
How Tech Can Transform Luxury Brands' Value Proposition



By David Dubois , INSEAD

Luxury brands are increasingly leveraging technology to reduce uncertainty and enrich experience throughout the customer journey.

As consumers become more conscientious about their purchasing decisions, the demand for transparency has become paramount. Knowing where a product comes from and how it is made is a critical factor before committing to a purchase. This shift in consumer behaviour has reverberated across industries, prompting brands to rethink their value propositions in the face of increasing scrutiny.

The luxury sector faces a unique challenge in meeting consumer demands for transparency. Indeed, what makes products luxurious – taste, heritage, prestige – is often difficult to assess. As a result, there is a lack of clarity in how value is generated in luxury markets, how it progresses through various stages of production and distribution and how it is ultimately conveyed to consumers. Such a situation offers favourable conditions for counterfeit products to flood the market, eroding consumer trust and brand reputation.

To address this challenge, luxury brands have begun leveraging blockchain technology to guarantee authenticity of high-end products. This digital ledger that cannot be altered offers customers with a digital certificate of authentication and detailed information about every step of production.

A noteworthy example is the Aura Blockchain Consortium, a coalition of luxury brands including LVMH, Richemont, Prada Group, OTB and Mercedes-Benz. By embracing a unified global blockchain solution, this consortium aims to offer consumers full transparency and traceability.

Another industry that grapples with an authenticity challenge is the fine wine industry, a US\$18 billion market. Ambiguity permeates all stages of the journey; from the way the wine is produced to the way it is commercialised through drip-feed distribution. Even taste is shaped through complex social dynamics and expert opinions. Counterfeiting issues in wine and spirits persist due to the struggle to track bottles once they leave producers. This costs the industry at least **US\$1.3 billion annually**. To combat this issue, luxury wine producers are increasingly taking measures to identify their bottles, such as including hidden images in their labels.

Crurated, an e-commerce marketplace catering to high-end consumers, took this one step further. As covered in my **recent case study**, the start-up enables community members to connect with and purchase wine directly from renowned producers. Blockchain technology provides full transparency from production to point-of-sale through a unique NFC tag on each bottle that guarantees its authenticity and has detailed information on its history, including geo-localisation and storage conditions. Furthermore, Crurated offers members the choice to store wines in its temperature-controlled and humidity-regulated warehouse in Burgundy.

Beyond authenticity: Personalisation and engagement

However, authenticity and storage issues aren't the only customer pain points. Discerning high-net-worth consumers yearn for deeper knowledge and want to build relationships with wine makers and fellow wine collectors. They demand top-notch service such as personalised wine tastings, exclusive access to limited edition or rare wines and even custom blends.

These emerging consumer demands have led to a wave of tech-driven innovations in the wine industry. From **augmented reality animations** that bring labels to life to community wine rating platforms like **Vivino**,

businesses are finding innovative ways to inform and engage consumers.

In the wider luxury industry, brands have embraced blockchain's peer-to-peer capabilities to connect directly with customers. They provide personalised experiences like exclusive event invitations and early access to sales, fostering a deeper consumer-brand relationship. Similarly, Crurated provides members with access to winemakers, online networking with other connoisseurs and exclusive events with artisan winemakers.

While brands generally focus on integrating tech solutions to solve customer issues around authenticity and production or promotion and engagement, Crurated combines three different technologies – social tech, tracking tech and selling tech – to solve myriad consumer, product and distribution issues.

Areas of ambiguity offer opportunities for value creation

Today, the luxury industry has an arsenal of technologies at its disposal, ranging from blockchain to AI to augmented reality. Yet, the true competitive edge lies in how these technologies are combined to offer unique propositions.

In the past, pioneering companies might have integrated one feature, such as Facebook's photo-sharing functionality, only to be imitated later by competitors. In today's rich environment, it is the fusion of various technologies to address customer issues across the market that could create a breakthrough.

Crurated, from this standpoint, removes uncertainty and offers a richer experience across the product lifecycle. It removes product ambiguity through blockchain. It also makes the purchase more transparent and more interactive through social tech and an auction-like buying option. Lastly, it offers a superior, more personalised experience connecting clients with winemakers through smart use of social tech.

In an evolving landscape, luxury brands and businesses similarly need to design a unique technological mix to respond to shifting consumer preferences and deliver value across the product lifecycle and customer journey. This is how luxury brands can effectively build the most valuable relationships in tomorrow's market – ones that are characterised by transparency, fairness and captivating experiences, at the crossroads of innovation and customer centricity.

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<https://knowledge.insead.edu/marketing/how-tech-can-transform-luxury-brands-value-proposition>

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About the research

"The Crurated Revolution: Connecting People with Fine Wines Through Blockchain Technology" is an INSEAD Case Study.