

The Future of Luxury Retail

**Ultra-connected
experiences.**

with Natalie Berg



verizon^v
business

With online shopping meaning we can now buy practically anything from anywhere, why do we still need physical shops?

How can technology help to clarify their purpose and increase sales?

As part of our Future of Retail series, we spoke to Natalie Berg, a retail expert, author, and media analyst, to answer these questions, and to find out how ultra-connected shoppers are changing luxury storefronts.

The average person touches their smartphone more than 2,000 times¹ every single day.

This devotion to technology, and the new digital habits it has created, has completely transformed the retail landscape, as we increasingly prefer to shop online. In the US, for example, 56.6% of consumers preferred shopping online² than in person in 2022.

Natalie Berg is a retail analyst who hosts the Retail Disrupted podcast. She's a regular contributor to the BBC, The New York Times and Forbes, among others. And she's been paying close attention to our online shopping appetites.

"We're seeing an acceleration in the convergence of physical and digital commerce, and that's creating so many opportunities for innovation and complete reinvention," she says.

For retailers, and especially luxury retailers, Natalie says the best approach is to embrace what she sees as a twin shift:

- 1 Digital spaces are becoming more physical.**
Through technologies such as augmented reality (AR), digital spaces are becoming more real – more lifelike.
- 2 Physical spaces are becoming more digital.**
At the same time, physical spaces like high street storefronts are incorporating technology in engaging new ways.

Technology can enhance the retail experience by giving consumers the same tools they enjoy on smartphones instore. Or make them even better. So called magic mirrors, for example, use augmented reality, to overlay changes onto your reflection.

1. Dscout. (2023, April 13). Putting a finger on our phone obsession. dscout.com. <https://dscout.com/people-nerds/mobile-touches>

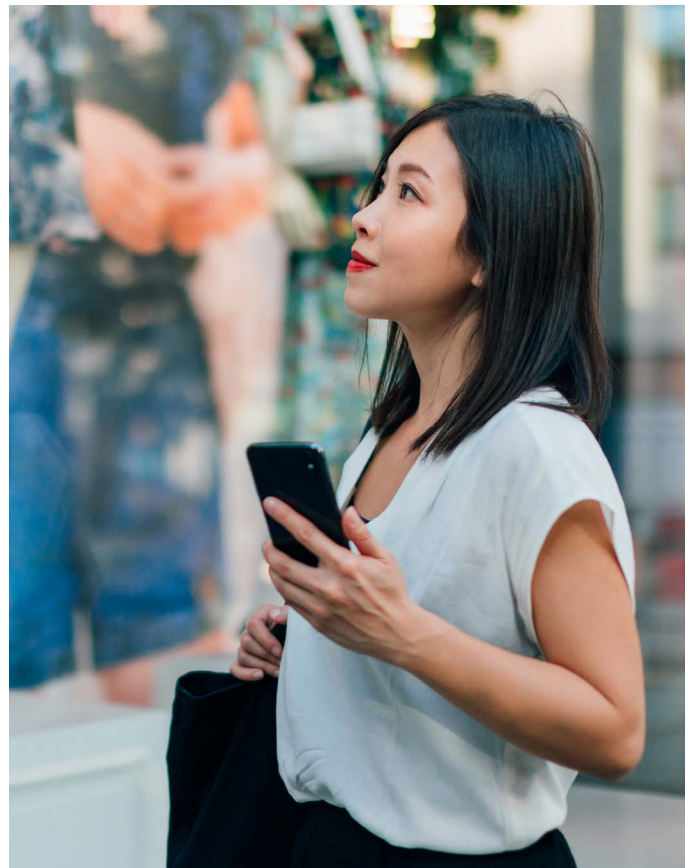
2. Marhamat, B. (2022, March 15). State of Consumer Behavior 2022. Raydiant. <https://www.raydiant.com/blog/state-of-consumer-behavior-2022>

With AR, you can see yourself in different clothes, in different colours or styles, without changing anything – by just tapping the mirror, which doubles as a touchscreen.

These magic mirrors are often also equipped with radio frequency identification (RFID), a method of automatically identifying and tracking tags attached to objects using electromagnetic fields. It means the mirror in the changing room knows exactly which garments you've brought in with you.

“Everyone is recognising the power of technology to elevate the customer experience.”

"Everyone is recognising the power of technology to elevate the customer experience," says Natalie. "As consumers today, we are incredibly spoilt and our expectations around digital, our expectations around personalisation, have just gone through the roof. And you can imagine that in a luxury setting, those expectations are magnified."



Increased customer expectations

One of the advantages of digital technology is that it allows you to scale services that would previously have been too expensive or time-consuming to offer widely.

“What we’re seeing is this democratisation of white glove service,” says Natalie. “As consumers today, we’ve got everything at our disposal. We can order groceries and they turn up on our doorsteps in 15 minutes.”

As consumers, our expectations have never been higher. We expect a white-glove level of service, insofar as we expect a personalised experience.

The democratisation of white-glove service.

So-called white-glove service was once exclusively for high-value customers and transactions. Now, according to McKinsey³, we all expect the ease, speed, attention to detail, and personal touches that this term suggests. The next generation of customer service will be “built on individual customer profiles”, as advanced analytics and customer data will allow retailers to tailor their products and service to meet each person’s unique needs.

Now a personal shopper is something you can scale.

In the past, personalised recommendations were not something a luxury retailer could have offered to everyone who walked in off the street. It was the preserve of the wealthy alone. Today, however, we can sync the same technology that enhances our online shopping experience in-store, so that we’re greeted by people who already know our preferences, and who can order anything we might want in a few taps – and tell us when we’ll get it.

“Consumers today are ubiquitously connected,” says Natalie. “They’re always switched on [and] hyper informed, and they also want to shop on their terms, not the terms dictated to them by the retailer.”

Natalie says retailers need to move fast to adapt. In 2021, fashion companies invested between 1.6 and 1.8 percent of their revenue on technology, on average⁴. By 2030, that figure is expected to triple⁵, reaching between 3 and 3.5 percent.

“Retailers have had to scramble to adapt to these heightened digital expectations,” adds Natalie. “At the same time, there is a race on to offer the most frictionless experience, and that’s happening both in stores and online. We want instant value, instant rewards.”

Advanced inventory tracking allows retailers to offer the service customers expect. As a retailer, by enjoying a full view of your stock, you can send products wherever they’re needed – and track them along the way.

Natalie says that consumers now expect this sort of ease, especially in a luxury setting.



3. Agarwal, R., Jacobson, R., Kline, P., & Obeid, M. (2020, June 22). The future of customer experience: Personalized, white-glove service for all. McKinsey & Company. <https://www.mckinsey.com/capabilities/operations/our-insights/the-future-of-customer-experience-personalized-white-glove-service-for-all>

4. The State of Fashion: Special Edition. (2022). Retrieved January 23, 2024, from https://cdn.businessoffashion.com/reports/The_State_of_Fashion_Special_Edition_Technology_2022.pdf

5. The State of Fashion: Special Edition. (2022). Retrieved January 23, 2024, from https://cdn.businessoffashion.com/reports/The_State_of_Fashion_Special_Edition_Technology_2022.pdf

Tech to track every thread.

For retailers, one of the best uses of digital technology is tracking their stock. They can use Internet of Things (IoT) smart sensors to track goods from the moment crafting them begins. Not only does this increased supply chain visibility help them keep track of goods, but it can also offer extra assurance about product provenance, helping retailers meet sustainability goals.

Consumers, of course, want further transparency in this area, too. According to a report from Deloitte⁶, “more consumers are taking into consideration durability and reparability when making a purchase in 2023, and whether products are labelled as responsibly sourced or manufactured, or support biodiversity.”

Garments can also come packed with additional packets of digital information. Natalie says this digital layer is increasingly what consumers expect.

Personalisation in style.

According to The Business of Fashion and McKinsey & Company, 71 percent of customers expect personalised interactions with companies⁷. In their report called The State of Fashion, the subject of personalisation is a key talking point.

“Shoppers have learned to expect curated, personalised service in other industries thanks to players like Netflix and Spotify, which harness AI to provide experiences specific to individual customer tastes and needs,” it says.

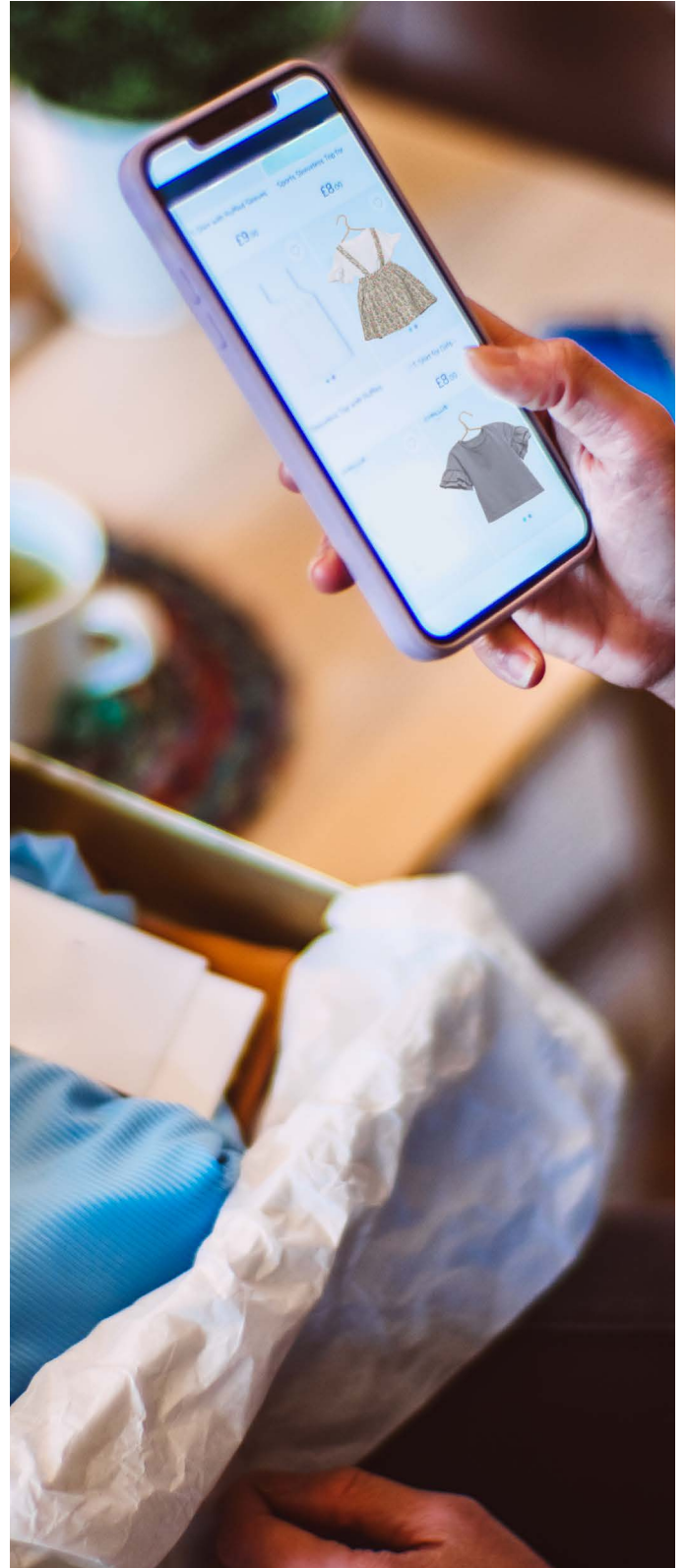
Natalie agrees. “That’s been a real shift in recent years where loyalty schemes are moving into the digital space and the opportunity for real time personalisation is huge there.”

Soon, you can imagine that, when you’re browsing in a high street store, every product you pick up or engage with is tracked. You might get a notification if the things that catch your eye come in different colours, or if there’s a special offer. And your real-life browsing history can inform your rewards and recommendations.

According to The State of Fashion report: “The fashion industry has been largely ill-equipped to move beyond basic customer segmentation owing to technology and talent restrictions.”

The same report goes on to say that this presents an opportunity for brands ready to dive in.

“Brands that invest in AI modelling and Big Data to create one-to-one, personalised shopping experiences may see customer acquisition rates and sales increase as a result.”



6. Sustainable consumer behaviour and lifestyle 2023. (n.d.). Deloitte United Kingdom. <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

7. The State of Fashion: Special Edition. (2022). Retrieved January 23, 2024, from https://cdn.businessoffashion.com/reports/The_State_of_Fashion_Special_Edition_Technology_2022.pdf



Luxury fashion goes ‘phygital’.

While some technologies, such as touchscreens, are already a regular fixture in luxury stores, the potential of some tech is yet to be realised. AR and virtual reality (VR) fall into this category. But both are poised to skyrocket in popularity over the next few years, and the VR market alone is expected to reach \$15bn by 2024⁸.

While strapping on goggles might be considered a point of friction in some settings, in the retail space, it can merge with some of the other technologies on offer, helping to create fully immersive experiences instore.

In addition, Natalie says that our online shopping experience is also likely to change as these technologies (VR, AR) improve.

“In the future, or the near future, we won’t necessarily be wandering around virtual showrooms, but will be online shopping in a way that’s still very immersive,” says Natalie. “You might have a floating website window and you can pull the product out of that screen right into your home and get a really immersive experience without even leaving your home.”

Phygital, defined.

‘Phygital’ is a mashup of the words ‘physical’ and ‘digital.’ It’s the intentional blending of immersive in-store experiences with a digital layer, introducing the efficiency, personalisation, and shareability of online shopping to physical storefronts.

What Natalie is describing has elsewhere been dubbed as ‘phygital’. This word describes where our experience is both physical and digital at the same time. To meet consumers’ expectations, and to offer the sort of surprise and delight that drives footfall, the physical and digital realms should no longer be separate in retail. Rather, both worlds need to be completely connected – because consumers already are.

By recognising consumers’ evolving expectations and investing in an omnichannel strategy that seamlessly integrates technology advances in both realms, retailers can meet current consumer demands and position themselves for success in the continually evolving retail landscape.

Learn more about how Verizon can help you explore and adopt the technology that’s reinventing retail at [verizon.com/gb/retail](https://www.verizon.com/gb/retail)

8. Alsop, T. (2023, July 3). Consumer and enterprise virtual reality (VR) market revenue worldwide from 2021 to 2026. Statista. <https://www.statista.com/statistics/1221522/virtual-reality-market-size-worldwide/>

