THE FUTURE OF LUXURY: CAPITAL OF CREATION

Rachel Ball (L'Oreal), Amanda Bopp (dunnhumby), Julie Conlon (Unilever), Hannah DeBoer (Firmenich), Juliana Hendershot (Chanel), Sonya Lucki (Estee Lauder Companies), Priyanka Malhotra (Unilever), Catherine Velazquez (Givaudan)

Cosmetics Marketing and Management Master's Degree Program

School of Graduate Studies

Fashion Institute of Technology

State University of New York

ABSTRACT

The future of the global luxury flagship is at a crossroads, facing significant challenges from all ends. With e-commerce growth significantly outpacing brick-and-mortar, millennial customers are spending a staggering number of hours on social media, all while preferring to spend money on experiences versus products — what will the role of brick-and-mortar be in a brands go-to-market strategy. How will brands utilize this space and make it productive? Will it even be needed? According to Boston Consulting Group, in the past, 60% of luxury growth came from retail expansion while in the upcoming decade, it is predicted that only 35% of growth will come from retail expansion, leaving the remaining 65% to come from organic growth. The brick-and-mortar store must therefore evolve its productivity and attractiveness to its customers. Our research has shown that not only will brick-and-mortar remain an integral part of a brand's retail strategy, but it will also be at the heart of the brand's relationship with the customer. By deconstructing today's retail framework into four timeless pillars—Assortment, Navigation, Service, and Product, and transforming them into Discovery, Journey, Relationship and Experience, we show how brands can reinstate the importance of the flagship, by creating the Capital of Creation.

Keywords: global luxury flagship, retail challenges, millennials, brick-and-mortar, and the capital of creation, retail framework, assortment, navigation, service, and product

The Future of Luxury Brick-and-Mortar

Introduction

Luxury brick-and-mortar retail is at a crossroads. Today, e-commerce is outpacing brick-and-mortar 5 to 1 (International Council of Shopping Centers, 2015). Further, in the last decade, 60% of luxury retail growth was attributed to retail expansion. This rate of growth is not sustainable for the coming decade. Rather, the Boston Consulting Group (BCG) predicts that 65% of luxury retail growth will be organic, while 35% will come from retail expansion (Boston Consulting Group, 2014).

The role of brick-and-mortar must be reimagined; retailers must offer customers a new retail value proposition. To properly develop this value equation, retailers need to understand the customer's priorities and respond accordingly. In today's hyper connected world, customers have more distractions than ever. It's estimated that millennials spend 5.4 hours per day on social media (Taylor, 2014). Additionally, BCG reports that 72% of millennials say they would rather spend their money on experience versus product.

As such, retailers are faced with a new challenge. Today's customer is more distracted than ever before. Traditionally, retailers competed with one another for share of wallet. In the future, they will compete with one another for share of time. Therefore, in order to capture the time of the 21st century customer, the future will belong to the retailer that provides the customer with an in-store experience worthy of her time.

Current Mega Trends

Our research uncovered key mega trends that are impacting the current retail environment. In today's hyper-connected world, customers are increasingly digitally linked. It is expected that the number of smartphone users worldwide will surpass 2 billion in 2016, an estimated 12.6% increase from 2015 (emarketer.com, 2014). Between now and 2020, the digital universe will double every two years. In just five years, there will be 26 billion connected devices around the world (Link Labs, 2015). Not only do more people own smart phones, but also the amount of time spent on them is increasing due to social media channels and applications such as email, shopping, news, and games. Millennials today spend 5.4 hours per day on social media alone. It is clear that smart devices have quickly emerged as a priority, becoming a distraction for many customers.

The power of accessibility is adding another layer to the complex retail landscape. Customers have quicker and easier access to products, as well as more information about which items are available and how to choose between them. Customers are not only interested in having something new; they want it to arrive immediately. Smartphones and the Internet cater to this desire for instant gratification. The new retail experience must leverage smart phones to directly connect with their clients either from home or while in store. By providing a customized approach, retailers have a better chance to engage with the customer.

To further complicate the changing retail landscape, customers are no longer satisfied with only purchasing tangible items, they are looking for something more. According to an Eventbrite (2015) survey:

> Unsurprisingly, more than 8 in 10 millennials (82%) participated in a variety of live experiences in the past year, ranging from parties, concerts, festivals, performing arts,

> and races and themed sports. But millennials just can't get enough. 72% say they'd like to increase their spending on experiences rather than physical things in the next year, pointing to a move away from materialism and a growing appetite for real-life experiences. (Eventbrite, 2015)

These findings indicate there are an increasing number of "things" competing for time in customers' lives than ever before. This is further confirmed in BCG's research. In an article for Luxury Daily, Tricia Carr (2013) states:

> The growth of certain categories of luxury such as alcohol and food, and travel, hotels, and yachting signal that consumer values are transitioning from having to being, from extrinsic to intrinsic, and from conspicuous to meaningful. This new way of thinking or shopping brings the "having to being" frame of mind among consumers. (Carr, 2013)

Luxury customers, specifically, are moving to a more introverted kind of consumption that involves family, friends, and living well. This shift is evident as experiential luxury is outpacing growth of personal luxury products. "Luxury as a lifestyle seems to be more important than luxury products on their own." (Dauriz & Tochtermann, 2013).

Experiential luxury now makes up almost 55% of total luxury spending worldwide and, year over year, has grown 50% faster than sales of luxury goods, according to BCG's 2014 Luxury Report (Boston Consulting Group, 2014). Even in China, where sales of personal luxury goods are growing 22% each year, experiential luxury sales are outpacing goods with 28% growth each year" (Wright, 2012). An important proposition to consider is the future of this customer. With customer interest shifting from purchasing physical items toward experiences, luxury brands and traditional brick-and-mortar stores need to change the way they are engaging with the customer. How do luxury brands create the same lure and experience that social media offers, while providing the customer with a sense of being and ultimately making her feel luxurious? Furthermore, how do these luxury brands create a new measure for time and space that puts the customer's priorities front and center? In the past, luxury products were a representation of self-worth, a personal stamp evaluated by others, pushing brands and retailers to compete with one another for share of wallet. However, the future belongs to those who can blur the lines of product and experience and effectively win her share of time.

To address this, we have identified and re-imagined four timeless pillars that create a framework to analyze the retail experience—*Assortment, Service, Navigation* and *Product*. Assortment includes the traditional product assortment, merchandizing strategies, and pricing. Service includes the in-store as well as online experience, sales personnel, advisors, and post-shop connectivity. Navigation goes beyond how customers walk through the store to also include their entire purchase cycle from online to offline. And lastly, Product, represents both the physical product and the customers' experience with it.

The Current Retail Landscape

In 2013, 36%of luxury sales in the U.S. came from department stores, 46% from free-standing stores, and 18% from e-commerce (Boston Consulting Group, 2014). Across brick-and-mortar channels, store traffic is down 8.2% and transactions down 10% in the first quarter of 2014 (Berthiaume, 2014). In response to the decline in traffic, luxury retailers need to be creative to attract the attention of the customer. Examples of retailer ingenuity are found across the globe. In North America, Nordstrom initiated monthly shop-in-shops, called "Pop-In @ Nordstrom." These shops brought new designers to the Nordstrom customer, a way to deconstruct the space of luxury (Sullivan, 2014). In the U.K., Selfridges blended the traditional and timelessness of a luxury department store with the modernity of a whimsical platform, “Hello Beautiful” (Liebmann, 2015). “Hello Beautiful” was a beauty campaign launched by Selfridges to inspire a debate on the perception of beauty. Liberty of London offers exclusive and limited edition items to their customers that can only be purchased in its store. In Tokyo, the luxury department store, Isetan, provides several in-store services to enhance the shopping experience; from a sleep concierge for customers looking to purchase a pillow, to a private café for mothers shopping with their children, there is a something for everyone. These enhanced services, unique to the physical store environment are vital to entice the customer to spend time in store.

With growth in the e-commerce space juxtaposed with the innovations taking place to reconnect the customer to the physical world, a great divide is emerging based on varying attitudes towards time. On one side of the divide, customers are seeking convenience and speed, while on the other side, customers are looking for relaxation and excitement. Brands that are taking on the latter to provide a more lifestyle approach are creating what is known as the slow shopping trend. Club Monaco opened a new flagship store on Fifth Avenue in New York City that not only displayed their fashions and merchandise, but also included a coffee shop and a library to create a one-of-a-kind ambience and shopping experience. Allison Greenberg (2013), Club Monaco’s Director of Marketing and Communications stated:

> We wanted to create a space where you don't just come to buy a sweater, but are getting an education on art and culture; you can have a cup of coffee or sit in the library and read a great book that is relevant to the Flatiron district. (Satow, 2013)

Club Monaco successfully offered the customer a reason to spend more time with the brand and in the store, creating a contextually relevant environment with its local surroundings (Brooks, 2013).

These new spaces span beyond North America, and are trending globally. Innovative retailers are addressing the need for slow shopping by allocating space for experiences seemingly unrelated to saleable goods. For example, in Tokyo, 10 Corso Como and La Kagu both have small cafés integrated within a retail store. Some stores are crafting experiences linking back to perceived simpler times. Tom England, founder of Curious Iguana bookstore in Maryland, commented on the slow shopping trend, "We think there's a desire by many to go back to a very simple time. Kids are starting to play Risk again. People want to touch things. They want to be a little low-tech" (Rosenwald, 2013). High touch in an environment that purposefully evokes relaxation and discovery creates a small degree of escapism, which will create a positive affinity with the brand, ultimately driving loyalty.

In addition to driving loyalty, offering customers a more pleasant experience while shopping will also enhance the retailer's profitability. Focusing on customers' senses is more likely to increase consumers' spending habits in store (Klosowski, 2013). Store navigation and display play an important role in the customer's shopping choices. Dr. Kit Yarrow, consumer psychologist at Golden Gate University, offers an example on how the sense of smell can impact shopping choices. "Our senses bypass our conscious mind. So, we smell something like baby powder, we feel all warm towards babies, we just happen to be in the baby department, and we spend a little more money" (Klosowski, 2013).

Seventy-eight percent of customers prefer to shop in store because in store offers the one thing e-commerce cannot—the sense of touch (International Council of Shopping Centers, 2015). According to researchers from Ohio State University and Illinois State University, the customer is more likely to pay more for a product, the longer she can spend time holding and looking at the product in store. The researchers used a mug as an example,

> By simply touching the mug and feeling it in their hands, many people begin to feel like the mug is, in fact, their mug. Once they begin to feel it is theirs, they are willing to go to greater lengths to keep it (Wolf, 2015).

Looking at the mega trends and how customers are shopping today, brands need to rethink their retail objectives. In an article for Women's Wear Daily, Bernard Arnault stated, "It's not about creating dresses to put in museums. What we do is create desire in our clients and attract them to our products" (Socha, 2015). It is not about marketing, it is about creating. Today's retail model pushes product out to large groups of customers. In order to address the future of luxury brick-and-mortar, brands must reimagine the aforementioned framework of four retail pillars in order to leverage creativity and create desire, pulling customers in one individual at a time.

Assortment Becomes Discovery

Twenty-seven million pieces of content are shared everyday with thousands of new products being launched each year (Harris J. , 2015). Not surprisingly, the customer is easily overwhelmed with access to too much information and too many choices. As authoritative tastemakers, luxury brands have the ability to guide the customer through their choices, setting trends and curating for the customer's life. We therefore predict the future of shopping will revolve around the customer's lifestyle and thus an 80/20 model will be required to win her share of time. Where 80% of the stores products belong to your brand and the remaining 20% are noncompetitive complementary products that employ creativity and playfulness to drive commerce and bring the brand's story to life.

This 20% can be brought to life through three main tactics: store as a magazine, co-creation, and share of ownership. The notion of re-imagining the brick-and-mortar environment creates an opportunity to change assortment as often as a magazine changes its cover, giving the customer a reason to return and discover what's new. Imagine a world where product assortment is curated every month. Doug Stephens, author of The Retail Revival, emphasized this new medium and channel re-imagination saying, "The media is the new store and the store is the new media" (Stephens, 2013). While traditionally, a brick-and-mortar store's success was based on productivity or sale per square foot, with the changing landscape of e-commerce and the ease with which customers are able to purchase product, brick-and-mortar has been forced to evolve "not to move products but more critically, to move hearts and minds" (Stephens, 2013). This theory of moving hearts and minds brings the experience to the forefront of what will drive loyalty.

Rachel Shechtman, owner and founder of New York City's STORY leverages this metric to create a new concept that "has the point of view of a magazine, changes every four to eight weeks like a gallery, and sells things like a store." Ms. Shechtman had great success partnering with brands such as Home Depot, which used her space as a "live lab," heat-mapping the floors to gain a deeper understanding of customer journeys. Trish Mueller, Chief Marketing Officer at Home Depot, said, "I think it's a very revolutionary type of retail: ephemeral retail. The concept of product as content" (Harris, 2014). It is this content that allows customers to explore, play and express individuality, all part of the discovery process, creating editorial merchandising.

The second way to bring the 20% to life is via co-creation where partnerships between different and unique brands are formed to create something that could never be replicated and is truly ownable (Liddell, 2014). One example merges department store shopping with grocery shopping; customers can order groceries from Waitrose and pick them up during their visit to John Lewis, a leading department store brand in U.K. driving increased foot traffic to John Lewis and offering convenience for the customer (John Lewis Partnership, 2015). Another example is found when Pininfarina, a firm known for designing Ferraris, Maseratis, and other luxury sports cars, collaborated with the Related Group to create interiors of a new luxury condominium in South Beach, Miami. This partnership was so unique that all 382 condos sold within months (Madigan, 2015). Yet another inspiring example of co-creation is Club Monaco's partnership with Noma Restaurant, located in Copenhagen. In February 2015, Club Monaco had a three-week pop-up concept store inside Noma, one of the most highly rated restaurants in the world. The space was transformed to showcase a vast range of carefully curated products including clothing, books, and Noma ceramics (Sykes, 2015).

Finally, the proliferation of renting services is indicative of a long-lasting trend related to share of ownership. From Rent-The-Runway to Village Luxe, millennials are more interested in renting versus owning than prior generations. Village Luxe is a member's only website where customers can lend their wardrobe to others or rent from another's wardrobe. The BCG FIT Global Luxury Customer Survey reveals that Millennials are more interested in renting versus owning than their prior generations, and 75% would be willing to rent a wedding dress (BCG FIT, 2015). This customer does not want to own as many possessions as she may have previously and this new model offers them a chance to experience luxury without the responsibility of owning.

By implementing the 80/20 assortment strategy through co-creation, store as a magazine, or share of ownership, brands can transform their assortment into discovery. Through this, brands continuously peak customer curiosity, giving them a reason to return to the store.

Service Creates Relationships

Big data is a key driver of business insights and strategy. According to leading digital research company, L2, Apple has access to over 800 million credit cards, Facebook has over 1200 million members and China's fastest growing digital platform, Weibo, has over 600 million members, which is not a subset of the Facebook membership (L2, 2015). Why is this important? Because customer data allows brands to retain them, our research shows that retained customers are 55% more valuable than new customers, yet less than half of current customers are retained. Since sales associates are at the heart of the customer relationship, it's important that they are elevated, engaged, and compensated on the lifetime value of the customers (versus on product).

This becomes especially important because according to Allure Magazine, 66% of female luxury customers aged 18-34 with household incomes of more than $120k are willing to share vital stat information with brands (Friedson, 2015). They are willing to tell brands their height, weight, and size. So now more than ever before, we can imagine a world in which the ideal CRM model for luxury brands could be the independent tailor. Retailers and sales associates will know your name, what you have bought, and what shirt goes best with your new suit. Service becomes personal with an immediacy to respond to needs and desires.

The needs, desires, and priorities of affluent customers are shifting. No longer are they limited to "ladies who lunch." Today's consumers of luxury goods are a diverse mix including demanding millennials, busy businesspeople, and conservative, mature shoppers. These individuals are highly marketed to, and they have plenty of choices; they are in-charge, but they are also looking for a good time. Retailers and brands need to infuse some amount of 'whim and cheek' into this relationship so that consumers can have fun with them.

Retailers and brands must make use of this established two-way dialogue with customers and envision themselves as the *author of a biography*, one in which the customer is the subject, writing their auto-biography, while the brand writes their biography. Each chapter goes deeper into the customer preferences—products they love (and don't love), experiences that they reminisce about, and those that they don't want to go through again. Luxury customers want more than just a quality product of service; they expect an experience beyond the standards that luxury delivers today. As stated earlier, BCG tells us that 72% of these consumers say they would rather spend money on experiences than physical products (Boston Consulting Group, 2014). They want a personalized and special relationship that recognizes them, as individuals, and having a customer biography will allow for this. Brands and retailers will need to make significant investments in their human capital to ensure that their sales associates are able to capture elements that data systems cannot. As Wendy Liebmann, CEO & Chief Shopper of WSL, eloquently stated, "Consumers love what they cannot Google" (Liebmann, 2015).

Once a brand has a customer's biography, it can effectively create experiences based on the motivation of the individual consumer. Missions, when simply put, are the reasons why a consumer is shopping today. Combining the customers' biography with her motivation will enhance the in-store shopping experience making it easier, more engaging, and more immersive, and give the customer a personalized brand experience at every touch point. Brands will be able to understand the customer's emotional motivations, and then be able to entice them to return, thereby driving loyalty and a lifetime value of the customer.

According to McKinsey & Company, Big Data is the use of aggregated sets of internal and third-party data—*typically transactional, motivational, social, and environmental data*—and advanced analytic techniques to make better business decisions (McKinsey, 2015). Whether a customer shops at your boutique in Paris, Milan, New York or Tokyo, he or she should, and now can, receive the same personalized, attentive service. Through Big Data, and a centralized international database, associates worldwide will be empowered with the data they need to provide informed service.

Leveraging this new tool, associates in foreign markets will have the ability to access the most recent transaction from the customer's home store to propose a coordinating item, suggest new collections based on lifestyle attributes such as the types of sports played, and tailor the interaction as if they were longtime friends. We envision a global CRM program that will capture the complete value of the customer and not just the one interaction, made in one particular store, making the traveling customer an integral part of the program.

This level of personalized service is what luxury customers' demand in exchange for their devotion to the brand (Raymark). Nonetheless, it is true that as retailers gain more access to data, customers want more control of their information; 88% of customers are more concerned than ever about the type of information collected about them, 85% want to understand more about the data being collected, and close to 90% of customers want to be in control of the data being collected (TRUSTe Blog, 2014).

Despite security concerns, customers are willing to share much about themselves and hence luxury retailers need to be invested in building long-term relationships that establish a level of loyalty and engagement with the brand rather than driving immediate purchases. We foresee, with this level of granular information brands will be able to reframe the current CRM, *Customer Relationship Management,* into one that is more predictive.

While technology can be an enabler of the retail customer experience, the emotional, human touch of the store associate is a key differentiator in the experience a consumer has with a luxury brand. Retailers will need to empower their store associates to connect with the customer and provide a personalized experience. Conversion rate increased 9% when customers were assisted by employee who possessed a high degree of product knowledge and strong interpersonal skills (Geddes, 2011). The success of the retail experience lies in the hands of the sales associate.

With customers having access to more product information at their fingertips, they are entering the store increasingly more knowledgeable than before. The 2014 BCG luxury survey indicated that in China, India, and the U.S., over 70% of luxury purchases were pre-planned (Boston Consulting Group, 2014). The sales associate's role, therefore, is no longer just to provide brand and product information but rather needs to evolve to develop a deeper relationship and connection with the customer, morphing into what we define as the Experience Manager. With over 70% of customers globally planning out their luxury purchases, this Experience Manager will need to be intuitive, tech savvy, empowered, and collaborative.

We predict that this Experience Manager will be committed to the long-term health of the brand as her performance is linked to customer satisfaction, which she develops through an understanding of the customer's emotional motivations. In beauty, the sales associate turnover is close to 40% versus high-end retailer turnover of 10%. President of Brand Development for Bath & Body Works Camille McDonald stated, "An effective salesperson should never be lost to a competitive brand…they're too hard to find" (McDonald, 2015). As such, we recommend to brands that they identify high potential talent from the field, and provide them with a long-term career path in which they can aspire to become C-level executives just as was once the norm because it is through this emotional connection that customer retention will occur, thus driving long term-sales.

With new responsibilities and accountabilities dedicated to the Experience Manager, new characteristics and qualities are necessary to make them successful. A blend of IQ (intelligence quotient) and EQ (emotional intelligence quotient) must be identified when evaluating the correct talent management strategy for each brand. Brands must focus their sales associate recruitment strategy on attracting not only top talent with the soft skills necessary to build long term client relationships, but also taking into account a more focused approach in hiring associates with educational background and training in psychology and sociology, in order to better understand the science of people. Initiatives at attracting recent college graduates into sales associate opportunities must be developed in order to attract top talent, offering development programs for career advancement such as career pathing, rotational assignments, and opportunities to grow both professionally and financially. In order to make this vision successful, companies will have to relook at the retail sales model and plan now for a revolution. An organizational structure must be created that empowers the Experience Managers to be brand advocates through education and training. A talent management strategy focused on recruitment of new skills and capabilities such as psychology and communication coupled with the up-skilling and capability building of current employees must be implemented. The current educational philosophy around sales and product training should no longer be the focus in the new role of the sales associate. Rescaling talent based on future customer needs may need to take place due to this evolution of the Experience Manager. This sales associate must also have a high degree of skills when working with technology, a non-negotiable in this future world or retail.

Furthermore, to make this new approach effective, experience managers need to be incentivized properly to retain customers vs. short-term sales. Our recommendation is an incentive model that shifts from commission on product sales to commission on repeat customers. While driving sales is critical for a retail store, within the luxury environment employees must also be rewarded for behavior that drives brand equity and long-term customer relationships. There also must be a close relationship between in-store and online sales incentives, enabling a blurring of both channels where consumers feel a seamless experience between both. In the future, compensation holistically will need to be based not only on sales revenue but also on the long-term customer lifecycle/value.

One additional challenge luxury brands must face is their sales associate relationship with partner retailers, such as Bloomingdales, Saks or Barneys. While brands such as Louis Vuitton and Chanel primarily utilize their own branded employees to sell behind counter, many other luxury brands utilize the retailer's employees. If the retailer and not the brand pay the employee, there is a limited sense of brand control in the training, development, and retention of employees. Brand ownership of sales associates allows for the brand to provide a greater sense of employee commitment to the brand and focus on long term growth and career pathing of employees. Brands must decide what model works best for them and understand the benefits and considerations when looking at their retailer relationship sales model.

With experience and emotional connection being a key focus for retail in the future, the role of the sales associate will need to evolve into the role of the Experience Manager, focusing on long-term loyalty with accountability for the brand experience. The Experience Manager will be part of the executional marketing team, working to translate the vision at point-of-sale. We suggest thinking of the Experience Manager as the epicenter of information, being the closest to the consumer, making service, "holistic" and creating a truly personal relationship.

Navigation Leads to a Journey

Today we define navigation as moving the customer through the physical store. In the future, we will define navigation as guiding the customer through her entire purchase cycle, leveraging technology to shift from real time to right time. It is as Erin Moore, an EBay Senior Product Manager, stated, "Technology that fades away but is ever present" (WGSN, 2015). The competition between brands is intense and the only way for brands to get ahead is to perfect and evolve the in-store experience by offering the perfect balance between technology and high-touch. One way to do this is to implement Omni channel marketing strategies. According to a report by Boston Retail Partners, over the next three years, 250% more retailers will transition to a single order management solution to support unified commerce across all channels (MCM Staff, 2015). Another way to appeal to new customers is with mobile marketing. Boston Retail Partners states that within the next two years, approximately 300% more retailers plan to deploy mobile point-of-sale tactics into in-store strategies (King, 2015). It is imperative to use technology as an enabler to make the retail environment more productive and engaging.

Productivity in the future will be driven by the ability to be predictive and pre-emptive, understanding where the customer is going to be and why they are there (Stine, 2015). As stated previously, brands and retailers have the ability to collect Big Data throughout the customer's journey from online search to peer-to-peer conversation. However, it is leveraging the emotional motivations to understand not just where the customer is in her purchase cycle but why she is there that is critical, shifting from Big Data to Smart Data because ultimately, it is emotion that will drive customer behavior.

In the advertising space programmatic, buying has emerged to drive contextually relevant communication—being where the consumer is at the right time, in the right moment, and when it matters most (Wieden + Kennedy, 2014). Nike and Google went into customer living rooms to learn their passion points firsthand to optimize their World Cup experience, uncovering that customers wanted to feel closer to the action (Shields, 2014). Nike took their Smart Data and overlaid it with the emotional motivations, creating 3D ads of athletes scoring immediately following a real time goal to enhance the moment and overall feeling of celebration. Within days of launching, the Nike-Google World Cup campaign generated two million fan interactions (Shields, 2014).

In addition, Walt Disney's new Magic Band perfectly leverages Smart Data while always putting a smile on the faces of its customers, driving an emotional connection. It recently invested $1 billion in what they call the Magic Band, with the goal of creating a system that would replace the time spent fiddling with payments and tickets for moments of personal interaction and excitement (Kuang, 2015). While the Magic Band looks like a stylish rubber wristbands, inside each band is an RFID chip, GPS tracking system, payment system, and a radio connecting the consumer to a vast and powerful system of sensors within the park. Kuang states, "The most remarkable aspect of the Magic Band is that they don't feel remarkable" (Kuang, 2015). They are as ubiquitous as sunburns and giant frozen lemonades. Despite their futuristic intentions, they're already invisible. This band isn't an app or a phone, it is both, presenting an elegant case of business logic. By getting people to explore more than just the the park's top attractions, overall usage of the park goes up. People spend less time in line and more time exploring, discovering, shopping, and truly creating memories through their customized experiences (Kuang, 2015).

It is the balance of the when and the why, the right time and the motivation that ultimately creates the perfect combination of a high touch and high tech experience. This balances physical touch and tapping into the emotional needs of the consumer with seamless predictive technology, amplifying the human connection to enable a higher touch (or inter-personal) experience. Communicating with customers at the right time transforms navigation into a journey that the brand takes with the customer.

Product Transforms into an Experience

Brands have relinquished control of the retail industry to customers who now dictate what brands must do in order to receive their share of time. While the product used to be the single most important element of retail, customers are now more interested in experiences, requiring brands to engage with them interactively and emotionally. Product has become the point of entry with experience being the key factor that can give a brand an edge against competitors in the market creating an environment that is so engaging and personal that as consumers dream, brands can create.

Additionally, with 3D printing now making inroads, many brands and retailers have incorporated this tool into their in-store experience, enhancing their level of service. One such example is the 3D Nylon shoe by Andreia Chaves (Andreia Chaves, 2015), initials on a Goyard bag, or a signature Le Labo fragrance. Introducing the fourth dimension (4D)—creativity that aligns to your individual desire. With all the data that’s available and all the technology that retailers and brands have at their fingertips we can envision a world where a desired fashion garment could be printed immediately in a customer's body shape, fitted to exactly to their size. Or the garment could be printed and then the colors varied to be tied to the customer's liking. Curation and creativity will have no limit under the fourth dimension, as we foresee a world where a customer's preference is the fourth dimension, transforming the 3D of luxury into a 4D model.

A study by Thomas Gilovich, professor of psychology at Cornell University, proves that experiences rather than tangible objects evoke greater happiness. "Your experiences really are part of you. We are the sum total of our experiences. We consume experiences directly with other people. And after they're gone, they're part of the stories that we tell to one another" (Cassano, 2015). Gilovich's theory has been recognized by brands that are looking to create memorable experiences in their retail environment. Bite Lip Lab opened a store offering customers the chance to personalize their lip color from shade to texture to finish, empowering the customer to go behind the scene and play a role in the creation of their own end look (Piercy, 2013). Similarly, Selfridges in the U.K. partnered with The Future Laboratory to create a Fragrance Lab where the customer was taken on a journey through a series of stages, selecting objects that resonated with them, personality questions, and sensory experiences, all to create their ideal fragrance, which was given as a gift at the end (JWTIntelligence, 2015).

Fifteen years from today, brands and retailers will be able to reach high-value customers with propositions that are curated especially for them. Fall Fashion 2030 will be available to all, democratized, but there will be one shirt created for Mary, in her size, in the color that she prefers and available on the day that she wants to wear it. We predict that luxury retailing will shift to anticipated and predicted personalization of desires and preferences. There will come a time that as a customer dreams of a product, brands will be able to create and curate it for her. The future flagship, therefore, must transform into the Capital of Creation.

This Capital of Creation fosters transparency, as we see with the Mast Brothers chocolate Shop, letting customers purchase and explore their chocolate selection while displaying the creation process in the back and talking consumers through the recipe and cooking steps (MAST BROTHERS, 2015). Similarly, at the opening of the Burberry L.A. store, the brand allowed consumers to watch the latest fashion creations walk down the runway in a debut of the collection and retire the pieces if they chose to purchase them (Heppe, 2015). Much like an open-kitchen style restaurant we must allow the customer to ultimately witness "the making of" first hand and become a part of the creation process.

Transparency is an emerging value marked by increased customer interest in understanding where products come from and how they are made. The BCG FIT Global Luxury Customer Survey finds that 60% of customers cite authenticity as a driver of interest in provenance (BCG/ FIT, 2015). With the customer's increased desire for transparency, retailers can showcase the craftsmanship of their brand. Fine craftsmanship has long been considered the hallmark of a luxury product. Hermes defines luxury as "that which can be repaired" (The Economist, 2014). Hermes manufacturers only 70,000 Birkin bags per year; the number is limited, in part, due to the two years it takes to train the craftsmen who make the bags (The Economist, 2014). LVMH's Journées Particulières is a program that allowed the public a rare glimpse into the detailed craftsmanship and creativity of some of their most exclusive brands, including Bulgari, Fendi, and Pucci. Offering tours of the workshops, ateliers and factories, the two-day event, attracted more than 100,000 visitors. (Donaldson, 2013).

Julep takes a slightly different approach, partnering with a consumer group that they call Mavens to test and review new products prior to launch. This brand has found that this consumer involvement has increased sell-through potential when launching to the mass market—90% of what Julep manufactures is sold out in the first month (WGSN, 2015). Sharing a new story with the consumer and taking her on a unique journey each time she enters a store is the recipe for success. As the customer engages in product creation, product truly becomes an experience—an Experiential Product.

Conclusion

As stated, the global luxury flagship is at a crossroads and faced with significant challenges. Our new retail framework envisions that the global luxury flagship will remain the heart of the brand and it will evolve to become the Capital of Creation. Through the four retail pillars—Discovery, Relationships, Journey, and Experience, brands will be able to unlock the ultimate in-store experience driving loyalty and creating a lifetime value to the consumer.

The new Capital of Creation exemplifies transparent story-telling and a celebration of the craftsmanship and creative process of luxury. We predict the future global flagship becomes a place where the customer can create their story in the context of your brand. She is able to write another chapter in the story of her personal brand that she will want to share with others. In addition to housing a museum, which looks to history, the future flagship looks forward, telling a story that blends the heritage of the brand with the customer's narrative, elevating their personal brand. Story-telling captures the customer's share of time, making her eager to come to the flagship, tell her story, and share with her network.

The brick-and-mortar of the future will need to not only offer products but also move the hearts and minds of consumers to bring the experience to the forefront of what will eventually drive loyalty. It is this loyalty that will translate into repeat visits ensuring productivity by improving time spent in store. We envision an environment that she craves spending time in, exploring, and wanting to come back to for more, allowing brands to capture her share of time.

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