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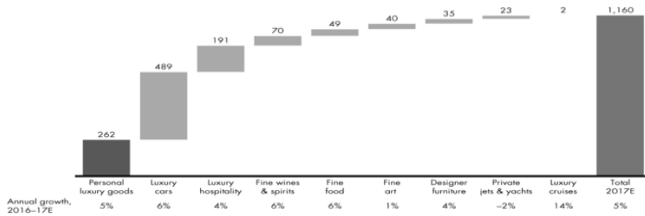
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# Phyigital Boom May Lead To Luxury Implosion

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**Abstract**—The Luxury Market currently faces a consequent growth of the use of Phyigital Marketing tools, applied in Retail floors, to face some new challenges. However, these tools can be poorly applied and might not seem relevant to every single prospect’s eyes. In this article, we will raise questions, then try to understand the consequences of the Phyigital strategy, nowadays in the Luxury Retail sector.

**Keywords**— Retail excellence ersatz, Phyigital, Luxury, Marketing, Retail, Sales Process, Prospect Experience, Virtual Reality, Pursuit of the Dream

## I. INTRODUCTION

In 2017, the Luxury market knew a +5% growth rate in Sell Out turnovers [1], regarding value data, in a more and more internationalized context. There is this need to target and seduce every single client, wherever he is living or traveling worldwide. Clients want to feel welcomed, understood and recognized by every Retail team of every single boutique. This booming clients base is shaping into a fantastic cultural melting pot on the globe, all of them feeling as « citizens of the world ».

The Global Luxury Market Grew By Nearly 1.2 trillion euros in 2017, up 5% Versus Last year

Fig. 1. The Global Luxury Market, Value Data (2017 VSLY) [1].

A whole new kind of concept was born within the last years to respond to this new challenge, introducing the « Phyigital » experience to clients and customers from all around the world. It has definitely changed the rules of the Luxury game. The phyigital experience deals with incorporating digital tools into the « phy-sical » Retail floors.

This dilemma surrounds to wonder about the clients’ culture and other qualitative data impact during the Sales process, moreover when considering the « phy-gital » tools. But maybe these tools do they not always seem as relevant as wanted by the companies in the prospects’ eyes ?

## II. PHYIGITAL STRONG EMPOWERMENT ...

### A. Phyigital Booms In the Retail of Cosmetics

When we think about Phyigital Marketing in the Cosmetics industry, several illustrations come to our mind.

At first glance, we think about Sephora launching in 2015 the first ever connected shop, Sephora Flash, then announcing during Spring 2017 the “Sephora Experience” [7]. This concept deals with a whole new corporate strategy compounded of digital services - interactive store fronts, Beauty Hubs with connected mirrors and others. For sure, it seems to be a lot more fun and joyful experience than in classic Sephora stores. This plan feeds the consumers with a whole service offer incorporated to the shopping experience, through an innovative and eclectic concept. Through such a disruptive proposal, Sephora did impose itself as one of the key leaders of the Phyigital era.

Then, Lancôme oriented a whole 360° Plan on the Phyigital dimension regarding the 2017 Launch. This new foundation has been available at the Galeries Lafayette in Paris or in other European megacities: Le Teint Particulier [2]. In fact, Lancôme developed a whole engineering machine concept to allow clients to acquire a truly custom-made foundation among more than 70,000 possible combinations, without delay, through a skin-scan. This personalised process does make the client feel as an unique, favoured person through a take-care effect. Babillages, a French well-known cosmetics blogger, describes the experience as “participative and joyful, making [her] feeling as both an actress and chemical engineer” [3]. Lancôme has then thought the Phyigital experience through a product-focus point of view.

But other brands prefer another line of Phyigital attack. Indeed, unlike Lancôme, Bourjois decided to incorporate Phyigital tools into their Merchandising furniture – and not developing a whole product based on Phyigital activation. Bourjois propounds a whole set of “digital magic mirrors” on its Retail Park, delivering a makeup look effect to the clients thanks to the camera fixed on the screen, combined with a face tuning software [4]. As a rule of thumb, it incitates clients to stop at the corner by a “mesmerisation” effect, delivering a kind of Retail show to prospects, even more mandatory in the strong competition context that is defining the Cosmetics industry. It could allow the prospects to have a genuine vision of the makeup looks and the products to achieve it. This solution allows the prospects to

enjoy a better shopping experience, by helping them to find what suits them best in an efficient way. Indeed, makeup artists are not needed anymore and the periods of try-ons optimised. The funnier, the faster and it creates a younger and desirable brand DNA.

### B. Phygital Is Sprawling Into the Retail of Fashion & Jewelry

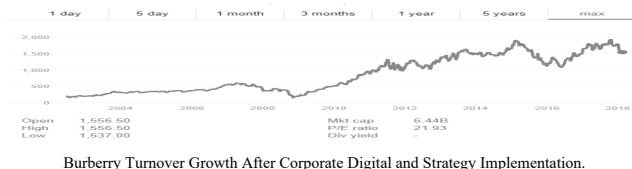


Fig. 2. Burberry Return on Investment Regarding Digital Strategy.

For some years, and especially with the Digital revolution initiated by the Burberry House in 2002, which permitted a kind of rebirth for the House [5], Phygital has been sprawling from the Cosmetics industry to the Retail of Fashion. With the announcement of its new Artistic Director in 2015, the prophet-looking Alessandro Michele, Gucci has launched a new handbag franchise : the Dionysus line. In the context of the incorporation of the Dionysus design as a keystone of the Gucci 2.0 DNA, the Gucci Headquarter based in Florence, inaugurated in 2016 a DIY Phygital concept for its Milan boutique. Gucci propounds a custom-made embroideries service related to the new handbags line. The client selects embroideries from the Alessandro bestiary with a Sales Consultant on a screen, while having the opportunity to observe the whole embroideries range for real, on a Merchandising desk. This Phygital strategy has allowed Gucci to apply a new positioning, by propounding a service which may be understood as a supra-luxury offer, considering the lack of Phygital offer at the moment. We should also consider the new high pricing positioning of the brand, compared to Frida Giannini proxy, the previous designer.

In France, Christian Dior Couture thought a fully Phygital activation in June 2015 : Dior Eyes. A virtual-reality helmet, permitted to prospects discovering the backstage of the last Dior Couture show. It made the prospects feeling Very Important Clients (VIC), as if they were invited as the Dior House's show. Even more when considering the discovering of the hidden face of the show. It participates in increasing the prospects' fit into the iconic artistic universe, plus increasing loyalty for confirmed clients and customers.

More recently, in 2018, Christian Dior Couture launched a new handbags line for a casual use : the Book Tote Bag one, firstly announced as a coated fabric or made-of-canvas handbag, with a "Christian Dior" band on the middle of the front of the bag. At Harrods London, Christian Dior Couture recently propounded a custom-made strip, made of a chosen word selected by the client, instead of the usual "Christian Dior" [6]. At last, it places the client on a kind of pedestal: the freedom of replacing the legendary Christian Dior name by her own one sounds like a proposal of having her own hour of glory.

At last, regarding the Jewelry Market, Boucheron reopened its Place Vendôme boutique in Spring 2018, fully renovated and able to propound "a full Phygital experience, unique and innovative" according to Boucheron CEO, Hélène Poulit-Duquesne [7]. One of the proposed Phygital tools allows prospects to paint in gouache her own sketch of the Boucheron iconic necklace, the Point d'Interrogation. Prospects are then matching and investing themselves into the House's DNA and artistic ID. Participating into a joyful activity unconsciously makes the target finding matching points between him and the brand, feeling a connexion, which would lead to a loyalty mechanism, because of a kind of calque syndrome observable in the prospects' behaviour.

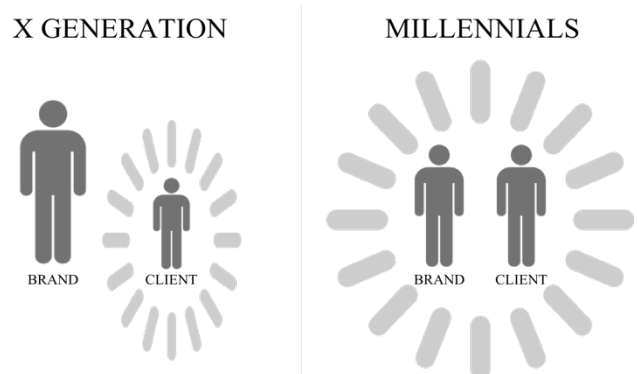
### C. Phygital Initially Targets Millennials

Phygital was initially developed to answer to a new segment's needs : the Millennials one. Millennials depict the population born between the 1980s and the early 2000s. They believe in transparency and trust values, while being strongly attached to Digital tools in their daily life. Indeed, 88% of Millennials own a smartphone and 39% of them have more human relations through their smartphone than In Real Life (IRL) [8]. Millennials are more disposed to prefer a mesmerisation effect while buying, being lovers of a kind of « Retail Show », compared to their parents' generation, the X one [9]. By propounding a mesmerisation plan, brands balance the relation with the Millennials and speak the same language, through achieving to an equilibrium between both Retail and E-Retail offers.

Moreover, Millennials have a strong and easy access to knowledge and information, in a fully Digital Market. It implies that they know what they want, by researching an efficiency in the Sales process, when dealing with the Retail teams. In fact, the X generation could be understood as having developed a « benefiting relationship with brands » before the 1980s. Brands were seen as above the client and by buying a Luxury product from a renowned House, clients were benefiting from the prestige of the brand by a spill-over effect. But nowadays, Millennials prospects want to be on the same level than Luxury brands, engaging then a balanced conversation when buying. It matches with the transparency and frankness values of the Millennials target.

Prospects Relationship With Luxury Brands – X Generation VS Millennials

Fig. 3. Millennials Have Positioned Themselves As The Same Level As



Luxury Brands [Source : Personal Schema]

But here is the main concern : may we call a Phygital process, using screens instead of persons, a *transparency* and *frank* relationship ?

### III. ... IS LACKING OF CONCENSUS

#### A. A Millennials' Oriented Concept Badly Widened To The Whole Prospects Basis in Retail Departments

Phygital is at first glance developed by brands' Headquarters to be applied in their Retail floors, by being propounding to Millennials prospects. But the reality is another story. In Luxury boutiques, the number of entrances per day usually reaches drastic levels while a lack of sales consultants is being felt. It leads consultants to propose a Phygital tool to clients when being too focused on the other client, previously welcomed in the boutique. But this client using Phygital tools is not always a Millennial prospect. Retail fails to apply the Headquarters' strategy because of too common rush situations in the stores. Then, Phygital tools are given to clients in a random way and not necessarily neither joyful or educational, by looking like a "*Retail excellence hersatz*", usually defined as a social performance with the prospects.

Plus, Phygital consists in a high risking Retail strategy, when considering the bugs or crashes of the used softwares, hardwares, or even machines and screens. When an issue occurs, the whole brand value is threatened, because the prospect can associate the brand with the non-solved problem, by a typical syndrom : the "*simultaneous and regular association of ideas*" one [10]. This syndrom describes the feeling of the people, when associating two similar stimulus or situations by a superposition effect ; in this case, prospects associate the disfunctionment of the software or hardware to a disagreeable feeling. Then, they associate the brand with the idea of a lack of professionalism, which may lead the prospect to flee the House.

We should also consider that if no-Millennials clients are most of the time not comfortable with Phygital, even some Millennials prospects, more attached to the Retail ceremony, will prefer a classic sales process rather than a *person-to-screen "relationship"*. Last but not least, it definitely seems legitimate to wonder if Luxury clients would not focus on Luxury precisely to experiment a human experience, at the antipodes of Phygital and Digital concepts ?

#### B. Clients Should Have The Choice of Phygital

One of the clearest evidence of the topic is that Phygital tools are not truly relevant to every prospect in every situation. Indeed, some qualitative data regarding the kind of prospect must be considered. For instance, brands could catch data such as the personal capital, socio-professional category, age, gender and others. New rich people have to be differentiated from traditional wealths, because they do not look after the same kind of experience. New rich people are more likely to expect a "*Retail Show*" and find themselves into maximalist values whereas traditional wealthy prospects are more attached to a classic and minimalist experience, researching efficiency overall. Also, Phygital must be a helping tool to finalize the sales process and enhance the purchase experience. It should not be a full

replacement of it, which is unfortunately the case quite often in Retail application.

Phygital should have been developing an intrinsic added-value for the potential client, and not being bordered to smoke and mirrors. It should also match the patrimony of the brand using it, whether it matches with a traditional or contemporary DNA. In some prospects' eyes, Phygital can also be perceived as a cold process, whenever Luxury clients are usually buying luxurious goods to live a full enjoyable experience, based on both excellence and warmth. In Luxury, clients do not only invest themselves in the shopping process to own the good, but also to satisfy the "*Pursuit of the Dream*".

#### C. Could The Phygital Have Been Thought Not For The Prospects But For The Brands ?

When taking a breath to have an overview of the situation, it seems that most of the Luxury brands benchmark one on another, leading to a mimetic process, which translates a lack of innovation push, kind of innovation mirage. It remembers us the Bass Model Theory, which explains that the Market is composed of both « *leaders* » and « *followers* ». Leaders are usually a very weak minority while followers correspond to quite the all the Market actors [11]. It feels hard to observe an authentic groundbreaking innovation on the Luxury Market nowadays. Except regarding the brands' focus on styling the shopping experience. It appears that a consequent part of the brands less and less focus on products' intrinsic added-value characteristics. Moreover, let us consider that Marketing Departments spend considerable budgets into Phygital development for their Retail Parks. A part of these budgets could be invested in intrinsic-value projects rather than limiting a pseudo-innovation as being « *show-off* » and spectacular. It may definitely seem to be an easier option, acquiring a young and dynamic brand image rather than taking true risks.

But Phygital processes are more than a simple « *Retail Show* ». It consists in an astounding opportunity for the brands to collect CRM data, participating in reassuring Financial Departments and broadcast a quiet internal situation. Classic CRM data such as name, address, e-mail address, phone number and others are obtained through the sales process to lead a specific strategy focusing on each client. Prospects are more disposed to share their personal data with the Retail teams on the boutique floor. It can be quantitative or qualitative data ; quantitative ones may be the amount of capital spent at the boutique or in the brand and so on. Qualitative data can concern matters such as size, preferred colours, shades, matters, way of living, place of birth and living, family members and others. This collect of data has to be led for both trigger the purchase and then ensuring a loyalty result from clients behaviour. All of this by broadcasting content regarding the brand's DNA and products offer through mailing, e-mailing and official websites. Clients are followed by the brand, thanks to this collect of CRM data during the Phygital sales process.

We can also wonder if Phygital Marketing is a way to satisfy clients in a short-term vision while no major

innovation is happening on the Market. It attracts the curiosity of prospects in a superficial way without rethinking the intrinsic value of the brand. Textures and concept innovations are, at last, enough rare to be noted when launched. In fact, Luxury brands currently prefer to focus on the Retail style rather than on the offer's content.

From then, Phygital may not it be more fashionable than innovative ? More Mass Market than Luxury-oriented ? At last, may it not be incompatible with Luxury requirements ?

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