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How can a luxury brand create a strong and lasting relationship with a customer by mixing data, kpis, crm with experience in such a changing environment?

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ABSTRACT

This thesis aims to explore how luxury brands can harness the potential of Customer Relationship Management (CRM), Key Performance Indicators (KPIs), and data to establish an authentic connection with their consumers while ensuring consistency with the actual offered experience. The primary objective is to investigate how these strategic tools can be synergistically integrated to optimize consumer engagement in the luxury sector.

Through a research approach encompassing a detailed analysis of best practices and the execution of qualitative interviews, the thesis seeks to provide concrete recommendations. The focus is on the delicate balance between the effective use of data and the delivery of authentic experiences, aiming to contribute to an understanding of how luxury brands can thrive in a constantly evolving environment, maintaining strong and enduring connections with their customers.

1) INTRODUCTION

In the exclusive and highly competitive luxury market, brands face the critical challenge of not just attracting but also maintaining the loyalty of their discerning customers. This research delves into this challenge by examining the role of Key Performance Indicators (KPIs) in Customer Relationship Management (CRM). The primary objective is to explore how these KPIs impact the real-life experiences of luxury consumers, aiming to uncover strategies for building enduring relationships between luxury brands and their clients.

The study takes a unique approach, moving away from traditional data analysis. Instead, it focuses on integrating KPIs into the actual experiences of consumers. This involves shifting from quantitative metrics, like sales figures, to a qualitative understanding. The research explores how these KPIs are perceived by customers and how they influence their interactions and feelings towards luxury brands.

To gain a comprehensive understanding, the research utilizes in-depth interviews with individuals who purchase luxury goods. These interviews are designed to gather deep insights into personal perceptions, experiences, and attitudes toward the strategies implemented by luxury brands. Additionally, the study extends to include perspectives from within the luxury companies themselves. Through interviews with company managers and key decision-makers, the research gathers a rounded view, encompassing both external customer perceptions and internal business strategies.

Central to this investigation is the exploration of how KPIs manifest in the customer's direct experience. This exploration goes beyond simply identifying these metrics. It aims to unravel how KPIs are intertwined with consumer behavior and how they can be optimized by luxury brands to foster strong customer relationships. The goal is to demonstrate and critically analyze the emergence of KPIs as essential tools for companies in creating sustainable value for luxury consumers.

This thesis is committed to a methodologically rigorous approach, striving to illuminate the fundamental role of KPIs in shaping the luxury consumer experience. It moves past superficial data collection, focusing instead on meaningful dialogues with stakeholders in the luxury market. These conversations

are instrumental in reflecting the complex and opulent nature of the luxury world, with its various intricacies and subtleties.

In conclusion, the study seeks to provide an in-depth and practical understanding of the critical function of KPIs in the luxury consumer market. It highlights the importance of thoughtfully utilizing these indicators to enhance customer relationships. The research emphasizes that, in the luxury sector, success hinges not just on attracting customers, but on creating deep, lasting connections with them. This is achieved by understanding and responding to their unique needs and preferences, a process in which KPIs play a vital role.

2) CONTEXTUAL BACKGROUND

2.1) THE ESSENCE OF EXPERIENTIAL LUXURY

In the modern era, the role of consumers in shaping the destiny of businesses has never been more crucial. Consumers, whether in profit-driven industries or creative domains like art and music, have evolved from passive recipients of products and services into active participants. This transformation of the consumer-business relationship has given rise to an intriguing confluence of dynamic interplay. Historically, this relationship was often described simplistically, characterized by companies responding to the articulated needs of consumers, driven by the promise of financial gain. Nevertheless, this portrayal masks the intricate nature of this connection, particularly when considering the profound evolution that has occurred over time. Today, consumers are far from being passive observers of the business landscape. In fact, they have become pivotal co-authors of their experiences. No longer satisfied with standardized offerings, modern consumers actively demand personalized solutions and expect companies to engage with external events. This shift has intensified competition among businesses, necessitating more holistic strategies. The traditional push-oriented approach, which prioritized product attributes over consumer preferences, has given way to a pull model rooted in a profound understanding of consumer needs. Additionally, consumers have formed influential communities, wielding collective power capable of shaping the destinies of entities. However, it is within the realm of luxury that this evolution takes on an even more distinct character. Luxury

consumers, with their discerning tastes and heightened demands, are pushing the boundaries of what is expected from brands. They seek not just products but an all-encompassing experience – an experience that surpasses the boundaries of materiality. The question then arises: How do these evolving consumer dynamics relate to the world of luxury? The answer is deeply embedded in the concept of experiential luxury, where consumers are not merely buyers but active co-creators of their own unique experiences. In the luxury sector, experience takes center stage. Luxury brands, recognizing that their clientele craves exceptional, personalized, and enduring experiences, emphasize the delivery of these experiences as a means of fulfilling their most intangible aspirations. Through immersive experiences, luxury brands actualize their unique identities and brand equity, forging an indomitable bond between consumers and brands. (Kapferer, Jean-Noël. 2012. *"The New Strategic Brand Management: Advanced Insights and Strategic Thinking."* London: Kogan Page).

2.2) THE EMPOWERED ROLE OF THE MODERN LUXURY CONSUMER

The role of the modern luxury consumer has witnessed a profound transformation that reshapes the landscape of consumer-business interactions. In the past, this relationship was often characterized by a unilateral nature, where companies held the upper hand, and consumers assumed passive roles. This paradigm reached its zenith during the Industrial Revolution, symbolized by assembly line production, where consumers had minimal influence and essentially accepted standardized offerings. Marketing strategies were largely push-oriented, emphasizing the attributes of products rather than aligning with consumer preferences. Yet, history has taught us that such a one-sided relationship is an antiquated concept. Fast-forward to the present, and we see a significant shift. Consumers have evolved into discerning, vocal, and engaged stakeholders, demanding transparency and comprehensive involvement from the brands they support. They have moved beyond just functional needs, aspiring to fulfill their higher-level desires for self-actualization and esteem. In the world of luxury, where these desires take precedence over mere necessity, brands face a unique challenge. (Kapferer, Jean-Noël, Vincent Bastien, e E. Stéphane Kalié. 2008. *"Is CRM for Luxury Brands?" California Management Review, Vol. 16, 5/6: 406–412. Original Article.*) Achieving consumer loyalty in this sector demands a different approach,

one that prioritizes comprehensive engagement, personalization, and the establishment of a deep and intrinsic connection. The question naturally arises: How can luxury brands adapt to these evolving consumer dynamics while preserving the exclusivity that defines them? The answer lies in a delicate balancing act, one that combines the allure of exclusivity with the desire for engagement and personalization.

2.3) TECHNOLOGY'S PIVOTAL ROLE IN CRAFTING EXPERIENTIAL LUXURY

In the modern era of business innovation, technology stands as a pivotal enabler, reshaping the operational landscape and redefining the way companies interact with their customers. The rapid advancement of technology has ushered in a new era, influencing the very fabric of consumer-business relationships. Notably, the collection and analysis of data have emerged as central pillars of achieving competitive success. These data-driven insights provide invaluable information about consumer behavior and preferences, guiding strategic decision-making. As businesses grapple with the vast volumes of data generated, they are increasingly turning to advanced technologies to harness this information effectively. In the luxury sector, the significance of this transformation is amplified. Data and technology become indispensable tools for crafting highly personalized strategies that elevate the consumer experience to new heights. Advanced technologies empower luxury brands to harness the immense amounts of data at their disposal, enabling them to offer experiences that are not just tailored but unique. Yet, in the pursuit of engagement and personalization, luxury brands are confronted with the challenge of maintaining an aura of exclusivity. Technology is not just about operational efficiency; it is the strategic enabler that allows luxury brands to deliver exceptional experiences while preserving the allure that defines the luxury world. (Buttle, Francis. 2008.

"Customer Relationship Management: Concepts and Technologies." Burlington, MA: Elsevier.)

The question that lingers is this: How can luxury brands strategically employ technology to meet the evolving demands of their consumers without compromising their inherent exclusivity? The answer lies in navigating the multifaceted challenges, recognizing that technology serves not as a replacement for

the personal touch but as an enhancement that empowers luxury brands to cater to their discerning clientele more effectively.

2.4) ADAPTING LUXURY TO CHANGING DEMANDS

The world of luxury is currently undergoing a remarkable evolution, driven by shifting consumer needs and rapidly changing habits. This transformation is both a challenge and an opportunity for luxury brands, raising questions about their ability to survive and thrive in an environment marked by constant flux. The crux of the matter lies in the concept of hyper-personalization, which could hold the key to the luxury sector's continued relevance. In this era of change, it is crucial to recognize that the definition of luxury has itself evolved. There are now various paradigms and interpretations of luxury, and perhaps a new paradigm is emerging - one that defines luxury as a creator of lifelong term value. This new definition aligns with the idea that luxury brands are not just sellers of products or services; they are curators of unique and enduring experiences. (*Business of Fashion and McKinsey & Company. 2017. "The State of Fashion 2018"*). The concept of hyper-personalization encapsulates the essence of this transformation. It signifies the luxury brand's commitment to understanding each individual customer on an unprecedented level. It involves tailoring products, services, and experiences to align with the customer's unique identity and values, creating a profound sense of resonance. Hyper-personalization goes beyond customization; it reflects the brand's dedication to co-creating a narrative with the customer. As consumers increasingly seek experiences that resonate deeply with their individual desires, hyper-personalization becomes the linchpin for luxury brands. It not only meets but exceeds ever-evolving expectations. The survival of the luxury sector now hinges on its ability to adapt, innovate, and offer experiences that align with the hyper-individualized desires of its clientele. This profound shift suggests that luxury is no longer about owning a brand's products; it's about becoming an integral part of the brand's story, forming an enduring bond that transcends trends and time.

2.5) THE ROLE OF CRM IN SHAPING MODERN LUXURY BRANDS

In the ever-evolving landscape of contemporary business, Customer Relationship Management (CRM) has emerged as a vital discipline, responding adeptly to the confluence of technological advancements,

evolving consumer roles, and the escalating significance of customer experiences. Within the luxury sector, CRM takes on an indispensable role, providing brands with the tools to forge enduring connections with their clientele. The three core components of CRM—Customer, Relationship, and Management—underscore its multifaceted significance. There is a distinct shift towards immersive experiences, with a focal point on the end consumer, aligning seamlessly with the concept of "lifelong term value" in the realm of luxury. CRM is both an art and a science, treating each customer as a unique entity with specific needs and preferences. It operates as an integrative framework, skillfully utilizing technology to establish shared value and elevate customer experiences to unprecedented heights. The essence of CRM lies in cultivating the longevity of the brand-customer relationship, providing a distinctive competitive edge within the luxury sector. Delving into the transformative role of CRM in modern luxury brands unveils its versatile nature in creating personalized experiences that transcend consumer expectations. Examples from renowned luxury brands like Rolls-Royce and Ritz-Carlton showcase CRM in action, tailoring products and experiences with precision to meet the unique expectations of each customer. The interplay between CRM and technology serves as a strategic bridge, facilitating hyper-personalization and amplifying consumer engagement. Statistical data robustly validates CRM's pivotal role, demonstrating its impact in enhancing customer loyalty and contributing significantly to corporate profitability. The transformative role of CRM emerges as a strategic imperative for luxury brands seeking to thrive in an ever-evolving market. However, the implementation of CRM in luxury companies is not without its challenges. The management of sensitive customer data demands rigorous attention, requiring robust data security measures and compliance with stringent regulations. System integration, especially with the presence of customized legacy systems, necessitates meticulous efforts to ensure cohesion and consistency across all integrated platforms. (Kumar, V., Reinartz, W., & Kotler, P. 2006. "Customer Relationship Management: Concepts and Cases." Upper Saddle River, NJ: Pearson Prentice Hall.)

The associated costs of CRM implementation can be prohibitive for smaller enterprises, often leading to strategic outsourcing decisions. As luxury companies expand, the complexity of customer

relationship management grows exponentially, prompting the need for continuous improvements and upgrades. Despite these challenges, CRM offers a myriad of benefits for luxury brands. Effective customer segmentation through methods like Recency, Frequency, and Monetary (RFM) variables enhances targeting strategies. Meticulous planning becomes essential to safeguard data privacy, maintain trust, and fully harness the vast potential of CRM. Positioned as the linchpin of success, CRM enables luxury brands to navigate the dynamic market landscape, ensuring sustained growth and unparalleled customer satisfaction.

2.6) CUSTOMER SEGMENTATION IN CRM

Customer segmentation, a fundamental aspect of Customer Relationship Management (CRM), plays a vital role in enhancing customer engagement and optimizing marketing strategies, particularly for luxury brands. While the RFM (Recency, Frequency, Monetary) method is a well-established approach, there are several other valuable segmentation methods that enable a more comprehensive understanding of customers and their preferences. The RFM method is a widely recognized approach within CRM, and it classifies customers based on three essential variables. Recency assesses the time elapsed since a customer's last interaction or purchase, indicating the level of their engagement. Frequency evaluates how often a customer interacts with the company, offering insights into their loyalty. Monetary measures the value of a customer's purchases, signifying their importance to the company. Using these variables, customers are segmented into categories, such as "VIP customers" for those with high scores and "inactive" or "low-value" customers for those with low scores. The RFM method empowers personalized interactions and tailored marketing strategies, which, in turn, enhance customer engagement and retention. Beyond the RFM method, CRM offers alternative segmentation techniques that provide a more holistic view of customers. Demographic segmentation categorizes customers based on factors such as age, gender, income, education, and other demographic information, helping luxury brands understand their customer base's characteristics and preferences. (*Buttle, Francis. 2009. "Customer Relationship Management: Concepts and Tools." Elsevier.*) Psychographic segmentation delves into customers' lifestyles, values, personality traits, and interests, enabling the creation of

campaigns that resonate with customers on a personal level. Behavioral segmentation, on the other hand, classifies customers based on their interactions with marketing campaigns, social media engagement, and responses to various initiatives. This approach provides valuable insights into customer preferences and behavior, guiding the development of highly targeted marketing strategies. These diverse segmentation methods empower luxury brands to gain a comprehensive understanding of their customer base, allowing them to build stronger and more personalized relationships. By effectively leveraging CRM and these various techniques, luxury brands can enhance customer engagement, increase retention rates, and optimize key performance indicators, ultimately ensuring their competitiveness in the dynamic and demanding luxury market. (Gartner. 2020. "Magic Quadrant for CRM Customer Engagement Center.")

3) Addressing to the topic

3.1) DIAGNOSTIC

In the contemporary context of marketing and business strategies, Customer Relationship Management (CRM) has emerged as a crucial tool for luxury goods companies, which, characterized by a demanding and experience-oriented customer base, constantly seek to create deep connections with their end consumers to maintain and increase their engagement. The central question that this thesis aims to explore is: based on the empirical evidence and theoretical perspectives in the literature, is CRM a useful and effective tool for increasing end-consumer engagement in luxury brands? The importance of CRM in customer relationship management and end-consumer engagement in luxury brands has been discussed extensively in the academic literature and the context of corporate marketing strategies. Therefore, it is precisely through this discussion, with the help of qualitative research that will follow, that we first want to prove and confirm the veracity of these sources with hard data and then make the discussion even more concrete given my work experience in a consulting firm (Jakala) that deals with precisely this. This thesis therefore aims to analyze, through an interdisciplinary approach that integrates empirical research, theoretical perspectives, and concrete examples from the projects I am following, the role of CRM in luxury brands and its impact on end-consumer engagement.

3.2) METHODOLOGY OVERVIEW

The methodology employed in this research constitutes a deliberate and meticulous journey into the intricate realm of qualitative exploration, seeking to unveil the multifaceted dynamics of Key Performance Indicators (KPIs) in the luxury market's Customer Relationship Management (CRM). This section delineates the strategic approach undertaken, anchored in qualitative research methods, particularly in-depth interviews—a method renowned for its ability to capture the depth and nuances of human experiences. A total of 14 comprehensive interviews were conducted, each unfolding over an approximate duration of 50 minutes. The choice of qualitative research, with its emphasis on rich, context-driven insights, aligns seamlessly with the study's aim of not merely quantifying, but comprehensively understanding the impact of KPIs on luxury consumer experiences.

The interviews were meticulously structured, guided by a script carefully designed to elicit responses that shed light on the complex interplay between KPIs and the lived experiences of luxury consumers. This structured framework provided a baseline, ensuring consistency and enabling comparative analysis across interviews. However, the qualitative nature of the research allowed for dynamic adaptations during each interview. The scripted questions served as a foundation, yet the fluidity of the process enabled the exploration of emergent themes and the pursuit of more nuanced inquiries tailored to the interviewee's unique perspective. As conversations unfolded, the research journey ventured beyond the scripted confines. Respondent-specific considerations and the rich tapestry of information provided prompted spontaneous and targeted follow-up questions. This adaptive approach ensured a profound exploration of the interviewees' thoughts, perceptions, and experiences, thereby enriching the qualitative dataset with nuanced insights. This methodological approach prioritized the depth and quality of responses over sheer quantity, aligning with the intricate nature of the luxury market. The convergence of script-guided inquiries and adaptive questioning facilitated a holistic understanding of how KPIs resonate in the lived experiences of luxury consumers.

In the ensuing sections, the intricacies of the interview process, the evolving nature of questions, and the thematic richness of responses will be unveiled, providing a transparent and comprehensive view of the methodological framework underpinning this research endeavor.

3.3) SAMPLE OVERVIEW

NAME	AGE	JOB	FAVOURITE LUXURY BRAND	NATIONALITY	Perimeter
MARCO	46	ARCHITECT	PRADA	ITALY	All people surveyed to be considered reliable luxury consumers who are loyal to a brand had to have spent at least more than 2,000 euros on their favorite brand during the year. Except for managers who were interviewed in any case as experts.
MARIA SOLE	32	DESIGNER	RITZ CARLTON	ITALY	
KLAUS	25	DJ	BANG & OLUFSEN	NETHERLANDS	
NINA	28	ENTREPRENEUR	BULGARI	ITALY	
EUAN	23	STUDENT	PHILIPPE PLEIN	GERMANY	
DIEGO	25	MODEL	BURBERRY	ITALY	
PIETRO	57	LAWYER	PATEK PHILIPPE	ITALY	
LUKAS	25	MODEL	BOTTEGA VENETA	GERMANY	
GABRIELE	39	UX/UI DESIGNER	FENDI	ITALY	
FEDERICO	44	PHOTOGRAPHER	FERRARI	ITALY	
NAME	AGE	JOB	FAVOURITE LUXURY BRAND	NATIONALITY	These 4 interviewees can be considered as luxury and crm experts as they have been working in the industry for more than 10 years each.
CAMILLE	55	MANAGER	BENTLEY	ITALY	
AMY	43	MANAGER	DOM PERIGNON	FRANCE	
ALEJANDRO	61	MANAGER	FOUR SEASONS HOTEL	SPAIN	
MATTEO	57	MANAGER	CARTIER	CANADA	
<p>There are 14 total respondents, of which 10 (in Table 1) are people who can be considered Luxury Customers (i.e., those who purchase and exceed a sum of purchases per year for luxury brands. On the other hand, the second table represents 4 crm and luxury experts who work within my consulting firm and therefore have a more critical and experienced eye in the field and broader knowledge.</p>					

The average age of the interviewed sample is approximately 42 years. The age range varies from 23 to 61 years. Most of the interviewed individuals (10 out of 14) are Italian.

Other nationalities include individuals from Germany (2), Spain (1), Netherlands (1), and Canada (1).

The sample encompasses diverse professional backgrounds, including architects, designers, DJs, managers, entrepreneurs, students, models, lawyers, UX/UI designers, and a photographer.

Notably, 4 out of the 14 individuals hold managerial positions within your company.

All individuals considered reliable luxury consumers, loyal to a brand, have spent more than 2,000 euros on their favorite brand during the year. Managers are interviewed as experts regardless of expenditure.

Approximately 5 out of 14 individuals hold managerial positions, and 4 of these managers are affiliated with your company. The managerial presence from your company indicates a significant expertise in the fields of luxury consultancy and CRM, contributing valuable insights based on practical experience.

This diverse sample, enriched by the managerial presence from your company, provides nuanced insights into the luxury preferences, brand loyalty, and demographic characteristics of individuals

within the target group. The managerial expertise adds depth to the understanding of luxury consultancy and CRM within the context of your industry.

3.4) KPIS OVERVIEW AND RELATED QUESTIONS

In the increasingly competitive landscape of the luxury market, the establishment and sustenance of robust customer relationships have become imperative for the long-term success of a brand. To comprehensively assess the efficacy of these relationships, several key performance indicators (KPIs) have been identified, offering a nuanced understanding of the health and vitality of the connection between a luxury brand and its clientele. The questions posed during a qualitative interview aim to delve into and comprehend these KPIs, unveiling critical facets of the relationship between the luxury brand and its customers.

KPIs	QUESTION
CUSTOMER LIFETIME VALUE	What factors influence your decision to become a long-term customer of a brand?
CUSTOMER SATISFACTION	How do you generally rate your satisfaction when making purchases or interacting with a company? What aspects are most important to you?
NET PROMOTER SCORE	How often are you inclined to recommend a brand to relatives or friends, and what influences your willingness to do so?
CLICK-THROUGH RATE	When you receive online communications from a company, what types of messages or content are most appealing and encourage you to click on links or calls to action?
CONVERSION RATE	What would most encourage you to complete a purchase or a desired action after interacting with a brand online?
CUSTOMER RETENTION RATE	What makes it more likely for you to remain loyal to a company or brand over time, and what actions by the company engage and maintain your interest?

Customer Lifetime Value represents the anticipated monetary value that a customer is expected to bring to the brand throughout their entire lifespan as a client. Measuring CLV assists in evaluating the effectiveness of retention strategies and determining the long-term profitability of each customer. These may include inquiries about the customer's long-term purchasing intentions, the factors influencing their loyalty, and the perceived value they associate with the brand over time.

Customer Satisfaction measures the overall degree of customer contentment with the brand. This KPI, based on direct feedback or surveys, provides a clear indication of the customer's perception regarding product quality, services, and the overall experience. Questions designed to probe satisfaction levels across various touchpoints, the factors influencing their satisfaction, and any potential areas of improvement in the customer experience.

The Net Promoter Score evaluates the likelihood of customers to recommend the brand to others. This KPI gauges trust and loyalty, focusing on the creation of enthusiastic promoters who can positively influence new potential customers. Inquiries may revolve around the reasons behind the likelihood to

recommend, factors contributing to loyalty, and any potential detractors that might hinder a positive recommendation.

Click-Through Rate is a crucial indicator for online marketing campaigns, measuring the percentage of individuals who click on a link compared to the total number of people who have viewed the content. A high CTR suggests strong engagement and interest from potential customers. Questions may explore the appeal of online content, factors influencing click-through decisions, and the correlation between online engagement and brand perception.

The Conversion Rate indicates the percentage of website visitors or users of an advertising campaign who perform a desired action, such as a purchase or registration. This KPI is pivotal for evaluating the effectiveness of marketing and sales strategies. Inquiries may encompass the factors influencing conversion decisions, barriers to conversion, and the impact of the overall customer journey on conversion rates.

Customer Retention Rate measures the percentage of customers a brand can retain over time. A high rate signifies strong customer loyalty and the success of retention strategies, while a low rate may indicate potential areas for improvement in long-term relationship management.

Questions may delve into the factors influencing continued patronage, the effectiveness of retention initiatives, and any challenges or concerns expressed by customers regarding long-term commitment.

The analysis of these KPIs provides a comprehensive insight into the health of the relationship between a luxury brand and its customers. The qualitative interview aims to explore each KPI in depth, revealing valuable insights for the continual evolution and success of the brand's customer relationship management strategy. It is noteworthy that for each KPI, a set of questions has been meticulously developed and tailored throughout the interview process, adapting to the evolving dynamics of the conversation and the responses provided by the interviewee. The selection of these KPIs is motivated by their comprehensive coverage of various dimensions of the customer-brand relationship. Customer Lifetime Value provides a financial perspective, Customer Satisfaction and Net Promoter Score capture the subjective experience and loyalty, Click-Through Rate and Conversion Rate shed light on the

effectiveness of marketing strategies, and Customer Retention Rate reflects the brand's ability to foster lasting connections. Together, they form a holistic framework for evaluating and enhancing the intricate dynamics between a luxury brand and its discerning clientele.

(Key Performance Indicators (KPI): The 75 measures every manager needs to know" written by Bernard Marr)

4) INSIGHTS

4.1) CUSTOMER INSIGHTS AND STRATEGIC SEGMENTATION

Continuous analysis of customer segmentation, combined with monitoring KPIs like Customer Lifetime Value, provides the company with a detailed overview of relationships with different customer segments. This in-depth insight is essential to ensure that strategies are aligned with the evolving needs of luxury customers and to evaluate the effectiveness of initiatives over time. Naturally, it is crucial to make this methodology more practical and usable by, for instance, linking the more theoretical aspects of this method (such as data collection to determine average customer spending and frequency) with more direct observation of consumer behavior. It is, indeed, always important to blend the two approaches to make segmentation as targeted and accurate as possible. Ultimately, customer segmentation is not just a marketing practice but a key element in building lasting relationships. It enables the company to proactively anticipate and meet customer needs, creating an emotional and lasting bond that goes beyond a single purchase.

Consumer connections with luxury brands rely on holistic brand actions beyond products, with older participants valuing quality and durability, while the younger cohort emphasizes experiences. The entire spectrum of experiences, from pre- to post-purchase interactions, is crucial for a substantial portion of consumers, linked to the desire for community and exclusive, personalized engagement, transcending demographics. Notably, consumers value a luxury brand's societal engagement and authenticity, with insincerity risking disconnection. To assess long-term value, Customer Lifetime Value (CLV) is pivotal, considering acquisition cost, purchase value, and retention. An intriguing aspect is the importance of proactive brand engagement, particularly in the luxury realm, where exclusivity and authenticity are

paramount. Genuine interest in providing meaningful experiences or supporting social campaigns becomes a crucial determinant of consumer loyalty, and consumers express a willingness to sever ties with brands perceived as insincere. To contextualize these insights, Customer Lifetime Value (CLV) is identified as a key performance indicator (KPI). After qualitative interviews with managers, methods for luxury brands to make these KPIs positive for most customers include customer segmentation, a strategic process dividing the audience into homogeneous groups. In the luxury context, segmentation is critical, recognizing diverse needs and enabling personalized and targeted approaches. Segmentation becomes a strategic lever, dividing the customer base into segments such as VVIP clients and one-timers, allowing differentiated approaches. For VVIP clients, exclusive experiences, special benefits, and advanced loyalty programs can maintain and increase spending, while one-timers may benefit from reactivation strategies. This targeted approach enhances perceived brand value and enables the company to adapt its strategies over time, responding to changes in customer preferences and market dynamics. Continuous analysis of customer segmentation, combined with monitoring KPIs like CLV, provides the company with a detailed overview of relationships with different customer segments, ensuring strategies align with evolving needs. This methodology, blending theoretical aspects with direct observation, makes segmentation targeted and accurate, a key element in building lasting relationships beyond a single purchase.

“Luxury success hinges on brand experiences, not just products. Personalization, measured by CLV and segmentation, guides dynamic strategies for evolving customer needs.” Cit. Amy

4.2) CONSUMER BEHAVIORS, DATA INSIGHTS, AND KPIS FOR ENDURING CONNECTIONS

In this comprehensive analysis, respondents, divided by age, reveal distinct purchasing behaviors, with the older demographic favoring physical stores and the younger generation leaning towards online channels. Despite generational differences, most respondents adopt a hybrid approach, blending online and offline interactions for luxury goods. A crucial aspect of luxury brand strategies involves training sales assistants to collect valuable consumer information during in-store interactions, enabling

personalized services and providing data for analysis. Accurate data collection forms the cornerstone of understanding consumer behavior, preferences, and nuanced experiences. This insight empowers luxury brands to personalize interactions and create bespoke experiences. The evaluation extends to online platforms, including website usability and communication strategies, influencing consumer perceptions. Transitioning to customer satisfaction assessment, a holistic approach combining quantitative and qualitative data emerges. The Net Promoter Score (NPS) proves pivotal, categorizing consumers into promoters, passives, and detractors, offering tangible insights into the success of the purchasing experience. Sustained engagement beyond the point of purchase is imperative for luxury brands. Personalized customer journeys, post-purchase gestures like thank-you messages, and exclusive previews enhance the brand-consumer bond. Monitoring purchasing behavior post-transaction serves as a reliable indicator of satisfaction and enduring relationships. Integrating sophisticated strategies and utilizing metrics like NPS enables luxury brands to continually assess and elevate the customer experience. A profound understanding of consumer behaviors, coupled with ongoing monitoring and adaptation, ensures dynamic responsiveness to the evolving needs of luxury consumers, fostering a sustained, gratifying, and enduring connection over time.

"Leveraging hybrid purchasing behaviors, strategic sales assistant training, and the Net Promoter Score, luxury brands ensure a sustained, gratifying connection with consumers by dynamically adapting to evolving preferences." Cit. Matteo

4.3) PREFERENCES, COMMUNICATION DYNAMICS, AND KPIS IN DIFFERENT PHASES

The research delves into the evolving dynamics of consumer preferences and communication channels across different phases of the relationship between luxury brands and consumers. Initially, during the initiation of the relationship, potential consumers demonstrate a heightened interest in billboard advertisements, television, social media influencers, and word of mouth. These channels play a significant role in capturing their attention and sparking interest in luxury brands. However, as the relationship progresses post-purchase, there is a noticeable shift in consumer preferences. Respondents from qualitative interviews reveal a preference for more direct and targeted communications, such as

newsletters and loyalty campaigns. This stage is crucial for engaging consumers in the long term, with personalized inputs and a sense of belonging to the brand's exclusive family being highlighted as key factors. Furthermore, consumers emphasize that effective communications should extend beyond the product itself. Luxury brands are expected to play a positive and socially responsible role in the community and the world. Striking a delicate balance between being present and elusive becomes imperative for maintaining the brand's prestige. In terms of communication strategies, consumers stress the need for a unique and tailored approach. Excessive intrusiveness is discouraged, and luxury brands are expected to provide an experience that fosters a sense of distinctiveness and fulfillment. Challenges presented by the brand are seen as a positive aspect, contributing to the overall appeal. Interestingly, word of mouth is less common among consumers of luxury goods. The reluctance to recommend a brand is rooted in the desire to preserve the exclusivity of the relationship. However, those who do recommend the brand typically highlight the quality of products and the comprehensive experience throughout the pre-, during, and post-purchase phases. To evaluate the effectiveness of communication strategies, several Key Performance Indicators (KPIs) are suggested. Metrics like Open Rate, measuring how many recipients open newsletters, Click-Through Rate (CTR) indicating user interaction, and Conversion Rate gauging desired actions (e.g., purchases) are proposed. For dynamic events and advertising campaigns, engagement on social platforms, shares, and comments are recommended as valuable indicators of impact and audience appreciation. The intricate relationship between luxury brands and consumers requires a nuanced and multifaceted approach to communication, ensuring a sustained and gratifying connection over time.

"Luxury consumers evolve from initial fascination with ads to desiring personalized communication, loyalty programs, and socially conscious engagement, highlighting the delicate balance between exclusivity and connection." Cit. Alejandro

4.4) CRAFTING NARRATIVES, TAILORING MESSAGES, AND MEASURING IMPACT THROUGH KPIS

The analysis reveals a unanimous preference among consumers for storytelling in communications, emphasizing the importance of creating a narrative behind a product or brand. This preference is driven not only by the desire for quality products but also for the distinctive atmosphere the brand cultivates. Targeted and personalized communications, particularly those showcasing favorite products or seasonal offerings, are highly valued. The data highlights the need to align communication strategies with consumer preferences, especially during key periods like seasons or holidays, to effectively capture their attention. Managers emphasize the importance of adapting data collection and analysis to reality, considering not only personal preferences but also temporal context for tailored communications.

Key Performance Indicators (KPIs) play a crucial role in measuring communication effectiveness. The engagement rate reflects audience interaction, the conversion rate indicates progress toward customer loyalty, and keyword analysis reveals impactful messages. Interaction time is essential for complex content like brand stories, sentiment analysis gauges overall brand perception, and participation in exclusive events measures the effectiveness of communications in fostering a sense of belonging.

The effectiveness of limited editions and temporally constrained offers is underscored, generating interest and desire. Consumers emphasize the importance of offers extending beyond the product, such as exclusive events, to maintain long-term attachment to a luxury brand. This approach goes beyond soliciting purchases, aiming to make consumers feel part of something meaningful, resulting in increased interactions and a strengthened emotional bond with the brand.

."Luxury consumers prefer storytelling in brand communication, emphasizing targeted messages and exclusive offers for lasting emotional bonds." Cit. Camille

5) RECCOMENDATIONS

5.1) STRATEGIC CUSTOMER SEGMENTATION FOR LASTING BONDS

In the competitive realm of luxury brands, the key to fostering enduring connections with consumers lies in a strategic approach to customer segmentation. A pivotal recommendation for luxury brands is to bridge the gap between theoretical methodologies and real-world consumer interactions, enhancing the practicality of segmentation strategies. By seamlessly integrating insights derived from data, such

as average customer spending and frequency, with the nuanced observations gathered during in-store experiences, brands can elevate their segmentation accuracy. For instance, leveraging historical purchase data in tandem with direct in-store interactions allows brands to identify high-value customers and tailor bespoke offerings, fostering a deeper emotional bond.

Moreover, recognizing the diverse needs of luxury consumers is essential. A strategic segmentation process, dividing the audience into distinct groups such as VVIP clients and one-time buyers, allows for differentiated approaches. VVIP clients may benefit from exclusive experiences, special privileges, and advanced loyalty programs, while one-time buyers could be targeted with reactivation strategies. The continuous analysis of customer segmentation, coupled with monitoring key performance indicators (KPIs) like Customer Lifetime Value (CLV), ensures that strategies are not only aligned with current needs but also evolve over time to respond to changing preferences and market dynamics. Luxury brands are encouraged to invest in an adaptive and nuanced segmentation strategy, combining data-driven insights with real-world consumer interactions, to build enduring relationships with their diverse clientele.

5.2) HOLISTIC APPROACHES

Luxury brands must extend their reach beyond the allure of products to build holistic connections with consumers. Tailoring brand experiences to cater to different age groups is crucial. For older participants, emphasizing qualities like quality, durability, and heritage adds immense value. Simultaneously, the younger cohort values immersive experiences, personalization, and a sense of community. By crafting unique product lines and brand experiences that resonate with these diverse preferences, luxury brands can create a comprehensive and appealing brand image. Societal engagement and authenticity are indispensable for fostering lasting connections. Actively participating in social causes and transparently communicating these efforts not only aligns with consumer values but also establishes the brand as socially responsible. Leveraging insights from CLV and segmentation allows luxury brands to strategically engage customers. Exclusive loyalty programs, tailored to individual segments, enhance brand engagement, contributing to increased CLV and ensuring sustained connections beyond

transactional interactions. In essence, luxury brands are advised to adopt a comprehensive and inclusive approach, recognizing and valuing the diverse preferences of their audience. By aligning brand experiences with consumer values and fostering a sense of community, luxury brands can establish profound and enduring connections.

5.3) EFFECTIVE COMMUNICATION STRATEGIES FOR LONG-TERM ENGAGEMENT

Communication strategies are the backbone of maintaining long-term relationships between luxury brands and consumers. Tailoring these strategies based on consumer preferences, especially post-purchase, is crucial. Sending personalized newsletters, exclusive previews, and expressing gratitude through loyalty campaigns reinforces the sense of exclusivity and personal connection. This tailored approach ensures that each communication remains relevant and valued by the consumer.

Maintaining a delicate balance between brand prestige and accessibility is paramount. Limiting the frequency of communications contributes to creating an aura of exclusivity, ensuring that each interaction is perceived as meaningful and fulfilling. Metrics such as Open Rate, Click-Through Rate (CTR), and Conversion Rate serve as barometers for assessing communication effectiveness. By leveraging these key performance indicators, luxury brands can gauge impact, measure audience appreciation, and fine-tune their communication strategies for long-term success.

In essence, luxury brands are encouraged to adopt a nuanced and adaptive communication strategy, focusing on post-purchase engagement and leveraging key performance indicators for continuous improvement. This approach ensures that communication remains meaningful, relevant, and contributes to the long-term success of the brand-consumer relationship.

5.4) THE POWER OF CRM IN THE EVER-EVOLVING LANDSCAPE OF LUXURY BRANDS

In the luxury sector, Customer Relationship Management (CRM) plays a pivotal role beyond attracting new clientele—it's crucial for preserving and fortifying existing relationships. Luxury brands, in the face of fierce competition and evolving markets, must adeptly utilize data and technology to forge meaningful connections. This exploration delves into how a luxury brand can leverage Recency,

Frequency, Monetary (RFM) data, and Key Performance Indicators (KPIs), integrating them with the direct customer experience to build lasting relationships.

To understand their clientele, luxury brands employ CRM techniques like clustering, segmenting customers based on shared characteristics. This enables tailored communications and offers, enhancing marketing relevance. Another crucial technique is RFM analysis, evaluating customers based on recency, frequency, and monetary value. High RFM scores signify loyal and profitable customers deserving special attention. While data is foundational, luxury brands must integrate it with a deep understanding of the customer experience, including emotional motivations, preferences, and expectations. The luxury customer experience extends beyond products, covering the entire customer journey. In this dynamic landscape, advanced technologies like artificial intelligence and machine learning are crucial for interpreting data and adapting strategies. A holistic CRM approach integrates diverse techniques, merging RFM analysis with behavioral insights and considering both online and offline customer interactions. To forge emotional bonds, luxury brands must provide unique and personalized experiences, targeted communications, and exceptional service. Crafting an engaging brand narrative and demonstrating authenticity and exclusivity can heighten customer loyalty. A sophisticated and integrated CRM approach enables luxury brands to build enduring relationships. By blending advanced data analytics, a deep understanding of the customer experience, strategic technology use, and authentic emotional connections, luxury brands can attract and retain loyal customers in a discerning and ever-evolving market.

"CRM and technology empower luxury brands to build lasting emotional connections for attraction and retention in a competitive market."

6) LIMITATIONS

This study, aimed at unraveling the dynamics between Key Performance Indicators (KPIs) and the luxury consumer experience, comes with certain inherent limitations that warrant consideration. The first notable limitation pertains to the non-statistical nature of the sample size. The qualitative approach, characterized by in-depth interviews, inherently constrains the number of participants. While the depth

of insights garnered from 14 interviewees is substantial, caution should be exercised when extrapolating findings beyond this specific group. Moreover, the study's demographic composition presents a potential limitation. The preponderance of Italian participants introduces a bias, restricting the generalizability of results to a more diverse, global luxury consumer audience. Given the cultural nuances inherent in luxury consumption, this skew in nationality may limit the broader applicability of the findings. The qualitative nature of the research also opens avenues for response bias. Interviewees might be influenced by social desirability, shaping their responses to align with perceived expectations or societal norms. Despite efforts to cultivate an open and honest dialogue, the subjective nature of responses should be acknowledged. A further limitation lies in the absence of a comparative analysis or an alternative research method. While qualitative interviews offer depth, the lack of a quantitative dimension limits the ability to triangulate findings, potentially impacting the study's robustness. The inclusion of managers from the luxury industry introduces a potential bias towards industry-specific perspectives. While valuable, their insights may not fully encapsulate the diversity of consumer experiences, potentially skewing the findings towards managerial viewpoints. Lastly, the adaptive nature of the interview script introduces subjectivity in question adaptations. Tailoring questions to individual responses, while offering flexibility, could inadvertently influence the interview's direction, impacting the objectivity of the findings. Acknowledging these limitations is crucial for a nuanced interpretation of the study's outcomes. While the research provides rich qualitative insights, future endeavors with larger, more diverse samples and complementary methodologies would contribute to a more comprehensive understanding of the intricate dynamics between KPIs and luxury consumer experiences.

7) APPENDIX

QUALITATIVE RESEARCH	
SECTION 1	<p>Participant Profile and Customer Lifetime Value What factors influence your decision to become a long-term customer of a brand?</p> <ul style="list-style-type: none"> • Please provide your age, gender, level of education, and occupation. • Kindly elucidate upon your prior experiences with luxury products. • In addition, could you expound upon the frequency of your acquisitions of luxury products? • What are the salient determinants that influence your inclination to establish a long-term association with a particular brand?
SECTION 2	<p>Buying Behavior and Customer Satisfaction How do you generally rate your satisfaction when making purchases or interacting with a company? What aspects are most important to you?</p> <ul style="list-style-type: none"> • What factors engender your inclination towards the acquisition of luxury products? • Could you delineate any proclivities you may harbor towards specific luxury brands and expound upon the underlying motivations for these preferences? • How do you typically assess your level of contentment when engaging in the acquisition of luxury products or interactions with corporate entities? • Furthermore, what facets of this experience assume paramount importance in your assessment?
SECTION 3	<p>Brand Engagement and Net Promoter Score How often are you inclined to recommend a brand to relatives or friends, and what influences your willingness to do so?</p> <ul style="list-style-type: none"> • In what manner do you engage with the luxury brands from which you procure products? • Could you elucidate on the preferred channels of communication you habitually engage with? (This may encompass physical brick-and-mortar establishments, online portals, social media platforms, and the like) • How frequently do you find yourself disposed to recommend a luxury brand to your acquaintances or friends? • Moreover, what variables exert an influence upon your willingness to make such endorsements?
SECTION 4	<p>CRM and Personalization and Click-Through Rate When you receive online communications from a company, what types of messages or content are most appealing and encourage you to click on links or calls to action?</p>

- What elements do you believe would augment your sense of engagement with a luxury brand?
- How do you evaluate personalized experiences, encompassing special offers and tailored recommendations, in the context of your interaction with luxury brands?
- When you receive digital communications from luxury brands, which categories of messages or content hold the greatest appeal and serve as catalysts for your interaction through the clicking of links or calls to action?

SECTION 5

Feedback, Conclusion, and Conversion Rate and Customer Retention Rate | What would most encourage you to complete a purchase or a desired action after interacting with a brand online? What makes it more likely for you to remain loyal to a company or brand over time, and what actions by the company engage and maintain your interest?

- Have you, in the past, proffered feedback to luxury brands concerning your purchasing experiences?
- Could you furnish us with your insights and recommendations for enhancing the overall experience associated with the acquisition of luxury products?
- In the realm of online interactions with luxury brands, what would most strongly incentivize you to consummate a purchase or undertake a desired action?
- Further, what facets facilitate the perpetuation of your loyalty to a company or brand over an extended period, and which actions on the part of the company serve to engender and sustain your continued interest?

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HubSpot: Provides CRM and inbound marketing software to help companies attract, engage, and delight customers.

Zoho CRM: A web-based CRM solution that helps businesses automate their sales and customer management processes.

Microsoft Dynamics 365: An integrated suite of business applications, including CRM and ERP, designed to empower businesses.