



Embracing Digital, Luxury CEOs Take on the Role of Chief Collaboration Officer

When Patrice Louvet started as president and CEO of Ralph Lauren, the iconic luxury brand's factories in Italy were still using traditional hand-drawn patterns. This was a romantic practice, but one that was impractical and hard to scale. Louvet led the charge for digital transformation at Ralph Lauren, underscoring his vision with his first hire: a chief digital officer. Today, the company's designers are using 3D for product creation and RFID (Radio Frequency Identification) technology all along the supply chain.

Like Louvet, luxury leaders all over the world are grappling with how to adapt to an industry where digital is driving swift change. The arrival of COVID-19 has significantly amplified this issue and the need for businesses to transform.

Vintage is great, but not when it comes to how you work.

Now more than ever, success for luxury retailers requires a clear and distinctive brand that is reflected consistently across channels and customer experiences. Technology and a digital mindset enable companies to provide a holistic experience for consumers, one where brick and mortar is no longer separate from e-commerce, and where brand strategies are increasingly sophisticated and differentiated. In this challenging and uncertain environment, with significant operating restrictions and heavily reduced international travel, the luxury industry faces an uphill battle to generate revenues from physical stores as they reopen. Digital takes an even more prominent role as brands work to attract new local customers while also serving existing customers who are no longer able to visit their favorite stores in-person.

PATRICE LOUVET,
CEO, RALPH LAUREN

Table stakes for CEOs have always been embodying the brand, serving as brand guardian and ambassador for the organization. These required attributes of luxury leaders remain unchanged, even in these extraordinary circumstances. However, the organizations that will emerge stronger from the crisis are those with leaders who can orchestrate seamless collaboration and cooperation across their teams and all customer touch points — social media, advertising, the designer they select, the products and collection structure, the look and feel of stores, and the services offered in the stores.

Leaders and teams that collaborate effectively across functions, whether remote or together, are better positioned to share ideas, understand evolving customer expectations and deliver an exceptional experience, whether making an in-store purchase or scrolling through a brand's Instagram account. CEOs who create a collaborative and agile culture are best equipped to develop innovative solutions to new problems and to instill a deep sense of brand loyalty in customers. In short, this is the era of the CEO as chief collaboration officer.

INTERVIEW PARTICIPANTS

As part of our research, we interviewed 20 leaders of luxury companies around the world to learn more about the pressures they're facing, how they're adapting and excelling, and which talent trends they believe will define the new era of luxury leadership. While most of these interviews took place before the arrival of COVID-19, we believe the insights they provide are as relevant, if not more so, in the context of the crisis.

- » **Thierry Andretta**, CEO, Mulberry
- » **Francesca Bellettini**, president and chief executive, Saint Laurent
- » **François-Henry Bennahmias**, CEO, Audemars Piguet
- » **Bhaskar Bhat**, former managing director, Titan Company Limited
- » **Marco Bizzarri**, president and CEO, Gucci
- » **Alessandro Bogliolo**, CEO, Tiffany & Co.
- » **Valerie Chapoulaud-Floquet**, former CEO, Rémy Cointreau
- » **Pierluigi Cocchini**, CEO, La Rinascente
- » **Brian Duffy**, CEO, The Watches of Switzerland Group
- » **Marco Gobbetti**, CEO, Burberry Group
- » **Daniel Lalonde**, president and CEO, SMCP
- » **Mark Langer**, CEO, Hugo Boss
- » **Patrice Louvet**, president and CEO, Ralph Lauren
- » **Alexander Pavlov**, CEO, TSUM
- » **Patrick Pruniaux**, CEO, Swiss Watchmaking Maisons: Ulysse Nardin & Girard-Perregaux at Kering
- » **Vittorio Radice**, vice chairman, La Rinascente
- » **Stefano Sassi**, former CEO, Valentino
- » **Paulette Sum**, group general manager, King Fook Holdings Limited
- » **Eric Vallat**, CEO, Rémy Cointreau

Oracles of change in a shifting digital landscape

Digitization was already a highly significant trend for the luxury retail sector before COVID-19, impacting all aspects of the business from supply chain processes to consumer touchpoints. Brands are using digital technologies in product design, warehouse management, supply chain and product authentication, and are analyzing customer and sales data to develop collections and to structure the assortment of the stores in a more informed and intelligent way.

The pandemic has now magnified the importance of digital with McKinsey and The Business of Fashion's report, "The State of Fashion 2020 Coronavirus Update" reports, "Social distancing has highlighted the importance of digital channels more than ever and lockdowns have elevated digital as an urgent priority across the entire value chain but, unless companies scale up and strengthen their digital capabilities in the recovery phase of the crisis, they will suffer in the longer term. Consumers will continue to demand more in this space and brands must act fast to deliver."

The timing for brands that had invested significantly in digital capability could not have been better. Hardest hit in this crisis are companies with broad brick-and-mortar footprints that have yet to transition to an omnichannel model.

Digital today must drive better, more distinctive customer experience seamlessly across channels. Brick and mortar and e-commerce are no longer bifurcated in the eyes of consumers. "When they buy something from your brand," says Thierry Andretta, CEO of Mulberry, "customers don't care if it's being delivered or purchased in-store. They simply want impeccable service."

As a result, leaders now need to think about the customer journey in a more unified and collaborative way. They can no longer consider functions or business units in isolation as they are all part of the experience and brand ecosystem. Which is why, says Vittorio Radice, vice chairman of La Rinascente, "We no longer focus on shopping experience, but on experience.

Everything we do is part of the same story."

Prior to the crisis, online sales represented around 12 percent of the personal luxury goods market, according to Bain-Altgamma's 2019 Worldwide Luxury Market Monitor, with 75 percent of purchases influenced online. For this reason, many luxury retailers have already shifted much of their marketing spend to digital channels. As Alexander Pavlov, CEO of TSUM, explains: "Digital advertising is much more efficient than traditional advertising. You can immediately see results and change strategy."

Every part of the business must adopt a digital mindset and foster a cohesive culture and organizational model that supports transformation. Marco Gobbetti, CEO of Burberry Group, explains, "We don't think it is about making the in-store experience more technological, but rather it's about using the store to continue the journey that starts online — and creating experiences and information that is a continuation of the social journey to build strong engagement with customers."

We see digital as a channel to communicate with younger people and help us engage with those customers. It's a good way to build brand and customer engagement.

PAULETTE SUM,
GROUP GENERAL MANAGER,
KING FOOK HOLDINGS LIMITED

Whereas a decade ago, "digital" might have been the job of the information technology (IT) function or an isolated digital team, today leaders at the top must embrace digital, make it a priority and model that mission for the organization.

Some companies look to the technology industry to bridge the gap. SMCP President and Chief Executive Daniel Lalonde hired his lead digital executive straight from Amazon. He set up a team working transversally to coordinate business with IT and managed any frictions as they arose.

For luxury leaders, there is now a renewed and even more urgent responsibility to instill a digital mindset across the company every day. One of the most closely watched areas of consumer behavior emerging from the crisis will be the extent to which increased online

consumption becomes a permanent shift. With all of this in mind, here are the approaches luxury leaders will need to take as they “think digitally” into the new decade and as they navigate through the pandemic.

Embrace data-informed decision-making

Brands can now use data to analyze consumer decision-making and behavior, using artificial intelligence (AI) and other methods to target customers with relevant, precise recommendations and offers. But today’s luxury leaders are harnessing data for much more than just personalized marketing. They’re using AI in the supply chain to automate the management of warehouses and the maintenance of machinery. They’re analyzing time-to-market metrics to increase efficiency. And they’re wielding data to make better, faster decisions about product design.

Effectively harnessing data requires leaders from every part of the organization to have a respect and affinity for analytics. As Francesca Bellettini, president and

chief executive of Saint Laurent, explains, “We don’t necessarily need a data science department isolated by the rest of the company. We need digital and analytical talent in every function — a cross-pollination of capabilities and competencies, fully integrated in each team.”

Yet, most leaders agree that data will never replace intuitive leadership. Analytics must be tempered with human vision, particularly when it comes to designing luxury products and the corresponding customer journey. In the words of François-Henry Bennahmias, CEO of Audemars Piguet: “Loving your customer will always be the first priority.”

USING DATA TO REACH CUSTOMERS IN INCREASINGLY PERSONAL WAYS

The Watches of Switzerland Group, under the leadership of CEO Brian Duffy, leverages Google ads and geotargeting to better target and engage with local customers. Someone walking down the street who clicks on a TAG Heuer Carrera mobile ad is notified that the watch is available in a nearby store. Duffy and his team leverage data from Google about the number of people clicking ads who then visit the store and shop. Duffy says, “We get great in-store conversion from people who’ve clicked on our ads and we’re able to accurately quantify the return on advertising spend.”

Headquartered in India, Titan also leans into analytics for targeted marketing. Under the guidance

of Bhaskar Bhat, Titan saw additional revenue of approximately USD 80 million with this targeted approach. Bhat says, “You have to stay connected with your particular customer. For us, it’s about understanding the Indian consumer and not imposing global products.” To get there, he helped restructure the company so that analytics are served up by a central digital team whose aim is to transform the company and raise its digital quotient.

Leaders leaning into data, partnering with technology companies, and able to share analytics across teams are able to lavish attention on their VIP customers in ways never before possible.

Decision-making and intelligence are, generally speaking, pushed down into the organization. There is no longer a single CEO and creative director deciding everything from the top.

STEFANO SASSI,
FORMER CEO, VALENTINO

Establish a more collaborative approach to decision-making

Leadership must be less hierarchical and more collaborative, because agile working and innovation cannot happen in traditional siloed organizations. Leaders must breed autonomous decision-making throughout their organizations, rather than the CEO and creative director deciding everything from the top. “Command-and-control leadership is over,” says Louvet. “The world is too complex and moving too fast for that type of decision-making. It’s now about trust and empowerment of teams.”

“Our most critical leadership roles are store managers,” adds La Rinascente CEO Pierluigi Cocchini, who believes in empowering and learning from those on the front lines. “We want them to be courageous, visionary entrepreneurs, who can interpret the local market and create a unique and unparalleled experience for their particular customers.” With restrictions likely to continue to affect travel, leaders are preparing for ongoing disruptions to business from international customers. Engagement with and loyalty from local customers is more critical for success than ever.

It is important you have constant engagement across the entire company. The sheer sense of belonging is why one would go back to work every day — encouragement of entrepreneurial mindset and risk-taking ability.

BHASKAR BHAT,
FORMER MANAGING DIRECTOR,
TITAN COMPANY LIMITED

Granting a certain level of autonomy lower down the chain and allowing people throughout the organization to make decisions — as well as mistakes — creates conditions for greater innovation and better connects teams. But autonomy does not mean independence; rather, it should breed a deeper level of collaboration across the organization, as well as enhanced agility. In a sense, it’s about re-infusing the organization with entrepreneurial spirit: creating shorter reporting chains, simplifying communication, and focusing the organization on customer needs, with people at all levels delegated and engaged to furthering that agenda.

We are now seeing that the value of collaboration extends beyond colleagues and partners—even to competitors. McKinsey and The Business of Fashion notes, “This will also be a time for collaboration within the industry — even between competing organizations. No company will get through the pandemic alone, and fashion players need to share data, strategies and insights on how to navigate the storm. Brands, suppliers, contractors and landlords should also find ways to share the burden.”

It used to be that trust equaled experience. These assumptions are not as true anymore. You have to let the younger generation go and empower them.

ALESSANDRO BOGLIOLO,
CEO, TIFFANY & CO.

Foster a culture that inspires and encourages agile thinking

Hand in hand with encouraging an entrepreneurial mindset, luxury leaders are responsible for supporting a more agile way of working. “To be the best brand,” says Bellettini, “you need the best talents, and a key success factor is being able to make them work efficiently and in an agile context — focusing on tasks and problem-solving rather than hierarchy, titles, positions and functions.”

Culture plays an important role in helping organizations adapt to emerging challenges and attracting, engaging and motivating a broad range of employees. It’s not enough for leaders to rely on strategy, structure and processes to manage the business because they don’t adequately address the people side of the change equation. For example, one CEO shared the importance of giving total freedom to the creative teams during this unusual time and recommended, “Eliminate time constraints as they are meaningless right now given the limited ability of the

companies to develop and produce fully fledged collections. Leverage this time to encourage different ways of thinking and experimentation. The outcome may be what yields the next idea to help brands emerge stronger than before.”

As they seek to become more agile and learning oriented, luxury companies are having to shift their cultures. An important part of shifting culture in a certain direction is leadership selection — who sits in the key positions and the tone they set. Lalonde says, “It’s absolutely key to recruit the right people. They must be able to grow with the company and make step changes in terms of both size and complexity. But you also have to pay attention to their future potential and learning ability. Change agents are able to grow and take others with them.” It’s especially imperative that leadership possess these qualities, because leaders have broad direct and indirect influence on the culture, and they set the tone for the whole organization.

Our commercial leaders have to be explorers who are not afraid of trying new things, who are willing to dare and are able to make things happen.

PIERLUIGI COCCHINI,
CEO, LA RINASCENTE

Increase agility and the willingness to “fail fast”

A test-and-learn approach is at the heart of the luxury industry. This principle has been the driver of creativity for decades and will be essential for brands as they look for new ways to reset following the crisis, and to drive profitable growth through product and go-to-market strategies. Marco Bizzarri, president and CEO of Gucci, points to the “duality between push and pull strategies today in luxury. You must be able to anticipate trends, but you also need to create trends.” This type of innovation requires a new approach to failure. At Hugo Boss, CEO Mark Langer says, “We have a different attitude about how we deal with failure now. We try to focus on the learning, rather than excuses about why we were not successful.”

While “agility is clearly an important aspect to pursue in an organization,” says Bizzarri, “it can be challenging for some. Occasionally, I’ve seen senior managers struggle with a perceived need to maintain authority while also espousing flexibility. However, the rate of change today and need to stay ahead of competitors means that leading without an agile mindset simply isn’t possible to thrive.” Successful luxury leaders must stay in an entrepreneurial mindset and be willing to tolerate failure in order to learn from mistakes. As Bogliolo puts it, “In today’s world of luxury, you have to be thoughtful. Experiment first and then decide how to proceed. It’s more trial and error now. If your leadership style is fixed, that’s a threat.”

Commit to sustainability

Sustainability had already been called out as the industry’s biggest priority prior to the pandemic both in McKinsey The Business of Fashion’s “State of Fashion 2020” and in the conversations we had with those who took part in Spencer Stuart’s research.

“Sustainability has to become part of the DNA, and not, ‘okay now I’ll show you the sustainable part of our operations or collection.’ It has to be one,” said Langer, of Hugo Boss.

Today, quality simply rhymes with sustainability.

ERIC VALLAT,
CEO, RÉMY COINTREAU

Gucci is another luxury brand for which sustainability sits firmly at the forefront of decision-making. “We have been working on this topic for many years now,” confirmed Bizzarri. “Until technology and processes eliminate carbon emissions entirely, the only solution is offsetting and becoming carbon neutral. In the meantime, we keep on reviewing our processes, investing in new technologies and setting ambitious targets. It is not a choice, but a must-do. It has impact on consumers, the communities we operate in and even on our recruiting process.” Recently, Bizzarri

launched CEO Carbon Neutral Challenge, which challenges other industry leaders to take even greater steps toward reducing their industry’s impact on the environment.

Sustainability goes back to the idea of being “beyond product.” Brands have a responsibility, as Bhat puts it, “toward all the stakeholders and society at large. You have to stand for something.” Successful brands will have sustainability as an ethos embedded throughout every part their companies, from the way products are made to the way work conditions unfold. Increasingly, it will be table stakes — no longer a marketing driver, but part of a brand’s DNA.

We believe that sustainability will be defined on an increasingly broad basis going forward, reflecting not only environmental impact but also, how a brand’s overall purpose and values are experienced by customers and colleagues. Indeed, Spencer Stuart’s observations of leadership through the crisis are that the most successful executives are those who have been able to connect their individual purpose as leaders to that of their organization.

Becoming an iconic brand requires decades. We do need to adapt to a quicker world, but without losing our identity.

STEFANO SASSI,
FORMER CEO, VALENTINO

Luxury leadership in the decade ahead

As we enter a new decade, luxury retail is facing unforeseen challenges. COVID-19 has not only profoundly impacted the sector, it has also revealed the increasing importance of digital channels and an agile, digital mindset of collaborative leaders. With the world changing seemingly by the minute, concepts such as “test and learn” and decentralized decision-making are more important than ever.

Leaders invested in digital transformation are data-informed and embrace collaborative design thinking and decision-making to enable talented, creative people to flourish. They’re willing to take risks and learn from failure, and they share that adventurous spirit and their individual purpose with everyone within the organization. They are fluent in digital and technology for what they can enable: more personal connection among teams, with customers and the ability to react fast. And above all, they’re devoted to quality in everything they do.

THE 10 CHARACTERISTICS OF LUXURY LEADERS, MAGNIFIED BY COVID-19

- 1 Adventurous**
Inspired by entrepreneurs, respecting agility and collaboration over hierarchical organizations and process-driven structure
- 2 In tune with customers**
Focused on loving and listening to customers, with a deep understanding of how digitization improves personalization and customization
- 3 Purpose-led**
Able to connect individual purpose with organization mission and values to benefit all stakeholders of the brand, and society at large
- 4 Data-minded**
Enthusiastic about learning from data in every realm of the business
- 5 Inspiring**
Adept at fostering collaboration, collective thinking, and an inclusive approach that energizes people and teams
- 6 Flexible**
Giving employees options for how they work and not being constrained by an attachment to conventional paradigms
- 7 Transparent**
Able to construct a space where people feel comfortable sharing opinions openly and information is shared throughout the company
- 8 Curious**
Adopting an agile approach to try new things, with a sense of curiosity about what new tactics and strategies might bring
- 9 Courageous**
Along the same lines, willing to fail, encourage comfort with failure in others, and learn from failure
- 10 Low-ego**
Trusting others throughout the organization to make decisions, willing to focus on problem-solving rather than role-playing

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