

Preface

by *Dante D'Angelo**

Digital transformation has given companies – and above all us marketers – the ability to magnify our brands and products as marketing campaigns can now be amplified multi-channel, multi-cluster, multi-platform, multi-language, through any kind of paid, earned and owned touch-points.

Yet, “*power is nothing without control*”: in fact, although nobody could argue that a great design and engaging digital content are must-have ingredients - as brands first need to evoke emotions and fuel coolness - if you fail to execute the strategy, the great content and superior design will fail as well. On the other hand, if strategy and control are well implemented but the message is not creative and appealing, then results will also not be achieved.

This couldn't be truer than in Fashion and Luxury industry. There's a big difference between having a large social media presence and using it effectively to build meaningful and convert converting leads into sales. It's often difficult to understand, but it can have a tremendous impact on your results.

Although Fashion and Luxury companies have always invested heavily in brand image building and amplification, today the unparalleled explosion of digital media and increased brand content consumption both run the risk of turning companies into broadcasting entities. Designing the right business model is key, as well as integrating new roles and skills into our organizations: digital asset producers, video-making consultants, digital media buyers, just to name a few professionals.

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As a senior marketing professional, I have had the opportunity to work with a company which has embraced experiential marketing at an early stage and has put it step ahead of the competition. The transition has not always been easy but the initial efforts have paid off. Great creativity is always present but nevertheless, engineering marketing calendars and alignment to project scheduling are now dynamic and ongoing processes within our organization. In less than five years we have witnessed radical changes in our marketing strategy: it continued to evolve from traditional to digital and from digital to “*experiential*”.

Whether marketing is more “*art or science*” has been heavily debated in the past, by both academics and professionals. With the rise of digital marketing and consumer mobility, this debate has finally come to an end: “*art and science*” is the perfect paradigm. It describes what companies need to deploy: extraordinary digital customer journeys, memorable digital campaigns and content whose level of engagement is outstanding compared to that of their peers.

Being a project leader and main sponsor of this cross-functional approach, I can confirm that it has never been so fascinating to have so many actors working together and strategize each project thanks to everyone’s contribution: designers, content makers, digital tech, merchandise, retail, communication, marketing, customer service - they are all there.

In recent years, I have had the honor and the pleasure to often discuss, investigate and collaborate with this book’s authors on these matters. I am grateful for their friendship and professional support and I wish them every success with my warmest congratulations for such a unique publication exploring customer engagement in the luxury industry.

Foreword

Customer experience and customer engagement are widely covered topics both by academics and practitioners. But the debate on customer experiences and touch-point design has been developed so far without any industry specific approach, mainly considering services or mass brands. In this book we aim to apply the customer experience perspective to industries where emotional engagement is key to brand success.

Fashion and Luxury brands are conceptually different to most fast-moving consumer goods brands for many reasons (value creation process, role of the creative vision, seasonality, omni-channel distribution and communication) and require a specific approach to customer engagement that no publication has addressed to date. Furthermore, the current literature on customer experience is somewhat practical, with a very “how to” (build, map, measure) perspective.

Our approach starts with a review of academic literature on customer experience followed by an analysis of the evolution of the Fashion and Luxury eco-system over the last fifty years. It is necessary to understand how these industries have transitioned from a traditional product-driven approach to a creativity-driven and consumer-centric approach in order to appreciate the challenges that these companies face today. From there we move on to build a conceptual framework to emotional concepts of experiences, journeys, touch-points and engagement in Fashion and Luxury, to subsequently build a unique, inspiring and memorable experience that we define as “signature”.

The designer signature has always been at the core of Fashion and Luxury; when we say that something is very Valentino, Armani, Ralph Lauren, Chanel, we are immediately understood. Investigating what a

signature means today and how it can be managed to craft the consumer experience across external channels and internal departments is the ambitious objective of this book.

Fashion and Luxury brands are experiencing a slump: it seems they have lost the magic that fuels the desire for something we don't need.

Our vision is that a signature engagement and experience strategy in these industries could entice the customer to return. Signature means designing and managing the experience both as an art and a science. Brands should "craft" the customer journey as they do with products, injecting creativity and their special touch into all relevant touch-points. Not all touch-points are equal. Brands should be able to select those that will make a difference in terms of customer relevance from those that are just "nice to have". In crafting the experience, not only physical and digital touch-points should be considered but also, as we stress for the first time, human touch-points and people management.

If the shift to automated systems is inevitable, particularly for convenience goods, we believe that for premium and luxury goods, the human touch in terms of service and interactions will be the ultimate luxury in a world of "tap and go". Making products and brands relevant for people and aligning the employees with the brand value proposition and its signature through training and incentives is key to sustainable success.

Crafting touch-points is not enough if the execution is not well-engineered. From our research, it has emerged that for most brands, managing engagement is more guesswork than science. We emphasize that the greatest challenge is that Fashion and Luxury organizations are usually divided into silos (design, marketing, sales...) where the consumer-centric approach is in declarations but not facts. To become signature, the customer journey should be the result of a new organization design and company culture enabled by three factors: data and technology, people and organizational mechanisms and processes, as well as design and execution.

The big trap that Fashion and Luxury companies often fall into is the attempt to improve the experience offered, starting with specific technological enhancements or functional projects, without actually approaching the experience from the consumer perspective. Companies often confuse the strategic vision of a consumer-centric approach and the enablers (technology, processes, organization, data or content) that allow its completion: this trend hardly jeopardizes the ability to offer a consistent, valuable and unique experience to the consumer, because initiatives autonomously un-

dertaken by a specific department are typically ineffective and are lack coherency with the positioning and brand signature.

The aspiration pursued by brands towards a signature experience is a harmonious blend of science and art: it is the combination of moments in which a company is able to flawlessly manage all of the customer needs and create instants of surprise, magic, experimentation and uniqueness, that lead to the generation of a personal and unrepeatabe emotional bond between a brand and a human being. Therefore, if most brands are still trying to focus on how to offer a *dropfree* customer experience, capable of meeting consumer service level expectations and avoiding disappointment, this book aims to go further by describing what should be beyond this indispensable layer of scientific services and touch-points. The signature experience is the ability of a brand to transfer to its consumer audience the uniqueness of its creative positioning, through initiatives and services that cannot be imitated nor reproduced, without losing the vast majority of their perceived value.

The book is rich in practical examples and best practices resulting from a research project about consumer centricity and customer experience management carried out at SDA Bocconi in collaboration with MAPP and VALUE LAB's ongoing Fashion and Luxury Observatory that takes into consideration hundreds of brand and retail experiences in the industry at an international level.

We would like to thank all our interviewees and friends who shared their experiences with us. We all share a vision about the Fashion and Luxury industries: the future lies with those who own their past and lead rather than follow.

“In a machine age, dressmaking is one of the last refuges of the human, the personal, the inimitable.”

– Christian Dior

Part 1

Contextualising

1 Defining Consumer Experience

by *Stefania Saviolo*

“It is beyond a doubt that all our knowledge begins with experience”.

– Immanuel Kant

What is customer experience? Why is it important as well as difficult to manage?

What is the definition of touch-point? What is an omni-channel customer journey?

1. Welcome to the customer-experience business

Whether it springs from product aesthetics or functionality, a delightful service in-store, personalised engagement in branded activities or in sharing feedbacks online, it's the experience that matters the most, making something memorable and meaningful. Consumers have always known that, rewarding their loyalty to companies and brands able to deliver experiences over products. What's certain is that it's the value of experiences over ownership in the consumer experience that has deeply changed the way companies do business in many industries. No matter the source – academic literature, high impact journals, consulting reports or CEOs talks – customer experience is considered today the battlefield of competition and the main source of competitive advantage as it leading to higher revenue growth via better customer satisfaction, loyalty and word-of-mouth (WOM). Recent psychological studies have shown that people are more satisfied when their money is spent on living rather than having; analysts expect that experiential goods will takeover products in the near future. Experiences are defining our social identities across social media so that a trip to an exotic destination or participating in an exclusive fashion show

seems much more valuable than wearing a designer pair of shoes. The product itself is just the starting point of the value proposition that needs to be enriched by layers of experiences through the physical, digital and human interactions between the consumer and the brand. Consequently the process of value creation and value extraction is shifting from a product and firm-centric view to an experience and consumer centric view, where the breadth and depth of the relationship between the brand and the consumer is key.

Evidence shows that many businesses are still falling short of this paradigm shift. Although companies are investing large amounts of money in traditional loyalty programs, customer-relationship-management (CRM) technology, and in general service-quality improvements, most of these initiatives end in disappointment if not anger towards the brand. And angry customers can damage brand's reputation and do even more damage spreading the word via the internet. Social media is full of negative experiences due, for instance, to long delays for refunds to be processed, unhelpful staff and poor customer service such as the lack of response towards complaints. And it's not just about digital touch-points: at some fashion retailers the combination of a poor layout, limited changing rooms and lack of staff can often make the in-store experience frustrating. Disappointment may arise also from not being recognised by the sale staff or not being rewarded as a loyal customer. Even professional sales people in high traffic locations often demonstrate behaviors that indicate a belief that the product, due to its excellence, should sell itself.

Why did it happen? There are many reasons. In our research we found out that brand promise is designed and formulated in a way that it is difficult to execute in terms of experience. In Fast Moving Consumer Goods the brand promise comes from the marketing department while experience is related to the retail and customer service department often separated and managed by third parties. In the Fashion and Luxury sectors, the brand promise often originates from the designer vision, being related to an aesthetic statement that fails to be delivered in what the consumer actually experiences in the store or online. The way satisfaction is measured has more to do with product features and performance than with experiential drivers related to service, people, and emotional connections. Another reason behind poor experiences is that companies focus all their efforts on individual touch-points thus failing to consider the entire customer journey that is the real source of impression and brand's consider-

ation. Originally, Fashion and Luxury companies created content just for opinion leaders (press, influencers, wholesale clients). The consumer was a priority of CRM, when available. In the recent years, companies have moved to selling products and stories to consumers and individual end users. Who owns the customer? Still CRM and frontline salespeople in their little black notebooks. It comes as no surprise that only a few of the executives surveyed in our research strongly agreed that business results anticipated from implementing CRM were met or exceeded.

Last but not least, designing customer journey requires customer data that is often old, incomplete and held by multiple organizational silos. The truth is that many firms do not know what experience means for their consumer or for their brand and organization. And in the luxury sector, many brands seem still too afraid to experiment, fearing the loss of control and compromise over their brand image. Customer experience is not just about assessing customer satisfaction and service quality but about understanding, planning and executing how the brand promise should resonate across selected and well-crafted points of contact between the company and the consumer.

In the process of understanding, defining the concept comes first. The purpose of the next chapter is to provide a workable definition of customer experience and a state of art of the evolution of academic contributions.

2. Customer Experience defined

As a much-researched phenomenon, customer experience (CX) presents a high level of heterogeneity in the scope and conceptualization as a construct. Academic literature has so far been quite fragmented offering different perspectives:

- *CX as perceived by the consumer* (focusing on understanding consumer behavior and explaining underlying psychological processes).
- *CX as designed by the firm* (focusing on the organizational perspective on ways to design CXs with a customer centric perspective).
- *CX as the result of co-creation* focusing on customer experience as the outcome of the customer's interaction with other actors in a broader eco-system.

Looking back, the etymology of the word “experience” comes from Latin and means knowledge through senses and actual observation. The debate about human experience has a long tradition in European philosophy centered around some of the most fundamental questions, such as how we experience time and space, the difference between imagining and seeing, whether beauty is subjective, how we can understand other people’s emotions. The philosopher Immanuel Kant offered a thoughtful definition of experience as “knowledge by means of connected perceptions”.

- Knowledge is the ultimate goal of any experience.
- Perception is how we sense external objects to build knowledge.
- Connection makes clear that the perceptions build knowledge in our mind as the result of several interactions in time and space, in addition to making reference to our prior knowledge and memories.

Academics started talking about experience in the context of the consumer economy in the 1950s observing that the individual as a consumer desire satisfactory experiences rather than buying just the product. However CX as a concept was introduced only at the beginning of the 1980s. Previously, consumption was seen mainly as a (rational) problem-solving process in the context of consumer behavior or in the context of customer satisfaction.

Scholars of the so-called “experiential view” observed that the act of consumption also included a flow of fantasies, feelings, and fun. Pine and Gilmore (1998) were the first to introduce to a wider audience of academics and practitioners the concept of the “experience economy”. They observed that as product and services were becoming more commoditized, leading-edge companies were increasingly competing on experiences¹, defined as events engaging the individuals in a personal way. They also observed that setting experiences was about engaging customers on different levels such as entertainment, education, escape, and aesthetics. So there are different layers of experience and the richest experience includes them all. Schmitt et al. (2009)² introduced the concept of brand experience as sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli that are part of a brand’s design and identity, packaging, communications, and environments. They also proposed a multidimensional brand experience scale that includes four dimensions: sensory (sense), affective (feel), cognitive (think), physical (act).

Since then, the definition of CX has evolved further to become a broad holistic concept encompassing and accounting for a diverse set of phenomena that are social and physical, ordinary and extraordinary and not always fully in the control of firms³. Particularly interesting in this debate is the research about flow and/or peak experiences. The concept of peak experience as moments of peak happiness and fulfillment was first introduced by Maslow in 1964. Later, researchers underlined the difference between flow experiences that are ordinary and mundane versus peak experiences that stand out from everyday events and are moments of pure joy and excitement. Customer experience is therefore the result of the ever-shifting interaction and overlap between ordinary and extraordinary, flow and peak that are not mutually exclusive⁴.

In this book we will adopt a definition of customer experience defined as a sum of individual interactions between the firm and the customer, adding value through customer participation and connection, at distinct points in the experience where the interactions are named touch-points⁵.

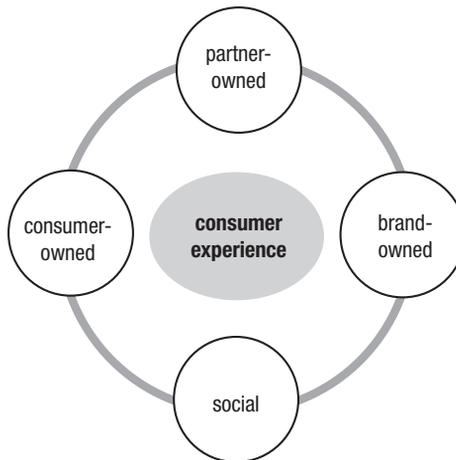
3. From touch-points to the omni-channel customer journey

Touch-points have become the center of any consumer-led perspective. They are the point of interaction between the brand and its world of products, consumers, partners and environments. The term touch-point itself is quite fluid having been widely used as a substitute for contact point, place of interaction (physical, digital, human) or moment of truth. The “moment of truth” perspective in particular supports the notion that touch-points are places of static interactions but what matters is the impression they make on the consumer. This impression is defined as the “moment of truth”⁶: touch-points create impressions that can be positive or negative, cognitive, emotional or behavioural at any given moment of truth resulting in the overall customer experience. It’s now clear that touch-points are important in understanding how customers interact with parts of the business and its offerings across media, channels and geography.

There are different kinds of touch-points according to the type of control the company has: brand-owned, partner-owned, customer-owned, and social/external/independent⁷.

- *Brand-owned touch-points* are designed and managed by the firm and are under its control. They include brand-owned media (e.g. advertising and PR, websites, loyalty programs) and brand-controlled elements of the marketing mix (product attributes, packaging, service, store communication).
- *Partner-owned touch-points* are jointly designed, managed or controlled by the firm and one or more partners such as marketing agencies (sponsorships initiatives), multichannel distribution partners (retailers advertising or catalogues), communication channel partners (editorials) or multivendor loyalty program partners.
- *Customer-owned touch-points* are customer actions that are part of the customer experience but that cannot be controlled by the firm or its partners (e.g. customer's choice of payment, unpackaging at home).
- *Social/external touch-points* are represented by social media and external elements (other customers, peer influences, independent information sources or environments that influence the whole process).

Figure 1 Categories of touch-points



Source: adapted from Lemon and Verhoef (2016)

If customers expect the brand promise to be consistent across all its touch-points, brands today have a big challenge in deciding where to allocate budget and time across the wide range of touch-points. As well as companies, researchers are still trying to understand what could be an optimal design, assuming that one really exists. They are also struggling to discover potential models to enable firms to deliver a seamless customer experience that is integrated across all the touch-points; this means recognizing the effects that the use of multiple devices across the customer journey have on the overall experience and defining tools or processes that help firms to exert more control over non-owned touch-points.

A profound change of mindset has to happen. Considering all kinds of touch-points, internal and external, leads to the awareness that CX takes place within a broader network of firms and service providers, defined in the literature as *value constellation* or *service eco-system* that all together create value for the customer. The customer experience should be seen as a culmination of a customer's interaction with other actors in a broader eco-system, while recognizing the customer's role in the co-construction of the experience⁸ and as each consumer might have a different journey, the brand promise should consistently resonate across every one of them. Instead of focusing on just one part of the experience or a specific touch-point, companies should look at the complete customer experience. Here comes the importance of moving from the individual touch-point to the view of the entire customer journey beginning to end.

In the past, the vision of the journey was quite simple. Touch-points were traditionally grouped⁹ into three main stages, according to the different steps people had to take to become a customer: pre-purchase (awareness and consideration), purchase (preference and action) and post-purchase (loyalty and advocacy). This path was defined as a *funnel* as it went from the broadest to the narrowest set of choices:

- the consumers identify a need and start considering a number of potential brands based on a rational and emotional basis;
- the consumer may form an intention to buy the preferred brand in a choice set and act in order to purchase the good or service;
- the post-purchase stage is the one during which the customer uses or consumes the good and further engages with the brand. This stage is crucial since it can increase loyalty towards the brand and

determine what the opinion of the brand will be when considering subsequent purchases.

The concept of the funnel has been criticized according to two perspectives¹⁰:

1. the process is not simple and linear but consumers are going back and forth and therefore the funnel is better defined as a *journey*;
2. the view of the process has to be considered not in terms of individual or groups of touch-points but rather as an eco-system beginning-to-end.

Consumers nowadays connect with many brands through an ever-increasing range of touch-points to gather information before making a purchase or to engage with a brand before and after the purchase. They also increase their expectations when brands or retailers use multiple channels and engage with brands on social channels to seek peer reviews or ratings. So in terms of process consumers are often expanding the pool of brands before narrowing it down and they remain engaged even after the purchase within what has been defined as a *loyalty loop*¹¹. The process that consumers follow when making a purchase is much more complex and less predictable and rational than the systematic reduction of the choices

Figure 2 The traditional consumer purchasing funnel



available to them prescribed by the funnel approach. In Fashion and Luxury, for instance, consumer value is not solely created at the time of purchase but rather through the process of usage. Feedback from peers and interactions with customer service all represent contextual factors influencing the perception of value and overall satisfaction. Touch-points have to be thought of as an eco-system rather than as unconnected as they influence each other¹². In addition we intend to interpret touch-points according to their nature as physical, digital and human.

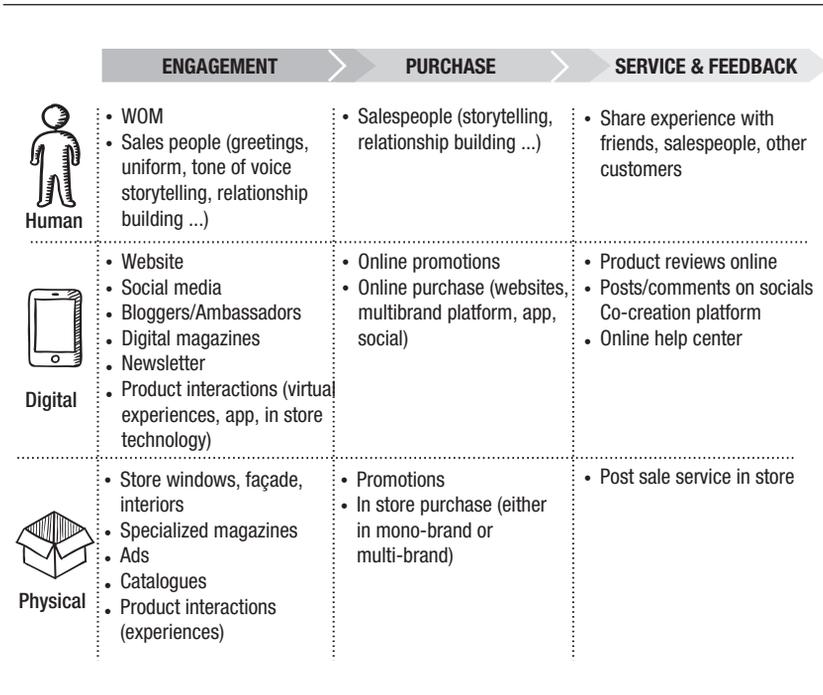
- *Physical*: any interaction in the point of sale from windows, store layouts and visual merchandising to technology in-store, fitting rooms and queuing at the cash desk. Physical touch-points can also be partner-owned such as delivery of products at home by logistic partners.
- *Digital*: any interaction that happens online from accessing the brand website and newsletters, to online consumer feedbacks and online customer service.
- *Human*: any interaction that involves people. From sales staff, to brand ambassadors and peers.

In Figure 3 we present a view of the omni-channel customer journey according to the different layers of touch-points. Omni-channel consists of interactions across all engagement channels throughout the entire customer lifecycle.

Brands exist in a world where consumers have multiple and differentiated preferences in terms of contact points. For instance not only do millennials have different preferences compared to baby boomers, but among the same generation there is a preference for a different kind of engagement depending on the time of the day. So understanding the consumer across different touch-points during their different micro-moments is key to success.

Our research reveals that so far the digital transformation has brought a wave of standardization across the Fashion and Luxury industry. The single touch-point, such as the newsletter or the e-catalogue, but we could add the made to order, limited editions and pop-ups in popular areas, are almost taken for granted from luxury to mass market. So far companies have offered a single, simple and linear customer journey following a “push” and undifferentiated approach, stretching the message rather than

Figure 3 The omni-channel customer journey



Source: the author

segmenting it according to different consumer profiles. The same lack of differentiation can be observed amongst different business models where the engagement strategies of luxury, fashion and mass market are very similar. Companies appear aligned on the minimum standard in terms of message activation, a situation that we could define as “hygienic”. For instance, companies tend to send the same promotional newsletters to all consumers as they think that these are the most appealing with the greatest return. Digital tools when employed are not used to their full potential.

The key to success is to offer only those engagement tools that can incorporate the brand DNA and signature rationally and emotionally. As fashion designers were used to “feel” certain categories rather than others viscerally, instinctively so companies need to select and craft only those touch-points that are relevant for their consumers and consistent with their brands. Companies should be able to understand where NOT to invest, avoiding what is not consistent with the brand signature and the brand tone

of voice. For many brands the *see now buy now approach* makes no sense and collaborations might be problematic. Everyone is doing them and we might wonder how close we are to a situation of collaboration “fatigue”.

All we have said has profound implications on the way companies will do business. We underline two challenges that will be addressed further in the following chapters.

- *The cultural and creative challenge*: every brand has a narrative, a unique point of view, through which they craft products. Likewise brands should first select then *craft* touch-points within the customer journey as they do with products.
- *The organizational challenge*: companies should internally re-engineer their processes for developing customer centricity and externally mastering the eco-system of touch-point pre, during and post purchase.

Notes

¹ Pine, B.J., Gilmore, J.H. (1998), *The Experience Economy*, Harvard Business School Press.

² Brakus, J.J., Schmitt, B.H. and Zarantonello, L. (2009), “Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty?”, *Journal of Marketing*: May, Vol. 73, No. 3.

³ As discussed in Verhoef, P.C. et al. (2009), “Customer experience creation: determinants, dynamics, and management strategies”, *Journal of Retailing*, 85.

⁴ Klaus, P. (2015), *Measuring customer experience*, Palgrave Macmillan, p. 6.

⁵ The literature review provides a background to our definition of customer experience based in particular on the contributions of Kotler et al., 2013 p. 283, Homburg et al. 2015, Schmitt 2003.

⁶ This expression (MOT) was first introduced by Richard Normann and popularized by Jan Carlzon in his 1987 book of that name.

⁷ Lemon and Verhoef (2016) in their highly cited paper offer a framework of existing definitions and conceptualization of CX within marketing, which provides a state of the art of contribution to our understanding of the concepts of touch-points customer experience, customer journey and customer experience management.

⁸ Prahalad and Ramaswamy (2003), explored co-creation in customer experience design.

⁹ Lemon and Verhoef (2016), *op. cit.*

¹⁰ Bonchek, M., France, C. (2014), “Marketing Can No Longer Rely on the Funnel”, HBR May 7.

¹¹ Maechler, N., Neher, K. and Park, R. (2016), “From touch-points to journeys: Seeing the world as customers do”, McKinsey & Company.

¹² Gill, M. et al. (2014), “Manage the cross-touch-point customer journey”, *Forrester*.