

PGDM (RM), 2019-21

Retail Luxury

RM-408

Trimester – IV, End-Term Examination: September 2020

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered Or Maximum 6 questions with internal choices and CILO covered (as an example)	3*10  Or 6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			<b>50</b>

**Section A**

Q1. What factors led to the democratization of luxury? Explain. (CILO 1)

Or

Q1. What are the major types of new luxury goods? Explain. (CILO 1)

Q2. How can luxury brands expand their presence in different markets with diluting their brand image? (CILO 2)

Or

Q2. What are the major factors deterring the growth of Indian luxury market? What steps can be taken to overcome it (CILO 2)

Q3. What role does culture play in luxury consumer behavior? Substantiate with examples. (CILO 3)

Or

Q3. Do you think sustainability is the way forward for luxury industry? Explain. (CILO 3)

## Section B

### Case Study

#### Why luxury brands need digital transformation

**Earlier this year, McKinsey reported that 80% of luxury sales are now influenced by online.**

This is a staggering figure, and clearly highlights the important role digital now plays within a luxury purchase. It might be surprising, then, to know that digital revenue at the majority of luxury brands still contributes little in comparison to other sales channels.

There is currently a stark disparity between the demand from consumers and the supply of goods from luxury brands when it comes to digital. Historically, it could be argued that this strategy makes sense within the context of luxury which thrives on exclusivity, but the growing importance of digital, combined with the need to engage younger audiences who are shying away from traditional media, presents a uniquely modern problem for marketers.

Early stages of digital transformation have focused heavily on the functional benefits that the internet and its connected services provided. Many successful strategies focused on driving scale and delivering efficiencies in business processes and technology solutions. For brands, the internet became primarily about driving performance, while other customer-facing channels were left to manage the softer metrics around brand awareness and perception.

Understandably, this direction was a far cry from the desires of the luxury brand whose primary focus had always been nurturing relationships with consumers. Today, however, things are different. The legacy opinions that have pigeon-holed the medium need to be reconsidered. Technical capabilities and consumer usage have evolved; the internet is now a platform for experiences, not just an end point for a particular purpose.

This has led to consumers wanting to build deeper and more meaningful relationships with the brands they identify with, and this has created an ideal forum for luxury brands. The contextual nature of this change means that it is actually more a matter of pivoting the focus of the business rather than an outright paradigm shift. This is already apparent in the number of luxury brands using Instagram, but outside of this medium, little has been explored.

It is now time for luxury brands to fully embrace digital. But in order to do so, technology needs to be a central part of a brand's business, not just an afterthought. If done properly, the unique and personal touch that has so long been at the heart of the luxury brand can be retained. Above all, everything should be refracted through the same lens as it always has, keeping the customer experience focused solely on amplifying the exclusivity, quality and authenticity of the brand. If this is then combined with the standard principles of digital transformation, a new dynamic is created in which scaling of processes, delivering business efficiencies and improved business agility are more than obtainable.

In practice there are three core areas on which brands should be focusing to leverage the benefits of digital: brand engagement, customer insights, and footprint.

#### Brand engagement

Technology has opened up the doors of possibility. Brands can reach customers more frequently and effectively, while using technology to engage and grow customer interactions can not only drive front-of-mind awareness but also can nurture the emotional benefits that

luxury provides. For this strategy to be effective, brands need to deconstruct their consumer touchpoints to establish each one's purpose within the customer journey. Doing this will enable them to tailor content to each of these touchpoints to facilitate the customer need state.

## **Customer insights**

Luxury brands pride themselves on their understanding of their customers. Digital dramatically increases the opportunity for brands to receive feedback from customers through the tracking of online signals. Building a clear and effective data strategy that is able to collect and analyse customer information enables brands to build a detailed picture of their customers' online persona and feed business strategy.

The back-end output of this data can be used to create trend analysis, build customer clusters, understand the incremental value of marketing investment, or determine lifetime value. The front-end value of this data is that hyper-tailored experiences can be created for customers, whether in the form of specific content, product suggestions or tailored search results.

### **Luxury brands must focus on digital experiences to fight the discount trend**

It is worth noting that due to the nature of luxury-brand audiences the utmost sensitivity to privacy is needed, so it should not be apparent that personal data is being used. Another effective way that customer data can be harnessed is connecting online with offline. Connecting purchase data, stock, saved items and preferences between online and offline can create a seamless omnichannel experience. This will help to enhance the customer's experience and provide the sense that their brand interactions are unique and valued.

## **Footprint**

Developing key partnerships with agencies, technology partners, influencers and media suppliers is another crucial strand of the digital transformation puzzle. Such relationships allow luxury brands to fully leverage the potential of digital services, as well as access skills and resources that can bring the feeling of luxury into the online arena. Investing in partners who truly understand the brand's tone of voice enables every brand interaction to support the overall brand vision while exploiting the benefits of digital. This, if implemented correctly, can significantly grow a brand without causing any damage.

How can technology help find better solutions to problems, make a business more efficient, or even unearth new opportunities that empower rather than detract from unique experiences that luxury provides – these are the questions that brands must ask themselves. It is the ability to embrace these challenges that will become the defining lines of those that succeed and those that don't.

(Retrieved from <https://econsultancy.com/digital-transformation-for-luxury/>)

Q1. How important is digital transformation for luxury brands today? (CILO1)

Q2. How can digitization help in providing seamless omni-channel experience to the luxury consumers? (CILO1, CILO2, CILO3)