



Luxury Shopping Focus

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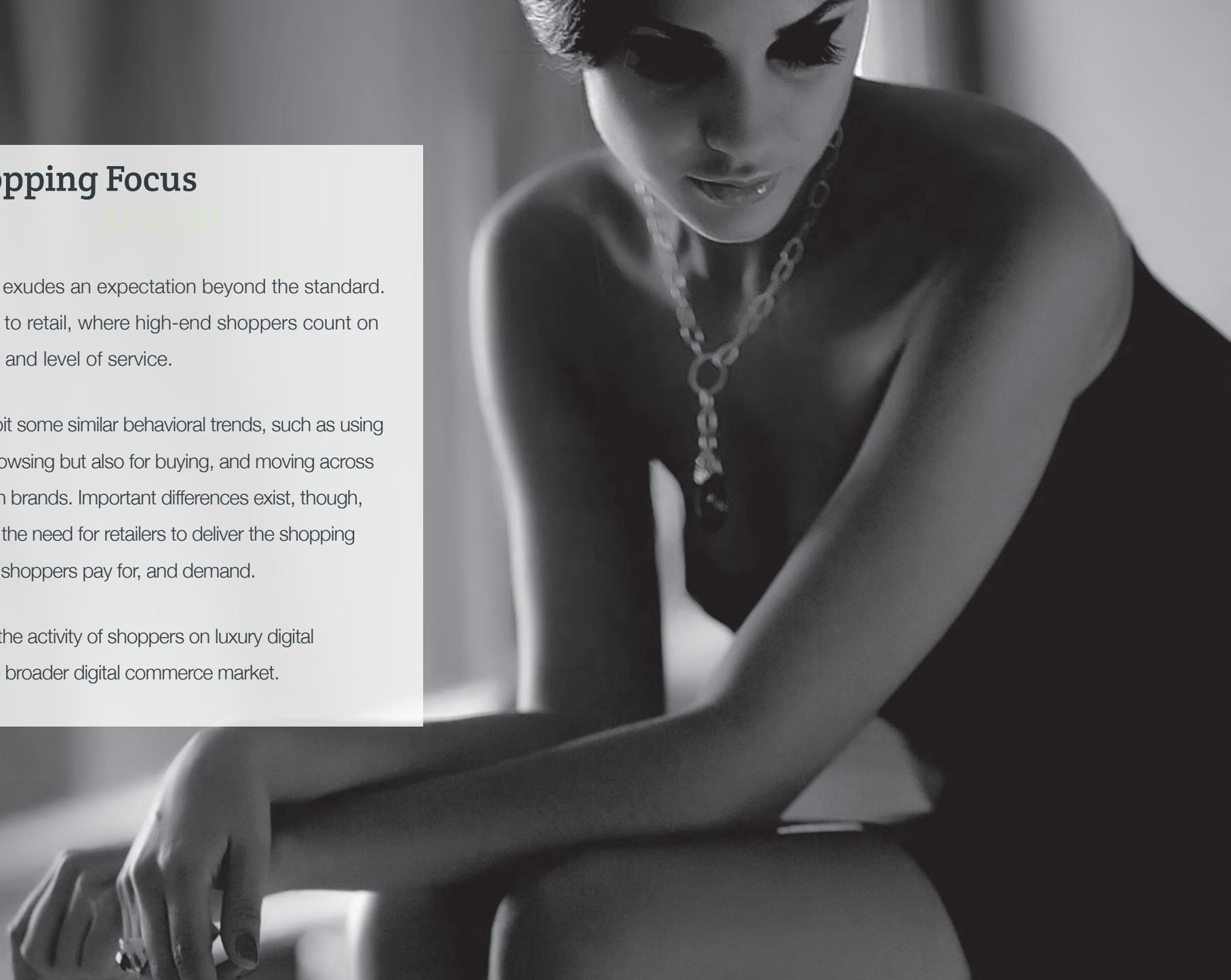
Luxury Shopping Focus

— LUXURY

In all its forms, luxury exudes an expectation beyond the standard. That certainly applies to retail, where high-end shoppers count on a singular experience and level of service.

Luxury shoppers exhibit some similar behavioral trends, such as using phones not only for browsing but also for buying, and moving across devices to engage with brands. Important differences exist, though, and these underscore the need for retailers to deliver the shopping experience that luxury shoppers pay for, and demand.

This report compares the activity of shoppers on luxury digital commerce sites to the broader digital commerce market.



Luxury Shopping Focus

Luxury retail brands are clearly attracting shoppers. The net increase of 29% additional shoppers in the luxury market is a strong indication of the attractiveness of the vertical. This increase in shoppers beats the overall market attraction rate of +25%. Additionally, shoppers are making more frequent visits to luxury sites, as visit frequency per shopper is up an astounding 24%. This increase far outpaced any other vertical. Some of the key factors that may be influencing the increase include the rise of content embedded into the commerce experience, as well as the increase in cross-device shopping. Clearly, luxury sites have become a destination, attracting new shoppers and pulling those familiar shoppers back to their brand.

While the attraction data supports the notion that luxury brands have become more accessible, an opportunity remains, inspiring those browsers to become buyers. Successful luxury retailers will do what luxury is known best for: service. Those window shoppers require a higher level of service, which brands can execute with a strong sense of personalisation – bringing the practice of clienteling into the digital experience.

With shoppers making more visits, thanks in large part to cross device shoppers, luxury retailers must evolve the way they measure their business. Instead of using antiquated means of measurement, like conversion rate, which is based on number of visits, retailers should seek out metrics that tell the true story of their business and are based on the shopper. Looking at performance through the lens of conversion rate does not allow for the true story - growth - to shine; orders rose 12% year over year, and average order values ticked up 8%.



Luxury Shoppers are Different



More luxury shoppers shop across-devices

Luxury shoppers are migrating to phones faster than other verticals

Luxury shoppers receive free shipping more frequently

Per shopper visit frequency is growing faster in luxury than other verticals



Luxury shoppers spend less time per visit

Luxury shoppers are less likely to use site search

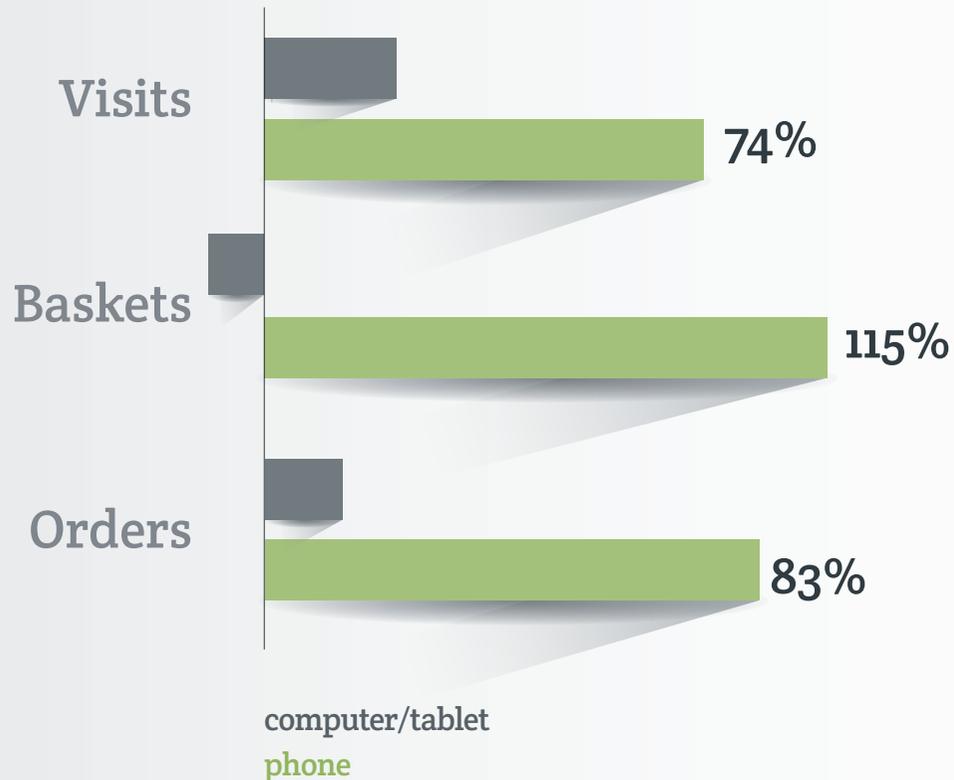
Luxury shoppers are far less likely to use Android devices

Luxury orders are less discounted than other verticals



Service Distinguishes Luxury

DEVICE CONTRIBUTION ON GROWTH METRICS



While we generally distinguish luxury goods from general commerce based on price point, the insights of this report highlight a different point: service. Simply put, the expectation of exemplary service in the luxury sector rises above all else.

Even the approach to discounting is different in luxury. While we see the lowest discount rate, 8%, in luxury, we see the highest rate of free shipping. While many view free shipping as a promotional tool, in luxury this is positioned as a customary service. Shoppers have an expectation for, and enjoy, free shipping on 71% of all orders, higher than the general commerce market. The higher average order value in luxury certainly doesn't hurt here, either, as even a higher threshold for free shipping can be more easily reached in luxury.

Even the rise of shopping on phones is an outgrowth of this service demand. Phones, which account for 39% of traffic, are quickly becoming the device they choose. More importantly, though, luxury shoppers are using their phones as a shopping device, not simply to browse. In fact, of the growth in orders, 83% is sourced from phones. Phones also account for 115% of the growth in baskets; it is the only device contributing to an increase in basket creation in luxury. >



- > Luxury shoppers also demonstrate a demand for inspiration, as witnessed by their limited use of a site's search box. Site search is used in only 4.5% of visits to luxury sites, compared with 8.1% of visits across all of digital commerce. While many factors may contribute to this, including the typically smaller product catalogs, this is another indication of the service promise of luxury. Instead of the surgical nature of site searchers, luxury shoppers are looking to the brand to direct their shopping experience. Interestingly, those luxury shoppers who do use site search are nearly four times as likely to buy as those who just browse, the highest ratio across digital commerce.

For luxury retailers, shopping is not simply a matter of selling premium goods, but providing premium service and creating a sense that they are helping shoppers reach their aspirations. The practice of clienteling has been linked to luxury retail for a very long time. Luxury retailers that can bring that level of service and intimacy into the digital shopper journey will capture the hearts of luxury shoppers.

Cross-Device Shopping

Luxury shoppers are shopping across devices, as 28% of all multi-visit shoppers in Q2 2015 used multiple devices including computers, smartphones and tablets.

For those luxury shoppers who use multiple devices, the favored device pairing is computer and phone, a shift from just a few quarters ago, as the phone has displaced the tablet.

What Really Matters

Unifying the shopping experience across devices is crucial. As shoppers move from device to device, they expect retail sites to seamlessly shift with them. Retailers should ensure elements most personal to the shopper, like their shopping cart, promotions and even recommendations, follow the shopper across devices.



PHONE AND COMPUTER

Preferred device pairing
for cross device shoppers,
Q2 2015



Device Trends

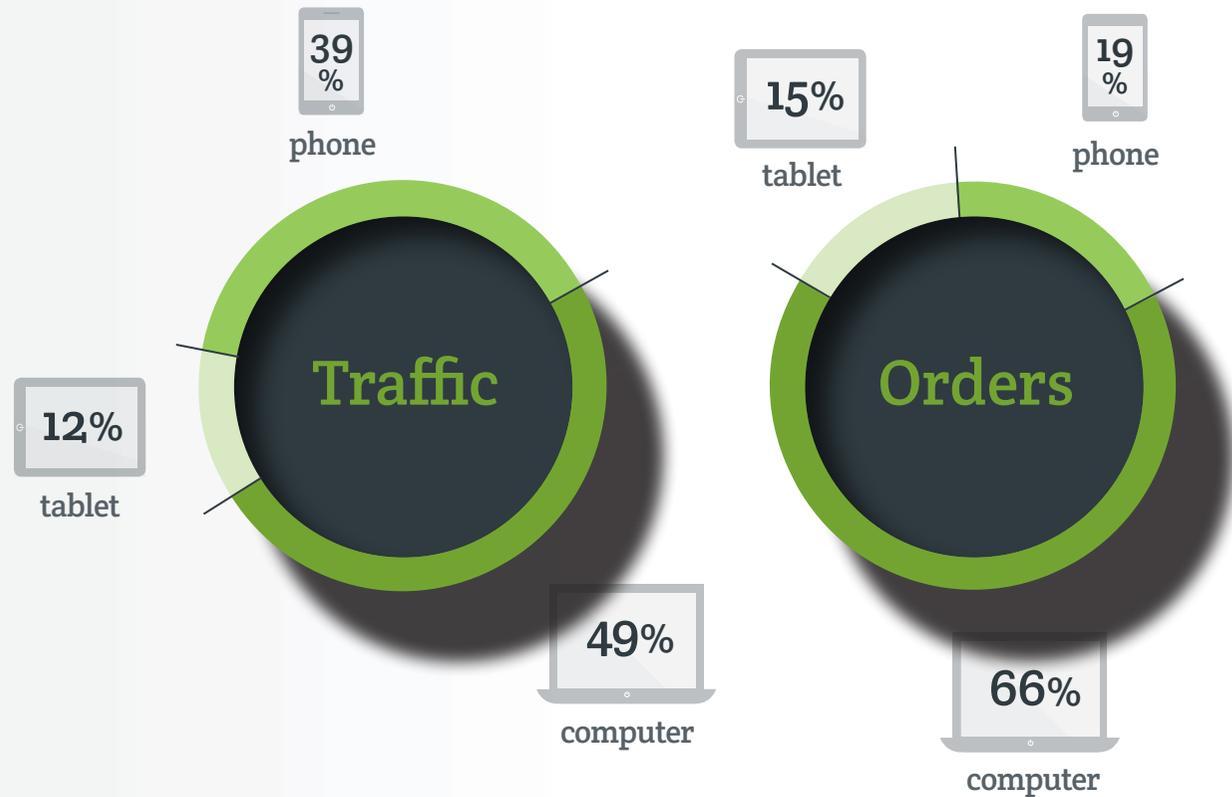
Luxury shoppers continue to reach for their phones at an increasing rate, as phones accounted for **39% of all luxury commerce traffic** and **19% of orders** in Q2 2015, up from 28% and 11%, respectively, in Q2 2014.

While both traffic and order share values on phone now mirror the overall market, the shift towards phones for buying is occurring faster in luxury. not only are phones stealing order share from computers, but tablets also lost share, as tablet order share dropped 3 points from **18% to 15% this year.**

Traffic and Order Share by Device

What Really Matters

The mobile experience is absolutely paramount in luxury. With share values on both computers and tablets decreasing rapidly, luxury retailers will find phones as the preferred shopping device for their shoppers. Additionally, with a cross-device shopping rate that is higher than the general market, 28%, luxury retailers must be prepared to carry an experience across devices within the shoppers' journey.



Order Share from Registered Users

Across digital commerce, registered users accounted for 58% of all orders. This number dips dramatically in luxury, where only 46% of orders are placed by registered users.

What Really Matters

Luxury retailers must establish an experience that appeals to shoppers unfamiliar with their site, and over-index on items like streamlined guest checkout and clear product and order detail information like size guides and returns and exchanges.

58%
overall



REGISTERED USER
ORDER SHARE

46%
luxury

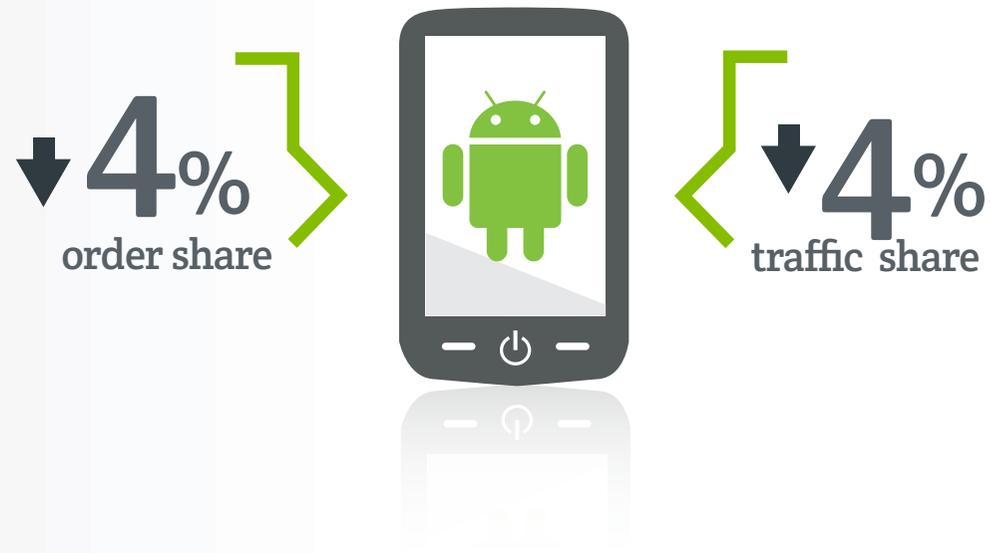
Shopping on Android Phones

Android devices, which hold 84%¹ of the global smartphone market, have lagged behind iOS in terms of average order value and overall share of online spending.

Luxury shoppers tend to use Android devices far less frequently than the overall market. Android phones accounted for 17% of orders and 25% of traffic. Across the overall digital commerce market, Android devices accounted for 42% of orders and the same share, 42%, of traffic.

What Really Matters

While Android is taking a larger share of the device traffic than typically given credit for, luxury shoppers have not yet shown the same affinity for Android devices.



Time on Site



Luxury shoppers' visits tend to be shorter than the overall market, though the year over year decline in time spent per visit was similar. The average time per visit was down 35% to an average of 8.5 minutes from Q2 2014 to Q2 2015. Phone visit duration fell most significantly, down 41% to 7.9 minutes over the same time period.

What Really Matters

Luxury shoppers are proving to be rather transitory, with shorter durations than other verticals. Additionally, a higher percentage of luxury shoppers are spending less than 3 minutes on site, and this value grew year over year. Knowing this, luxury retailers must look to inspire shoppers with efficient shopping tools that can carry the brand messaging, and do so efficiently. While easier said than done, the data sets a clear directive that those experiences that fail to inspire will bounce shoppers off your site.

Order Value and Discounts

The average luxury order was discounted 8%, flat compared to the second quarter of last year, and well below the 12% average across all digital commerce.

Luxury shoppers are enjoying free shipping more often, as 71% of all orders shipped for free in Q2 2015. This figure climbed from 67% in the second quarter of 2014.

What Really Matters

Promotions have always been and will always be a reality of retailing. While luxury retailers show more restraint in using promotions, free shipping rates are higher in luxury.



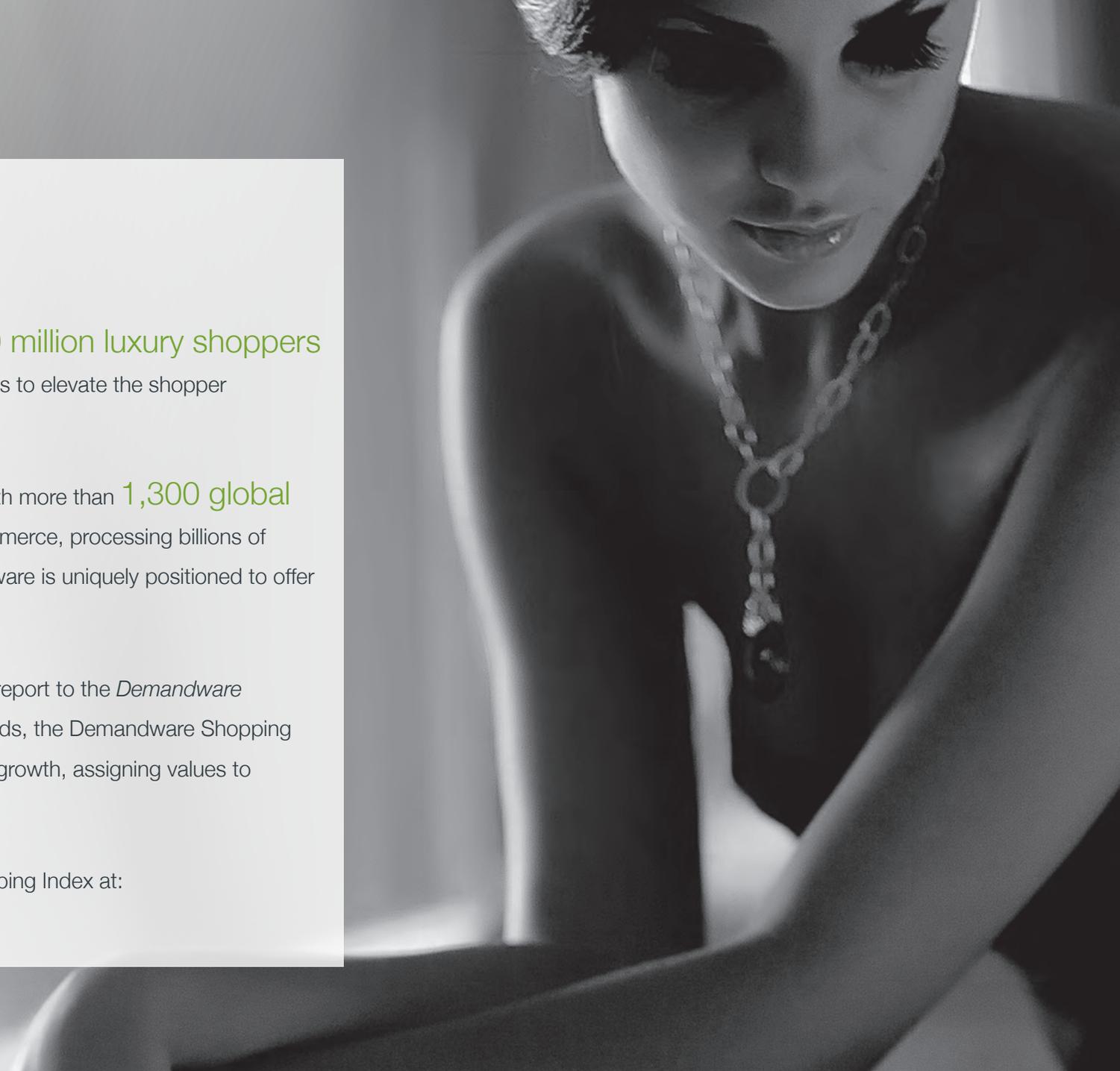
About the Luxury Shopping Focus

This report focuses on the activity of over **20 million luxury shoppers** to identify trends and opportunities for retailers to elevate the shopper experience and grow revenue.

As a leader in enterprise digital commerce with more than **1,300 global retail sites** running on Demandware Commerce, processing billions of dollars in gross merchandise value, Demandware is uniquely positioned to offer actionable insights into shopping behavior.

The *Luxury Shopping Focus* is a companion report to the *Demandware Shopping Index*. In addition to identifying trends, the Demandware Shopping Index measures the pace of digital shopping growth, assigning values to **crucial consumer metrics**.

For more details, find the Demandware Shopping Index at:
demandware.com/shopping-index



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