

Digital wears Prada: As tech meets luxury, IT majors find a new ray of hope



Synopsis

The world's top 100 luxury brands generated a revenue of more than \$ 300 billion last year, and an increasing number of these companies are spending big on technology — up to 2% of their revenues.

Luxury is expensive. It's exclusive. Digital, on the other hand, makes everything accessible to everyone. The two ideas, it would seem, are incongruent to each other.

Circa 2023. A luxury retailer has invited you to an exclusive fashion show in-person just because you looked up their products online. If this idea sounds far-fetched, think again. Luxury giant Prada is planning to make something similar happen soon using Adobe's cloud solutions.

While celebrities like Deepika Padukone, Nina Dobrev and Bella Hadid may be curios around 3D printed clothes, global luxury retailers are spending on more technology than meets the eye.

From investments in retail channels, customer experience and digital payments

to larger solutions around sustainability, this sector has been increasing its focus on using technology to drive sales, visibility and brand perception.

Virtual selling platforms, resale channels, experience zones, **3D-printed couture**, demand analysis and a metaverse presence are only a few of the areas that global **luxury brands** like LVMH, Gucci, Burberry and Balenciaga, among others, are exploring, according to reports. In fact, solutions for driving sustainability of fashion supply chains (the second biggest polluter after the oil industry) are a big draw for tech spends.

“The pandemic-induced surge in e-commerce has led to approximately 55% of the technology investments being directed towards **online platforms**,” said Ravi Kapoor, partner and leader, retail and consumer, PwC India. “Payment technologies, **social commerce**, resale, supply chain and logistics, as well as NFTs and virtual reality, were among the key areas of focus for technology spending.”

He added that with sales of luxury items on the rise and recessionary effects minimised, brands are seeing the importance of investing in newer technologies. “As the luxury market evolves, technology spending is expected to further increase, reaching up to 3-4% of sales by 2030,” Kapoor added.

The pandemic effect

The world’s top 100 luxury brands generated a revenue of more than \$ 300 billion last year, and an increasing number of these companies are spending big on technology — up to 2% of their revenues. For firms like **Tata Consultancy Services**, Cognizant, Adobe, **Wipro** and Capgemini — which have seen a significant drop in tech spending, by up to 20%, in their biggest verticals of banking and financial services, telecom, etc — luxury offers a ray of hope.



Tech-ing control

ADOBE X PRADA

In March, Prada Group announced plans to leverage Adobe's solutions to creating unified customer profiles for personalised experiences. For example, a customer who has researched a bag online may be invited to see the bag's latest seasonal colours in person, where a sales assistant will be ready to provide a tailor-made experience. After leaving the store, the customer will receive recommendations based on their purchase, in-store experience, and online profile.

“The onset of the pandemic shifted focus to essentials, while the luxury sector took a hit,” said Vidhya Krishnaswamy, VP and head of consumer products, retail & distribution, Capgemini India.

Now, with a paradigm shift toward digital innovation, **luxury retail** is creating a niche for itself by offering a seamless customer experience across channels, he said, adding that Gen Z consumers are driving a lot of the brand awareness.

Technology investments by luxury retailers started before the pandemic owing to the shift from the wholesale (B2B) to direct to customer (B2C) model. The pandemic accelerated tech investments in diverse areas of business, said Mohan Krishnan, global head, retail strategic initiatives, **TCS**.

Additional investments in tech moved from cost optimisation to business transformation across the value chain, he added.

“Luxury retailers are focused on advanced 3D, XR (extended reality) and generative capabilities, both from the product development as well as providing an immersive experience to the digital-savvy cohort of customers,” said Krishnan.

CAPGEMINI

ETech

The company helped a retailer, a globally recognised fashion retailer, use Capgemini's Applied Innovation Exchange to host its national sales convention on the metaverse for improving customer engagement and driving sales for the season's main trends and designs.

IBM X TAG HEUER

The brand implemented a guided online purchasing journey within just three weeks, allowing customers to make purchases directly through their e-commerce platform during the pandemic. It also used IBM iX solutions for a large transformation project to integrate Salesforce CRM platform to manage B2B partnerships.

According to Krishnan, **luxury retailers' technology** are increasing investments in planning capabilities to cater to growing and wider store networks, primarily in Asia. Experimentation with newer tech like generative AI and large language models are on the rise, too.

“We at TCS have partnered with a leading luxury retailer in North America to provide hyper personalised experiences, ensemble recommendations and offers to customers through digital stylists. This has resulted in a 3X return on investments (ROI) in a short period of time,” Krishnan said.

Since the pandemic, the recovery of the retail industry has been in a ‘K’ shape and demand for luxury products is growing constantly, said Ganesan VP, distribution sector leader, IBM Consulting — India/South Asia. “While some luxury retailers are testing the waters with increased **ecommerce adoption**, most of them are generally store-based to maintain full control over product experience,” said Ganesan, adding that the company also works with a large number of brands in India, including jewellery firms that are utilising a number of innovative solutions.

“Due to an increase in counterfeit products, diamond and jewellery business leaders are finding new ways to track raw materials — from the mine to the retailer,” he said.

In a world where heady prices are closely linked to values such as respect, pride and envy, sustainability may seem like a far-fetched idea. But it seems to have emerged as a key focus area for luxury consumers, according to Ganesan.

A recent consumer study by IBM suggests that some consumers will pay up to 70 per cent more for products branded sustainable. IBM has also partnered with Kering, Vogue Business and the Centre for Sustainable Fashion at the University of Arts, London, to develop Fashion Values, a global, free-to-access education platform to promote sustainability in fashion.

What retailers want?

The luxury retail sector has witnessed a plethora of innovative strategies — expansion of digital marketing, livestreaming shopping events, virtual showrooms, rise of social commerce, **online influencers** and an influx of new product categories across channels, said Puneet Mansukhani, partner, KPMG in India.

“Retailers expect a high degree of domain expertise and want the service providers to have conversations around ROI. There is a big ask around outcome-based deals where retailers are willing to collaborate and pay on growthbased milestones,” he added.

COGNIZANT

It built a customer experience solution and a digital fulfilment platform for an Indian luxury retailer. The retailer reported an ability to roll out new digital commerce features 70 per cent faster to market, improve inventory and operations efficiency by 30 per cent and drive higher sales.

WIPRO

Helped a luxury retailer drive their cloud adoption, drive new e-commerce platform rollouts as well as bring agility and scale to integration needs for their digital infrastructure. Also helped streamline back-office process(es) across regions and brands.

Retail business models today increase the potential to collect consumer data via multiple touch points, but also make brands more vulnerable to cyberattacks.

“Failure to provide data security, disclosure or transparency and proof of origin puts customer loyalty and brand reputation at risk,” said Mansukhani.

Venu Juvvala, head, digital experience business, Adobe India, said that luxury brands in India are also altering their demand from technology providers based on demand metrics that are changing post pandemic.

“Initially, this was more prevalent with economy brands, but premium brands have also started embracing digital platform to improve the customer experience journey over time,” he said.

For instance, jewellery brands are becoming more open to adopting digital technology from a content and commerce perspective, as they recognise that customer journeys can both begin and end online, said Juvvala.

“Additionally, we have observed that luxury brands looking to expand internationally, particularly in the US and Middle Eastern markets, rely more on digital platforms for quicker turnaround,” he said.

Srini Pallia, CEO, Americas 1, Wipro Limited, believes that personalisation of experience is key if luxury retailers need to differentiate themselves from the rest.

“Aligned to this are capabilities around ethical consumption that need brands to showcase social and environmental responsibility. A lot of conversations around AI, IoT, Web 3.0 and cloud computing take centre stage today to differentiate and optimise business processes,” he said.

Anand Ramanathan, partner and consumer industry leader consulting at Deloitte India, said that the top areas of technology investments for luxury retailers are in building a comprehensive single view of customers, inventory and products respectively. “If you look at the profitability of luxury brands, it is primarily driven by existing customers. So, customer retention costs are a big focus of their investment,” he said.

He added that these companies are spending heavily on tracking demand trends and consumer behaviour to not only design targeted communications, but also to strategise supply chain requirements like forecasting and demand planning. This includes investments in analytics and data lakes apart from automation solutions for process support like general HR functions, finance, ERP and CRM solutions. “After sales service is also paramount and they are spending on chatbots and generative AI to offer enhanced brand-specific user experience,” he added.

India at play

A large part of the global retail tech solutions is driven by Indian delivery centres at technology majors. For instance, India-driven store analytics and personalisation solutions are driving global luxury retail solutions for another IT

services major, Cognizant.

“Indian talent is helping global luxury retailers drive transformation in both customer experience and store operations, by deploying analytics driven personalisation, multiverse fusion, intelligent inventory tracking and omni-channel enablement,” said Ganesh Kalyanaraman, SVP and delivery head - global growth markets, Cognizant.

“As these technologies go mainstream, Indian retailers have also started adopting them. For example, Cognizant helped a jewellery and luxury lifestyle retailer re-imagine their digital commerce platforms that led to an increase in peak season sales,” added Kalyanaraman.

Similarly, Accenture’s India teams have played a significant role helping global luxury retailers reinvent themselves through a technology-led approach, said Mahesh Zurale, senior MD and lead, Accenture’s Advanced Technology Centres in India.

He added that post pandemic, brands are focused on Gen Z buyers and influencers, who are demanding solutions to engage digitally with them. “This means that luxury brands win or lose at all digital touchpoints, long before a customer even enters a physical or an online store,” Zurale concluded.