

INSIGHTS FOR 2022 AND BEYOND

# The **Future** of **Luxury** is Virtual







# The future of luxury is optimistic. **For some.**

**Luxury retail is one of the most intimate and emotionally appealing industries in existence.**

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The sensation of fine fabrics against the skin has been shown to trigger the release of “feel good” chemicals in the brain. Red-bottom heels or a checkered leather bag immediately convey a sense of status. And for luxury retailers, first-time purchasers are responsible for the majority of this industry’s revenue growth. Increasingly, first-time purchasers represent younger, female, and Asian demographics.

Younger consumers are digital natives: they grew up with iPhones, avatars, chat bots, video games, memes and gifs. Gen Z interprets the world in a way other generations simply cannot comprehend. They are more open to experiencing emotional connections through personalized digital content, yet they also enjoy exploring in store.

In the recently published book “Future Luxe,” author Erwan Rambourg writes, “Luxury will be sold predominantly in stores, not online even in a post COVID-19 world.” Rambourg also expects that “in ten years’ time, those stores will look very different,” though he does not predict the number of stores will decrease.

Stores are a brand’s media channel—and they are imperative for storytelling. Still, the growth of online luxury sales cannot be ignored. And although all channels are important, the luxury sector has been notoriously slow to adapt to e-commerce. So while COVID-19 accelerated e-commerce adoption, the challenge now is in differentiation. How will luxury approach innovation and embrace imagination within the digital world?

In this whitepaper, you’ll learn more about the technology powering the next generation of luxury customer experiences and how your brand can best make use of this tech to improve client relationships. You’ll also hear from a luxury insider about her observations on what’s stopped luxury brands from adapting to digital so far, and the change that needs to come to luxury brand mindsets to best meet the future. There’s also expert advice on how to extend your brand’s focus on sustainability into your digital platform design.

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# How to **Join the Metaverse:** Brand Opportunities **in Virtual** Worlds

By Hayley Sikora / Experience Strategy Director, Valtech

The metaverse represents a whole new realm of opportunities for retailers, and brands are eager to make their mark on the new frontier. Everywhere from Balenciaga's<sup>1</sup> digital fashion line in Fortnite, to Samsung's<sup>2</sup> upcoming flagship space in Decentraland, to the Gucci Garden<sup>3</sup> in Roblox and a slew of new branded virtual shopping centers, we are seeing companies begin to harness the power of the metaverse to deliver immersive brand experiences to their consumers.

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However, amid all of this excitement, it is often difficult to tell which experiences have truly been successful and where to begin when considering launching a new brand experience. In this step-by-step guide, we'll walk you

through how to tell if a virtual world experience makes sense for your brand and how to choose the metaverse strategy that is right for your business goals.





To clarify, the term “metaverse” describes a future network of virtual worlds that further connect our physical and digital realities. While the metaverse has not yet come to fruition today, it is widely believed to be where much of our interaction will take place in the next wave of the Internet.

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Gartner<sup>4</sup> predicts that by 2026, **25% of people** will **spend** at least **one hour** a day **in the metaverse** for work, shopping, education, social media and/or entertainment.

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### Why Now?

The stars have aligned and a few major factors signal that the birth of a metaverse is soon to come:

- / AR and VR technologies have become more accessible to household consumers. For example, at \$299, the Oculus Quest 2 is now less than the cost of a PS5 or taking a family of four to a baseball game
- / The pandemic caused online gaming, shopping and social media use to surge, further blending our digital and physical realities
- / The gravitation to online made many companies rethink their digital ecosystems and inspired technologists to innovate in the space
- / Web 3 technologies such as blockchain have opened the door to new levels of decentralization, autonomy and control in users’ digital interactions
- / Tech giants like Meta and Microsoft have made details of their metaverse strategies public, leading to a lot of media buzz and investments in this space





Virtual worlds of every variety, from cross-platform video games such as Fortnite, to web-based creator spaces like Decentraland, to VR social experiences like VR Chat are believed to be precursors to the metaverse and have given brands their first opportunities to connect with users in this space. In understanding the Appeal of the Metaverse<sup>5</sup>, Samuel Van Kiel, a Valtech researcher explains, “[There] is the metaverse’s affordance to engage with people differently. In a hyperreal environment, the consumer journey can be rethought entirely. Brand activations can be experiences like nothing that has been done before.”

Brands around the world are taking advantage of the new world of opportunities in the metaverse. Are you ready to take the leap and explore whether creating a metaverse experience is right for your target audience?

### Is a Virtual World Experience Right for Your Brand?

Virtual world experiences might not be right for every brand right now. As Gartner<sup>6</sup> puts it, “The adoption of Metaverse technologies is still at an early stage, so business leaders should limit their investments there.” The right investment looks different for every brand,

so here at Valtech, we are helping retailers understand where to test the waters and create experiences that both result in short-term returns as well as set them up for a successful long-term metaverse strategy. While we believe that there is a huge opportunity for brands to win big by investing in the metaverse early and experimenting often, brands should be deliberate about what they are putting their time and money toward in this space.

So where do you begin when deciding if a virtual world experience is right for you? By understanding your target audience. A study done by YouGov<sup>7</sup> showed that 36% of Americans are interested in participating in the metaverse, with the most interest coming from ages 18-29 (51%) and 30-44 (43%). Not surprisingly, there was significantly less interest from ages 45-64 (32%) and 65+ (19%). Understanding whether your target audience includes early adopters of metaverse platforms is key to understanding whether you should be investing in marketing on those channels. **Understanding whether your target audience includes early adopters of metaverse platforms is key to understanding whether you should be investing in marketing on those channels.**







Conduct research into your target consumers and identify the entertainment channels where they spend their leisure time. If your target audience includes younger consumers, especially those interested in gaming, creative outlets, emerging technologies, or new investment opportunities, it is safe to assume that they are likely spending some of their time exploring these virtual worlds. If that is the case, the metaverse represents a unique opportunity to cultivate lasting engagement with these consumers.

As Newzoo<sup>8</sup> puts it, **“These high-value, young consumers are hard to reach via traditional marketing techniques and even on social media, so it’s no surprise to see consumer brands and big tech companies doubling down on all things metaverse.”**

If your target audience is primarily made up of older consumers or late adopters, we suggest deploying other strategies before diving into the metaverse:

- / Consider marketing on other mass media channels (such as TV or social media) that reach a more traditional audience

- / Use design thinking to uncover ways to attract your target audience to virtual worlds, perhaps through exclusive content and product drops
- / Evaluate whether the audiences within the metaverse could become another target audience for you and how you can update your brand strategy to reflect that

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**only 10%** of consumers who visit virtual worlds **go there to shop,** while **the majority visit for gaming or socialization** purposes.

*according to a Valtech research study*

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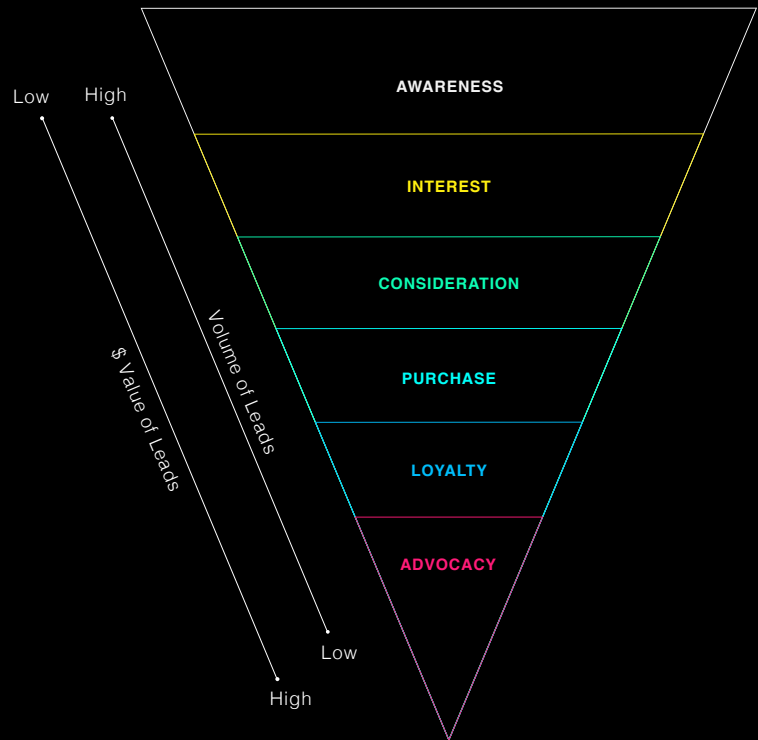
### Selecting the Metaverse Strategy that is Right for your Business Goals

Many brands have jumped on the opportunity to create digital versions of their physical stores, complete with 3D inventory and spaces to browse, within virtual worlds. However, traffic and conversions have been low as shopping has not yet become a primary driver to virtual worlds. A Valtech research study revealed that only 10% of consumers who visit virtual worlds go there to shop, while the majority visit for gaming or socialization purposes.

Instead, be deliberate about creating a virtual world experience that aligns not only with your business goals, but with your users’ motivations for being in that space. Think critically about where you need to supplement your current conversion funnel with more customer engagement and identify the right methods to foster that engagement. See below for a framework that can help you align your business goals to the type of metaverse strategy that is right for your audience.



# Aligning Metaverse Strategies to Marketing Funnel Goals



	Business Objective	Metaverse Strategy	Example Brand Activation	Low	High
<b>AWARENESS</b>	Generate brand awareness & leave a lasting impression among a large set of target consumers.	Deploy marketing campaigns that convey your brand identity in public worlds or eSports games where you can generate organic traffic and livestream views.	<a href="#">Louis Vuitton</a> noticed that avatars' "skins" were becoming a status symbol for their target customers in League of Legends so they partnered with the game to make their fashion the most coveted skins in the virtual world.		
<b>INTEREST</b>	Surround your target consumers to create lasting interest & engagement with your brand.	Foster sustained engagement in virtual worlds where your target audience is spending their time using the game design principles inherent in those worlds that keep users coming back.	<a href="#">Vans</a> noticed that their target audience was spending time in Roblox so they developed Vans World, a virtual skate park where users can collect tokens to unlock Vans shoes for their avatars, allowing customers to try on and see their products in action.		
<b>CONSIDERATION</b>	Anticipate consumer needs & provide the information & tools they need to make their purchase decision.	Create a virtual shopping experience focused around solving current in-store and e-commerce challenges in public or private worlds.	<a href="#">Walmart</a> is rolling out the ability to try their clothes on customizable virtual avatars in an effort to help customers better visualize their products, make purchase decisions, and have a higher overall satisfaction when shopping online.		
<b>PURCHASE</b>	Convert customers to purchase by providing value when they need it, where they need it, with as little friction as possible.	Diversify & sell NFTs or digital versions of your products in open worlds where users are buying products to customize their avatar or virtual space.	<a href="#">Valde Beauty</a> is offering a new line of NFT artwork that unlocks access to their physical collection of refillable lip shades, membership to their NFT Collective, VIP access to their Discord channel, a Decentraland digital wearable, and more.		
<b>LOYALTY</b>	Re-engage customers & promote repeat purchases with timely, useful offers personalized to their needs.	Deliver exclusive content, promotions, experiences, and events to loyalty members in your own branded private world.	Valtech has created a virtual world to share proprietary content with our clients. We can help brands create custom virtual spaces like this one to deliver exclusive content, experiences and events to their customers. <a href="#">Reach out for a tour today!</a>		
<b>ADVOCACY</b>	Provide loyal customers with the information, tools, and incentives necessary to become brand ambassadors.	Foster discussions around your brand in community-oriented social platforms.	Many brands, including Versace, Ted Baker, and All Saints, are shifting to social audio apps like Discord and Clubhouse over other leading social media apps for their marketing campaigns because of the enhanced ability to foster in-depth discussions with their fans.		



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No matter what **your business objectives** are, it is important to align your **metaverse strategy** with the rest of your omnichannel **customer experience**.

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Research how your customers currently navigate their purchase decision and explore how the addition of a metaverse experience might factor into that decision-making process. Provide relevant and contextualized CTAs throughout the experience that encourage your users to visit other areas of your digital ecosystem and take the next step in engaging with your brand.

It is important to note that here at Valtech, we believe the future metaverse will take on many different forms and that much of it will eventually transcend digital interfaces to create a true mixed reality, where virtual content is viewed within the context of the physical world. While we are still a long way away from this reality, rest assured that experimenting in virtual worlds will set you up for success for years to come.

Danielle Holstine, a Portfolio Manager for Valtech's Connected Experience Business Unit who has been creating virtual world experiences for over 10 years, explains, "VR use will start to wane as soon as AR technology catches up. If people can experience that same digital content without blocking out the rest of their world, AR will become the tech of choice for most use cases. But that shouldn't discourage brands from building in this space. All of the 3D assets that brands create for VR or even desktop worlds can be easily transferred to AR and MR applications."

### **Contact us to launch your explorations into the metaverse!**

Valtech combines a unique blend of retail, themed entertainment, and connected experience strategy expertise that positions us perfectly to help brands imagine and design intentional experiences in virtual worlds. Reach out if you want help determining the metaverse strategy that is right for your brand or designing an experience that will leave a lasting impact on your target audience. [We look forward to hearing from you!](#)



# In Conversation with a **Luxury Insider**

As digitization continues to sweep through all industries, major brands in multiple verticals are figuring out how to best meet the needs of customers in a digital world. Luxury retail is no different in this regard. Luxury brands are every bit as concerned with the notion of how to meet the new digital world, putting customers first in their decisions and what kinds of new experiences are available for customers.

We often talk about the importance of a positive and innovative customer experience in retail. For luxury retail, the customer relationship is a little more complex. It's an industry that has historically relied on one-on-one relationships with associates on a first name-basis with clients, and in-store sales. In short, not the top qualities digital, with its constantly changing consumer behavior, is known for. Luxury brands are left wondering how to extend the customer experience beyond the purchase, and what does the future really look like for brands seeking relevancy with their changing target audience?

In the following conversation between Valtech's EVP for Retail, JC Hermann and Isabelle Aguerre, Founder of Lux in Vivo, we try to get to the bottom of these questions as well as look at some of the opportunities for new customer experiences within Luxury based on shifting the brand's mindset.



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## The **Interview**

A conversation with

**Isabelle Aguerre**

Luxury Insider





**JC Hermann:** As an outsider transformation agent, you advise luxury brands on truly customer-centric strategies. Why is that?

**Isabelle Aguerre:** Well, I guess I was lucky to not make any career planning and just end up having experiences firsthand in terms of why the client matters so much. I really discovered through my experiences that beyond brand equity itself, which is obviously very precious in the luxury environment, the next key asset for brands is the client. First, I started at Cartier. I started in retail, client-facing selling in stores, and I really got to sell to clients, but also to observe a lot of the dynamics of the client relationships.

When I started at the Fifth Avenue store, it was quite striking to see all the salespersons at the time lining up next to each other against the back wall. When a client entered looking as

though she'd never set foot into a luxury store before, and she actually came to me because I was the only person smiling. I ended up making my first sale, which was \$60K, to that person! It was really interesting to see the dynamics with the client relationship, the human connection, the smile, the impact of individual commissions with the salespeople.

So, all this was firsthand experiences that really taught me a lot of what I've done later on in terms of client strategies. Also, the other thing I was learning about retail was to look beyond the sales numbers, to really dig into the data and to establish more client-related KPIs. The other thing I discovered then was that a dollar in sales is not the same dollar, depending on which type of client it comes from.

A dollar spent by a local client that might become loyal and repeat purchases over time is not the same as a dollar spent potentially from a tourist that's only going to come and show up once in your boutique. So, all those retail experiences were fundamental for me to start thinking about the client first.

When I first started in the 90s, I worked in consulting in the retail financial services and there I was at the time of the first internet bubble. This was the time where we were trying to help the banks to integrate internet banking, to understand their clients and to build data modeling, to be able to optimize for both client preferences and their ROI in terms of channels.

That benefited me later on when I was at Balenciaga, allowing me to lead, build, and then manage e-commerce for Balenciaga. That was early 2007, which was quite early on for the industry to actually build e-commerce operations. There, I was able to really compare retail experiences versus digital experiences in terms of building client relationships. The last big experience I got in all that to build my conviction, that it was really important to work on this client-centric transformation was actually going through the entire process of building a client eco system. When I worked at Chanel for seven years, I really built the client-centric transformation there and starting with



two fundamentals that was bringing all those different experiences together on one side was all the data and the systems underlying and the global KPIs that could really dig into understanding clients from a quantitative perspective. At the same time, I built another piece that's much more on the softer side, so the hard and soft, I guess, which was the client's mindset, the client culture for the brand globally.

This is really how I would say I built this conviction that it was important to help, from the outside, brands to build this client-centric mindset. Again, client-centric is not a 180-degree shift where only the client matters and you do everything the client wants; it's a balance. We were very much in a brand product-centric world in the luxury industry, and now there's a need to bring back some balance and to really put the client at the heart of the organization, but without losing your soul as a brand, because that's really what makes you unique also.

**JC:** Do you think today there is a risk for established luxury brands in terms of a brand erosion or new competition or less customer spending? Do you think this industry is coming to a turn here?

**Isabelle:** Well, I guess it's just surfing quite a lot if you look at the stock market for luxury groups, but there are definitely a lot of concerns, different types of risks that are out there; that doesn't mean it's going to prevent the industry from growing, but it definitely pushes the brands towards different forms of transformation. So, the first one for me is definitely the dependence of many brands on their Chinese clientele that has become such a huge percent of the business. It's projected by some of the firms out there to become 50% of the business by 2025 or something like that. Together with this is, as we can tell now, in terms of geopolitics what China is doing and decisions they're making, the one around prosperity, equal prosperity type of vision for the country. We've seen a few years ago when they took some actions against the gift to public figures, how much that impacted the watch market very quickly.

So this is definitely a major risk for me. Together with probably steel, unfortunately, some distance with the Chinese world, some lack of understanding, deep understanding of the culture and how the country is functioning, I think that's altogether a heavy risk. Then another one that's been coming for a while already, which we've seen through the increase of the digital channels also is the new generation, which is an opportunity, obviously,



as new potential clients, but also with a bit of a risk, because there's clearly a question today on the level of loyalty of new generations; which to me is partly connected to the digital channels also. Then another important one, and we've heard so much about it now because it's become at the center of everyone's concerns is sustainability: The circular economy and e-commerce all have been growing so much in the industry within a very short amount of time if you look at the big picture.

There are elements around business, potential canalization. There are elements around compliance also of the brands. Actually, in terms of compliance, you have the topics around data privacy, even if brands want to know more, but data privacy management and GDPR regulations, and those are evolving all the time and going towards more and more strict perspectives and requests, so all those are really key topics. I was working quite closely to

that because I spent a year-and-a-half building a startup in blockchain for the luxury industry in 2019 and '20. We were really looking at how to leverage the technology all along the value chain and with an approach that was clearly focused on sustainability from traceability of the materials, but all the way into connecting potentially CRM into your second-hand, next generation of clients.

These are really topics that are going to require the brands to evolve. So they were, in the last



few years, in the same posture as they had at the beginning towards digital, which was, "Let's wait and see," and more and more, they realized that you need to embrace this trend as well. There's a couple more risks, but they were already here, which is like shifting from product ownership towards more experiential luxuries, so it depends where you are in the luxury space, but that could also be a challenge, or new competitions. But at the same time, what we saw during the crisis on this point of competition is that people shifted back a lot of their spending in luxury towards the really powerful, established luxury brands, a safer investment, I guess, in a context of crisis.

**JC:** Isabelle, when I see all the risk and transformation topics for luxury brands, obviously, it's very interesting to understand perhaps what the first major challenge for luxury

brands was, which was to embrace digital. The luxury industry has been fairly late compared to a lot of other industries, so maybe for good reasons, but why does it take such a long time for: the luxury industry to embrace digital? Is it a critical part of the business and of the experience in your view to really achieve a luxury experience for the consumer?

**Isabelle:** As I was mentioning, I started at Cartier in early 2000 to explore e-commerce for luxury, to try to define what would be the blueprint. Then I did get to build it at Balenciaga, and I can tell you, I could see the resistance from the inside. Also, initially there was a lack of understanding, a lack of internal competencies inside the IT teams. The very digital-oriented IT talent was more going towards Google than towards any luxury brand, and it was really taken from a perspective of a digital as image only rather than what it means in the backend. If you think about it, at the same time, you could see if you're looking at what digital means and what luxury means it was a bit of an expected culture clash. If you look on one side on digital, you have the data, on the luxury, it's more the dream, not exactly the same idea.

In digital, you like, you unlike within one click within one second, and on the other side, the luxury world is about having the time to really build desire and also making sure you establish lifetime memories, lifetime purchases with your clients. You have the funds on one side, you have very deep trusting relationship on the other side, and then you have the worldwide web and you have the one-to-one. Those are really all important elements and codes that totally shape and explain why it was so hard for them to embrace. The brands really have work to do, and it's still in progress, I think, which is to bring those two sets of values together. So, I'm saying there's a clash, and I'm saying they're in different parts of the spectrum. I'm not saying they're necessarily impossible to reconcile.

We're all made of paradoxes, and we still live together with oneself, but you need to bring both and maybe the vision needs towards more of an experience that is both connected and



human, where you're able to bring some sort of a dream that you build in the virtual space, but still connecting with a reality that touches the five senses of a person. How do you do that? How do you make that happen? If we're looking at now, that's still one thing that needs to be achieved by most of the brands, and they definitely had to accelerate on that and make it a critical priority for them. Additionally, the new generations' expectations are very much driven by China where everything is ahead of the rest of the world.

COVID didn't leave a choice, because suddenly your retail store, physical environment is gone, so you definitely have to make it happen and make it happen fast. The other thing is that the digital growth has been also pushing forward some new intermediaries. A lot of the most powerful brands have historically been in directly owned distribution and really going into wholesale when necessary, but suddenly it was a shift in digital in the presence of some major intermediaries, like a Farfetch or even an Alibaba in the Chinese market. Suddenly, there's a risk of having those intermediaries take so much power that now you are dependent on them. So that really makes the whole shift very critical and having some direct-to-consumer digital approach needs to be at the heart of your thinking as a brand.

**JC:** Yeah. That's very clear, and thanks for enlightening our understanding here. The luxury brands have embraced digital perhaps in some cases very fast, but as you say, luxury brand goodwill and assets is a very long-term asset.

**Isabelle:** May I add something on this? Definitely not all brands were in the same place around that. One thing that's really clear is that some understood that much earlier on, like a Burberry, and then understood that also from the backend needs. Digital requests that everything work together, everything's connected, so you can actually deliver at the end of the spectrum your experience to the client. Others got on board a little faster, so it's not just become critical for all now. I *just* want to mention that somewhere a bit earlier in the game.



**JC:** Right. Yeah, absolutely. So now that they have embraced digital, brand experience in-store and customer service is still absolutely essential to deliver a luxury experience, but where do you see the value of digital channels to deliver the luxury experience?

**Isabelle:** As you said, the store remains very important and actually you see a lot of the digital native brands ended up opening some stores, the successful ones at least, so they would have the ability to invest. The store is a key asset because it's really a space to differentiate and to build the loyalty with your client, especially when you have in front of you competition like GAFA. Amazon is still planning to try to get their hands around luxury and fashion, and Farfetch also clearly wants to be the biggest player there. The story is something, it's a unique space. It's a space also with the human aspect. So, I see the main value of digital, because it's still critical, as I said, as a tool. It needs to remain positioned as a tool

actually, because you start from the client, you don't start from the tool. It's a tool that can bring convenience and efficiency in the experience from a service standpoint.

One thing that we all need to remember is that what's part of the luxury success



is the dream, is the desirability for the products, and if you think about it on terms of psychology, desirability builds up when you wait for something and in anything, even in relationships, you could argue. If you go too fast, too immediate, you're killing your own dream. This is definitely a balance to find for the brands to be able to make sure they preserve the emotion, the connection, the desirability around that, and the other aspect would be in terms of perceived value. Again, immediacy access is something that's more related to a commodity, and it's the exclusivity and the rarity that is allowing the brands, beyond the quality of their products, to charge the price they charge. At the same time, we're in a world where everything needs to be easy. Still, when you look at some point, everybody was talking about "See Now, Buy Now" that was going to change fashion forever, and the tsunami didn't really take place.

If you look at the most powerful brands, they're still doing super well and they still make people desire and wait for the Kelly, the Birkin, and it's really a matter also of having enough brand

power to do that. All that said, there's a role for the Internet channel, and one clearly from everything I was saying about the stories that it's an opportunity to drive potential clients to the store, so you want to add those types of options, like the click reserve, the click collect all those steps of drive to store functionalities. It also has the ability to actually add business, not just from e-commerce sales, but the fact is that if you look at client insight, omnichannel clients are actually your best clients, which is quite natural. Where you usually have a client going up the pyramid, so to speak, as they cross-sell more and more, so they have more and more opportunity to be touched by your brand through categories, through interactions with the brand, it's the same with going across channel, it's more opportunity to touch your clients. That's how you build a lot of loyalty and additional sales.

Then another piece, obviously, is what I was saying with e-commerce reaching new clients. Clearly, some clients didn't dare historically to push the door of a luxury store, and some are digital natives that just want to be in that space. The new generation, I think we're on the Gen Z at this point still, looks like some are saying they want to go back into the physical space, probably for a different type of experience, but still going physical. Another thing that is also an opportunity in terms of service for the Internet would be facilitate for some brands and some type of product categories when you need to repeat, refill that's an easy thing to set up in the digital space. The last part would be actually not so much the digital channel, but digital inside the store where you can help with the service convenience aspect to remove the pain points of the physical visit.

All those types of things are elements where digitization inside the store can definitely help. At the end of the day, between the store and the digital, there's really a need to think of everything in a systemic way, in a very complimentary interdependence, because from the client perspective, it's not, "I do this with one channel, I do this with another one," it's, "I'm interacting with the brand," period. So that needs to be orchestrated like a concert around





the client. The digital element is a tool. If you have all the data, the tools, the processes to make a great client experience, back to my first experience at Cartier, if you enter a store and nobody's smiling at you, all the tools and data in the world will not make you a very happy client.

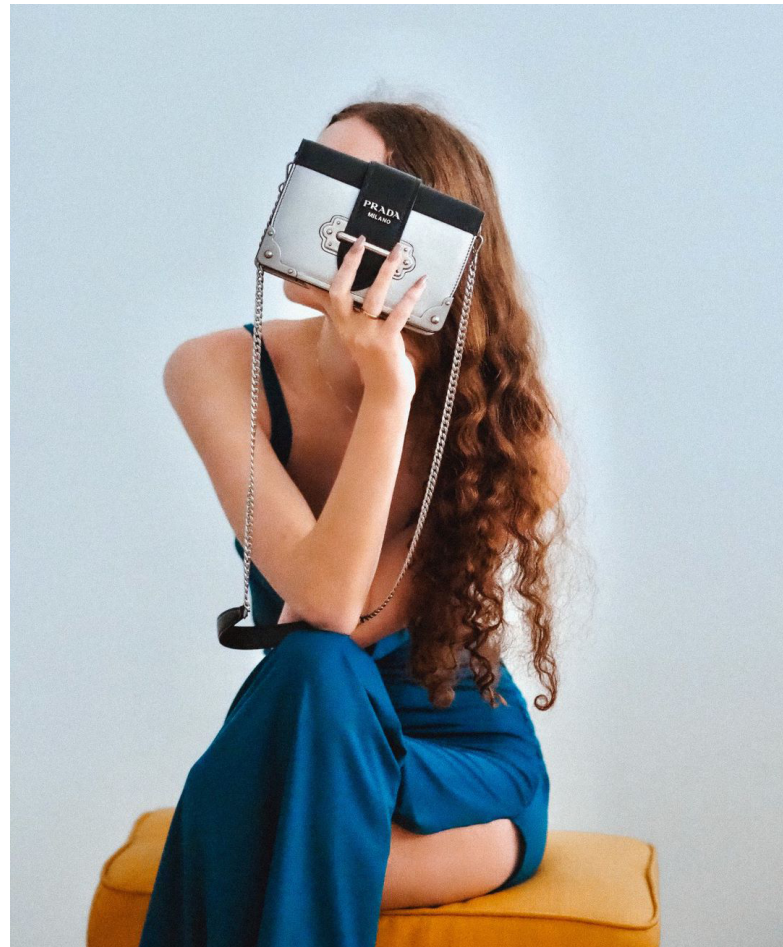
**JC:** Coming back to this transformation on being customer-centric for luxury brands, what are the key steps, whether it's organizational or KPIs that, in your experience, are critical for brands?

**Isabelle:** The first key step is how you define your vision around what client-centric means for your brand in coordination with your business strategy, but also in a very specific way to the brand in terms of its values, because what's going to be key is to become client-centric in order to leverage it as a way to differentiate and to continue to build the client loyalty. KPI's are going to give you the ability to really be in line between the vision, the strategy, all the levers also that you want to develop to be able to execute on the vision and the strategy.

For me, one of the major aspects, because it's a transformation of the organization, is to also tackle both elements around the governance and the processes on how the organization works together, because the client-centricity, it's a matter of transversality. It's a matter of alignment of all the parts of the organization around the client, so you really want to make

sure all this built up into your structure together with a key layer which is the mindset, the client culture, because that's what's going to bring the cement into this whole structure.

One thing that I like to use is to say that even if you have all the processes in place to make sure the client experience is perfect, because there are some human elements, before we're all robots, obviously, but there's some human elements in the chain, there's always a risk for error. The thing is that if there's an error that happens in the client experience, but the salesperson in front of the client reacts in the right way, with the right mindset, you're still going to be able to guarantee the client satisfaction. So, you cannot guarantee the process perfection, the delivery to your standards, but you can guarantee the client satisfaction based on that mindset. So, for me, this is one of the key phases of any client-centric transformation. ■





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How AI and Behavioral Data Are **Bringing Organic Human Connection** Back to Luxury.

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# The Value of Human-Technology Interactions

By Nina Goli, Senior Strategic Planner

AI and automation tools have been debated for quite some time. On one hand, they improve processes. On the other hand, some fear that automation tools will eliminate jobs, create inconsistent product quality or even counterfeit connections.

## What we do not hear

We do not hear much about how automation tools may increase the “aura of luxury” by opening the floor for brands to return to their original craft. By progressing into the future and utilizing AI, brands can refocus this newfound

time on “design-making” from the bedrock. This shift brings the core of luxury to the surface: craftsmanship and the artistic dimensions of products.

As AI, robotics, 5G and digital realities solidify themselves within our foundational technology toolset, we are able to gather deep learnings on not only human actions and behaviors but the emotional and physical drivers behind them. These learnings allow a user’s journey to go beyond a click or email signup, and instead mature the way in which the brand to customer relationship is maintained.





### An illustrative story

Consider a luxury customer user journey similar to that of a fine dining experience. The journey is composed in various formats and across all phases: before, during and after, and at its heart is *true hospitality*.

For example, say you're scrolling through your friend's Instagram account. You see they posted a picture of a delicious-looking steak tartare in a restaurant unfamiliar to you. You click the location and discover a new place has recently opened up in your neighborhood. You immediately decide you want to check the place out and ask another friend to join you. The direct booking link through the restaurant's profile allows you to make a reservation and instantly marks your e-calendar. The day before your visit you receive a reminder of your reservation time. You ping your friend and both look forward to the night ahead.

Once you arrive, the staff can see that you booked the reservation from a friend's photo (remember that steak tartare!) and can make a soft suggestion to get started with a Blanc de Noir Champagne to complement the dish.

Now, it's reasonable to assume your fine dining experience was enjoyable for many reasons. It feels good checking a Michelin star restaurant off your list or posting proof that you scored a reservation while friends remain on the waiting list. But the pivotal 'Moment of Truth' occurs when a customer comes into contact with any aspect of a company and forms an impression. And for this example, the fabulous dining experience becomes imprinted in your mind. You feel special because you are special to the staff, appreciated by the brand, taken care of, and connected with the personality of the establishment itself.

A week later you receive a direct communication from your friends, i.e. the restaurant staff, that they just added a dish inspired by Magnus Nilsson's famous grilled oysters! You immediately book your next reservation and share the date with your friend.

### Delighting digitally

By taking a digitally-powered analog approach, retailers create intensive personal relationships between customer and brand. Our world is moving toward developing a 1:1 interface between the physical and digital. We are matching emotions to sensor detectors and retail traffic to store heat maps. We are connecting technology with physical space to feed experiences that will become intrinsic to human nature.

At Valtech, we develop tools that make it possible for our clients to track the physical and emotional behaviors that are directly linked to online journeys. This capability enables us to learn more about habits, routines, tastes and practices. Through developing predictive intelligence based on behaviors, we establish organic integration into customers' lives. This intelligence translates to adapting and shaping their reality rather than attempting to insert foreign actions into their patterns.



These learnings lead to a business transformation that considers the true impact of how “human-technology interactions” can improve the customer-facing experience as well as internal business operations.

The efficiencies in understanding human behavior via technology allow luxury brands to refocus their purpose from “keeping up with digital” to lacing their essence within everyday customer lives. These capabilities pave a path to merge closer to our customer and increase internal performance.

### Creating our world, artfully

Creativity and innovation is often met head on with reviews and deadlines. But the reality

is that employees have evolved away from these parameters. Rather than replacing jobs, innovation elevates positions to more strategic roles. It uplifts the workforce, allowing time to be spent on envisioning our future. Imagine a workforce that actually takes the time to revert back to the drawing board, replacing the mouse with pen and paper to artfully create our world rather than reacting to it.

By introducing the new wave of digital tools, we marry the old with the new to garner bespoke experiences for consumers and increase operational productivity. Brands can increase output while freeing up time to allow creativity to thrive. Maybe not 100% free of those urgent deadlines, but at least a step closer! ■

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Rather than replacing jobs, innovation **elevates positions** to more **strategic roles**.

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# Make the Web GREENER



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If the internet were a **country**, it would be the world's **sixth biggest polluter**.

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The internet consumes around 416TWh per year in electricity. That number does not say much until you compare it to the 300TWh the United Kingdom consumes. These are staggering numbers, and they will only go up as the internet keeps growing.

Whether you realize it or not, carbon emissions are generated all over the place.

The average website produces 1.76 grams CO<sub>2</sub> per page view. For a website with 10,000



monthly page views, that is 211 kg CO2 per year or about twice the weight of a professional basketball player. This is more carbon than ten trees can absorb. If you think about how many websites we have on the internet, this comparison paints a pretty scary picture.

### Now, consider the luxury market

Every web page is crafted with art-directed elements that tell the right story. Luxury product pages are rich experiences that make the user linger and enjoy the ride. This approach is great for the potential customer, but there is a dark undertone when we consider the environment. These pages are full of heavy images, videos, and animations. The heavier the page, the more carbon is emitted. If pages take longer to load, the emissions go up due to more device usage – and the antenna and screen are used for a longer period, too.

There are some conflicting goals within luxury on the web. We want a rich experience, but we also want hyper-fast page loads. We all know that slow pages mean more user drop-off. And to make matters worse, we also need to think about the environment. We need to contain how much carbon is blasted into the atmosphere when someone visits a page.

The above describes a complicated mix of problems to solve. We know that carbon emissions are lowest if:

- / a page is fast to find;
- / the page loads quickly and with few resources;
- / and users stay on a page for very little time.

These three points are hard to carry out in the current way of working in luxury. That is not because we do not know how to build websites but because the goals are different. We want people to explore the brand, linger and become influenced by the product story. They should become lifelong customers. Sadly, this goes against what is best practice for websites with a low carbon footprint.

But fear not: there is a solution that can get us much closer to being sustainable. We can even keep the same level of quality we have now. Next to being greener, this solution makes our websites more accessible to people in upcoming markets. The answer is: optimization of image and video delivery. We solve the problem by reducing excess and only loading what is needed in the context of the user.





## Are we there yet? Optimizing media asset delivery

Most traditional CMS systems focus on content editing or cataloging of content, and not on serving of content per se. Serving the content is part of the suite of tools in the platform but the focus tends to be on other aspects. We call this the “best-of-suite” approach where one vendor deals with all aspects of the website.

Nowadays, there are companies that solve specific problems within the eco-system of websites. We call these “best-of-breed” solutions, and they tend to be cloud native SaaS companies. Among these companies, there is a category that only deals with media asset delivery.

Images and videos are particularly hard. If we ask a content editor, filmmaker, or web developer how to optimize assets for the web, they generally do not know. The same goes for the best-of-suite CMS systems. They do not

device, resolution). And they reduce the file size with AI to be indistinguishable from the original—doing this by hand as a content editor is impossible.

We have had projects where the page weight dropped by **90 percent** without loss of quality. Content editors would only upload the original image and the system did the rest.

## Loading the right assets in the context of the user

Next to serving optimized assets, the most gain is made when not serving them at all. As funny as this may sound, it is the most effective way to have a low carbon website. If a user never scrolls down or never opens the big mega menu, what is the use in loading these assets in the first place? You should only load assets you know the user will see. We call this “lazy loading,” and it is one of the most powerful tools in the bag of tricks of web developers.

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## The average website produces **1.76 grams CO2 per page view.**

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specifically optimize assets for the web—they serve them as is.

This leaves the responsibility to the content editor. We have seen people struggle with Photoshop and not know how to optimize an image. Teaching courses and paying for Adobe licenses is commonplace and awfully expensive.

Fortunately, there is a plethora of ways to optimize images and videos for the web—and the SaaS solutions mentioned above take care of the problem for you. They serve assets in the right format for the user’s context (browser,

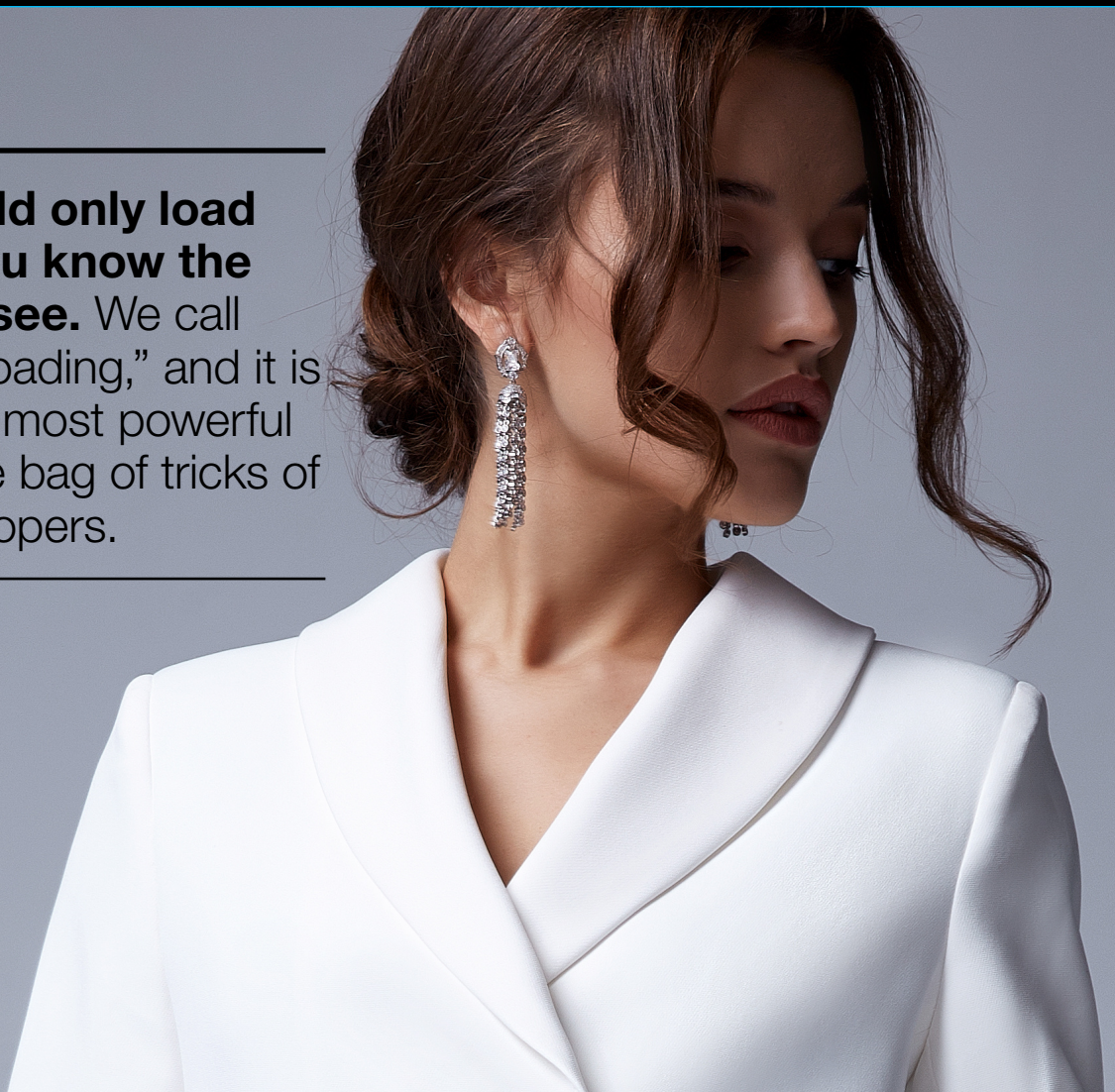
Next to lazy loading, it is also important to load assets in the right context. If a user visits your website on a phone, make sure to load an image with the same resolution the phone has. Loading bigger assets unnecessarily degrades the user experience. It also makes the website have a higher carbon footprint due to excessive file size.

The same goes for file types. If you want an animated background image on the hero banner (we all do), do not use a GIF, but rather a video. GIF’s are about 5x as big as videos and tend to not work well on mobile devices.

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**You should only load assets you know the user will see.** We call this “lazy loading,” and it is one of the most powerful tools in the bag of tricks of web developers.

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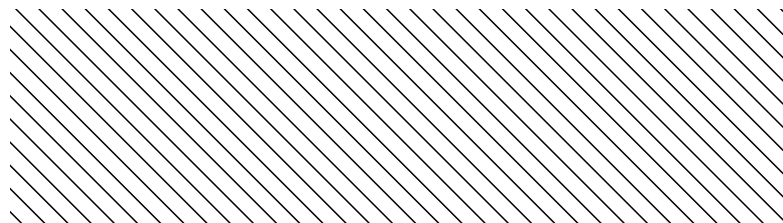
### Looking ahead

We cannot always optimize our web pages according to the best practices for low carbon websites. This is just the nature of luxury. But we can focus on smaller parts of the equation that have a huge influence on how sustainable the website is. All of this can be accomplished without compromising on quality.

Look at the future and choose a best-of-breed solution that handles one of the most complex parts of the web: images and media. By combining optimized assets and lazy loading we make our pages lighter. This means they are more accessible to new customers in emerging markets.

And wouldn't it be nice if content editors did not need Photoshop licenses anymore? The overhead of training and the extra process is not worth it.

Instead, have your media delivered by a specialized solution—Mother Nature will thank you for having a low carbon website. ■





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Valtech is a global business transformation agency delivering innovation with a purpose. We enable clients to anticipate tomorrow's trends and connect more directly with consumers across their digital touch points while optimizing time-to-market and ROI. From discovery to optimization clients trust Valtech to remove complexity and deliver innovative, frictionless solutions that close the experience gap between customer expectation and reality. With a renowned commitment to innovation and agility, Valtech transforms by doing, creating unprecedented success for many of the world's best-known brands.

For more information, visit [www.valtech.com](http://www.valtech.com).

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