2022 Luxury Retail Trends

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For luxury retailers, the focus of 2022 will be on increasing access and leveraging technology to better meet consumers' needs and expectations as we settle into an in-person and virtual hybrid world that is here to stay. The past two years have offered many lessons to luxury retailers who were encouraged to re-think sales channels and improve customer access through online, experiential consumer engagement. Now these practices will be refined as retailers continue to improve online selling tactics and shift to meet consumer preferences.

We're watching these five luxury retail industry trends as we move further into 2022:

TREND #1

Blockchain technology allows for authentication of luxury goods.

Blockchain technology has become increasingly popular in the past few years, best known as a technology used to record cryptocurrency transactions. Blockchain is a great tool for businesses dealing with sensitive or valuable data because it's a ledger composed of decentralized and distributed records, making it incredibly secure. This is important to companies in luxury retail as the authenticity of goods drives value in the industry.

Blockchain can help sustain this value by increasing traceability and preventing fraud. By storing data on a blockchain ledger, luxury retail companies can ensure their goods are high-quality, sustainable, and valuable through the entire production process. Similarly, when luxury goods are sold, consumers expect the worth to be life-long. Using blockchain technology to assign an electronic certificate of authentication helps keep a secure record of the product's worth, therefore helping sustain its value.

Global trade in counterfeit goods is expected to increase to $991B by 2022.
SOURCE

We started to see the industry catch on with this trend in 2021. In April, the Aura Blockchain Consortium was created by LVMH, Prada, and Richemont to allow any fee-paying luxury brand to utilize their blockchain technology to trace and authenticate products using non-fungible tokens (NFT), a type of digital certificate of authentication. As this alliance grows, we can expect more key industry players to either join or pursue other means of blockchain authentication in 2022.

TREND #2

Luxury retailers adapt to meet the needs of the ever-evolving consumer.

We are now starting to see the long-term effects of the initial shock in lifestyle change from COVID-19. Hybrid work, a mixture of virtual and in-person, has become the new normal, and employees are now equipped to work from nearly anywhere. We're seeing this translate into their buying habits, as well.

As a result of the pandemic shifting consumer buying habits, leading luxury brand Gucci continues to embrace digital and technological innovations to meet consumers where they are. From leveraging augmented reality through its app and Snapchat filters to releasing online-only sneakers, Gucci is constantly enhancing its online presence. In March of 2021, the luxury brand sold the Gucci Virtual 25s, the first-ever online-only luxury sneakers.

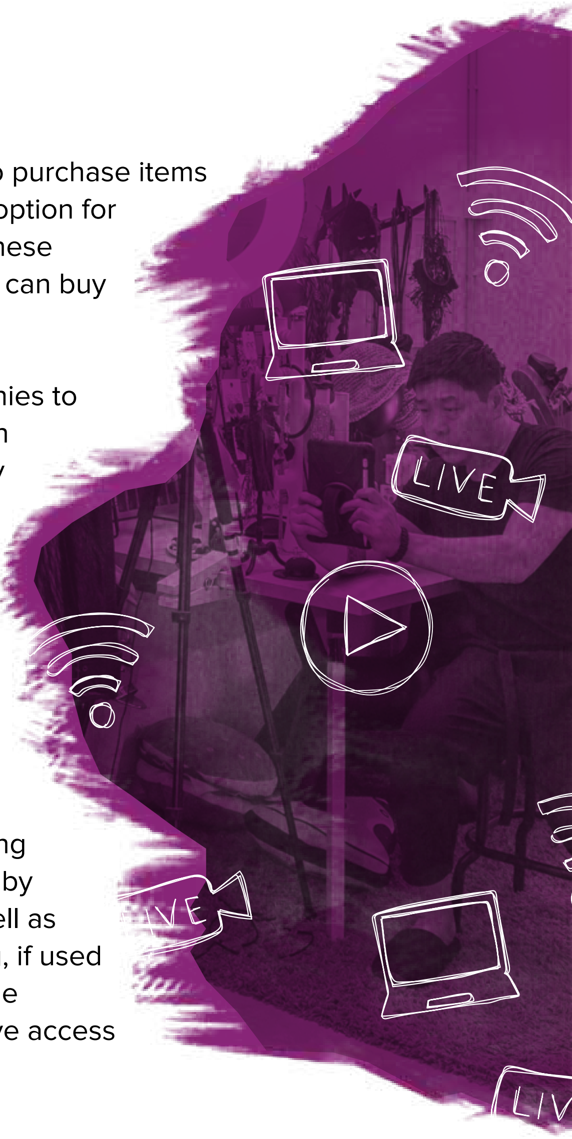
The luxury retail industry has also made its selling practices fit a more “at-home” lifestyle. For example, Chanel is making it easier to buy from home with its new makeup “Lipscanner” app. This tool allows customers to use camera access on their phones to see what different shades of Chanel lipstick would look like using artificial intelligence (AI). Another interesting feature is the color matching tool, which allows users to scan any color in the world, whether it be a lipstick they already have or just a color they like, and Chanel will use Lipscanner to match their item to the closest color of Chanel lipstick available.

These are two examples of the innovations that consumers are noticing as luxury brands adapt to meet the ever-evolving needs of the consumer.

One-third of global luxury sales will occur online by 2025.
SOURCE

TREND #3

Livestreaming increases access to luxury retail.



Livestreaming is a new concept in the retail industry that allows shoppers to purchase items in “real time.” This can occur through any video streaming service with the option for pop-up links where items can be sold to consumers joining the stream. Chinese retail giant Alibaba has popularized livestream shopping, where consumers can buy a product directly as they watch.

This new trend is breaking into luxury retail by opening avenues for companies to provide exclusive first looks and gain viewership of runway shows. Although livestreaming increases access to an industry known for exclusivity, the way companies can leverage this channel seamlessly fits the selling needs of luxury retailers.

For example, Jimmy Choo tested livestreaming in 2021 by selling a curated “first look” at their summer collection on a Bloomingdale’s livestream channel. The select group of customers had exclusive access to the new line through a selling channel that was time-bound, creating a greater sense of scarcity.

Livestreaming is also useful for the luxury retail industry in terms of increasing visibility and access to shows. Companies like Burberry are blazing the trail by allowing remote viewing to promote sales of new and exclusive items as well as increasing access to their shows for those who cannot travel. Livestreaming, if used effectively, presents an effective way for the luxury retail industry to leverage spontaneity and perceived scarcity to give customers a first look or exclusive access to their products.

TREND #4

The secondhand market continues to grow.

Secondhand selling presents a large opportunity for the luxury retail industry. Secondhand selling, or resale, has been on the rise for years now, particularly as waste reduction and affordability became more valued by consumers, but we have not seen the luxury retail industry make big strides in this space until recently.

A new partnership between The RealReal, the number one platform for luxury goods upcycling, and eight luxury retailers stirred the industry, making secondhand sales more commonplace. Brands such as Burberry, Stella McCartney, and Gucci were among those that partnered with The RealReal. These retailers can now sell goods from their warehouses and stores that would otherwise be considered “too distressed or damaged to sell.” This not only helps companies recoup some of their forgone profits but also promotes sustainability.

This trend is interesting considering that many luxury retail companies have historically been resistant to secondhand selling channels. Inauthenticity and brand dilution are a large fear in the industry, so many companies find it vital to keep ownership of their sales channels to mitigate fraud of their branded products. Fraud prevention presents an opportunity to couple blockchain and secondhand selling. Blockchain authentication is a great option for companies who want to pursue the booming secondhand market because they can create a virtual, secure certificate of authentication that follows their products through any selling avenue.

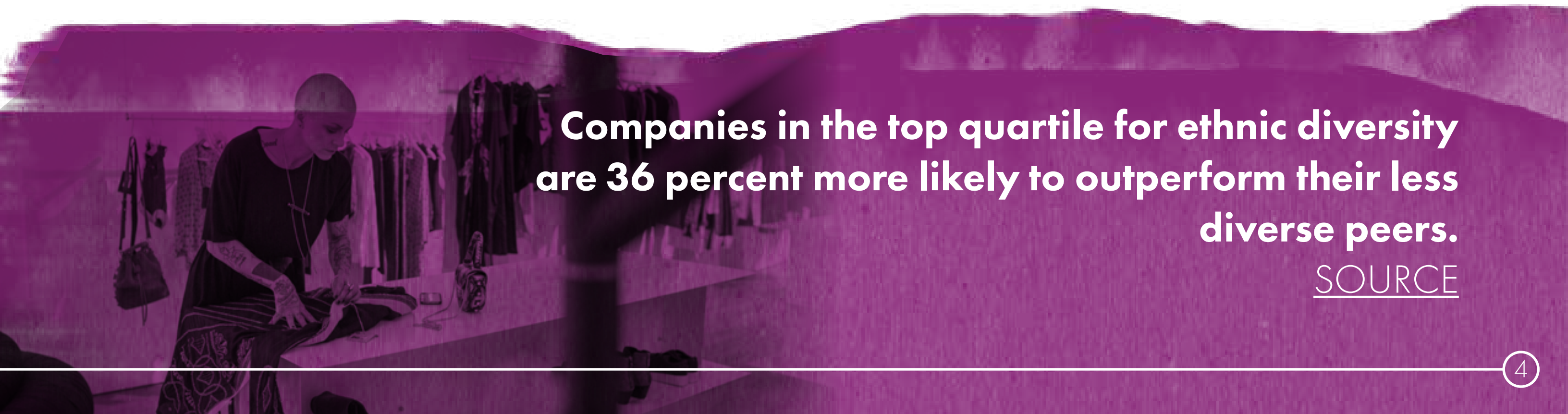
The luxury resale market is expected to reach $68.5 billion by 2026.
SOURCE

TREND #5

Brands are promoting diversity, equity, and inclusion.

Diversity, equity, and inclusion (DE+I) are becoming more robustly adopted as luxury retailers recognize a need for equal representation in the workforce and in consumer marketing. DE+I efforts are especially necessary for the luxury retail industry because it is exclusive by design. This exclusivity may be intentional, but there is a line to be drawn between exclusivity of commodities and excluding targeted groups of people. Companies must be strategic in making sure they do not limit their customer base through biased exclusion, even unintentionally.

One way that DE+I efforts come to play in luxury retail is through brand advocacy and sponsorship. Beyoncé recently became the first Black woman to wear the iconic Tiffany Diamond, a 128.54 carat yellow diamond, in a Tiffany commercial, becoming one of only four women having ever worn this iconic diamond.



Companies in the top quartile for ethnic diversity are 36 percent more likely to outperform their less diverse peers.
SOURCE

Another way DE+I efforts are seen in this industry is through hiring processes and organizational structures. Many companies have created a Chief Diversity Officer role and are encouraging diverse recruiting tactics to challenge a history of homogeneity. The industry is recognizing that by gaining a breadth of experience and background internally, they can successfully reach a broader market externally. This is even more important as we see access increase through selling tactics like livestreaming.

With luxury retail shopping available at the touch of a button on a smart phone or straight through a social media livestream, the potential customer pool is increasingly diverse, and companies must develop their inclusion strategies.

Conclusion

Moving into 2022, we can expect to see the luxury retail industry continue its gradual adoption of innovative technology. These companies are understanding the advantage of market expansion using technology, and pressures from COVID-19 are showing lasting effects. Industry leaders are venturing to find ways to secure their selling channels using blockchain, and this is allowing them to redefine where they can provide value. Similarly, livestreaming popularity can be tactically leveraged to add elements of surprise and scarcity in luxury pop-up shopping and exclusive first-look screenings. This technology will expand access to luxury goods. Such technological changes stem from the mindset of consumer-focused change.

Luxury retail is recognizing that the newer generations of buyers are accustomed to hybrid lifestyles and interested in the sustainability of secondhand sales. By shifting product lines to include products and tools targeting the “at-home” lifestyle and investing in secondhand selling, luxury retail companies are branching out to drive customer-focused change. Additionally, the luxury retail industry is also starting to make real, actionable change in its diversity, equity, and inclusion efforts by appointing internal executives, advertising to broader markets, and choosing brand ambassadors that are paving the way for minority groups. These efforts are far overdue and will only help to propel the industry as it broadens its sales channels and target markets.

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