

# **LUXURY & DIGITAL**

**THE NEW FRONTIERS OF LUXURY**

2<sup>e</sup> EDITION

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# Foreword

*By Nicolas Hieronimus,  
L'Oréal Chief Executive Officer*

A quick glance at recent history reminds us that the harmonious union between luxury and digital was an unlikely prospect just a few years ago. The pair was more often likened to an ill-suited couple whose relationship was destined to fail. Digital threatened to remove all the “lustre” from luxury!

Indeed, the rare, sumptuous and refined qualities generally associated with luxury seemed to contrast starkly with the omnipresence, accessibility and standardisation that characterise digital technologies.

But we were convinced otherwise and forged ahead with the digital transformation of our luxury brands – because the etymology of “luxury”, from the Latin word *luxus*, also refers to the ideas of “distortion” and “deviation” that underpin our vision of luxury. We believe in a disruptive form of luxury where creativity – the point where luxury and digital converge – is vital.

Avant-garde by nature, luxury is the perfect place to push boundaries and explore the infinite possibilities digital technologies have to offer. Our early digitalisation was guided by the changing behaviour of our hyper-connected consumers and a vision of luxury dominated by innovation and a “culture de l'écart”. Far from diminishing luxury, the digital shift played a decisive role in our resilience in weathering the Covid-19 crisis. Even more importantly, it prepared us for the post-pandemic world.

## **Accelerating digitalisation before and during the public health crisis**

Our digital adventure started very early on, in 2010, which Jean-Paul Agon declared a “digital year” for L'Oréal. Fuelled by enthusiasm, the Group immediately launched a companywide transformation, and just seven years later, online

sales had skyrocketed. But beyond the figures, our goal was to reinvent the beauty experience itself, so our brands began their own in-depth transformation by developing digital brand websites and worlds, adopting new ways of reaching consumers, and shaking up their old marketing habits to enter the era of advocacy.

The 2018 acquisition of Modiface, a leader in augmented reality and artificial intelligence applied to beauty, was a turning point. This was the first time L'Oréal had ever acquired a tech company. Modiface's technology enabled us to develop our first virtual try-on and "diagnosis" services in **a shift from digitalisation to virtualisation**, which has been key to our success.

When the Covid crisis broke out, we were ready. And, though we didn't fully realise it then, the digital advance secured by our teams played a decisive role in our preparedness. The luxury market plummeted from 10% growth in 2019 to a 14% decline in 2020, but our luxury division demonstrated clear resilience, ending 2020 with an 8.1% drop and then enjoying a spectacular rebound to record 21% growth in 2021 (+11% compared to 2019).

Our brands had already acquired a degree of digital maturity, but when I look back on this period, it does feel a bit like we boarded Elon Musk's hyperloop, given the breakneck speed of our digital development. We leapt several years ahead within the space of just a few months. With 150 directly operated D2C sites, the luxury division achieved a 63% jump in e-commerce in 2020. In 2021, online sales accounted for more than 37% of total luxury sales – the highest score among all L'Oréal divisions. Clear proof that the digital-luxury union makes perfect sense.

During this period, our brands stepped up their inventiveness, tested new concepts and developed online services to accelerate a shift from a **transactional approach to a more experiential approach**. We reallocated our key drivers, changed our structures, refocused our media buying and reinvented our partnerships. At the same time, we accelerated the collection, analysis and use of data to better rationalise our decisions. We transformed our entire business model to prioritise a long-term vision.

## Creativity: where luxury and digital converge

Now more than ever, I am convinced that the future of beauty – and luxury in particular – is inextricably intertwined with digital and technology for two major reasons:

**First, the behaviour of luxury consumers has changed, with the pandemic serving as a catalyst – the photographic developer that revealed a picture that was already there.** Transparency, security, trust and proximity have become key values. Nevertheless, science and innovation remain non-negotiable attributes of luxury, alongside the escape and magic it must provide for consumers.

Digital technology meets all these expectations. The hyperconsumption of social media, the insatiable appetite for influencers, the boom in gaming (according



to the research institute Statista, the number of gamers is set to reach three billion worldwide in 2023, 45% of whom are women), the acceleration of “virtual lifestyles”, and the craze for interactive and immersive experiences with our beauty advisors illustrate the central role of digital. For example, I strongly believe in the power of social commerce in its various forms, such as live streaming, live shopping and retailtainment. Born in China, social commerce has rapidly conquered the world and the hearts of luxury consumers by enhancing the customer-brand relationship based on trust and proximity.

These are exciting times: new concepts emerge every day, and the number of possible touch points continues to grow, creating a wealth of opportunities to reinvent the beauty experience.

The second reason for this sacred union between digital and luxury lies in the **unique ability of digital to strengthen the very soul of luxury**: experiences that are even more dreamlike and spectacular, increasingly innovative augmented products, and more exclusive and personalised services. This soul is dependent on unlimited creativity, which is expressed everywhere in luxury, from content to experiences, with augmented products and services. Digital greatly expands this creativity to invent, innovate and widen the gap. It has boosted our ability to develop increasingly powerful and personalised services where creativity and technology combine to meet consumer aspirations for premiumisation. All of the brands in our luxury portfolio now offer digital services, which can be activated in stores or at home. To name just a few: Le Teint Particulier by Lancôme, Scent-Sation by YSL, which uses neuroscience to recommend a perfume and Face Maestro by Armani, which analyses facial features to offer personalised makeup looks. These services are a perfect illustration of the central role played by digital in our shift from personalisation to truly **bespoke hyperpersonalisation**, which is a key identifying marker for luxury.

Creativity is also at the heart of the experience. And whether we’re talking about services, product packaging or an unforgettable purchasing journey, experience is the central factor. I often share with my teams a quote by African American poet Maya Angelou that perfectly sums up the importance of experience: “I’ve learned that people will forget what you said, people will forget what you did, but they will never forget how you made them feel.”

**In luxury, experience is key, so reinventing it must be our goal.** Digital is the compass which will help us get there.

## From digital to phygital beauty

In this new paradigm, omnichannel is the norm, as well as a prerequisite for attracting Gen Y and Z customers, who are set to account for 45% of our consumers by 2025. For the youngest among them, the **distinction between offline and online is**

**an ontological absurdity.** They are and always have been quintessentially phygital beings. Even the expression “O+O” itself is set to disappear. More than a mere strategic factor, digital is becoming an integral part of our corporate culture, which permeates the entire company and each project.

An omnichannel approach is the key to phygital beauty since it prolongs the experience, expanding it from one world into the next to maximise engagement. And while I am certain that digital will play a major role in the future of beauty, I am just as convinced that physical points of sale are here to stay. At the very least, their long-term future is secure if we re-engineer them in line with the vision of Doug Stephens: “Media has become the store. Stores are becoming media that distribute experience.”

In a fully permeable environment, consumers enter the digital world via live consultations, diagnoses, or products they co-create. At the same time, digital enters points of sale via events, interactive stations and virtual tests that help to **enhance the experience.**

The complementary nature of the phygital approach ensures brand presence at all stages of the purchasing funnel and showcases the best of luxury with immersive, emotional and fully personalised journeys. A perfect example is the Shu Uemura flagship store on Omotesandō avenue in Tokyo, which resembles a giant makeup box and incorporates spectacular virtual effects to enhance the experience. Designed around four spaces focused on the art of makeup and augmented by online activations on a dedicated site, this ultra-experiential store offers visitors a multitude of interactive and digital services to provide an incomparable, immersive experience.

## Behind the scenes

Backstage, the challenges are huge. In a world that is trending away from intermediaries, Direct to Consumer (D2C) is a major asset and an absolute priority since it creates a close and direct relationship with consumers. This approach gives us full control of the entire experience and gives the brands unlimited freedom to innovate and build whole worlds that draw consumers in and foster engagement.

Other developments are also underway, such as standardising services across physical and virtual environments, adapting the beauty advisor role and continuing to expand our ecosystem by including artificial intelligence, tech and gaming partners, as well as influencers, who are now on a par with our iconic ambassadors.

**But the key to effectively implementing all of this will be data,** which continues to grow rapidly thanks to the increasing number of sources. While L’Oréal remains very strict in terms of consumer data protection, the ability to accelerate the acquisition, analysis and processing of data will be key at all levels,

helping us to enhance CRM, consumer engagement and personalisation, and to choose the right touchpoints.

## The immersive web opens new frontiers

The immersive web has begun a new chapter in the luxury-digital relationship. Web3, the metaverse, NFTs and gaming come with a range of new possibilities, which are only limited by the imagination. A priceless field of opportunity for luxury, which focuses on cutting-edge technologies, experience and emotion.

Our most disruptive brands are at the forefront of inventing new experiences in immersive beauty, guided by the philosophy that has always driven L'Oréal: "seize what's starting". Explore, test and learn. Quickly.

Because the possibilities and potential benefits are boundless. The metaverse could be the heir to social media as we know it today, while gaming gives people a place to escape as well as socialise with friends. These new fields of expression will help to create spectacular meta-experiences that consumers simply cannot enjoy in real life. For example, they could virtually attend the Deauville American Film Festival, enjoy backstage visits at Fashion Week as the guest of a brand sponsor, or tour a perfume maker's workshop.

As consumers develop a fully-fledged virtual life through their avatars, other opportunities will take shape as well. Their avatars will be embodiments of who they are, and perhaps even more so, of who they would like to be. These "augmented" selves will provide opportunities for unprecedented diversity and creativity – because virtual worlds do not escape the problem of how we see ourselves and the link between identity and appearance. There is a line from the film *Ready Player One* which I find quite telling: "People go to the Oasis [name of the film's metaverse], for what it allows them to do; they stay there for what it allows them to be." This quote really gives a sense of the role beauty can play in the metaverse by offering what reality cannot, by helping people to explore new facets of themselves and to redefine the notion of identity in a virtual world with no limits.

As for NFTs, which embody the shift towards ultra-personalisation and exclusivity, they could prove to be a real advantage for the luxury sector with multiple applications. They could be used to provide access to an exclusive event, to reward consumers by offering spectacular and exclusive looks for use on the immersive web or in the gaming world, or simply to build up an NFT collection.

**History is brimming with examples of science fiction becoming reality.** As a science fiction fan, I am, of course, delighted. But for the luxury sector, the question isn't whether we can do it, but whether we want to do it. What is our goal? Is this shift compatible with our vision of mindful luxury? We must always bear in mind the potential impact of these new El Dorados, which can be positive – or

negative. Do we aim to change the world – this has always been L’Oréal’s vision – or to escape from it?

Are the two mutually exclusive?

Another important question is how far we are willing to take things. What would artificial intelligence be like when pushed to the extreme? The film A.I. Artificial Intelligence (2001) and its story of a little robot wanting to become a “real” boy to win the love of the woman he considers to be his mother gives us a glimpse. A robot will never be human, an avatar will never be the self; digital must not become the new “opium of the people”.

As fascinating as they are, the worlds that are being invented every day are also devoid of rules. They raise ethical, environmental and cybersecurity issues that we, as leaders in our field, must address. At L’Oréal, our brands are not only exploring these new opportunities, but also working on combatting possible risks. For example, Urban Decay is committed to fighting cyberbullying.

As we move forward into this brave new world, our North Star continues to be the value added we create. We must ensure that what we do reflects our purpose: **to create the beauty that moves the world.**

# Foreword

*By Mehdi Daoudi,  
Catchpoint Chief Executive Officer*

## About the concept of digital resilience

As the CEO and co-founder of a company that helps businesses achieve Internet resilience, I am often asked what digital resilience is. I am also probably one of the few that have directly experienced it. Many years ago in a previous life, I made a terrible mistake and caused DoubleClick's advertising system to go completely down for three hours resulting in major outages across key websites around the planet... not to mention plenty of monetary damages. After that terrible mistake, I made it my mission in life to improve the performance of DoubleClick. Fortunately, instead of being fired, I was put in charge of creating a Quality of Services organization to ensure our performance, availability, and resilience. I experienced first-hand what happens when a company makes this a business priority. Our sales improved, we reduced our SLA (Service Level Agreement) exposures, and we made a mockery of our competitors' latency and availability.

But before we delve into what digital resilience really means, let's first agree on a basic definition of resilience itself: resilience is the capacity to recover quickly from difficulties, to bounce back and then proceed, no matter what. In other words, resilience can be described as the ability to spring back into shape repeatedly. Resilience is the power of never giving up no matter what life sends your way. As Sir Winston Churchill put it: "Success consists of going from failure to failure without loss of enthusiasm".

2022 marked a record year for LVMH, with profit up 23%. In a statement for press, Bernard Arnault remarked: "Our performance in 2022 illustrates the exceptional appeal of our Maisons and their ability to create desire during a year affected by economic and geopolitical challenges." This powerful statement illustrates the incredible success and resilience of LVMH in what could have been a profoundly difficult year.

The luxury world is full of companies and “Maisons” that have defied the passage of time. Louis Vuitton (169 years) Hermes (186 years), Cartier (174 years), Guerlain (194 years), Breguet (248 years), and Sotheby’s (248 years)... None of them would have survived all these years without a strong dose of resilience. What makes these companies, and not others, sustain the impact of time and changing tastes, not to mention wars and pandemics? What can we learn from the remarkable success of these companies?

Remember, resilience is more than just the ability to recover quickly. It means dealing with hardship and surprise, and continuously adapting for growth. Indeed, resilient organisations don’t just bounce back better; they prosper in turbulent environments thanks to their agility. Moreover, corporate resilience is multi-dimensional. It applies to business models, brands, organizations, operations, finance, and technology.

Now, let us go back to the topic of digital resilience and technology systems. What are we talking about when we speak of digital or IT resilience. It is in fact a critical but often overlooked aspect of overall corporate resilience. Business leaders typically only view IT resilience as essential once there is already a problem or a crisis at play. However, as I’ve seen time and time again, building a robust, scalable IT system helps organizations weather future storms. We saw how the failure to do this helped lead to the Southwest debacle during the 2022 holidays physical storm and shortly after on January 13<sup>th</sup>, 2023, when the FAA was forced to ground all flights due to an IT failure.

Therefore, being digitally resilient requires companies to sustain and bounce back from the difficulties and challenges posed by the digital ecosystem they rely on.

LVMH is hyper-successful largely because of the excellent customer experience it delivers and the desirability of its creation. That same customer experience and desirability exist in a digital world where the same consumer who wants a Louis Vuitton bag also shops on Amazon.com for petfood, diapers, and school supplies. Simply put, that very same consumer is likewise delighted by the customer experience of Apple and does not hesitate to buy a Tesla online!

LVMH now owns a building on Rodeo Drive; they can control most of the customer experience within that store. Compare this to the online experience that is so much more tenuous and less controllable, yet which can equally impact revenue and brand. Online difficulties stem from the fragile nature of the internet and the reliance on so many systems, networks, and third parties to deliver digital customer experience. Delivering a flawless customer experience online requires complex orchestration: between systems, tools, processes, and people, from making the website functional to the scheduling system of the store pickup to the call centre for your omnichannel touchpoints... It’s overall a complex digital web that can make or break how your customer sees your brand. Keep in mind that these experiences get measured now in terms of seconds or even milliseconds sometimes.

In the offline world, we often think in terms of journeys, but when we switch to digital, we think instead of applications and services, and fail to see the importance of the entire end-to-end online journey. Only when you can map that journey, can you indeed map the components of this digital conveyor belt and identify the weakest link (after all, a chain is only as strong as its weakest link).

For over a hundred years, companies have employed mystery shopping services to keep an eye on the first-hand experience of the customer journey. This same approach must now be deployed in the digital world to help achieve a consistently excellent customer experience. Becoming proactive, not reactive, is one of the critical pillars to achieving digital resilience. Identifying failures before they spread systemwide is paramount to reducing the potential for widespread impact on revenue, brand, and operational excellence.

Across the pandemic, we clearly saw the companies that were able to maintain a certain level of activity and would soon bounce back versus others. It's now time to fully embrace the digital channel for these companies and not treat them as merely a nice-to-have. As Antonio Carriero, Chief Digital & Technology Officer at Breitling, likes to say: "Before Covid, e-commerce was seen as the icing on the cake, now it has become the cake".

As we become increasingly dependent on technology, we must develop the skills and strategies necessary to build digital resilience on a continuous basis. Returning to our opening, what do we mean when we say this? Digital resilience encompasses the ability to adapt and thrive in the face of digital challenges and disruptions to ensure excellent digital customer experience 24/7/365 wherever the customer is located.

This book aims to provide readers with a comprehensive understanding of what digital resilience entails, and to equip them with the tools and techniques necessary to develop this critical skill.

Through a series of insightful chapters, we will explore key concepts and practical approaches to building digital resilience in both personal and professional contexts. Whether you are a digital native or a seasoned professional, this book will provide you with valuable insights and practical strategies to help you navigate the digital world with confidence and resilience.





# Introduction

*By Eric Briones,  
Managing Director of the Journal du Luxe,  
co-founder of the Paris School of Luxury  
and long-time darkplanneur blogger.*

"A little bit of agitation gives resources to souls  
and what makes the species prosper isn't peace, but freedom."

MACHIAVELLI

Dear readers, here we are again embarking on a new book adventure with "luxury", our hero of choice. The fascinating luxury industry was structured in France under the impetus of Jean-Baptiste Colbert (1619-1683), Intendant of Finances at the time, to respond to the bankruptcy of the State's coffers primarily caused by the excessive spending of Louis XIV's court, which simply could not import enough masterpieces of craftsmanship from Italy, Holland or China. Luxury has always ingeniously considered crises as an opportunity to better transform itself, as Axel Dumas, manager of Hermès International, stated: "Living continuously with a crisis is unfortunately the new norm. We must resign ourselves to living with dramatic events that we can neither anticipate nor avoid. This means that as a company we must constantly question our resilience, even when everything is going well."<sup>1</sup> To prepare this new publication, I have re-read my four books formerly published between 2014 and 2021. With the benefit of hindsight, I can tell you for certain that I am still dealing with the same subject as before: "threat and reinvention in luxury".

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1. "Les secrets d'Axel Dumas", *Le Point*, March 25, 2021.

## Fascinating antifragile luxury<sup>1</sup>

In 2014, I concluded my first book *Génération Y et le Luxe*, in which I explored what I called the “millennial threat<sup>2</sup>” that generated a communicational “big bang” symbolised by the advent of influencers. As it had always been the case in its long history, the luxury industry was questioning itself while maintaining a fascination for millennials that was considered disproportionate by many experts at the time. The latter proved to be wrong, however. In truth, luxury feeds off crises<sup>3</sup> and major upheavals to reinvent itself.

A few years later in 2020, I published *Le Choc Z*, a new book in which I discussed this time the upheaval caused by Generation Z, leading to another change in the luxury world, taking it out of its legendary neutrality in the societal, environmental and even political domains. Designers had left their ivory towers for good, able to rejoice in the fact that they had reached the heart of a diverse clientele, more mixed than ever. This was the triumph of an inclusive luxury, open in terms of both the personalities that embody it (the late Virgil Abloh) and the infinite extension of its offer. For Bain & Company, Generations Y and Z are set to account for 70% of luxury business in the United States in 2025<sup>4</sup>, as perfectly illustrated by Louis Vuitton’s film *Generation V* (July 2022), Generation Virgil, Generation Vuitton, for a symbolic generational hold-up...

In 2021, it was *Luxe & Résilience*’s turn to hit the booksellers’ shelves. At the time, we were living through the first major global crisis of the 2000s, which paralysed the entire world within the space of a few weeks and for a long time. It was a disaster on a planetary scale such as we have rarely seen. As we were holed up in our homes with shops closed and our mental health faltering, here again luxury was reinventing itself: by supporting the front lines facing the virus, by distracting its customers and fans during the long days of lockdown, by transforming its sales teams into live shopping professionals, by adapting its supply chain to respond to the challenges of vital e-commerce and by placing data at the service of local customer service (service which has once again become strategic). These exceptional transformations are not achieved overnight. They are the result of long-term strategies that overturn the theory of an endemic delay on the digital front. Meanwhile, for those who question the durability of online market in a post-Covid world, remember that e-commerce is perceived as a gain in power by customers; and that it is now impossible to remove that power.

Between 2021 and 2020, online sales leapt 55% at the Kering Group, with the penetration rate of direct sales standing at 26% for Western Europe and 23% for North

1. TALEB, Nassim Nicholas, *Antifragile: Things that Gain from Disorder*, Penguin, 2013.

2. Generation Y or “millennials” are those born between 1981 and 1995. The Generation Z group is born between 1996 and 2013.

3. BRIONES Éric, *Luxe & Résilience*, Dunod, 2021.

4. *Rerouting the Future*, Bain & Company and Altagamma, June 2022.

America<sup>1</sup>. These figures aside, luxury items have also become a totem of resilience for customers, as reflected by the Shanghai lockdown in 2022, where residents hung their Vuitton and Hermès shopping bags on their doors to collect their basic supplies.

In 2016 I discussed the enormous challenge that digital presented for our industry in *Luxe & Digital* (of which this opus is the direct sequel). Unlike other commentators (as is my wont), we did not provide a dismal account of the digital issue. Although some saw digital as a death threat, we dared to assert that luxury was not lagging, it was simply taking its time, ready to accelerate if the need arose. The resilience of our sector over 2020-2021 was the best confirmation of our analysis.

Four books and ultimately the same subject all along: the antifragility of luxury. The father of antifragile thinking is Nassim Nicholas Taleb, who says: “Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk, and uncertainty. Yet, in spite of the ubiquity of the phenomenon, there is no word for the exact opposite of fragile. Let us call it antifragile.”

Since the dawn of time, luxury has fed off instability at every turn. One might even say that the industry is more a hydra than a phoenix: it does not fear crises in order to cut off one head and grow two more!

## **Four predictions from 2016 that became four truths in 2022**

Since the specific nature of a strategic planner is to play Nostradamus, here are four of my predictions that time has validated.

### ***The Post-digital era is coming***

Post-digital, phygital: the boundaries between the digital and the so-called real world have been shattered. If there is one demand shared by all generations, it is to experience a seamless customer journey, in-store and on the Internet, with no compromise whatsoever. The ability to imagine a liminal space, where the physical and the intangible complement each other to create a unique experience, is becoming the norm. These spaces resonate in the cultural imagination with the “soft spaces<sup>2</sup>” (a location where the boundary between reality and the dream world is malleable) imagined by Neil Gaiman in *The Sandman* series of graphic novels.

### ***E-commerce and data are our near future***

Dominated by the exponential weight of China, e-commerce is set to become our number one sales channel by 2025. The revolution did not happen overnight, nor

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1. According to data provided by Kering.

2. GAIMAN Neil, *The Sandman: The Complete Series*, volume 3, Urban Comics, 2013.