

Research report:

Luxury experienced and retail-tainment

O₂ business



How and where consumers are spending their money is constantly evolving. Despite the financial crisis hitting disposable income hard, particularly over the past decade, millions of people in the UK now feel entitled to luxury in some form.

Value is no longer defined by a price tag. As part of the Luxury Experienced trend in the leisure industry, many consumers feel that luxury products should offer a memorable experience as part of the package. Similarly, the retail-tainment trend in the retail industry addresses an experiential demand by offering increasingly engaging and entertaining customer journeys. As a result, retail and leisure activities are becoming inextricably linked.

69%

of people agree that the stresses of modern life mean people are less happy than they used to be – this means people want to enjoy the activities they have to do as much as those they choose to do

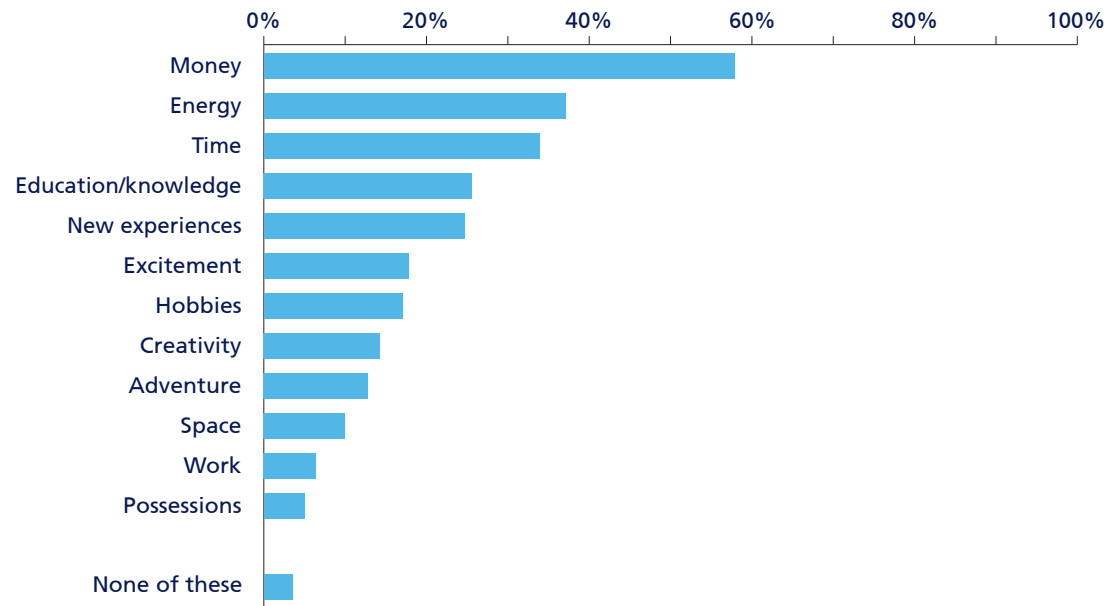
New experiences ranked highly when people were asked what they'd like more of in their day-to-day lives

55%

of 16-34-year-olds say they enjoy going to shopping centres for a fun day out



"What would you most like to have more of in your day-to-day life?"



The definition of luxury is changing. Although many consumers still consider luxury items to be expensive and unique, for others it's the intensity of experience accompanying the purchase that defines its worth.

Globetrotter, a German outdoor retailer, has taken this idea and developed a unique luxury consumer experience in their Cologne store by providing an indoor swimming pool in which customers can learn to scuba dive or test canoes. They can also test heat retention or water resistance of garments in-store, bringing the outdoors, indoors. This process redefines luxury as consumers are no longer seeking a simple purchase, but also an enriching experience.

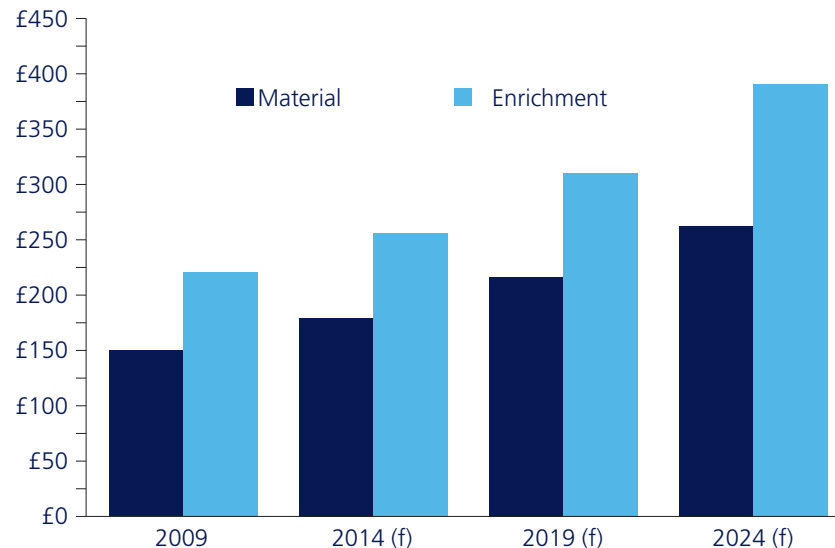


The desire for new experiences is extending into the out-of-home leisure, retail and travel sectors. In 2014, Etihad Airways introduced luxury upper-deck cabins to their Airbus A380. 'The Residence', a cabin designed for a maximum of two travellers, includes a living room, separate double room, minibar and en-suite shower, creating a 'haven of tranquillity'¹. Passengers that book 'The Residence' will also receive VIP concierge services, an on-board butler and an in-flight chef. Brands delivering experiential and luxury value beyond basic products and services will be most competitive.

The need to satisfy customer cravings for unique experiences is also infiltrating the retail industry. High street retailers are injecting new life into their stores to guide consumers away from online and turn retail locations into leisure destinations. This will lead to more interactive high streets with stimulating surroundings that entice and inspire customers to comment and broadcast their opinions on their in-store interactions.

The enrichment index/total annual expenditure on enrichment vs material goods

(at current prices in billions) Oxford Economics forecast

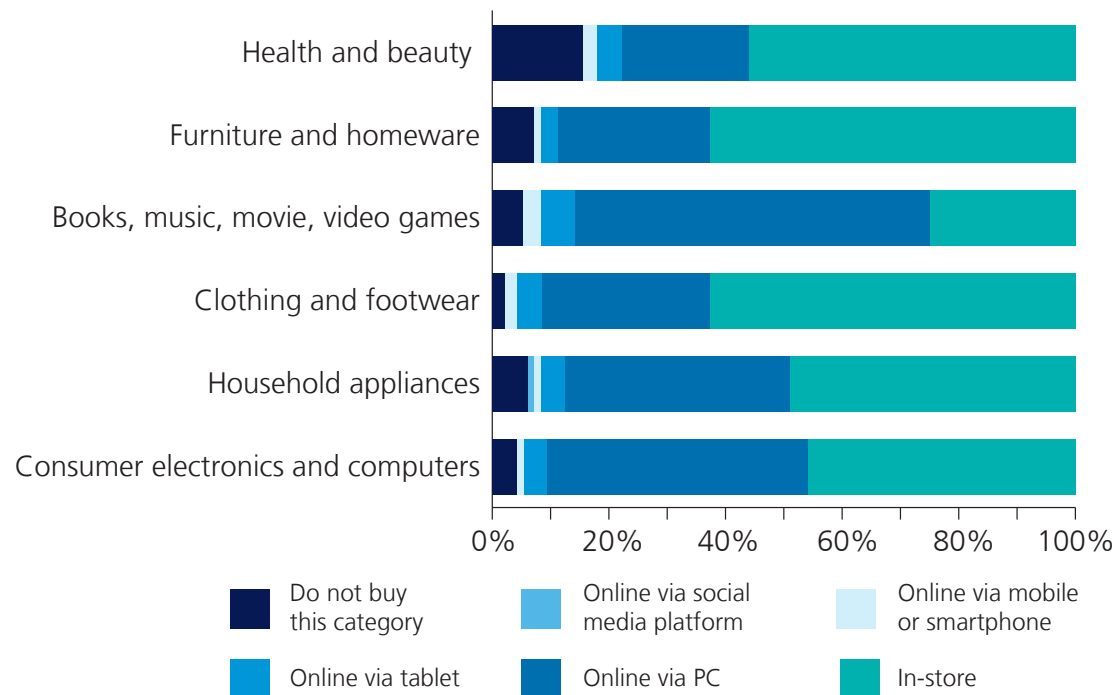


¹ <http://www.etihad.com/en-us/experience-etihad/flying-reimagined/the-residence/>



The apparel brand Under Armour launched their first 'retail speciality store' in Shanghai in October 2013. A screen dominated 90% of the space, with only a small section of the store featuring products for sale. This innovative visual display which prioritises sensory experiences over product placement is what we should expect to see more of in the future as we move towards the digital high street.

"Which method do you most prefer for purchasing?" | 2013



In order to compete with online business, retailers will have to focus on improving in-store engagement. During London Fashion Week 2014, Topshop provided customers in their flagship London store with virtual reality headsets. This gave them access to a 360° virtual view of the show complete with a live runway, backstage images and behind-the-scenes footage. The retail-tainment trend thrives when retailers take steps to provide shoppers with tactile, sensory and unique encounters which cannot be replicated online.

44% "I like it when shopping centres put on special events such as fashion shows and music events"

29% tested or looked at a product in-store before purchasing it online



How O₂ can help you take advantage of these trends:

Using digital solutions to reinvigorate the high street, and enhance the value of luxury purchases, you can keep customers coming back for more.

We can help you:

- **Deliver** the underlying infrastructure, both fixed and flexible, to support a range of digital solutions such as Cellular WAN and O₂ Wifi
- **Provide** personalised offers to customers to address their needs via time and location-based interactive messaging
- **Develop** more knowledgeable employees by equipping them with devices connected to back office systems to assist customers
- **Boost** loyalty through contextual and personalised messages, promotions and social media services, such as Priority Moments
- **Enhance** your retail and leisure locations by implementing a range of interactive solutions such as digital signage and iBeacon technology
- **Discover** actionable customer insight provided by O₂ Wifi and Smart Steps data

To find out how we can help you, call us on:
01235 433 507