

The luxury business seen through the prism of information technology

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Is there a relationship between the performance levels of a company and the extent to which it uses information technology? This question is currently being studied by a number of economists worldwide who have realised recently that the very high performance levels of certain American companies at the tail end of the current slump can be explained by their pragmatic and intensive use of information technology. Will this phenomenon eventually come to constitute a hard and fast rule of the modern economy and as a result one day be applicable to the luxury goods industry? In actual fact, given the changeable nature of today's information technology, asking this particular question also leads us to ask what actual information brings added value to these businesses? Is it data linked to management, data about the clientele, graphic and photographic data or other types? At this stage of the analysis it can be said that data linked to heritage and savoir-faire are specific value-generators for the luxury goods sector and they merit particular attention.

The last fifteen years have been an intense time in IT and has led to an important but imperceptible change within the luxury goods sector. While the party line from company directors was concentrated on questions traditionally linked to brand identity, design, or the distribution issue and the preservation of the savoir-faire; entire sections of their « back-offices » were

undergoing profound but silent change. To a certain extent the computerisation of their activities as that is the question here, happened without any real strategic objective, often with the simple will to solve regular work place issues and logistical problems, sometimes with an unconsciously Taylorian vision.

In retrospect, it is easier to outline the areas in which information systems appeared in the luxury goods industry between the end of the 70's and the beginning of the 21st century.

The first uses of IT concerned financial management, human resources, sales administration. This apparition was justified by short-term necessity. Calculators and type-writers had to be replaced. Then came a long stationary period for most companies which lasted until the end of the eighties, a decade that saw the emergence of a new generation of computers and CGI (computer generated images). In parallel with this the appearance of integrated distribution systems led the way for Retail Management Systems so that head office could control boutiques and department store sections centrally. Simultaneously the traditional commercial administration applications were equipped with production management software which mastered the logistics chain. Even more recently, PDM (Product data management) systems appeared to manage stocks and collections linked to the development of products before their mass production, with the intention of controlling deadlines in the production cycle of collections. In addition digital photography has organically invaded fashion shoots and press. The end of the nineties was a turbulent period for the Internet but certain traces remain nonetheless with visual sites from the big brands which mix institutional information and product information, some even doing on-line sales such as the LVMH eluxury.com site.

Finally a fundamental trend has been emerging for the past two years involving the management and use of brand heritage

and company history through « Knowledge management » systems or the electronic management of documents which bring the archives to life adding value to them daily. It can be predicted that this generation of information tools will constitute a specific lever for luxury goods companies, as they are part of an industry that constantly looks to its past in order to face the present. Finally, a number of prestigious houses have today constituted broad, cumbersome and complex information systems without ever making this development obvious. We can thus observe that in terms of information technology in luxury goods companies, a significant number of companies turn down invitations to seminars on the subject arguing that it is an issue they do not wish to advertise, meaning perhaps they fear their image might be adversely affected. In 1984 the director of a prestigious couture and prêt à porter house stated that information technology would take years to catch on within the industry and might never happen. He has been proven wrong however, like many others. The arrival in the nineties of design software, desktop publishing and later scanners and digital reproduction. Today that company is one of the most advanced in terms of heritage/knowledge management using IT.

Specific information systems for the luxury goods industry ?

We can consider that there is an intersecting point of great potential between the possibilities offered by IT and certain issues specific to the luxury goods industry. I will take the opportunity to outline a few here. If Pascal Morand's theory espoused in an article in the previous issue of *Mode de recherche*¹ is true, that our economies will be obliged to « embrace the immaterial » in the decades to come, then information, which is by definition immaterial, has pride of place in the panoply of tools of the future and even more so in its digital form. Digital information with its fluidity, capacity

for cut and paste, aptitude for world-wide transmission in real time through networks like the Internet carries out what we can refer to as economic proselytism². For companies who wish to keep a tight rein on their image, information control is of the utmost importance, especially if they wish to develop their image around a homogeneous message in an environment that is constantly changing. Information technology gives access to this type of facility. The main compatibility between luxury industries and digital information systems is also reinforced by the technical capacities now available to manipulate all types of information, text, images, sound and programmes of a very high quality – supposing one knows how to manipulate them – and often conform with the very high qualitative expectations of the actors in this sector. Above all, taking into account the prices for which the products retail, luxury industries are obliged to provide an exceptional service to their wholesale and retail clientele, something unique, not available elsewhere. For example it is interesting to note the number of computer projects in the high-quality watch-making sector or in the luxury leather goods sector aimed at identifying their clients and the merchandise they possess so as to provide an impeccable, personalised after sales service in terms of repairs and maintenance. If management consultants refer to this as Consumer Relationship management, personalised services for clientele is a more apt description. In the decade to come a strategic issue for the luxury goods industry in terms of information technology will be to set up systems based on point of sale terminals which can identify a client in real or semi-real time so as to supply a service perfectly adapted to that client's expectations and habits. In this domain certain companies have already done a U-turn in terms of their attitude to information technology by beginning to formulate ideas on possible portable miniature technologies such as wireless terminals (WIFI) to accompany clients within the sales spaces, supplying

snippets of information and taking care of the more boring aspects of the purchase such as payment etc.

RFID (*Radio Frequency Identification*) technology based on miniature circuits inserted in the actual merchandise should constitute a significant innovation which will enable security to be enhanced without the knowledge of the clientele, using chips not unlike the chips on bank cards – we should remember here the out and out rejection of the in the 80's and 90's of the barcode system by luxury brands as it was thought it gave the products a mass-produced image. It is also important to note that certain mass-produced brands are also examining interactive sales techniques and technology for their retail outlets despite the relatively low prices of the products. It is possible that in the long term luxury product clients will no longer accept that the relationship they have with their favourite brands is of a lesser quality than that they maintain with more common brands, brands we now know are also popular with this segment.

This type of debate on the tension that reigns between tradition and modernity was already seriously repositioned in the luxury car sector in the 80's, a sector in which for a long time it was considered that high-tech equipment would not be seen as appropriate for the often either Italian or English traditional luxury car manufacturers. However this position was successfully transformed in the 90's under new ownership from big industry. It is probable that this change will also occur in the other luxury brand sectors under the direction of the new « luxury capitalists » in the recently formed big groups around the big-name brands.

Conservation and exploitation of heritage

As mentioned above, total control of brand image and identity, enabling them to develop without reneging on their original values, constitutes a strategic obligation for the actors in the luxury goods industry. This

obligation is all the more important given the pressure from the market and shareholders to raise the design and commercial capacity of new products, even new ranges outside the traditional remit of the brand. This task is reinforced by the periodic changes in “star” designers which shake up old habits and the original value schemas. The current resurgence of the issue surrounding the exploitation of brand heritage is doubtless linked to these new preoccupations and it is accompanied by an entire cortege of tools among which Knowledge Management systems are beginning to find a specific place. By giving potentially world-wide but restricted and protected access, enabling use of the archives without actually physically touching them, by instantaneously bringing together different types of content (text, photographic, video) electronic management systems offer many possibilities for the exploitation of a brand heritage rather than its conservation.

The experiments presented at the *Rencontres Internationales d'Hyères 2004* at the round table discussion on heritage displayed the high level of expectation from companies and their networks in terms of heritage. The reasons given for this boost in interest in electronic archives are varied and numerous : for some preparing exhibitions of retrospectives or other pieces, or to answer external requests for articles or research is not workable without a digital means of communication as the archives are enormous. For others, it is a question of time or money, that can justify the manipulation of immaterial data rather than working directly with the physical archives. For others again, having created numerous sites linked to design and advertising around their main commercial activities, they see the possibility to structure the information made available to a widely spread group.

In their attempts to digitise their heritage or archives, the luxury goods houses often mention the problem of the dissuasive « plateau effect » which is often felt at the origin of the projects when digitising exist-

ing archives. By the « plateau effect » I mean investing a considerable amount of time and effort in order to index i.e., digitise and describe using key words, entire swathes of heritage and history. It is not rare to find that digitising archives can mean creating tens or hundreds of thousands of references. This attempt to cover the past is often proportional to the notoriety of the brand, its spread in terms of product variety and the age of the products in question. The lesson to be learned from this is that if the management and exploitation of a company's heritage is not treated as a permanent and daily preoccupation then they are eternally condemned to suffer from this "plateau effect" that is to say the management of their archives on an intermittent, compulsive basis. Making the departments who deal with the archives work in tandem with the regular management systems will soon become a serious issue for the luxury product industry sector.

Risk, opportunity : inverting the relationship with information technology

We may conclude from the above analysis that the use of information technology by the luxury goods sector will blindly follow that of the more everyday sectors. This is indeed a risk and the ability of companies not just to take technology at its face value will definitely be a major issue in their capacity to follow their own initiatives which are above all based on the very special relationship they wish to establish with their clientele and the exploitation of their heritage and distinctive savoir-faire.

To this end it is essential that they manage to inverse their relationship with information technology, that they occupy they driver's seat, rather than blindly following choices made by software companies and consultants, or even just copying the competition. In this area the companies having already integrated all or part of their distribution systems will have to impose a different vision of commerce on their software suppliers to that which inspired the

RMS software (*Retail Management Systems*) which deal with point-of-sale management and which historically come directly from food or general product distribution. Those who realise the value of their archives will have to imagine a very specific means of digital management other than a museum style system or just pictorial methods. In addition, certain technologies are not adapted to the sector while others will have a determining role in the existence of luxury brands.

A simplistic vision could lead us to believe that only the big luxury brands with their high investment capacity and their highly qualified staff will be in a position to use information technology correctly. It is not impossible however that certain newcomers on a smaller scale but with more know-how will think up better uses for the digital tools available with a « fresh », coherent and contemporary vision. As for the past few years information technology on sale to the general public has contributed greatly to technical progress by most notably repositioning the end-user at the centre of the information issue.

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1. In : Mode de recherche n° 1 – « Comment embrasser l'immatériel », – Pascal Morand – January 2004.
2. By which I mean the zealous spreading of a faith, recruiting disciples.