

Luxury Fashion Industry - Mindset, Challenges and Tech Opportunities

Introduction to Luxury Fashion

In the realm of fashion, there exists a distinct category that transcends the ordinary - the world of luxury fashion. This is not just about brands; *it's about an experience, a statement, and a lifestyle*. Unlike mass-produced brands, luxury fashion is characterized by its relentless pursuit of supreme quality, scarcity, and exceptional storytelling, all justified by a higher price tag.

The luxury fashion landscape is diverse, encompassing not just clothing, but also premium watches, fashion accessories, designer handbags, perfumes, and high-end cosmetics. Each product in this category is meticulously crafted to offer a personalized experience to the consumer. They stand out in their uniqueness, boasting a brand identity that is as distinctive as it is prestigious.



These products are the result of high-grade materials and unparalleled craftsmanship, offering not just extended warranty periods, but also high-value aesthetics. In the world of luxury fashion, every detail matters, and every piece tells a story.

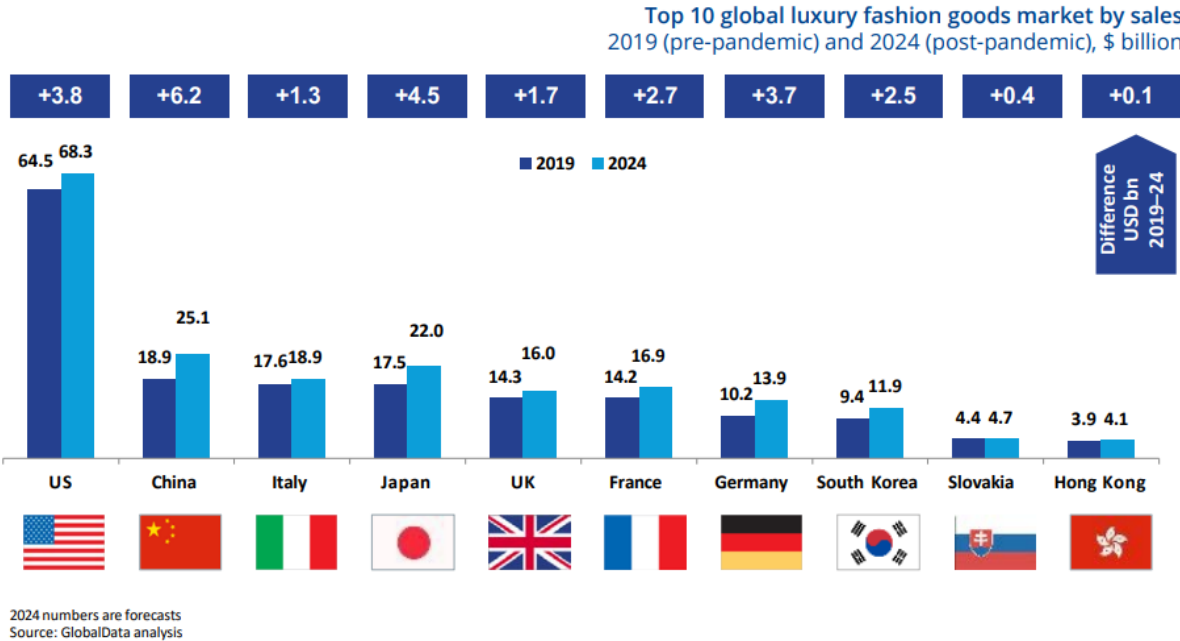
Remember, In the world of luxury fashion, technology isn't just a means to an end—it's the fabric that weaves together heritage and modernity. **It's the new silk and satin!!**

This blog is an attempt to understand the difference in approach that a technology partner like GlobalLogic should consider while providing tech solutions to Luxury fashion customers. Let us first understand the Global market, challenges and opportunities for this market segment.

Global Luxury Fashion Market Research

From the grandeur of haute couture houses to the charm of high-end boutiques, luxury retailers are embarking on a labyrinthine voyage where heritage intertwines with novelty. With the advent of e-commerce platforms and immersive virtual realities, the terrain of luxury retail has experienced a seismic shift, unveiling a spectrum of challenges and prospects for brands aspiring to flourish in the digital era.

According to the International Market Analysis Research and Consulting Group (IMARC Group), the [global luxury fashion market](#) size ascended to US\$ 245.5 Billion in 2023 and is projected to soar to US\$ 327.1 Billion by 2032, demonstrating a CAGR of 3.14% during 2024-2032. In the wake of the COVID-19 pandemic, a renewed zeal for retail is sweeping across the globe, reinforcing its position as one of the most dynamic and resilient sectors within the global economy. Studies indicate that the personal luxury market, in particular, is poised to expand by 1%-4% in 2024, propelled by affluent consumers in pursuit of quality, exclusivity, and sustainability.



The United States will be the largest market for luxury goods, followed by China, Italy, Japan, and Europe.

Emerging economies are experiencing a significant surge in the population of High-Net-Worth Individuals (HNWI), catalyzing the escalating demand for luxury fashion products. The steady growth in the disposable income of the middle-class populace bolsters the region’s luxury fashion market.



The personal luxury market is set to grow by

1%-4%

in 2024



Similarly, the enhanced accessibility to international luxury brands is anticipated to stimulate product consumption. Consequently, numerous brands are broadening their presence in the APAC market to cater to the expansive customer base. Amidst conflicts in Europe and the Middle East and tense international relations elsewhere, geopolitics emerges as the paramount concern for fashion industry executives as they step into 2024, closely followed by economic volatility and inflation.

Global Challenges in Luxury Fashion Retail:

In the face of digital innovation's allure, the luxury fashion retail industry faces a myriad of challenges on the global stage. The paramount priority and challenge for industry executives lie in environmental, social, and governance issues. The companies that will rise to the top are those that strike a balance between sustainability initiatives, risk management, and commercial imperatives. As consumers are expected to travel more and spend more time outdoors, they are leaning towards emotional connections and authenticity over celebrity endorsements. The challenges that lie ahead include:

1. **Preserving Brand Exclusivity:** Luxury brands are tasked with the intricate balancing act of maintaining exclusivity while expanding accessibility in the digital domain, thereby preserving their prestige while reaching out to a wider customer base.
2. **Digital Darwinism:** Luxury brands are required to adapt rapidly to digital disruptions without compromising their core values. The delicate dance of balancing craftsmanship, unique design, and personalization with technological advancements is

a challenge they must gracefully navigate.

3. **Counterfeiting and Brand Dilution:** The rampant spread of counterfeit goods in online marketplaces poses a significant threat to the integrity of luxury brands, eroding consumer trust and diluting brand value.
4. **Cultural Sensitivity and Localization:** Luxury brands are expected to navigate cultural nuances and tailor their digital strategies to resonate with diverse global audiences, avoiding missteps that could potentially alienate customers.
5. **Sustainability:** As consumers increasingly demand transparency and eco-conscious practices, luxury brands are faced with the challenge of integrating sustainability into their business models without compromising on their luxury appeal.
6. **Data Privacy and Security:** With the growing reliance on data-driven technologies, luxury retailers are compelled to prioritize robust data privacy measures to protect customer information and maintain trust in an era marked by heightened cybersecurity threats.

The Intersection of Luxury Fashion and Digital Technology

While the luxury fashion world is often synonymous with fresh styles rather than cutting-edge tech, the advent of digital technologies is making a significant impact in the retail industry, particularly in the wake of a pandemic. High-end fashion retailers are realizing that tech is not just trendy, but a powerful tool for connecting with customers and enhancing their bottom line.

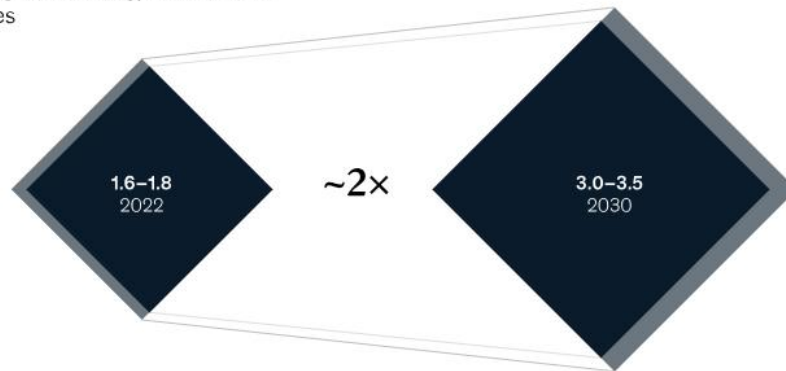
From the power of big data to the convenience of new apps, from robust platforms to sleek solutions, digital technologies are revolutionizing how luxury fashion brands interact with and understand their customers. They enable sophisticated inventory management strategies and optimize omnichannel efforts, resulting in enhanced in-store engagement, personalized customer experiences, a streamlined supply chain, and a seamless shopping journey across all channels.

Emerging technologies such as **robotics, advanced analytics, and in-store applications** have the potential to streamline processes, support sustainability efforts, and create an unparalleled customer experience. By 2030, it's projected that over 80 percent of the global population will have access to **5G networks, facilitating faster connectivity and data transfer across Internet of Things devices**. The operational potential of technology is becoming increasingly evident. Analysis by McKinsey suggests that fashion companies that **integrate AI into their business models** could witness a 118 percent cumulative increase in cash flow by 2030. In contrast, those slower to embrace digital technology risk falling behind, potentially experiencing a 23 percent relative decline. Over the next three years, key areas for digital investment by fashion executives could include personalization, store

technologies, and end-to-end value chain management—areas where digital can truly enhance performance.

Fashion companies are expected to double investment in technology by 2030 to keep up with digital natives and to create a competitive edge.

Industry average technology investment,
% share of sales



Source: McKinsey Client Benchmark 2021

In 2021, fashion companies invested between 1.6 and 1.8 percent of their revenues in technology

Technology Trends in Luxury Fashion

Millennials and Generation Z consumers are driving 85% of the global luxury sales growth. While older shoppers have traditionally been the growth engine of luxury sales, affluent Millennials and Generation Z customers now represent over 30 percent of all luxury spending. These younger affluent shoppers have different expectations when it comes to retailing. They want an experience that is personalized and seamlessly integrated both online and offline. Some top digital trends in luxury fashion to keep an eye on are:

Data Analytics and Centralization

Power of AI driven data analytics used to gain deeper insights into customer behavior, preferences, and trends

Hyper Personalization and Microtargeting

AI enables hyper-personalized marketing campaigns, tailoring content and recommendations to individual shoppers. Microtargeting ensures that luxury brands reach the right audience with precision.

Inventory Management

AI-driven demand forecasting and inventory optimization help luxury retailers strike a balance between exclusivity and availability. Think bespoke designs, virtual tailoring, and made-to-order luxury

Unified Customer Experience

Integrate online and offline channels. From personalized online shopping to immersive in-store experiences, an omnichannel approach is essential.

Virtual Try-Ons and Augmented Reality

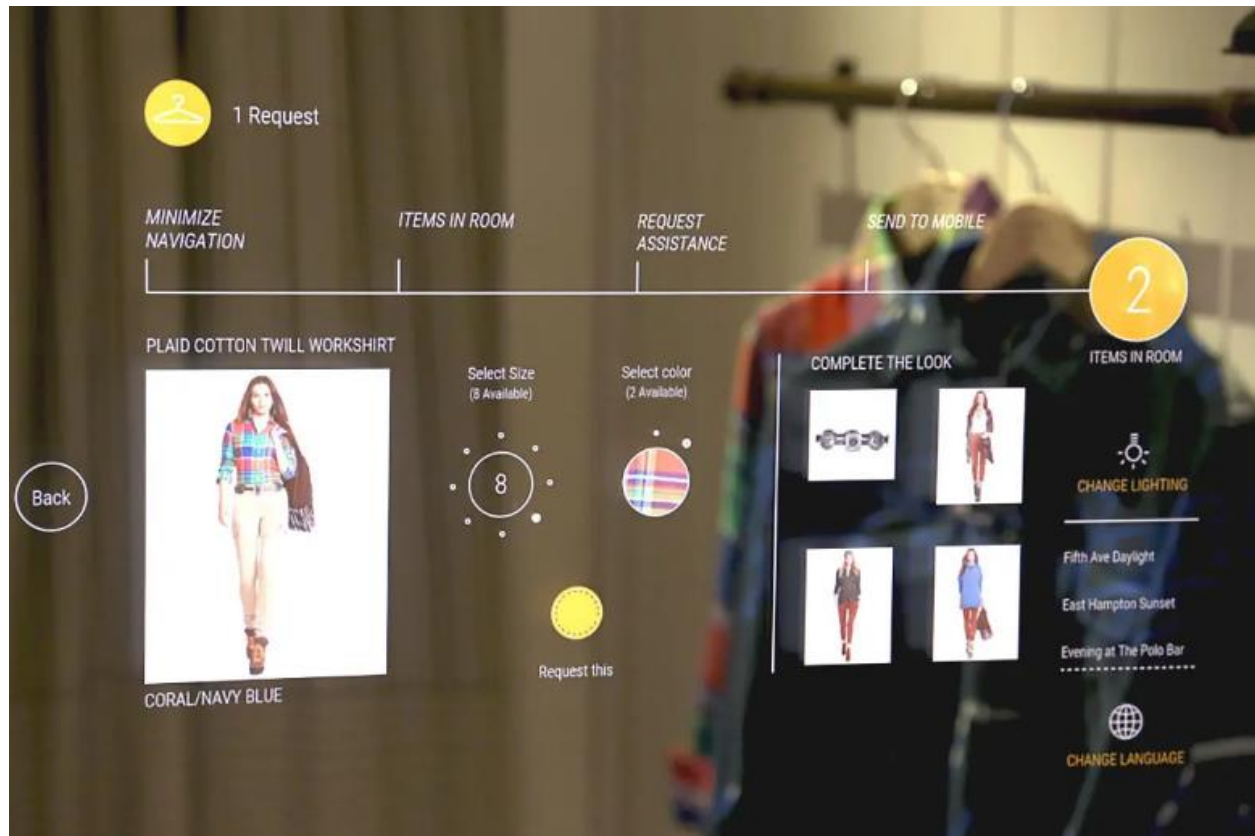
AR-powered virtual try-on experiences allow customers to visualize products before making a purchase. Luxury brands can create a sense of exclusivity through AR-enhanced interactions.

Preserving Brand Authenticity

Luxury fashion thrives on authenticity and brand cachet. Digital technologies that record and preserve digital identity—such as blockchain—ensure transparency, traceability, and efficiency in the retail supply chain.

Unique Opportunities for GlobalLogic

For GlobalLogic, this presents a unique opportunity to lead the charge in digital product engineering for luxury fashion. By leveraging cutting-edge technology trends, GlobalLogic can offer bespoke solutions that address the specific needs of luxury fashion retailers—from enhancing online customer experiences to streamlining supply chain operations with AI and IoT to tapping into voice commerce.



The intersection of luxury fashion and digital technology is not just a meeting point but a launching pad for GlobalLogic to innovate, influence, and drive forward a new era of luxury retail that is as technologically advanced as it is fashion-forward. Here's how GlobalLogic can provide distinct value to luxury brands compared to other retail solution providers:

1. **Strategic Design Integration:** GlobalLogic integrates strategic design into its engineering process, ensuring that the digital experiences it creates are not only functional but also aesthetically pleasing and aligned with the luxury brand's image.
2. **Complex Engineering Solutions:** With a focus on complex engineering, GlobalLogic has the capability to tackle intricate challenges that luxury brands face, such as creating seamless omnichannel experiences or integrating advanced technologies like AI and IoT into their retail operations.

3. **Consumer-Centric Approach:** By placing the consumer at the center of every interaction and understanding the nuances of the luxury market compared to other retail market segments, GlobalLogic can ensure that the solutions it provides enhance customer engagement and drive loyalty, which is crucial for luxury brands.

In conclusion, the research into the global luxury fashion market reveals a sector ripe with potential, yet facing significant challenges that must be navigated with strategic finesse. As digital technology continues to reshape consumer expectations and industry standards, luxury fashion brands are compelled to adapt or risk obsolescence. GlobalLogic can help luxury brands navigate the digital transformation with innovative solutions that are not just technologically advanced but also resonate with the high standards and exclusivity that define the luxury market.

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