do this is to establish a consistent and personal line of

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[19] Business Intelligence.

communication with their customers. However, it would not be enough to randomly send emails informing the customer of a sale or a new collection if the content of the email was not the result of knowing interests, preferencies and dreams of that client. Customers are mature enough in the digital space to understand it. Rather, store associates can benefit from the functionality inherent in brands' native apps. These apps, which are being broadly used by shoppers and key accounts offer the perfect means of connection between associate and customer going straight to the insight and action suggestions. Store associate apps can automatically deliver merchandise based on customers' past purchases. These suggestions can then be conveyed by associate to customer or sent directly in a notification in the consumer's native app. In the latter case, when the customer opens the message, an image appears of the suggested item and the link is fully shoppable leading straight from data to sales. Other functionality, such as promotions and loyalty programs, can also be more efficiently communicated with customers using sales associate apps and the brand's native app. The value added and exchanged by contextualized and updated communication between store associate app and consumer native app is quite powerful and boosts company sustainable growth.

- *3 Seamless Checkout*

How often have you gone shopping in a store, only to quit your purchase when you see long queues at checkout counters? We have heard several anecdotes in which customers accustomed to digital are able to complete an online purchase while in line to checkout, before they reach the counter. Recent studies have shown that shoppers will walk away from a purchase after 2-3 minutes of waiting

in line. Retailers shloud offer customers the fast and safe checkout experience of the past simply by implementing the right solution with technology. Think about your last trip to an Apple Store. You were likely greeted by a very knowledgeable employee who could complete your purchase on the spot - no waiting in line. This is because Apple's associates are equipped with mPOS solutions that enable checkout anywhere in the store at any time. Retailers can dramatically improve the in-store experience by offering digital checkout options. Recent statistics show that most shoppers are comfortable using digital payment methods and even virtual wallets embedded in smartphones. Empowering sales associates with the tools to offer seamless, safe and quick checkout for shoppers should be considered a must have in luxury, it should be a necessity. Well-developed store associate apps are allowing retailers to blend the power and functionality of technology with the personal touch of the corner luggage store. And this is just the beginning, with Amazon Go already offering checkout-free shopping and Sam's Club Scan & Go mobile app creating a grab-and-go shopping experience (Morgan, 2018). That's the present not the future anymore.

CHAPTER 3

3.1 The value of creating a Luxury CRM Culture in a company organization

"Even the best talent cannot deliver extraordinary customer experiences consistently without a powerful Luxury CRM Culture." (Gladwell, 2009)

Customer Relationship Management is now a top priority for luxury brands. The term was left for dead many years ago after brands crashed and burned failing to achieve its idealistic customer promises, but times were not mature yet. The problem was simple: naïve brand managers wanted to impose in a top-down manner customers' personal data warehouses and analytics on a product-centric environment, with no skilled personnel, no customer-oriented mind set within the organization and no processes in operations or after sales designed to serve customer in a personalized one to one way. Failure was sure or at least predictable. The technology-centric consultants who led businesses into wasting their resources also failed to understand that analytical CRM will dramatically underperform, at best, and fail miserably, at worst, without a strong customer-centric culture. Unless today's luxury top executives are willing to learn the lessons of their predecessors, they risk repeating the same mistakes.

There are successful Luxury CRM Culture case studies out there. Luxury brands such as The Ritz-Carlton Hotel Company, Tiffany &

Co., and Lexus, whose corporate cultures are highly customer-centric, have found that analytical CRM, although arduous to implement and use in every day activities, consistently and materially improves business outcomes. In the ideal and perfect world, Luxury CRM Culture will always come first. However, in the real world as you build the analytical CRM infrastructure you must simultaneously also seed and start establishing a Luxury CRM culture specific to your brand DNA, that means it has to be in line with the why, the purpose and values of the organization in order to achieve maximum results.

Many executives believe that Luxury CRM Culture is a philosophical concept that has no impact on the bottom line. For many of them there is only art, but no science, to seeding a Luxury CRM Culture in an organization. That is why here there are ten important steps to building a CRM Culture which disprove the myth. The ten steps defined for achieving this Culture are individually meaningful and powerful and might be carried out on a stand-alone basis, but it is when they are played together as a system that they reinforce one another to deliver real and practical customer-centric behaviours so driving long-lasting profitable results, like close and durable customer relationships and a valuable brand equity.

Step #1
Consistently develop and improve the vision and the values of the organization: when it comes to creating and perpetuating brand culture, few brands can rival Ritz-Carlton. The company has been refining its customer-centric culture for over two decades, winning the coveted Malcolm Baldrige award in 1992 and 1999, and receiving

numerous independent consumer awards over the years. Other recognitions are superior rankings in the Luxury Brand Status Index (LBSI) survey made by the Luxury Institute. Ritz is very clear and focused about achieving its vision to be the premier worldwide provider of luxury experiences. It has identified 12 service values that represent the daily guideposts for its more than 35,000 employees. For instance, "I am empowered to create unique, memorable experiences for our guests," is one of Ritz's service values. Acting accordingly with stated values is paramount if a brand does not want to disappoint its clientele; that is why every single employee at Ritz-Carlton is empowered with the ability to spend up to $2,000 to solve any guest issue, if asked or necessary. There is nothing theoretical about that policy, it is just to prove consistency between what the company says and what people within the organization actually do. Although the policy is rarely used, it is there to remind employees and clients that the vision and values are living concepts, backed by serious financial and strategical commitment. This is not merely another forgotten, disconnected corporate initiative.

Step #2

Select and hire scientifically as well as intuitively: many companies use the interview process to screen new hires. In most cases, a few executives interview candidates and use a standard structured interview process. Executives will pose questions on skills and experience, recycle, repeat, and move the candidate to the next level of the interview process. The irony is that in the vast majority of firms this meticulously designed process only applies to candidates for positions in the headquarter, whereas for employees in shop who will

be facing the customer, the company spends very limited amount of time and effort in the selection process, making use of the sole intuition of a few field or store managers to get the hiring decision. Many luxury brands are even willing to accept employee turnover rates of 50% to 100% per year, if that is the industry benchmark.

However, there is a far more effective way to select sales associates: testing candidates for natural talents, like customer-centricity, ability to sell and even for optimism. With reasonable certainty is possible today and there are several ways this can be done cost effectively. There are scientific studies that show that selecting and hiring optimistic salespeople can mean an increase of 20% to 40% in sales over hiring pessimistic salespeople. Yet, the only way to know if an HR is hiring people with the talents required by the customer-centric corporate culture is to test those talents in a scientific manner.

Employee selection will never be completely scientific. Intuition and judgment will always play a fundamental role, but testing-based employee selection, especially for customer-facing associates, has proven to be right and effective for luxury brands by boosting the chances the firm is hiring people with natural talents that perfectly suit the brand culture, vision and values and who have the emotional intelligence and manners to create unique experiences for valued customers.

Step #3

Train and certify on culture as well as policies and procedures: once people who fit corporate values have been chosen, company must provide practical orientation and training. New-hired Ritz-Carlton

employees spend their first two days on the job studying as much about the company culture, history and values as they do about policies and procedures. No one can start employment unless they have completed the orientation process, which is conducted by senior managers. Ritz knows that most of the learning opportunities occur on the field, during daily shift, that explains why, while they provide online tools and manuals for employees, the certification test happens on day 21, when employees have already had chances to prove they can do the job living and breathing the company values. Employees receive many hours of training during their first year, and have a recertification on day 365. This detailed and dedicated cultural and operational training and certification process is perhaps the most important part of building a Luxury CRM Culture. Consider how training and certification processes are carried out in your favorite luxury brands organizations and then think of all successes and failures you have experienced with their sales associates. Is there space for improvement and profitable investment in this area?

Step #4

Objectively and frequently measure the customer experience: many luxury brands will go through the first three steps described above and yet fail to measure the customer experience at all touchpoints scientifically and regularly. Fortunately, there are some positive example to follow, for instance whenever a guest stays at one of Ritz-Carlton hotels around the world, they will almost immediately receive a message requesting to answer a few questions to rate their experience, but a survey will not do its job if it is standard and cold. It has to be presented via the specific customer's most used touchpoint,

like social media or communication platform, and it should talk to the individual customer making them feel you know exactly which kind of service they have experienced. Caring about the content of any interaction will increase the percentage of customers filling out the questions. That is why Ritz is still able to achieve enough statistically valid and reliable responses compared to other organizations and it is able to measure each hotel's customer experience monthly and get information about what each customer actually expect next time they come to visit thanks to survey responses integration with CRM. The company then provides detailed results, feedback and rankings to all of its internal decision makers so that accurate corrective action can be taken on time.

When it comes to customer experience metrics, many companies in luxury use mystery shopping as the main and only tool. This is a good initial step, but if the company wants to get enough realistic data upon which to do analysis and take action, it must undertake to measure the customer experience in a scientific way that entails exploiting any possible touchpoint to interact, connect and store data. Companies waste many resources during the year on useless programs. Measuring the customer experience quantitatively and qualitatively at each touchpoint frequently and integrate everything is a primary resource for growth and success.

Step #5

Let customer feedback help redesign cross-channel customer experiences: many luxury brands create rigid, impersonal policies and procedures that their customer-facing employees must follow.

Often these policies are channel-specific and can create negative consequences for the growing number of multichannel consumer. Most commonly, these policies are more for the company than the customer. In luxury retail, the customer return or exchange policy is often rigid and punitive, intended to discourage wrongdoing. In sharp contrast, Nordstrom has a utterly unconditional return policy that is praised by the clientele and that provides a goodwill premium that turns into higher customer experience ratings and customer loyalty, inspiring trust among consumers in Nordstorm values.

Even a top-rated brand such as Nordstrom has an opportunity to improve its customer experience periodically. Every luxury brand should undertake a customer experience redesign project at least twice a year where multifunctional, cross-channel teams, including the customer-facing members and e-commerce team, gather somewhere for days and thoroughly figure out a way to fix priority issues based on customer quantitative and qualitative insight. After that, brand should also try to go far beyond mere reaction to bad feedback and issue management. Internal teams indeed have to dream up redesigned personalized functionality, dialogue, behaviors and policies that create extraordinary and relevant experiences that their customers may or may not have expressed as needs, but which are worthy of testing because suggested by the results of analysis on vast amount of data collected on individual customers over time. Often brands will find that the improvements also save money. There are some highly efficient and effective ways of mapping and facilitating the customer experience redesign process and this is a great exercise for brands that wish to deliver extraordinary customer experiences.

Step #6

Redesign employee compensation to reward values-based behaviours: employee compensation is broken in most luxury companies. In the customer-facing functions, most luxury brands have created a toxic culture of salespeople who are lone rangers, prowling to close transactions at any cost while treating team members and marginal clients, even great clients, in brand-destructive ways. These hunters are incited by counterproductive compensation schemes to work in their self-interests only, to hoard customer data and to own their customers, physically taking them with them in their "black books" as they switch jobs.

Once a luxury brand has aligned the culture, values and customer experience deliverables, it is critical to develop compensation systems that seamlessly reinforce the policies and behaviours required to deliver extraordinary customer experiences consistently. Compensation must have incentives for individual performance, team performance and critical behaviours such as customer data collection and customer data use.

There are no perfect sales compensation systems. Some produce unintended consequences. There are many ways to test and learn your way through the process such that customer-facing associates, and those who support them, are rewarded for the right behaviours and for generating sales in ways that create long-term value for customers and for luxury brands alike. Through rigorous piloting, testing and learning, luxury compensation becomes part science, rather than pure haphazard art.

Step #7

Redesign employee recognition programs to celebrate values-based behaviours: if employee compensation is broken, then employee recognition is usually non-existent in the luxury industry. At best, there are highly arbitrary "employee of the month" programs that encourage employees to compete with one another rather than cooperate on behalf of the company or customers. Few companies have developed or tested effective recognition programs that truly inspire and motivate the right values-based behaviors. Luxury brands need to identify top performers and celebrate them, but they also need to find ways to celebrate team players who provide "assists" to their colleagues although they may not close the sale. One critical area, data collection and usage, requires not only compensation, but also recognition, in ways that reinforce positive data management behaviors throughout the organization, and especially at the front lines.

Nordstrom has one of the best employee recognition programs in retail. Nordstrom has monthly recognition meetings where associates gather to celebrate sales performance, innovative ideas, and teamwork. Employee family members are invited to come to the celebrations. This generates personal meaning and goodwill for employees and their loved ones beyond the store. The company also has "Make Nordstrom Special" contests that reward innovation and rewards accepted suggestions with cash. Although seen as unnecessary by many luxury executives, companies such as Mandarin Oriental, Ritz-Carlton, and Nordstrom use high-energy employee recognition programs as a vital and precise tool in reinforcing the corporate values and in delivering extraordinary customer experiences.

Step #8

Reinforce the culture and values with fun daily rituals: once a true Luxury CRM Culture that is unique to your brand has been established, brand must reinforce it and celebrate it with employees every day. Ritz-Carlton and Mandarin Oriental have borrowed the concept of the lineup that has been a tradition in top restaurants and have created their own versions of a daily lineup. At Ritz, the lineup occurs at the beginning of every shift at every hotel and at corporate headquarters. Teams or departments form a circle, hear announcements, hear about anniversaries, discuss one of the service values, hear examples of the Wow customer experience story of the day from somewhere in the world, and discuss how they can use this as way to create great customer experiences in their own locations. Although not every daily lineup is inspirational to everyone who participates, the message is sent that people are important, the values are important and that extraordinary service is paramount. While some may think it is a bit over the top, this type of tangible, fun and purposeful ritual is essential for customer-centric corporate cultures. Done with consistency, sincerity, and substance, a daily ritual such as the lineup demonstrates care for employees and customers in a powerful way that reinforces your Luxury CRM Culture.

Step #9

Make the customer experience measurement results transparent within the organization: using powerful metrics in a Luxury CRM Culture becomes even more powerful if the company publish the results internally and if metrics are used to compensate

and reward desired results. At Ritz-Carlton, monthly reports let every property know their customer experience and other key performance scores along with the scores of every other Ritz property around that world. As one senior executive told me "No one, and I mean no one, wants to be at the bottom tier of that report. It is not only a question of reputation, but also compensation, and long-term career prospects."

Experience in the medical field proves that when doctors and other medical services providers receive periodic report cards that are available to other doctors, insurers and patients, patient care results go up. Doctors, as it turns out, are very competitive. The same can be said for other professionals whose reputations are at stake with peers and other constituents. This customer-centric, fair and scientific approach to Luxury CRM Culture measurement has a profound and almost immediate effect on an organization. As long as the process is fair, accurate, and people have the resources to achieve the desired results, people will welcome the public feedback. Again, this is an issue of fear or courage for luxury executives to publish customer experience results internally. The tools for implementing such a process are readily available.

Step #10

Test and learn by using pilots to roll out the new culture, values and customer experience: this last rule is designed to keep the firm from experiencing organizational breakage or betting the company on the first nine rules based on faith alone. All systems have a natural absorption rate. Even though Ritz-Carlton, Mandarin Oriental, Lexus, Nordstrom, and a few other great luxury brands use most, or all, of

these techniques, no one but the organization itself can guarantee the brand own success. It may take a few years to achieve the desired state of Luxury CRM. Pilots are a critical part of the scientific process that guarantees successful implementation of a Luxury CRM Culture. Test early, test often.

In "The Talent Myth" chapter of his book Malcolm Gladwell goes on to describe how at Enron, the Talent Myth and misguided policies about what makes an organization great led to the demise of the company and even the prosecution of the best and the brightest of its senior executives. As he describes it, "It never occurred to them (McKinsey) that, if everybody (at Enron) had to think outside the box, maybe it was the box that needed fixing." So it is with most luxury organizations. Talent is important. But more importantly, it is the box that needs fixing. Leaders in luxury are out there looking for the Holy Grail of success, thinking that it will be found primarily in finding the right talent. Reality is that what makes luxury companies flexible, adaptable and sustainable over centuries is not individuals, but as Malcolm Gladwell states, a powerful system, in this case, namely a Luxury CRM Culture.

3.2 Best luxury retailers worldwide

Among others, there are three luxury retailers that have demonstrated a willingness and ability to integrate digital touchpoints into the luxury shopping experience: Yoox Net-A-Porter Group, Nordstrom, Barneys.

The Luxury Retailer of the Year award is decided based on luxury marketing efforts with best strategy, tactics, execution and results. Candidates are selected internally by the Luxury Daily editorial team and externally from reader nominations, and retailers in order to partecipate had to have appeared in Luxury Daily coverage in the year.

Yoox Net-A-Porter Group

Online luxury retailer Yoox Net-A-Porter Group has become a Luxury Retailer leader in the world thanks to its introduction of traditionally ecommerce-averse brands to an online audience. Net-A-Porter, even before merging with Yoox in 2016, placed ahead Nordstrom and Barneys New York as best luxury online retailer thanks to its exclusives and innovations in service and selling which have revealed to be highly desired among luxury clientele. Net-A-Porter has carved a niche in luxury ecommerce, convincing brands that previously did not sell online to give it a try. In few years Net-A-Porter has become the first solely online outlet to retail IWC Schaffhausen's timepieces. Similarly, Tiffany chose Net-A-Porter as its exclusive ecommerce partner, making the retailer the only place to buy its jewelry online aside from the brand's own Web site.

Net-a-porter ad campaign

Other highlights included an exclusive capsule of Gucci merchandise and the debut of Prada's ready-to-wear collections online.

Net-A-Porter also showed a willingness to adopt new forms of retail, teaming up with digital fashion rental service Armarium to bridge the gap between borrowing and investing. Net-A-Porter enabled Armarium users to purchase full-price apparel and accessories directly to complete their look.

Reflecting this idea of the luxury shopper who buys at multiple price points, the retailer also launched a collaboration with retailer J. Crew and established a demi-fine jewelry category on its site, with pieces that start at around $30.

Aside from its product selection, Net-A-Porter also branched out in its advertising efforts. In a break from its tradition of a single campaign face, Net-A-Porter recruited five up-and-coming models of different races and looks for its fall/winter seasonal ad effort, which includes still imagery and a video component.

Net-A-Porter's advertising campaign

Tiffany's collaboration has expanded to watches

Net-A-Porter Group also beefed up its content, upping its posting frequency on both its namesake site and Mr Porter from

weekly magazines to daily updates. Looking to be a resource for more than just fashion, Mr Porter brought back its Style Council recommendation column.

Mr Porter also found a new way to deliver content, creating a two-screen shopping experience for the Apple TV centered on its videos.

Mr Porter's Apple TV app

In 2016, Net-A-Porter built on its existing customer service by making its extremely important people, or "EIPs," into a formal loyalty program. This included giving this high-spending clientele the ability to preview select merchandise before it became live.

"In 2016 Net-A-Porter has demonstrated strong growth by showcasing our unparalleled product offering, customer retention rate and service, and our unique content offering as not only an online luxury retailer but a media company," said Marilyn Webber, global director of marketing at Net-A-Porter. "Our product offering in 2016

championed hero brands such as Gucci and Prada as well as a variety of new contemporary lines to appeal to a new customer base.

"We have continued to strengthen customer relationships through our EIP programs, tech advances such as upload previews and SMS shopping updates, and by creating intimate events for customers, friends of the brand and press in new and existing key markets," she said. "We strive to pursue custom content through our customer emails, push notifications, editorial content and comprehensive campaigns highlighting Net-A-Porter's seasonal direction."

Continuing its focus on delivery and 24/7 availability, during the summer months, Net-A-Porter struck up a partnership with Blade to deliver packages to the Hamptons and other hamlets on Long Island's East End. Net-A-Porter's same-day delivery service is offered year-round for consumers in the Greater New York area, with an extended practice to the Hamptons available in the summer months.

Net-A-Porter's Blade helicopters

"Our efforts to connect with our customer on a personal level and appeal to their everyday lives is integral for the growth of our business," Ms. Webber said. "We continue to offer a vast variety of product across categories with exclusive collections, brand collaborations and a 'wear-now, buy-now' edit that meets our customers' needs year-round.

"While Net-A-Porter has established itself as the ultimate destination for luxury fashion and lifestyle, we continue to push the envelope by tapping into new markets through targeted activations and events, constantly elevating our marketing campaigns through new creative direction across a myriad of platforms and by offering unprecedented customer service through our global personal shopping and customers service teams," she said. "In 2016, we have focused on captivating new customers, enhancing our technology, and executing a strong social and editorial content strategy for our site and media platforms."

Net-A-Porter, together with Yoox, has seen its revenues climb as other retailers struggle in a difficult climate.

Nordstrom
Nordstrom found creative ways of reaching out to a younger generation of shoppers. Whether hosting a party for 2,000 undergrad students based on a Snapchat contest, or popping up at music festivals with experiential pods, the retailer proved it is able to communicate via millennials' preferred channels. The retailer has

also proven it does not take itself too seriously, playing into the mass confusion surrounding a leather-clad rock for sale.

Inside Nordstrom's pods at South by Southwest

Nordstrom topped the rankings of more categories than any other retailer. Among them: its convenient refund/return policy, carrying relevant products and styles, having a navigable Web site, including helpful ratings and reviews and good shipping policies online, convenient locations and in carrying products that are complimented by others. It also beat out national retailers in prices and having good personalized shopping.

This focus on its customers is evident in the chain's holiday campaign, which features letters of appreciation to real shoppers.

Thank you Grant, Reid, and
Parker Kim for coming to us for
all your tiny gentlemen needs.
Happy Holidays.

Love,
NORDSTROM

Love, Nordstrom campaign

The retailer's individualized assistance is now being delivered by more than just its associates. Aligned with the holiday season, Nordstrom launched a chatbot to provide gifting suggestions.

Nordstrom is also testing out various personalization efforts through digital such as a solution that will notify store associates that a mobile application user has crossed the geofence into the store so they can ready a dressing room. The department store has seen positive adoption with its innovative technology and convenient programs such as curbside pickup.
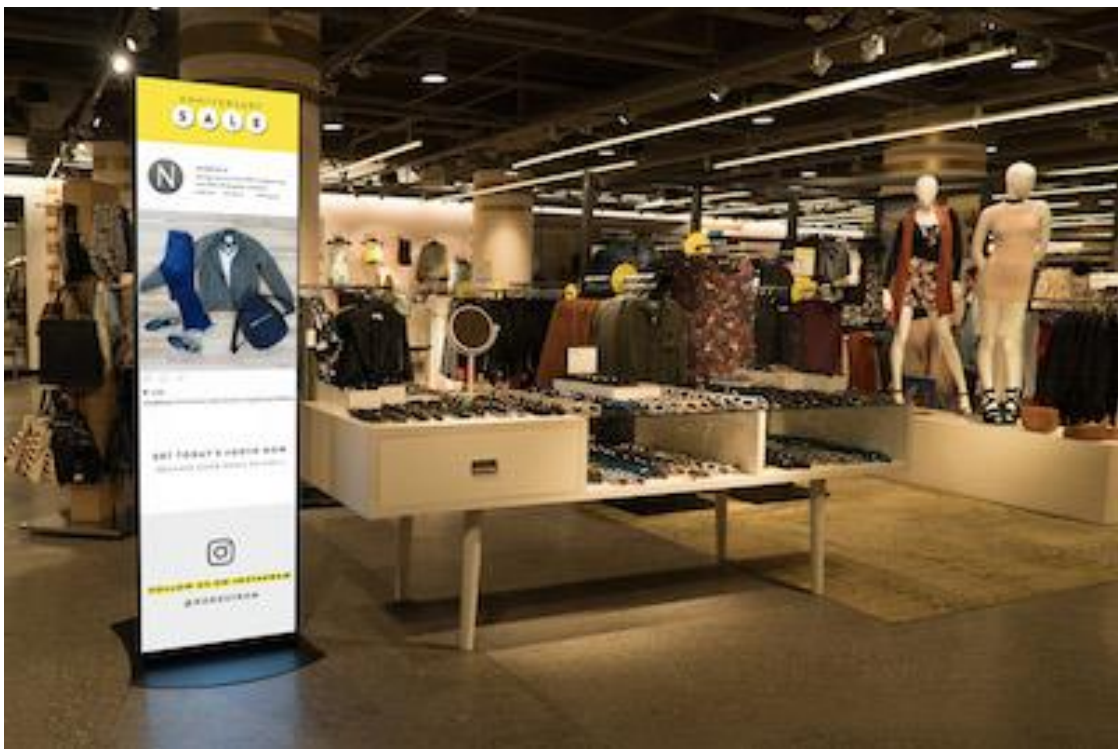
Nordstrom's Anniversary Sale leveraged social media content in-store

Nordstrom, which styled the nominees and presenters at the 70th annual Tony Awards, built upon its placement with a live shopping experience. As performers appeared wearing items from the retailer, viewers could click to buy from their couch.

Along with service, a focus on product curation led to additional locations for the retailer's Space shop-in-shop concept for emerging designers and Hermès' first accessory-centric pop-up, which will be up for almost a year.

A Los Angeles Nordstrom shop also paved the way for Tesla to engage with affluent shoppers through an in-store gallery.

Barneys

Barneys New York reopened downtown, marking the occasion with a charitable auction, an ad campaign celebrating the multifaceted makeup of New York and a steady stream of content. Included in its editorial features was the launch of a digital city guide, a feature that has since added ideas for destinations including Miami, Los Angeles, Seattle, Paris, Chicago, Boston and San Francisco.

Barneys outfitted its newly opened Chelsea store with iBeacons, using the devices combined with RichRelevance's Relevance Cloud to deliver personalized notifications and content such as articles, videos and look books to shoppers' mobile devices when they are within the flagship. At the time, Barneys said it was the first luxury retailer to use iBeacons in a bricks-and-mortar space.

Inside Barneys' new Chelsea flagship store

Aside from returning downtown, Barneys honored its heritage, by publishing its first book in its 93-year history. Unafraid to push boundaries, the window displays at Barneys' Madison Avenue and Chelsea stores this year have included lifelike mannequins, deconstructed vintage cars and art gallery-style displays.

Chanel window display at Barneys

Barneys also used its position to garner attention for causes, such as gender equality. The retailer's holiday campaign invited consumers to use social media as a platform to enact Love, Peace and Joy. Diversifying its product selection and embracing the fashion industry's changing norms, the retailer invited vintage ecommerce site Resee.com for a pop-up and was one of the multi-brand stores that carried Burberry's first see-now, buy-now collection right off the runway.

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SUMMARY

It takes tact and attention to detail to build profitable and long-lasting relationships with consumers. For instance, sales associates in any brand store around the world must have easy access to complete and up to date information about the clientele, and this requires efficient and regular customer data collection and a well structured CRM[20]. The data collection must be carried out using diversified techniques and providing a targeted understanding of the clientele. The latter can only be pursued through *individual customer experiences* both physical and virtual that go in the direction of an intimate customer approach, leading to ensure luxury retailers as much personal information as possible about consumers. Data will then drive a customized service, ready to be offered to any customer.

In other words, Clienteling entails a meticulous method to be followed across all channels and touchpoints in order to make the *customer journey* be unique and suit customer's specific features at any time.

Sophisticated Customer Relationship Management is vital to the prosperity and continued growth of luxury retailers. Luxury retailing isn't about high volumes of customers. Instead, it's about affluent customers who spend a lot of money, and will return to purchase further if they are treated well and their ever changing dreams are understood and get satisfied at any time. They need to be given a memorable experience, a reason to go back to it rather than a competitor. Luxury customers desire retailers to know their taste,

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[20] Customer Relationship management.

their personality, therefore they expect any new shopping experience will be personalized, contextualized and somewhat different from previous ones.

One of the most popular drivers of shopper personalization and C*lienteling* within the luxury industry is via mobile. Fortunately, luxury retailers often have the budget to purchase tablets and other mobile devices to make in-store customer experience both memorable and profitable. Mobile devices are a quick and easy way to gather customer data, and equip sales associates with an effective tool ready to deliver both insight into customer mind and what will likely inspire them, using historical data, and real-time information to customers who can then exploit other, digital shopping opportunities, hence tearing down any wall between brand's online and offline touchpoints. Customers can check new arrivals in virtual catalogues and item lists, not yet available in store, with the possibility to enjoy personalized brand experience as well as order items and get home delivery. At their fingertips sales assistants have what the customers' previous purchase history, profile notes and preferences tell them about what next shopping experience should be like.

The presence of mobile devices opens the doors to cross-selling and up-selling[21]. The range of products available on smartphone or tablet

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[21] Up-selling is the practice of encouraging customers to buy a comparable higher-end product than the one of interest, while cross-selling spurs customers to purchase related or complementary goods. These two selling tactics offer different benefits and can be most effective when practised together. Up-selling and cross-selling will be mutually beneficial if they are done properly. They will provide maximum value to customers and wider profit

in the hands of sales associates would typically represent a major extension of the items available in-store, enabling customers to make purchases on mobile which can then be delivered to the customer hometown store, home or work address. These interactions are forecast to help drive up luxury companies' profit and they are actually doing it already. The growing use of mobile and, speaking generally, digital in luxury brands' strategy is meant to account for 40% of total luxury market growth in profitability by 2020[22]. Digital ecosystems and IoT will boost the potential of mobile as more and more features and functionalities will be available, opening new possibilities for value exchange[23] between organizations and customers.

Whilst there is no doubt that capturing useful customer data leads to boost both growth and retention rates thanks to the opportunity to design tailor-made customer journeys, personalize any individual shopping experience as well as rethink the customer-brand relationship as a whole, the method of collecting the relevant information should be carefully considered and managed. It is vital that your customer's data is collected in a sensitive manner, especially as many luxury and premium brand customers are even more suspicious of personal data sharing than any other industry's clients, and some times they are just not keen to give out their

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margins to organizations that implement them, thanks to the lowering of many marketing channels' costs.

[22] An IBM study carried out in 2016 says.

[23] Value exchange, security and transparency are the three pillars of digital trust for brands that operate both online and offline.

personal details at all. Great care must be taken to ensure that the process is unobtrusive and allows to hide certain fields of customer information, preventing sales associates from extracting certain details. In addition to this, retailers have a responsibility to ask if their customers are willing to be contacted and in general to be compliant with new privacy and data security protocol[24]. Trust is the key to getting customers' personal data and exploiting all the opportunities triggered by new technologies as digital ecosystems and the IoT further expand. Customers say they want more personalized experiences and for this to work, massive amounts of personal data must be gathered and analysed; at the same time, as more data is collected and transacted, cyberattacks become increasingly common and consumers have started worrying about the organizations and the way they use their data. While opportunities around personal data and its aggregation and analysis have skyrocketed over last years, obtaining it has become harder than ever, and this is where trust can be the game changer.

Consumers are caught in the middle between organizations that ask their data for mutual benefit and malicious forces that want it for unkind purposes. Personal data is the new currency of the digital economy. It is difficult to acquire, but if firms manage to do that it allows them to deeply know customers and generate insight, especially from data about their purchase history in terms of products, colours or styles individual luxury consumers are interested in. This insight, if capitalized on by marketing teams and in-store staff, will trigger targeted actions towards clients who will therefore experience

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[24] GDPR.

something new and customized and feel the brand truly and effectively cares about them.

Over the past three years, the volume and severity of data breaches and abuse has continued to grow and trust in all types of organizations that handle personal data has declined among consumers around the world. The primary concern seems to be that firms might sell customers' personal data to third parties without even asking their consent. Many consumers are also concerned about the security of their personal data and how much companies know about them.

Customers' suspiciousness regarding personal data sharing with organizations has grown bigger over the past three years and made them select thoroughly which firms they want to trust and give information to. Trust is now more than ever before a factor of differentiation, enabling personalized services and enhanced relationships only for those companies that succeed in gaining it.

Learning from the past how to appropriately serve luxury customers and look after their needs brings along a lot of changes in a brand's strategy. First of all, luxury brands must value and leverage their physical stores and the sales associates working in there. They both represent assets of fundamental importance to the success of any strategy that focuses on cultivating customer loyalty and attachment to the brand.
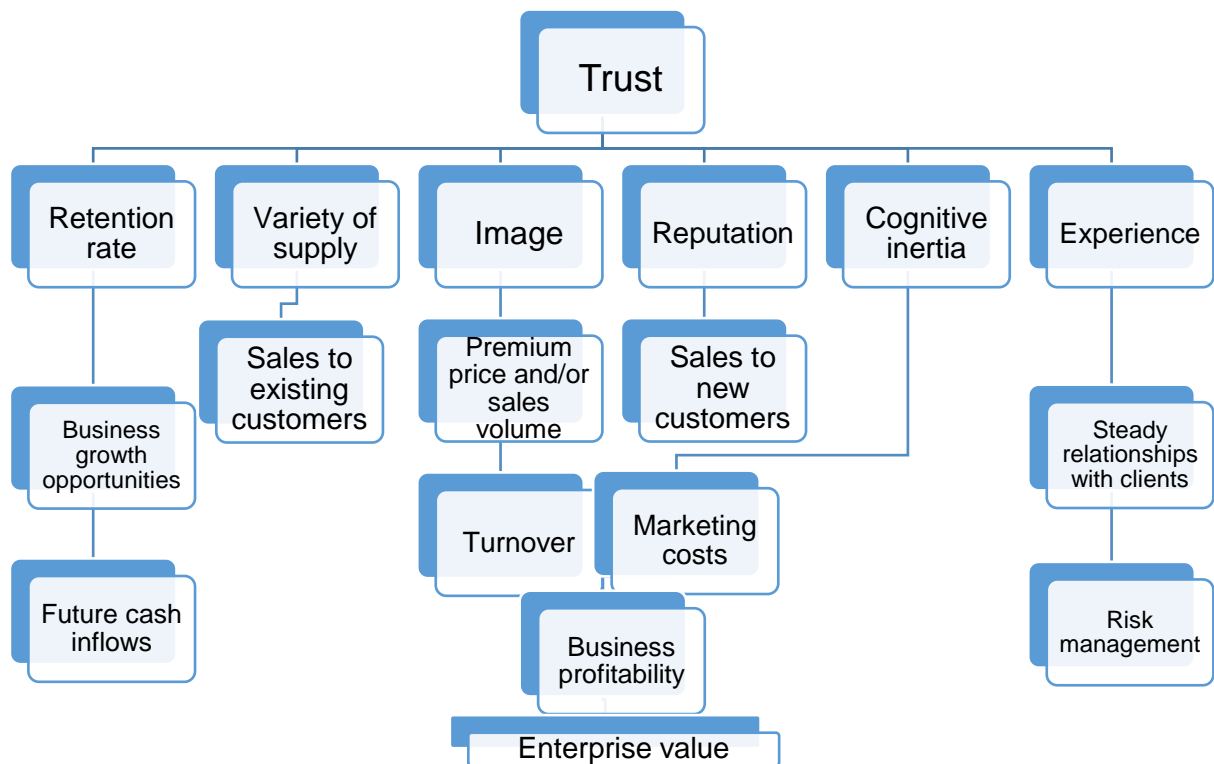
Luxury retailers must define a way to recreate the magic of the past and the unique atmosphere customers could once find in their favorite brands' store. Reproduce those magical feelings to adapt to today's world is the real challenge brands now have to take on to

again make the store the center of the brand experience. Customers must be served in a personal way and given the opportunity to let sales associates in any store around the world know who they are, what their purchase history with the brand has been so far and what their current taste and preferencies are. Only this way consumers will again leave the store having had a memorable experience and with a positive association for the brand.

So here it is the question. How can luxury retailers recreate the magic of the corner store and treat all their customers as if they have known them for years, reconnect with them in a personal way and offer customized, quick and seamless service?

The answer is, of course, *Clienteling* and with technological progress, as sales associates geared with specific mobile devices, it is possible and, in some cases, it is already happening.

Building close and steady relationship with customers, and with stakeholders in general, has always been, and will likely continue to be, the main source of growth for any kind of business, either sales volume or turnover speaking, as well as the primary risk management factor. To reach this point in brand-customer relationships, organizations must work on inspiring trust in their brand among people, through fair behaviour, value sharing, transparency and responsibility, rather than merely satisfying customers' contingent needs.
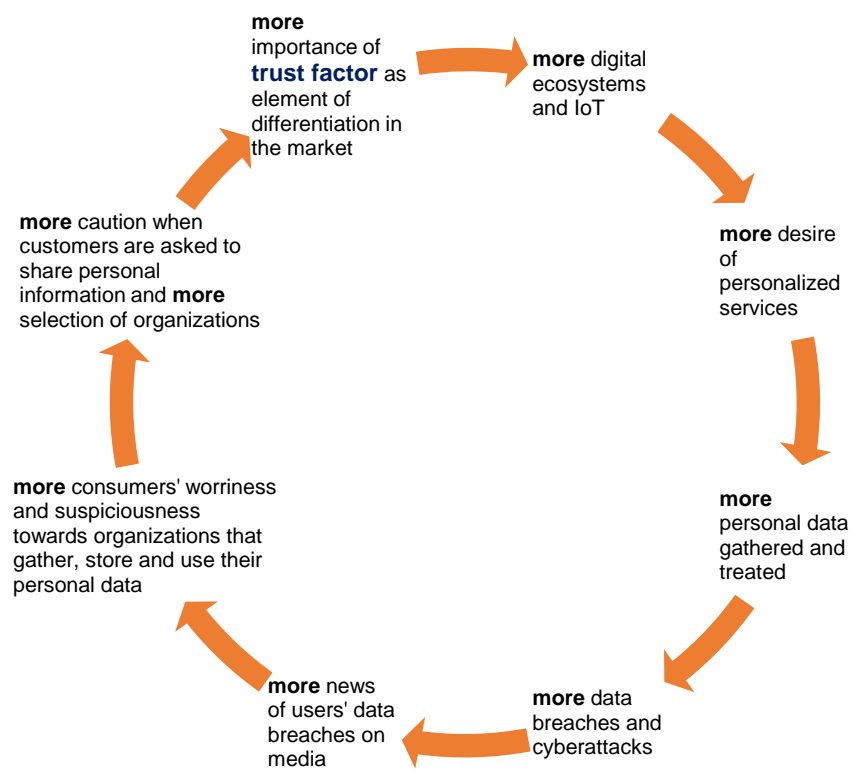
Trust

Retention rate · Variety of supply · Image · Reputation · Cognitive inertia · Experience

Business growth opportunities

Future cash inflows

Sales to existing customers

Premium price and/or sales volume

Sales to new customers

Steady relationships with clients

Risk management

Turnover

Marketing costs

Business profitability

Enterprise value

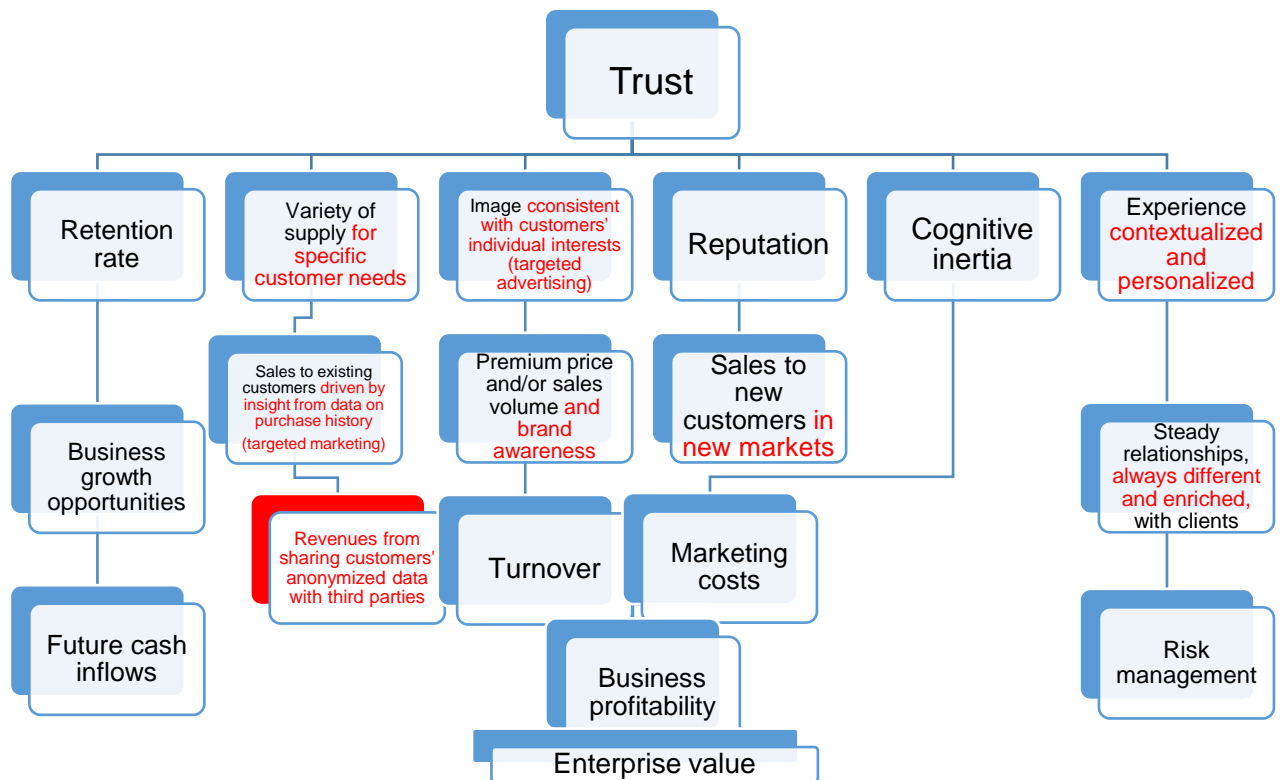Trust model, Prof. Sandro Castaldo, Bocconi, Milan, 2009[25].

In the era of digital economy, trust becomes even more crucial to business success. Organizations are now measuring their strategies not only in monetary terms, but there is also a new unit of measurement, namely consumers' personal data. Current available technologies have allowed the development of two disruptive digital phenomena – digital ecosystems and IoT – that are widening a lot the range of opportunities triggered by building close and steady relationships with customers. Thus, trust has now an even heavier weight than before, because it grows the amount of personal data

[25] (Castaldo, 2009).

consumers are willing to share and firms can capitalize on by exploiting new technologies.

more importance of **trust factor** as element of differentiation in the market

more digital ecosystems and IoT

more desire of personalized services

more personal data gathered and treated

more data breaches and cyberattacks

more news of users' data breaches on media

more consumers' worriness and suspiciousness towards organizations that gather, store and use their personal data

more caution when customers are asked to share personal information and **more** selection of organizations

Trust cycle in digital economy.

An upgrade of the Trust model in digital economy era.

Customer Relationship Management is now a top priority for luxury brands. The term was left for dead many years ago after brands crashed and burned failing to achieve its idealistic customer promises, but times were not mature yet. The problem was simple: naïve brand managers wanted to impose in a top-down manner customers' personal data warehouses and analytics on a product-centric environment, with no skilled personnel, no customer-oriented mind set within the organization and no processes in operations or after sales designed to serve customer in a personalized one to one way. Failure was sure or at least predictable. The technology-centric consultants who led businesses into wasting their resources also failed to understand that analytical CRM will dramatically underperform, at best, and fail miserably, at worst, without a strong

customer-centric culture. Unless today's luxury top executives are willing to learn the lessons of their predecessors, they risk repeating the same mistakes.

Among others, there are three luxury retailers that have demonstrated a willingness and ability to integrate digital touchpoints into the luxury shopping experience: Yoox Net-A-Porter Group, Nordstrom, Barneys. The Luxury Retailer of the Year award is decided based on luxury marketing efforts with best strategy, tactics, execution and results. Candidates are selected internally by the Luxury Daily editorial team and externally from reader nominations, and retailers in order to partecipate had to have appeared in Luxury Daily coverage in the year.