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DATA FOR  
LUXURY

HOW DATA IS TRANSFORMING LUXURY  
IN THE U.S. : A PARADIGM SHIFT

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Artefact is a global leader in consulting services, specialized in data transformation and data & digital marketing, from strategy to the deployment of AI solutions. We offer a unique combination of innovation (Art) and data science (Fact).



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DATA ACCELERATION PROGRAMS | AI SOLUTIONS | DATA MARKETING

# DATA FOR LUXURY

## HOW DATA IS TRANSFORMING LUXURY IN THE U.S. : A PARADIGM SHIFT

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*“Understanding how to collect and use data enables luxury brands to respond quickly to changing consumer trends. By analyzing customer data to identify individual preferences, brands can improve their offerings and create personalized experiences that build loyalty. Data can also optimize supply chains and inventory management for increased operational efficiency. Artefact’s expertise in data and AI consulting and digital marketing helps brands stay ahead of trends and build stronger customer relationships. Partnering with Artefact unlocks the full value of data for people, practices, and business performance.”*

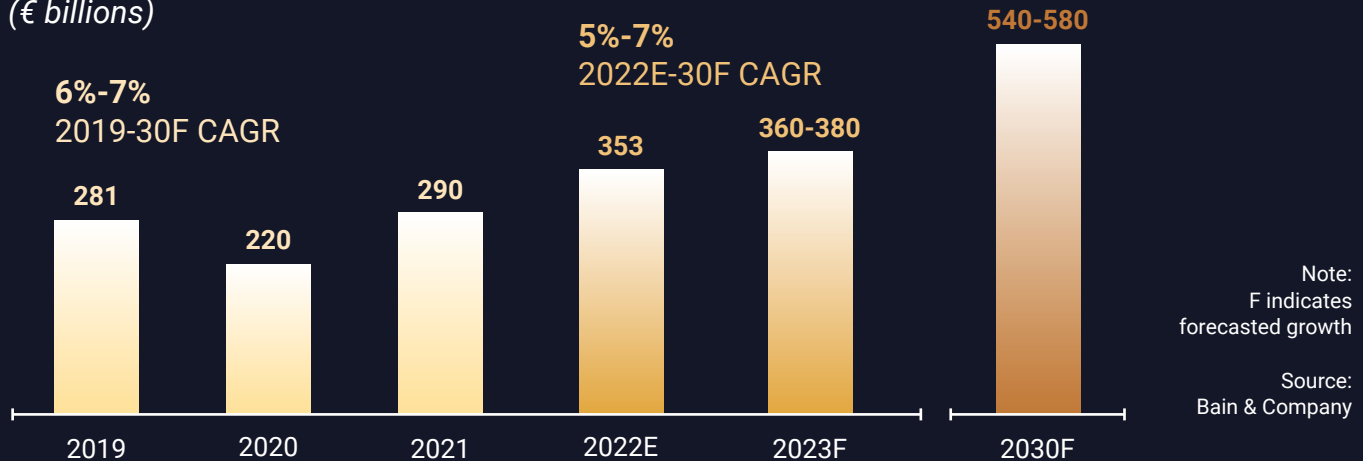
**Ghadi HOBEIKA, U.S. CEO, ARTEFACT**

# CHAPTER 1 : THE AMERICAS AS THE BIGGEST REGION FOR PERSONAL LUXURY GOODS SALES

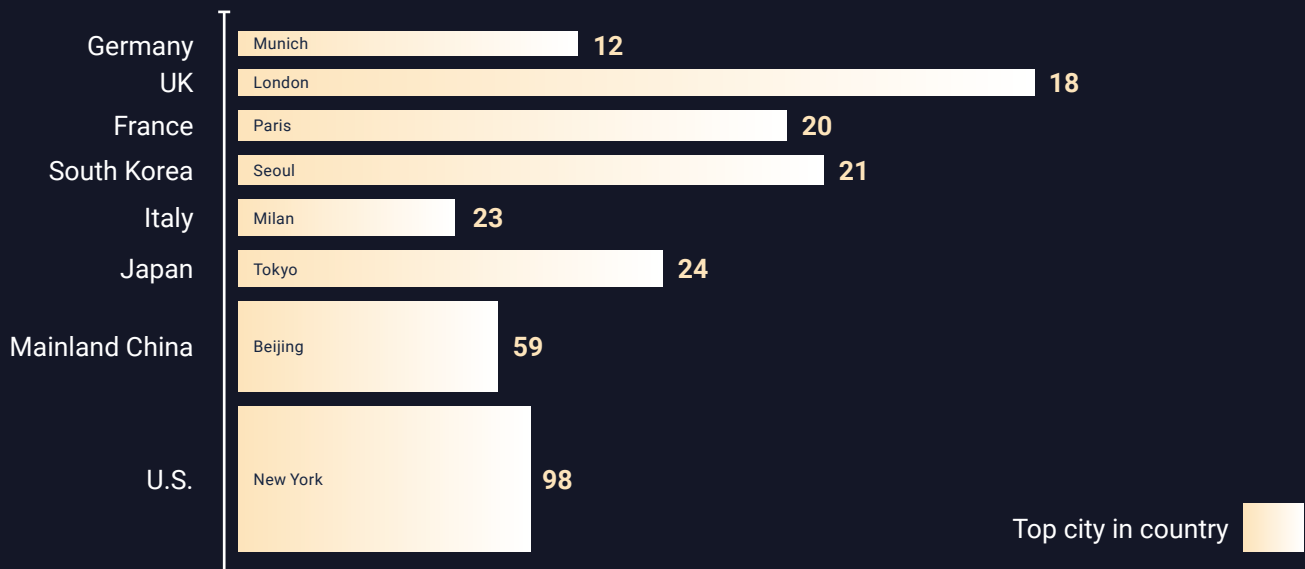
Despite the challenges of the COVID-19 pandemic in 2020-21, the global luxury industry has shown remarkable resilience, quickly regaining momentum: the industry as a whole is projected to grow at a CAGR of 5-7% from 2022 to 2030. This trend is supported by industry leader sales figures. LVMH

and Hermes, renowned luxury groups, are off to an impressive start in 2023. The American market was back to being the biggest region for personal luxury goods sales in 2022, with a 32% market share, led by New York City, U.S.<sup>1</sup>

**Global personal luxury goods market**  
(€ billions)



**Personal luxury goods market, top countries 2022E**  
(€ billions)





## CHAPTER 2: THE LUXURY INDUSTRY IS UNDERGOING A PARADIGM SHIFT

### Online touchpoints now impact consumer purchasing decisions

**A**lthough traditionally considered an "impulse purchase", the decision journey for luxury purchases is actually longer than we previously believed. Research shows that luxury consumers engage with brands at more than ten touchpoints before making a purchase, with 60% of these touchpoints occurring in the digital space. Luxury

brands use multiple digital touchpoints to enhance both brand awareness and consumer engagement. A recent report by Bain&Co estimates that globally 75% of luxury purchase decisions, regardless of channel, are influenced by online information, while 20-25% of purchases were digitally enabled.<sup>2</sup>

**75%**

of luxury purchase decisions are influenced by online information;

**20-25%**

are digitally enabled

## Offline boutique traffic returns but shifts to more experiential formats

Despite the substantial growth of online luxury shopping, its share in the overall luxury business has stabilized. Online business currently accounts for 21% of the total luxury market (2022), up from 12% in 2019. In comparison, single-brand boutique businesses are thriving, driven by customers' eagerness to return to in-person shopping. Single-brand boutiques outperformed their online counterparts by reaching a 34% market share in 2022.<sup>1</sup>

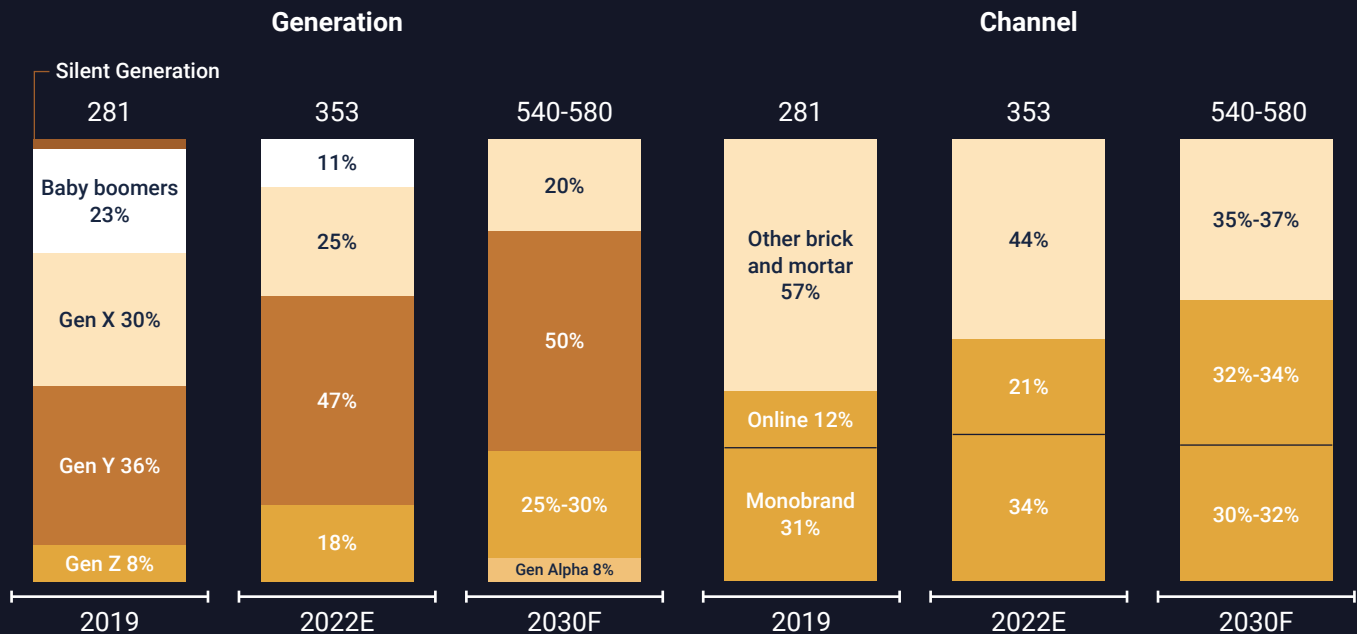
Nevertheless, while Gen Y should become the primary personal luxury goods buyers by 2030, Online should become the leading channel for luxury purchases with an estimated 32%–34% market share, followed by mono-brand stores (30%–32% market share)<sup>1</sup>

We're also seeing a transformation in the role played by physical boutiques, with more emphasis on providing experiential offerings. According to a recent Business of Fashion survey analysis, some 49% of respondents think that stores should now be more than just a place to buy luxury products, while about 67% think that stores should offer a higher level of digital integration.<sup>3</sup>

Some luxury brands have already caught on to this idea. Italian luxury furniture brand Natuzzi opened an "Augmented store" in its Madison Avenue showroom in New York City. Customers enter a digitally rendered version of their own home in virtual reality and decorate it with brand-name furniture.<sup>4</sup>

By 2030, Gen Y should become the primary personal luxury goods buyers; online and monobrand stores will be the leading channels

### Share of global personal luxury goods market (€ billions)



Notes: Segments may not total 100% due to rounding; generations defined by birth year (Silent Generation 1928-45, baby boomers 1946-64, Generation X 1965-80, Generation Y 1981-1995, Generation Z 1996-2015, Generation Alpha 2016-present)

Source: Bain & Company

## New technologies emerge: Metaverse, Generative AI, Augmented Reality

These pioneering technologies are set to revolutionize the luxury industry, offering vast new opportunities throughout the entire value chain. Several brands have started to take advantage of these opportunities. Balenciaga, for example, has leveraged the power of the Metaverse by partnering with the online game Fortnite to sell signature items from its collection, which is a great way to engage the GenZ demographic.

Another example is Kering's innovative KNXT platform<sup>5</sup>, which features Madeline, a ChatGPT-powered luxury personal shopper. Madeline curates personalized recommendations using product lists provided by Kering. Users are encouraged to engage with Madeline by giving her prompts that describe their unique scenarios and needs, for a customized and immersive shopping experience.

Examples like these prove that luxury brands urgently need to embrace digital and AI trends if they want to remain relevant. However, the systematic implementation and true business impact of these technologies still needs to be further explored.

Luxury brands today face new challenges from data and digital that test their traditional values of craftsmanship, exclusivity, and brick-and-mortar operations. These challenges are particularly pronounced in the U.S, as it's not only one of the most important luxury markets, but also one of the most digitally advanced. To remain relevant in the age of data and digitalization, luxury brands must proactively embrace these opportunities and shift their strategies accordingly.

“Luxury brands must embrace digital & AI to remain relevant



## CHAPTER 3: FOUR SUCCESS FACTORS FOR DATA TRANSFORMATION IN LUXURY

Artefact supports many luxury brands around the world on their data and AI transformation journeys. Based on our experience in the U.S. market, we've identified four key universal success factors to guide luxury brands as they navigate this paradigm shift by harnessing the power of data.

#1



### Identify the Right Clients

Grow sustainably by nurturing more clients into VIPs through in-depth client understanding and engagement powered by data.

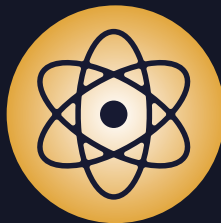
### "Prescribe" Right Product Offerings

Holistic product strategy including AI algorithm, commercial push and scarcity & assortment management.



#2

#3

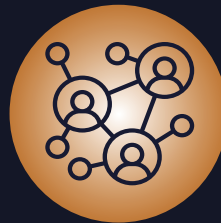


### Create omnichannel experience with tool-empowerment

Retail omnichannel blends personalized experiences and elevated sales.

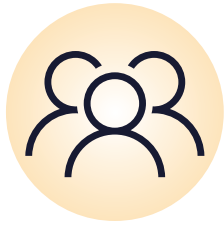
### Reinforce the people factor as data is about people

Drive behavior and mindset change to ensure top-down and bottom-up endorsement & successful implementation.



#4





## Success factor #1: Identify the right clients

In the world of luxury, the well-known 80/20 rule, also called the Pareto Principle, applies. The top two percent of luxury consumers account for approximately 40 percent of all luxury sales. As high-volume buyers, we know we can always count on them. Conversely, a significant percentage of first-time buyers may only make one or two purchases over the course of their lifetime.<sup>9</sup> Therefore, to ensure sustainable growth, luxury brands must adopt a two-pronged approach: they must retain and continually increase the loyalty of their existing high-value VIP customers; and they must identify the “hidden gems” among their new customers and nurture them into becoming high spenders.

Skilled sales associates excel at the first point because they build strong, personal relationships with each VIP customer. These relationships naturally generate a wealth of personal data, including daily habits, preferences, family situations and anniversaries (albeit usually unrecorded and unstructured). While these sales personnel are great at providing ultra-personalized services that drive sales, the formula is less effective if they’re unsure about which customers have the potential to become frequent purchasers and VIPs. This situation creates a chicken-and-egg paradox. Since non-VIPs make purchases less

frequently, sales personnel have little data on these customers’ preferences and personal information. As a result, they have no way to showcase their expertise.

This is where the power of data and AI comes into play. First-party data, a resource largely untapped by many luxury brands till now, can be valuable for understanding customer propensities and identifying potential VIPs. Unlike traditional CRM data, the goal here is to create a true customer 360 profile for each consumer from all available data sources that the brand owns, such as CRM, web interactions, email interactions, previous purchase history, in-store interactions, and more. To get the best overlook at their potential customers, luxury brands can unify all these data touch points through a CDP (Customer Data Platform) environment. This comprehensive approach allows brands to gain valuable insights and even build machine learning models that can help identify a customer’s next purchase propensity or predict their future spend. As brand maturity with first party data increases, the Customer 360 can be made even more effective by adding second party data, which is data shared by brand partners that add additional insights about consumer behavior, in turn enabling even deeper personalization and alignment with customers.

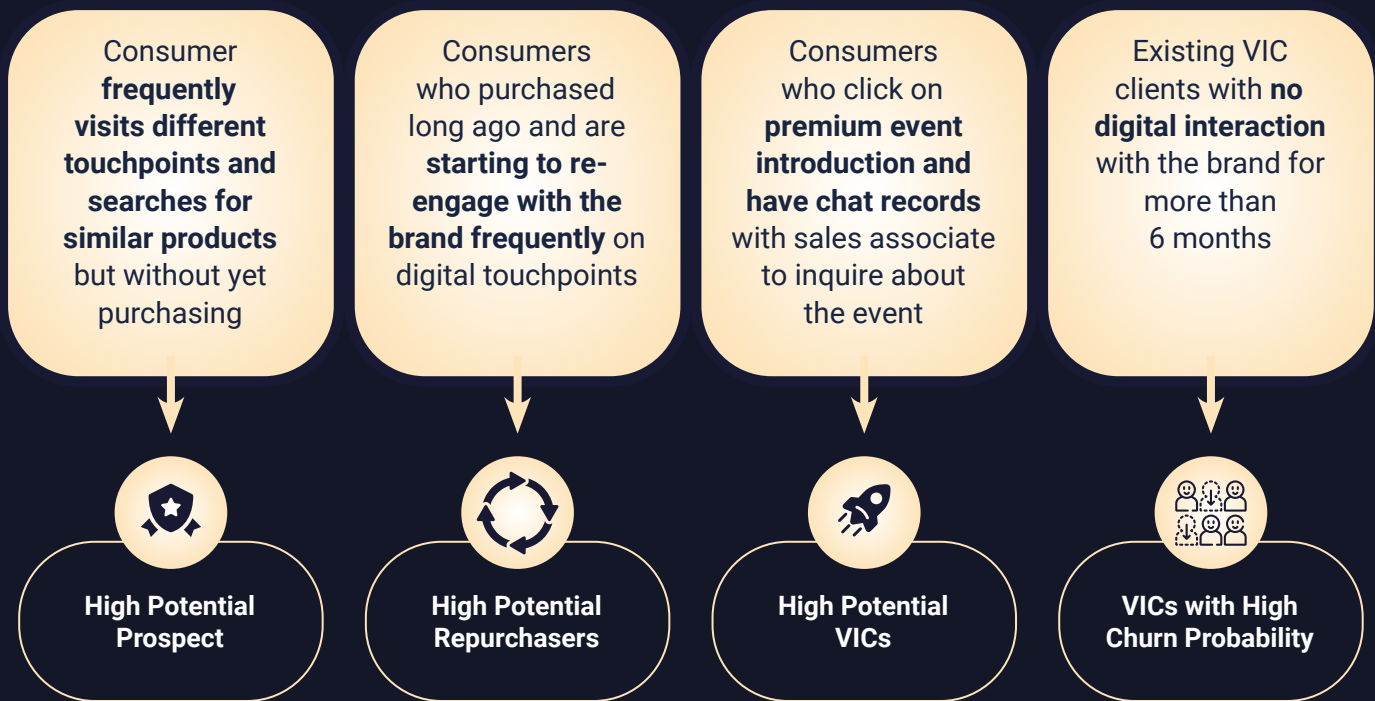
**Retain loyalty  
of VIP customers;  
identify and  
nurture “hidden  
gems” among new  
customers.**

With reliable indicators through first-party data, brands can make it easier for sales personnel in the field to strategically allocate their time and resources to deliberately cultivate customers who show potential to become frequent buyers and future VIPs, in addition to those already known and nurtured.



A true Customer360 powered by a CDP is an invaluable resource for brands

### Leverage Behavioral Data as Indication of Purchase Propensity.



Enhance with AI Propensity models to upgrade from pure rule-based to algorithm based

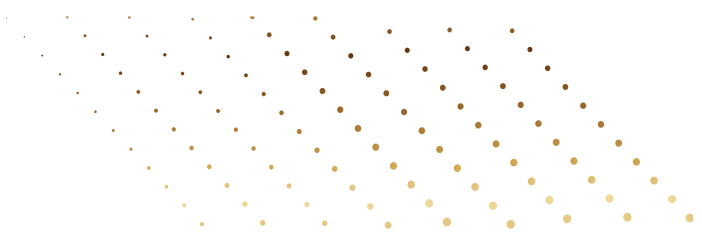


"The increasing demand for highly personalized services and experiences from consumers or luxury brands in the US, coupled with the rapid shift in omnichannel consumer buying patterns is forcing luxury brands to put first-party data at the center of their growth strategy in the US. A deeper and more granular understanding of their customers, especially through customer behavioral data, is becoming a competitive advantage."

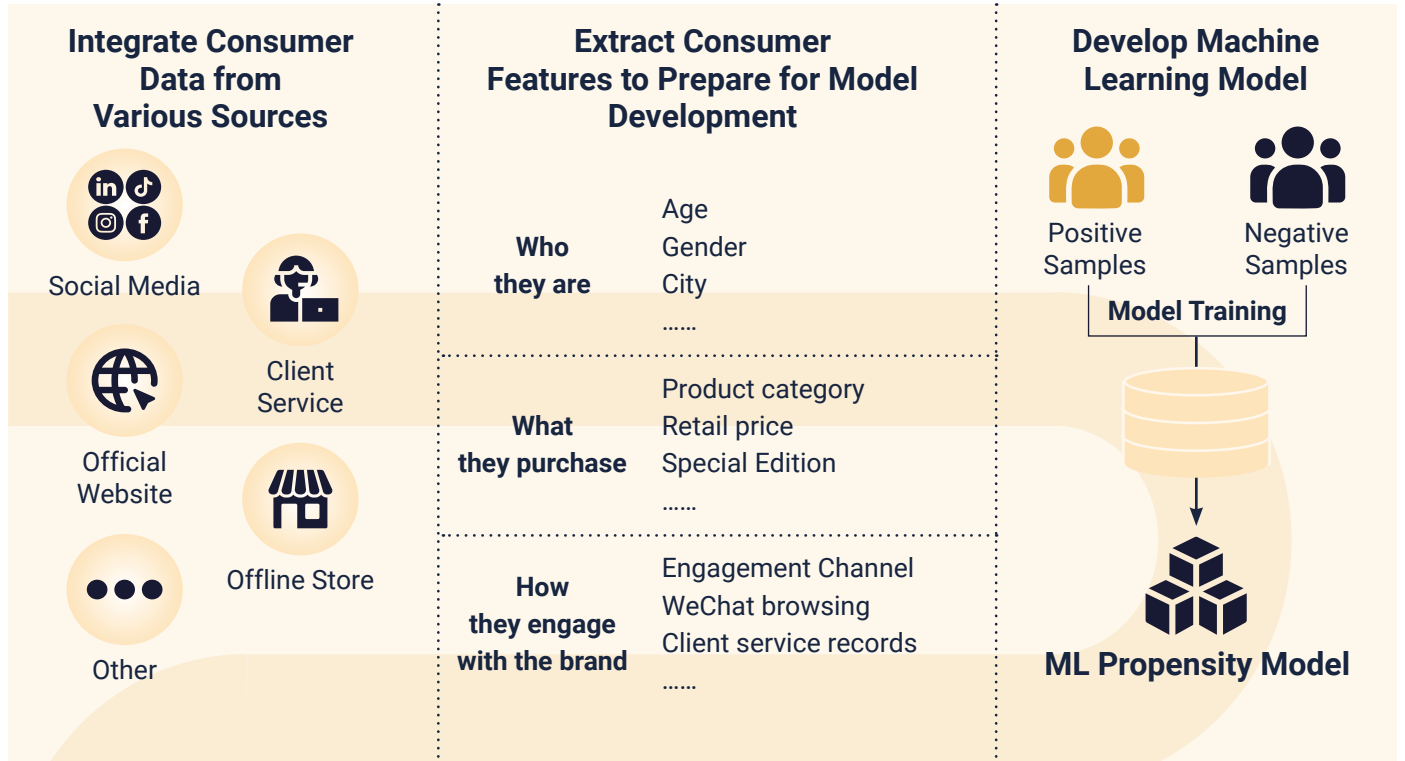
**Amit ERANDE**, Partner, Consumer Engagement, ARTEFACT



Artefact has successfully helped brands in the luxury fashion and cosmetics industry build first-party propensity scoring models based on 360° consumer data. The results are highly effective, demonstrating a 2~3x increase in conversion rate when activated, compared to organic conversion.



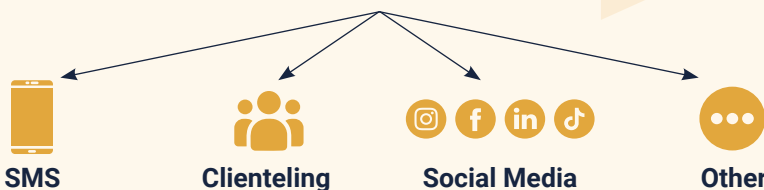
## Develop Machine Learning Model to Score Clients' Purchase Propensity



Model selects high purchase propensity customers and push to activation channel

Propensity Score	Towards
0.89	Product A
0.82	Product B
0.64	Product C
0.53	Product D

Customers would be activated at their most often used channel



Model makes significant business impact

>2x  
Conversion Uplift with Model vs. Organic

2~3x  
Uplift for Model performance with Behavioral Data



## Success factor #2: “Prescribe” the right product offerings



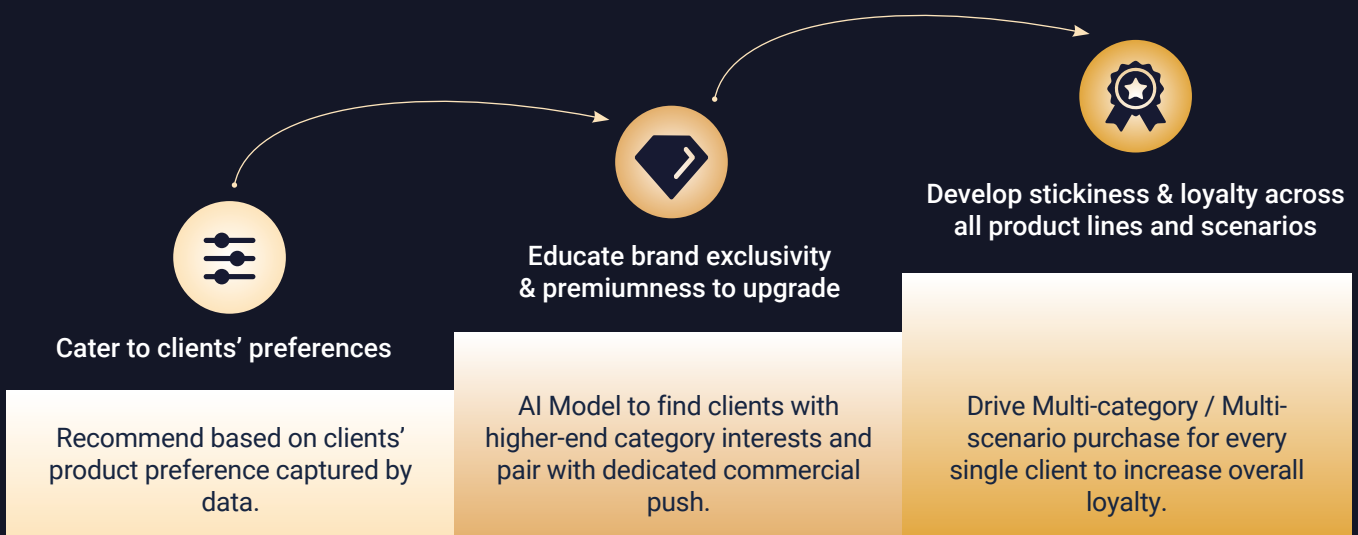
Predicting customer preferences might be enough for retailers and online marketplaces, but luxury brands require more.

AI-powered recommendation systems are no longer mysterious black boxes. We see AI recommendations everywhere, from the familiar “you may also like” suggestions everyone’s seen on e-commerce platforms like Tmall, to the hyper-personalized content feeds delivered by TikTok’s proprietary algorithm that learns users’ preferences.

But can and should this level of personalization be applied to the luxury industry? The answer is yes and no. Yes, by leveraging customers’ online behaviors and purchase records (typically obtained by unifying all touch points thanks to a CDP environment to enrich 1st party data), luxury brands can develop sophisticated AI models to identify the products customers are most likely to be interested in for their next purchase. These results can then be shared with the offline sales team, equipping them with insights to initiate sales conversations with existing customers.

However, two unique challenges must be addressed for luxury brands from a product perspective.

AI recommendations are prevalent, but luxury brands require a progressive approach to addressing personalized recommendations.



Manage scarcity and balance supply & demand

## Strategic considerations

Luxury brands must take the unique preferences of each customer into account while respecting the brand's overall strategies. Merely selling customers the products they want isn't nearly enough to consistently improve customer satisfaction. That's where AI and data play a critical role, enabling brands to go beyond simply suggesting products based on past patterns. They also help integrate brand strategies that focus on upselling, cross-category selling and, ultimately, increasing customer lifetime value (CLV).

In terms of data, machine learning models can be used to predict the customer's propensity for higher-priced, high-end categories, or by identifying cross-brand interests to increase overall affinity at the group level.



**AI and data enable brands to focus on strategies that increase customer lifetime value.**

### BEST PRACTICE CASES

#### Upsell to drive customer lifetime value

Artefact helped a luxury jewelry brand orchestrate a campaign to drive purchases of high-end jewelry products. Using advanced data analytics and segmentation techniques, they identified a group of customers who showed strong interest in high jewelry, but had previously only purchased generic commercial lines, and invited them to exclusive offline private events. This approach can be scaled up from a smaller proof of concept to an always-on brand operations tactic to cultivate Very Important Customers (VICs), fostering a higher level of customer value.

### BEST PRACTICE CASES

#### Cross-sell for higher affinity

We also helped a prominent luxury beauty and cosmetics group execute cross-brand activations. By deploying a machine learning model enriched with business rules, we were able to identify customers who had previously purchased from a brand within the Group (Brand A) and were highly likely to engage and purchase from another brand within the Group (Brand B). When exposed to Brand B's ads on the social platform, these customers showed more than a 3x higher click-through rate than other customers targeted by media tags. By harnessing this valuable customer intelligence, we enabled the Group to create cross-brand synergies and increase overall affinity.



## Balancing supply and demand

Unlike retailers, who typically have sufficient supplies of all listed products, luxury brands face a constant struggle to balance their available stock. Many luxury players rely on human intelligence to determine how many items to source. While this practice is common and proven to work to some extent, it often results in a mismatch between what the customer wants and needs and what the brand can supply. As a result, additional operational challenges arise, including stock exchange and rebalancing, leading to reduced supply chain efficiency and customer dissatisfaction as they wait for items to be restocked. To address this challenge, industry leaders are moving in a more data-driven direction, building AI demand forecasting models at both national and store levels to optimize merchandising strategy and store assortment.

### BEST PRACTICE CASES

#### Demand forecast for supply chain efficiency

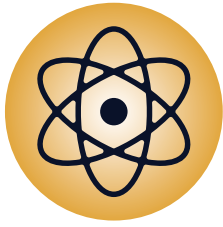
Artefact helped one luxury beauty brand develop demand planning simulators by leveraging holistic data sources from sales, store, product to campaign, promotion, events, etc. that are traditionally underused in forecasting. By building advanced AI models, we were able to forecast demand more frequently, on a weekly basis, with precision for each channel. This solution improved the brand's out-of-stock forecasting accuracy by 15%.<sup>6</sup>



*"In the luxury sector, data is not only elevating the customer experience, but revolutionizing retail operations. Traditionally, luxury brands have had to balance product scarcity and customer demand. By leveraging data, we can dive into store-level customer preferences and stock availability across multiple timeframes, allowing us to design optimal solutions that guarantee the availability of desired products for targeted customers."*

**Eglantine TRANIE, Manager, Data Consulting, ARTEFACT**





## Success factor #3: Create tool-empowered omnichannel experiences

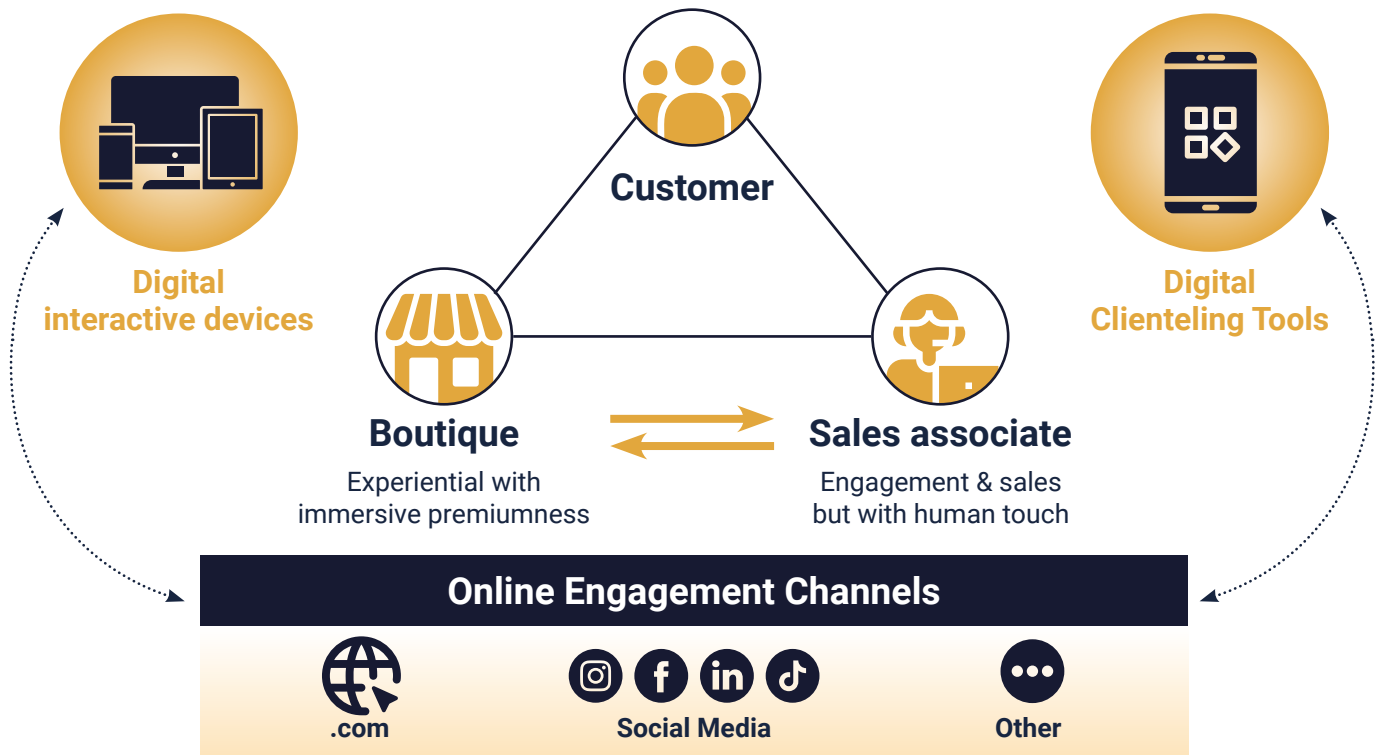
There's a debate around the concept of omnichannel. Some question its meaning and dismiss it as just another buzzword. In the luxury world, there's a compelling argument that omnichannel should transcend the boundaries between online and offline experiences. From a practical perspective, the purpose of omnichannel for luxury retail is to offer boutique-level personalized experiences and exceptional service, combined with the convenience and ease typically found in online shopping

We believe omnichannel will reposition the role of boutiques and sales personnel across the retail landscape. As boutiques become more experiential, the transactional nature of offline business will increasingly shift to sales associates, but with an elevated and human approach rather than a hard-sell mentality. In addition, the relationship between salespeople and customers will extend beyond

“ Omnichannel  
will change the luxury  
retail landscape

the physical boundaries of the boutique. To achieve these goals, digital tools such as clienteling apps play a crucial role. These tools enable sales associates to enhance customer engagement and provide a personalized and seamless experience, whether the interaction takes place in the physical boutique or through digital channels.

Omnichannel experience powered by digital tools both in boutiques and for sales associates.



What tools can shape the omnichannel retail experience to empower the business? We divide digital tool use into three distinct maturity levels.

**1. The first level consists of implementing a clienteling tool for offline sales associates.** This is a digital tool that enables sales teams to improve their interactions with customers and streamline their operations within the physical store.

**2. The second level focuses on empowering the sales team with data intelligence through the clienteling tool.** By leveraging data-driven insights, sales associates can make informed decisions, optimize their business operations, and deliver a personalized and tailored experience to each customer.

**3. The highest level of maturity is reached when the clienteling tool evolves into a comprehensive "Personal Assistant" for sales associates.** At this level, the tool seamlessly coordinates and integrates all offline and online sales activities, enabling the sales team to boost conversion, whether customers are physically in the boutique or not.

The seamless integration of personalized physical and digital experiences define omnichannel.



There are three requirements to reach the highest level:

**1 – Remote payment with omni-stock**

Enables offline sales associates to remotely generate payment or pre-order links, while implementing near real-time stock availability and seamless stock transferability between online and offline channels.

**2 – Holistic data intelligence and digitalization**

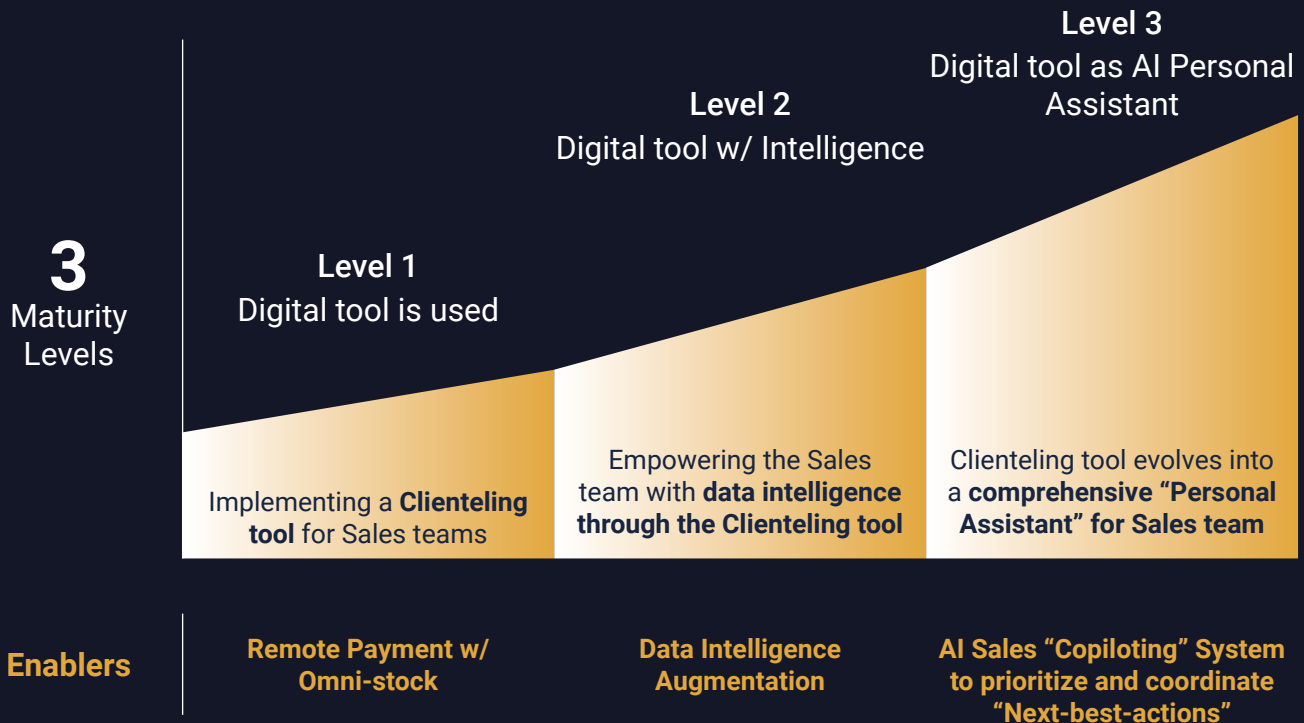
A full range of data and digital intelligence on customers, products, communications, content, etc. drives higher conversions. We have focused quite a lot on the client dimension, but digitizing content and engagement for sales associates is just as important. Especially for content, they struggle with the time-consuming task of sourcing high-quality content in a variety of formats. A data- and AI-powered content library with a rich variety of branded visuals, pre-designed text messages, and AI recommendations on which content to push to which customer can dramatically enhance the sales process, leading to significant improvements in omnichannel conversion.

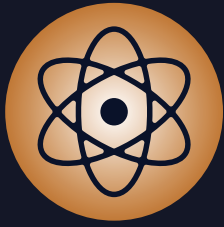
**3 – AI sales “copiloting” system to intelligently prioritize/coordinate sales associates’ actions**

At the highest level, an AI-powered intelligence system can be developed for salespeople in the field, providing them with intelligent reminders of the “Next Best Action” to take. For example, based on the sales associate’s individual weekly sales target, the sales copiloting system can make recommendations on prioritized actions to hit the target, including which category/products to focus on selling and which customers to target. To do so, the AI copiloting system not only draws on vast amounts of historical data to gain valuable insights into successful actions, but also integrates rule-based strategies to effectively prioritize these actions.

Sophisticated features, commitments and services don’t define retail omnichannel; the seamless integration of personalized physical and digital experiences do. It’s this integration that transforms omnichannel from a buzzword into a tangible reality.

**3 Maturity levels indicating how digital clienteling tools support the business.**





## Success factor #4: Data and digital is about people

In the shifting landscape of luxury retail, the “make it or break it” factor is human and cultural change. Data and digital transformation in luxury retail demands a fundamental shift in the way luxury brands conduct business, moving from a traditional “experience-driven” approach to one that is “data and digitally empowered.” Effective organizational change management is the catalyst that guides employees, from senior executives to frontline sales teams, to embrace and adapt to the new normal - a critical aspect of any successful organizational pivot. Two key “people” changes are needed to implement this.



*“Data in luxury is not only about use cases - organizational change is required to maximize the value of data in luxury. Strong leadership endorsement is often the first step in driving this change, and a small but successful trial that serves as proof of concept, supported by efficient work practices, is critical to building a scalable solution. Cross-functional collaboration and enablement are the last mile to deliver value at scale.”*

**Akhilesh KALE**, Director, Data Consulting, ARTEFACT

## Behavioral shift: Implement the right KPIs to track and drive consistent results

In the past, luxury retail sales growth relied heavily on the expertise of sales teams. As a result, sales team incentives were primarily based on sales performance, which is a valid approach. But this may not be the most effective way to drive adoption of data and digital solutions. In fact, reliance on outcome-based sales KPIs alone is insufficient to measure the true impact of data and digital solutions on business outcomes, as numerous other factors come into play. Instead, it is crucial to define behavioral and operational metrics that are specifically relevant to the adoption of these solutions. This creates a virtuous cycle in which the right metrics drive the desired behaviors and actions.

## Mindset shift: Deploy effective communication and engagement strategies

Any type of transformation requires a fundamental cultural shift. To effectively drive adoption of data and digital practices and foster a data-driven culture, it's essential to engage and communicate with employees, especially the sales team, about the benefits of data and digital solutions. When executed successfully, this approach encourages employees to step out of their comfort zones and recognize untapped opportunities.



Behaviors and mindsets: both will need to shift

## Three strategies to facilitate cultural transformation:



### Organizational communications

Establish effective communication channels that create awareness and convey the appeal of data and digital solutions/programs. Innovative communication formats are needed to create a sense of excitement.



### User feedback and co-creation

Curate a democratic and collaborative environment that encourages participation and provides opportunities for end users to contribute feedback on both business operations and data and digital solutions. This inclusive approach allows brand leaders to truly listen to the needs and perspectives of sales teams in the field.



### Training and development programs

Conduct comprehensive training and development initiatives that give the sales team new tools and solutions that enable them to do business in a different, yet enriched way. Recognize and reward high-performing individuals and empower them to train their peers to drive knowledge sharing and facilitate the adoption of data and digital practices across the organization.

## CONCLUSION: A THREE-STEP APPROACH TO DATA TRANSFORMATION IN LUXURY

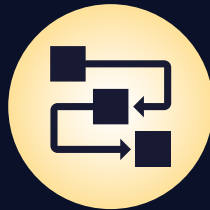
For the luxury market, data and digital transformation is still in its early stages, even in the U.S. context. However, industry leaders are making significant investments in cutting-edge data and digital solutions, robust IT infrastructures, and change management to embed new ways of working that incorporate data and digital technologies into their legacy operations - resulting in significant successes and returns in terms of brand awareness, customer engagement, and most importantly, sales.

To develop a successful data and digital transformation strategy to drive luxury retail sales, we recommend brands take the following three concrete steps now:



### Accurately assess your data and digital maturity

Understand where your organization stands in terms of data and digital capabilities; define a clear vision for your transformation with measurable success metrics.



### Identify concrete use cases

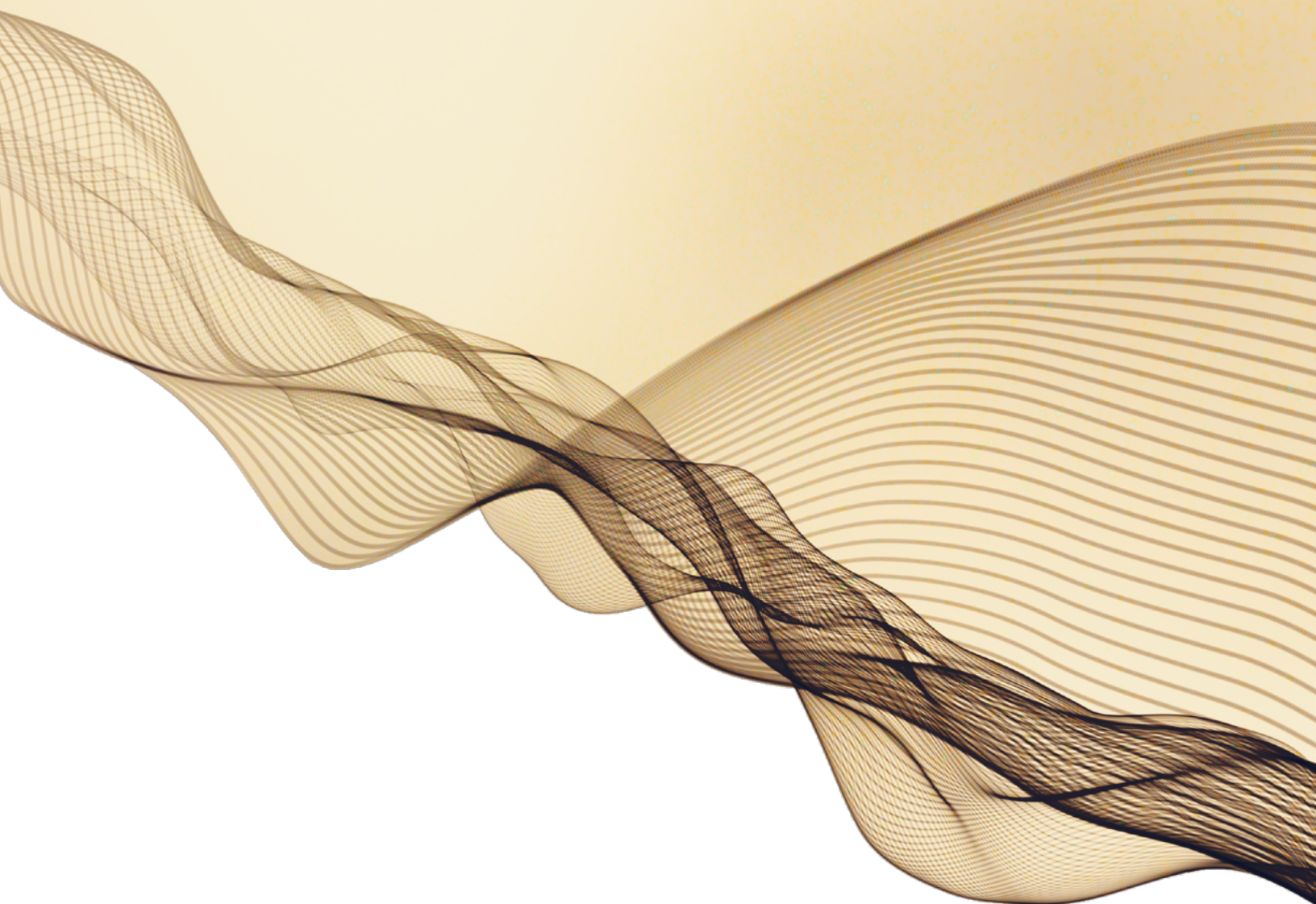
Pinpoint specific areas where data and digital solutions can have a significant impact. Prioritize use cases that can fit with your strategic roadmap and can generate value in a shorter term to create excitement.



### Build robust enablers

Invest in the technical infrastructure you need and ensure you have the right tools, systems, and talent to support your data and digital initiatives.





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# ARTEFACT

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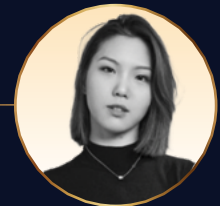
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**CYRIL FEKETE**  
Partner



**AMÉLIE HOUDAILLE**  
Senior Director



**BENJAMIN NAERT**  
Director



A decorative golden particle stream flows from the top right towards the bottom left, creating a sense of motion and data flow. The stream is composed of many thin, overlapping lines of light, with some points appearing brighter, giving it a dynamic, ethereal appearance.

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DATA IS ABOUT PEOPLE

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