Discovery Commerce for the Luxury Industry.

FACEBOOK

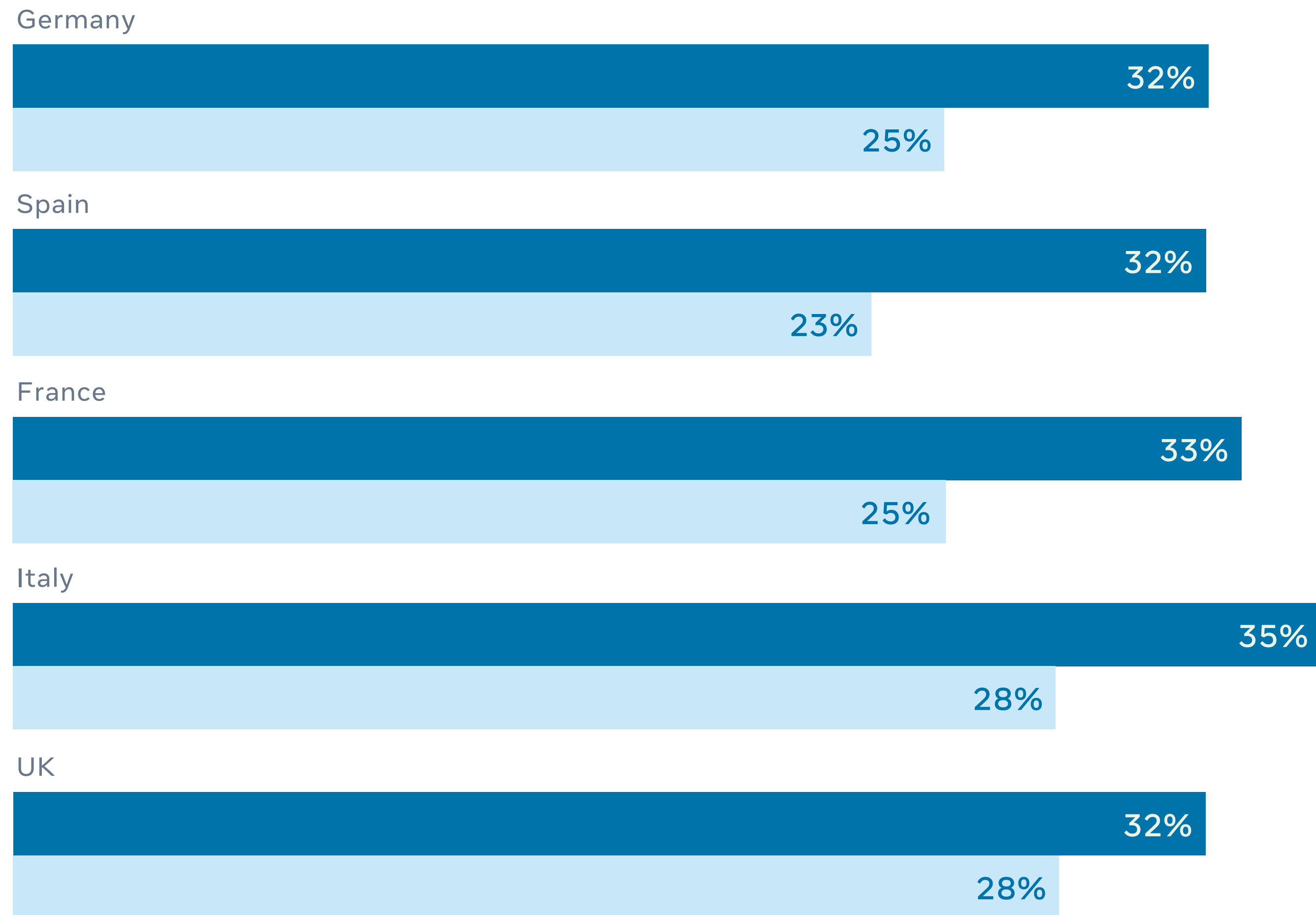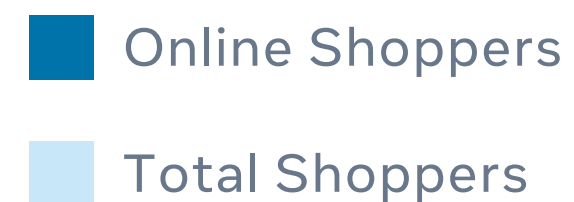# Contents

Online shopping doubled from 12% to 23% in 2020 and is expected to grow to 30% by 2025

Source: Bain, Pandemic Spurs a Transformation of the Luxury Market, December 2020

Luxury shopping is shifting to digital

% of shoppers willing to spend money on luxury or high-end items

■ Online Shoppers

■ Total Shoppers

Germany
- 32%
- 25%

Spain
- 32%
- 23%

France
- 33%
- 25%

Italy
- 35%
- 28%

UK
- 32%
- 28%

01

Who is the Luxury Consumer?

The power of online shopping

Luxury personal goods market (€B)

390–440

349	

Baby Boomers and Silvers
Gen. X
Millennials
Gen. Z*

5–10%
23%
30–35%
38%
45–50%
35%
60+%
of total
market
4%
10–15%

2019

2025 projection

* Gen. Z grouping starts with those who are 18 years old in 2019 as lower limit
Note: Numbers rounded. Personal included leather accessories, apparel, watches, jewellery, perfumes and cosmetics. Gen. Z, 1993-2001; Millennials, 1978-1992; Gen. X, 1963-1977; Baby Boomers, 1946-1962; Silvers, <1945. Effects of COVID considered in projection for 2026.
Source: BCG Luxury Market Model, Altagamma, 2019 UN World Population Prospects

Challenging Audience Stereotypes

There is a need (and responsibility)

for greater representation:

In the UK, only

7%

of people feel
represented by the
advertising they see

Source: Global Web Index, 2021, UK All Adults

Representative ads help brands perform better

69%

better performance

83%

higher preference

44%

average stock increase over the past 2 years

Source: Gross, Maggie. Wade, Lindsay. Khan, Nada. "The Value of Diversity in Advertising." Deloitte, 2019.

Represent me on screen and behind the scenes

Am I represented in your decision-making?

02

Where are consumers spending time?

Like no other platform, social media is being elevated as a key shopping platform for Luxury as shopping habits evolve

2.6x

more Luxury consumers used social media to shop, than non-Luxury consumers

53%

of Luxury consumers used social media to shop for the first time during the COVID-19 pandemic

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Industry Micro-Shifts Monthly Tracker by Kantar Profiles (Facebook commissioned online survey, October 2020)

Social media, and particularly Facebook Apps and Services, are central for shopping inspiration and discovery

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)

Platforms used for getting shopping ideas:

Facebook Apps and Services
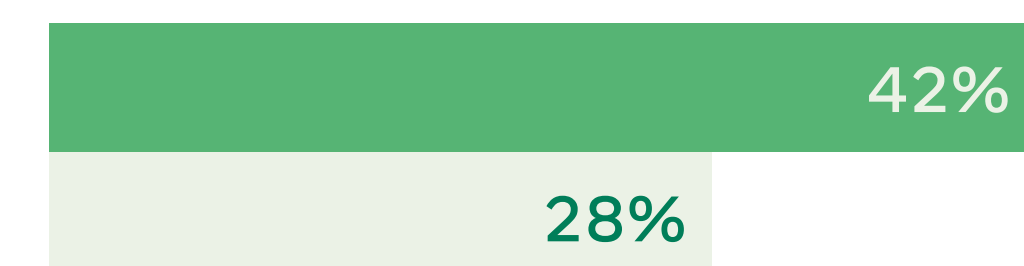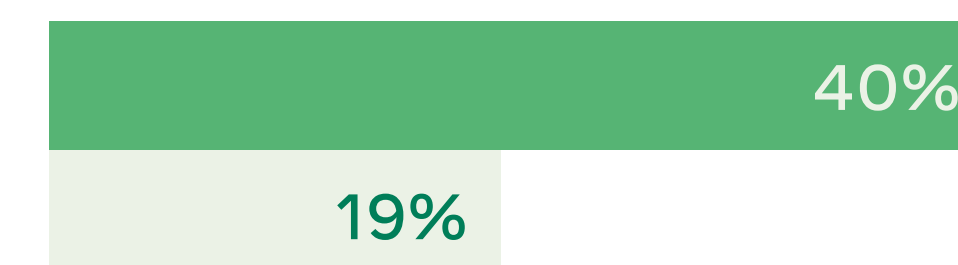84%
68%

YouTube
71%
55%

Pinterest
42%
28%

Twitter
40%
19%

TikTok
29%
11%

Snapchat
28%
9%

■ Luxury Shoppers
□ Non-Luxury Shoppers

Luxury shoppers are also more receptive to advertisement on social media as it meets their in-the-moment needs

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: 'Living the new Shopping Normal' Study by IPSOS (Facebook-commissioned online study, July - Aug 2020)

After seeing an ad on social media, Luxury shoppers have bought a product...

	ONLINE	IN-STORE
Facebook Apps and Services	**72%** (2.0x)*	**70%** (2.1x)*
Facebook	**52%** (2.0x)*	**51%** (2.2x)*
Facebook Messenger	**46%** (2.7x)*	**45%** (2.7x)*
Instagram	**52%** (2.5x)*	**51%** (2.5x)*

*Compared to non-Luxury shoppers

03

How Can Luxury Marketers Anticipate Shopper Needs?

Facebook Discovery Commerce System

| PERSONALISATION ENGINE | ENGAGING SURFACES | ADVERTISING AND CONVERSION TOOLS | OPTIMISATION AND MEASUREMENT TOOLS |
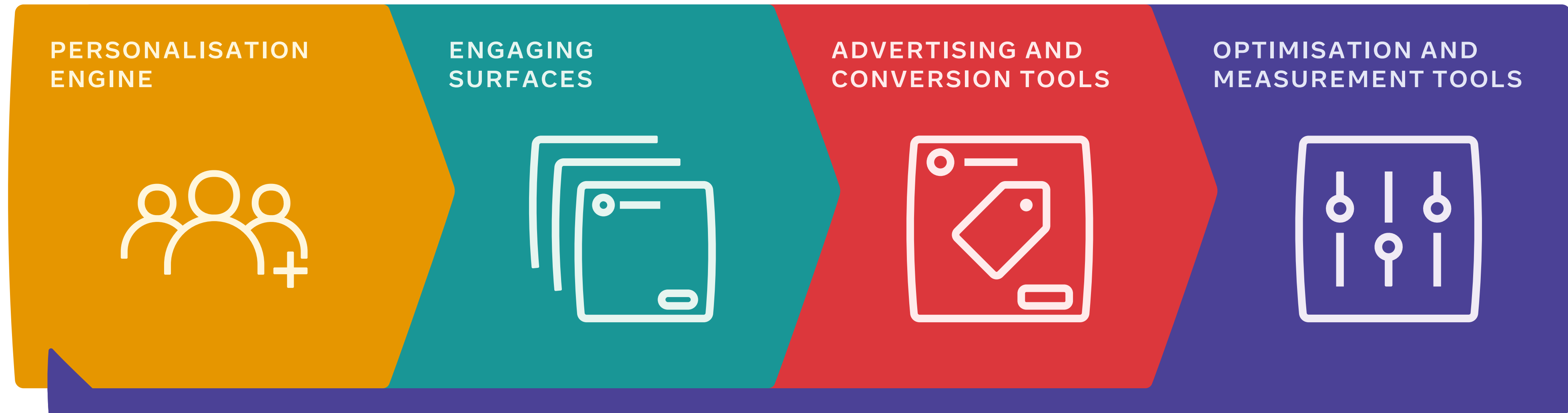
ACTIVATING DISCOVERY COMMERCE:

PERSONALISE
Set your business up for maximum value

INSPIRE
Embrace and master the dynamic surfaces where your creative shows up

CONVERT AND RETAIN
Optimise the paths you create to serve people and your objectives

LEARN AND OPTIMISE
Leverage tools to learn, sharpen and evolve your practices

Start the Personalization Engine

Luxury shoppers value a personalized experience that is tailored to their needs and interests
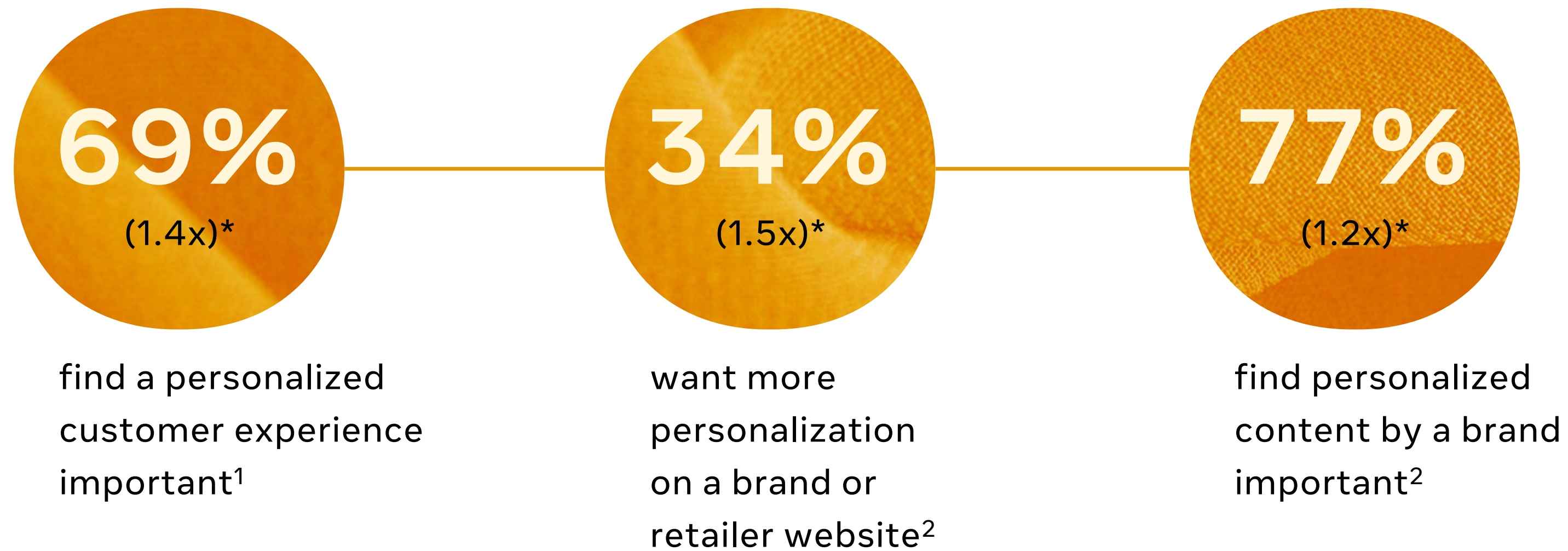
69%
(1.4x)*

find a personalized customer experience important[1]

34%
(1.5x)*

want more personalization on a brand or retailer website[2]

77%
(1.2x)*

find personalized content by a brand important[2]

*Compared to non-Luxury shoppers

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Sources: 1. 'Living the new Shopping Normal' Study by IPSOS (Facebook-commissioned online study, July - Aug 2020);
2. Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)

Luxury shoppers are turning to social media for the personalized shopping experience they value

74%

say they are likely to use Facebook to get ideas for shopping in the next 6 months

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)

Reasons Luxury shoppers use Facebook Apps and Services for shopping:

Personalized content for product or brand discovery:

Facebook

42%
(1.5x)*

Instagram

43%
(1.5x)*

Advertisement is tailored to interests and needs:

Facebook

41%
(1.3x)*

Instagram

40%
(1.3x)*

*Compared to non-Luxury shoppers

In fact, they want more than personalization – they want to feel personally connected to a brand

92%
(1.2x)*

want to feel personally connected to a brand or retailer

(1.2x)*
85%

say it's important to them to have a direct contact with a brand

34%
(1.5x)*

want a brand to care about their opinion

*Compared to non-Luxury shoppers

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)
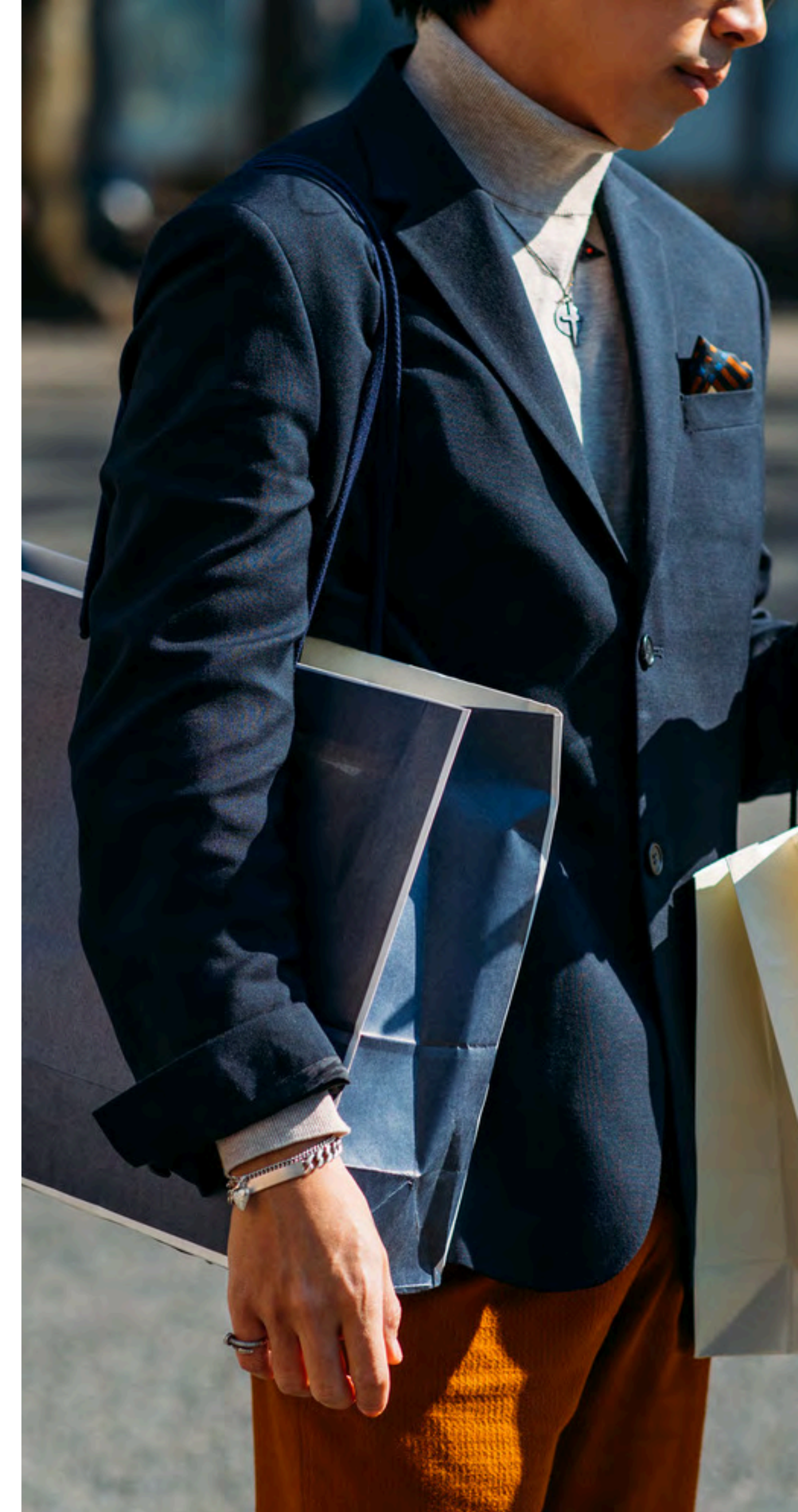
CHATBOT

Creative Inspiration
Tiffany&Co.

Deliver a personalised experience on mobile thanks to conversational approach on messenger.

Close the conversation loop with care-oriented chatbots
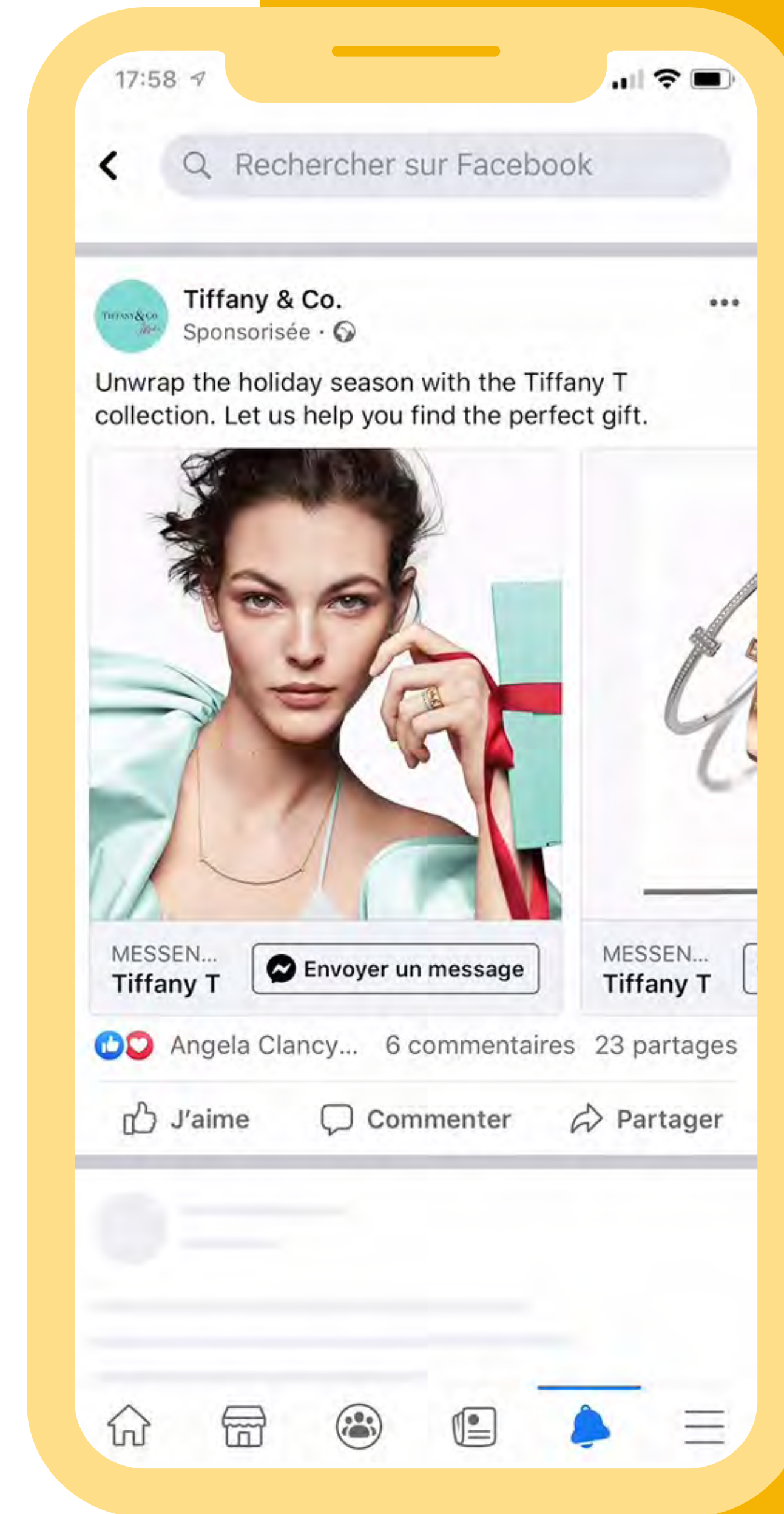
Inspire with Creative

Luxury shoppers are looking for innovative ways to explore new products while shopping

Luxury shoppers want product discovery to be enriched by new technology:
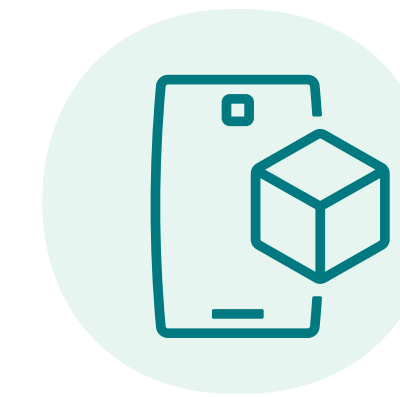
2.2x
more likely to want innovative technology, such as VR, to experience products

1.9x
more likely to desire in-store digital experiences

3x
more likely to want live streaming shopping opportunities

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Retail Re-emerge Study by IPSOS (Facebook-commissioned online study, July - Aug 2020)

*Compared to non-Luxury shoppers

AR/VR

Creative Inspiration
Louis Vuitton

Louis Vuitton has been an early adopter of AR and leveraging those new creative forms holistically in organic and paid
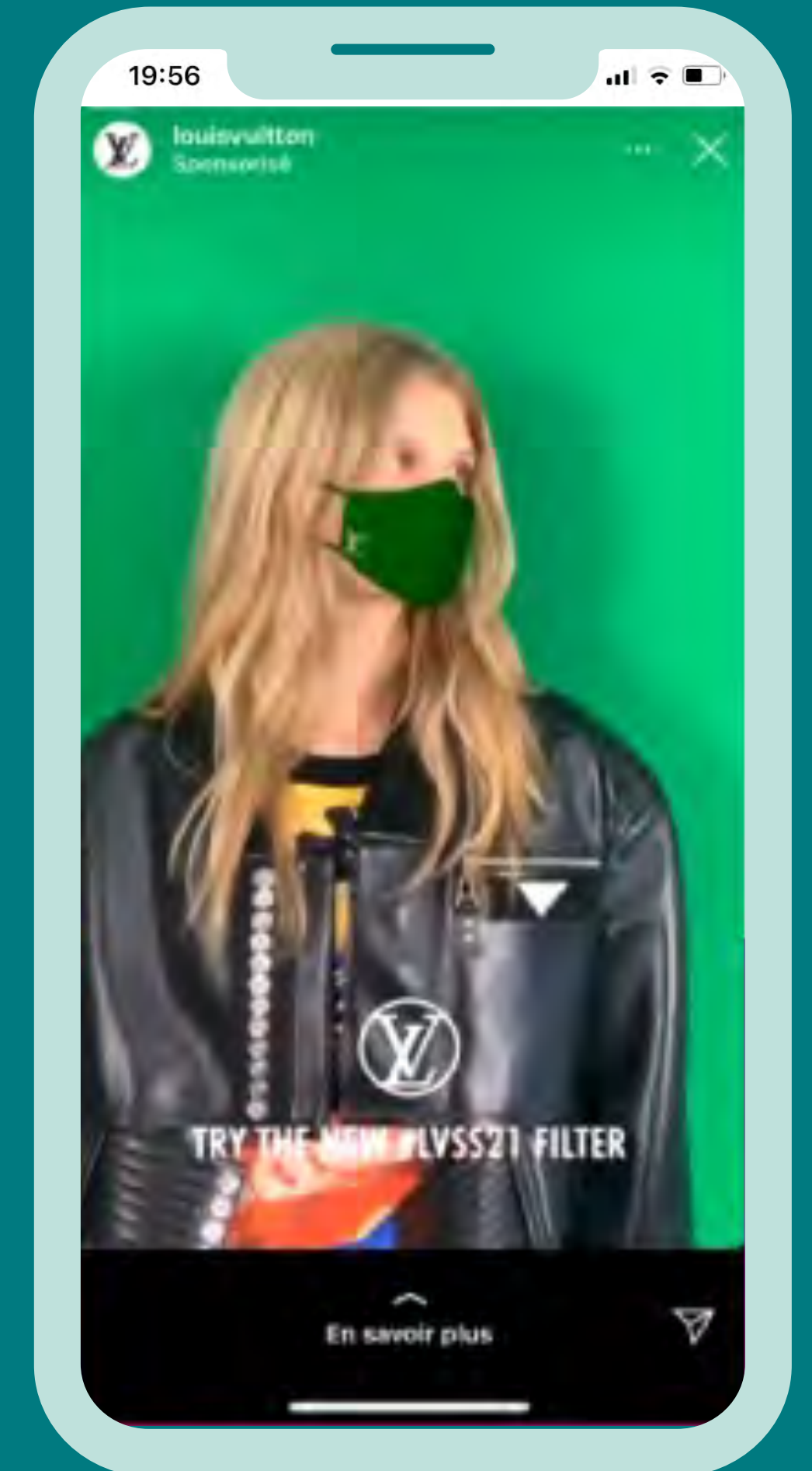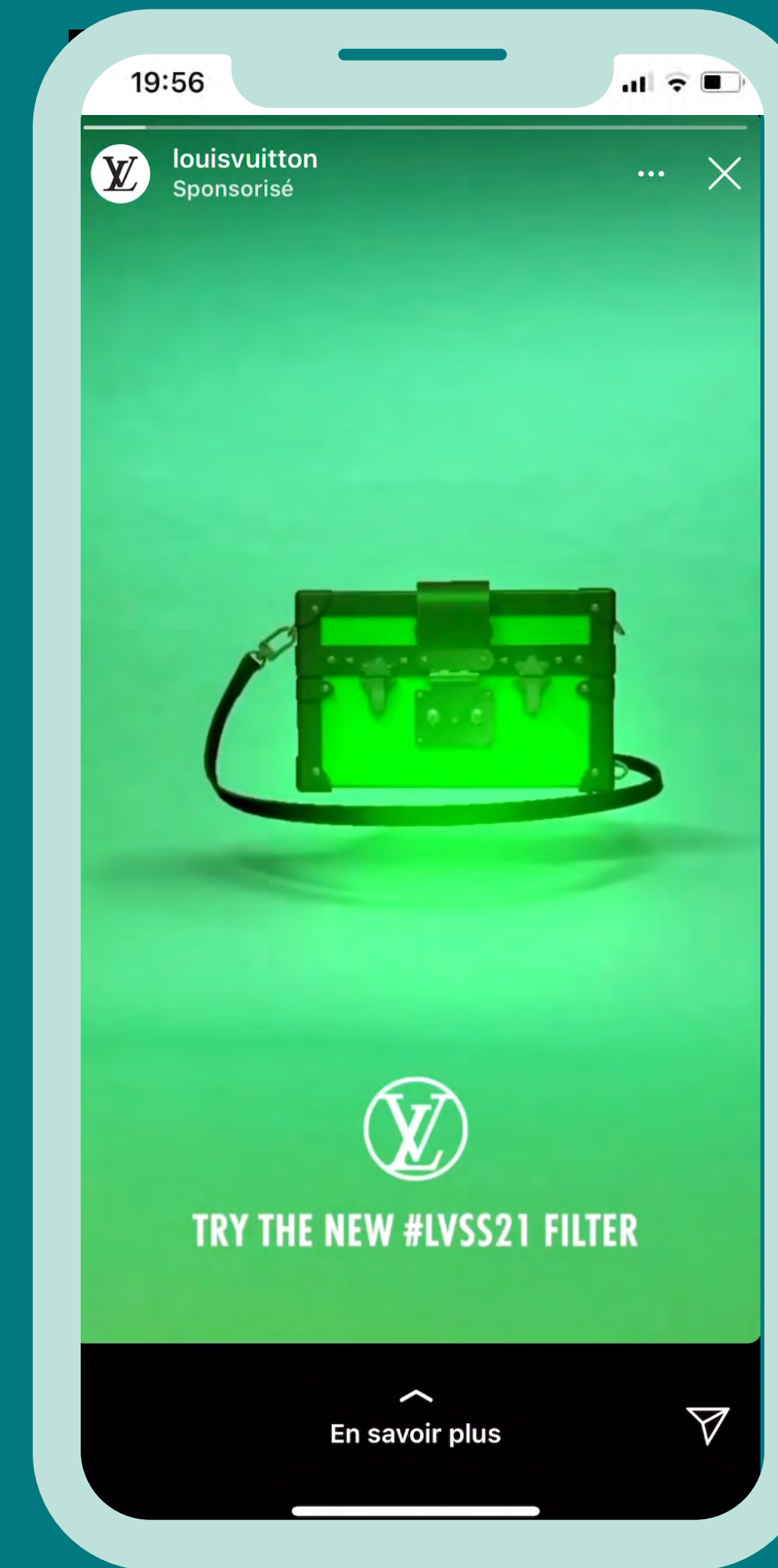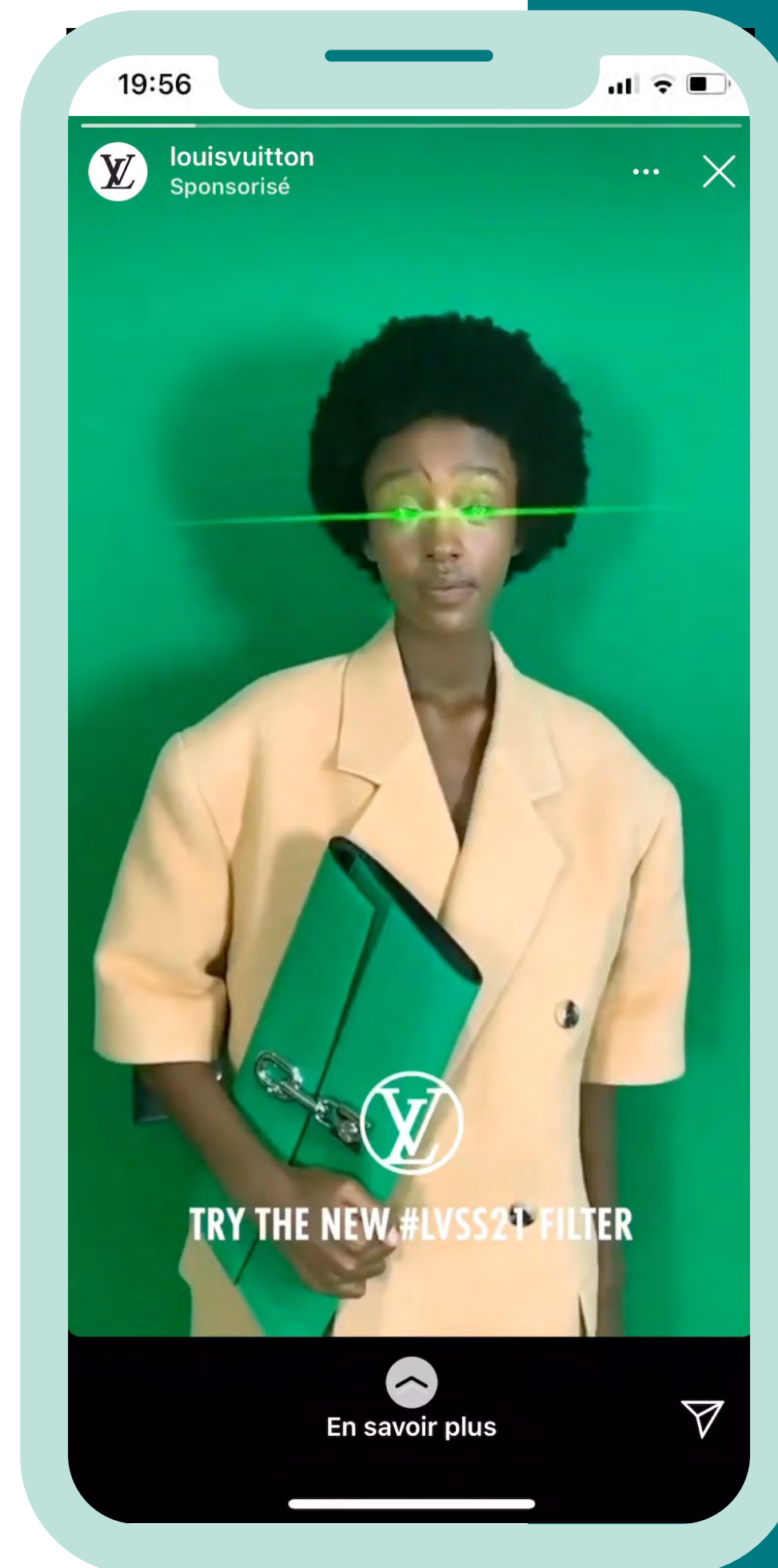
Influencers in particular play an increasingly important role for Luxury inspiration

69%
(1.6x)*

say that influencers or celebrities play a huge role influencing their shopping decisions

*Compared to non-Luxury shoppers

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Sources: 1. 'Living the new Shopping Normal' Study by IPSOS (Facebook-commissioned online study, July - Aug 2020);
2. Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)

BRANDED CONTENT

Success story
Sephora Collection

To increase awareness about its new fragrances, Sephora Collection collaborated with Instagram creators on new ad content, which lifted ad recall by 17 points compared to its business-as-usual brand assets.

17pt
lift in ad recall with creator assets plus business-as-usual assets

6.6pt
higher lift in ad recall from creator assets plus business-as-usual assets

2.4pt
higher lift in standard favorability from creator assets plus business-as-usual assets

1.3pt
higher lift in purchase intent from creator assets plus business-as-usual assets

Source: https://business.instagram.com/success/sephora-collection
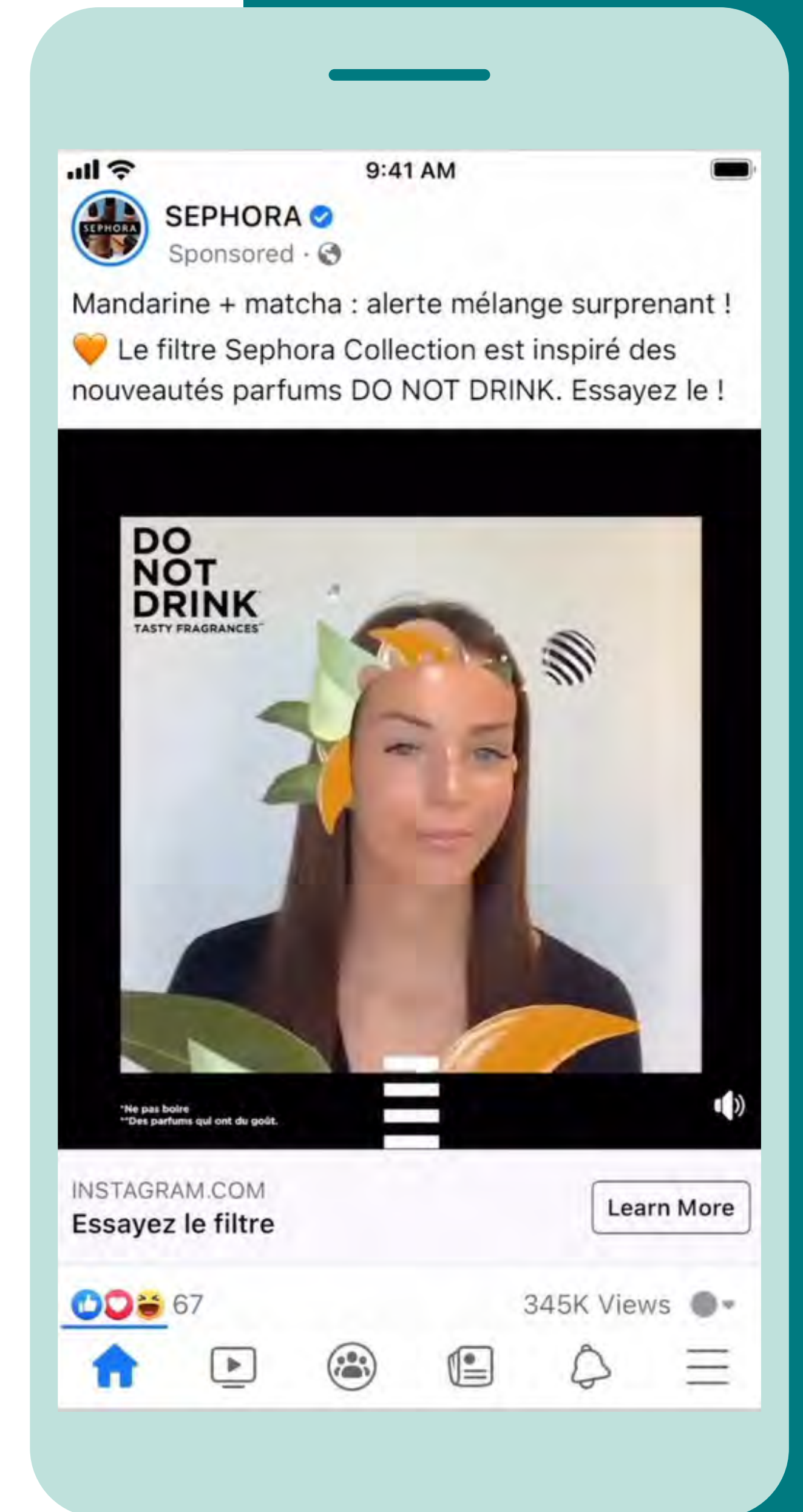
"We launched our new fragrance line at a time when many retail locations were closed, and the lack of store foot traffic meant low sampling opportunities as a way of product discovery. So we needed a bold new digital ad strategy to successfully stand out in a crowded category."

SAMANTHA ETIENNE, CEO, SEPHORA COLLECTION

Source: https://business.instagram.com/success/sephora-collection

BRANDED CONTENT

Creative Inspiration

Culbria

Culbria

Culbria

Styling stories

Unboxing stories

Feed gallery

REELS ADS

Creative Inspiration

Louis Vuitton

1. Reach engaged audiences in a discovery mindset

2. Test and learn by extending your Stories campaign or creating native Reels ads

3. Embed your brand in culture
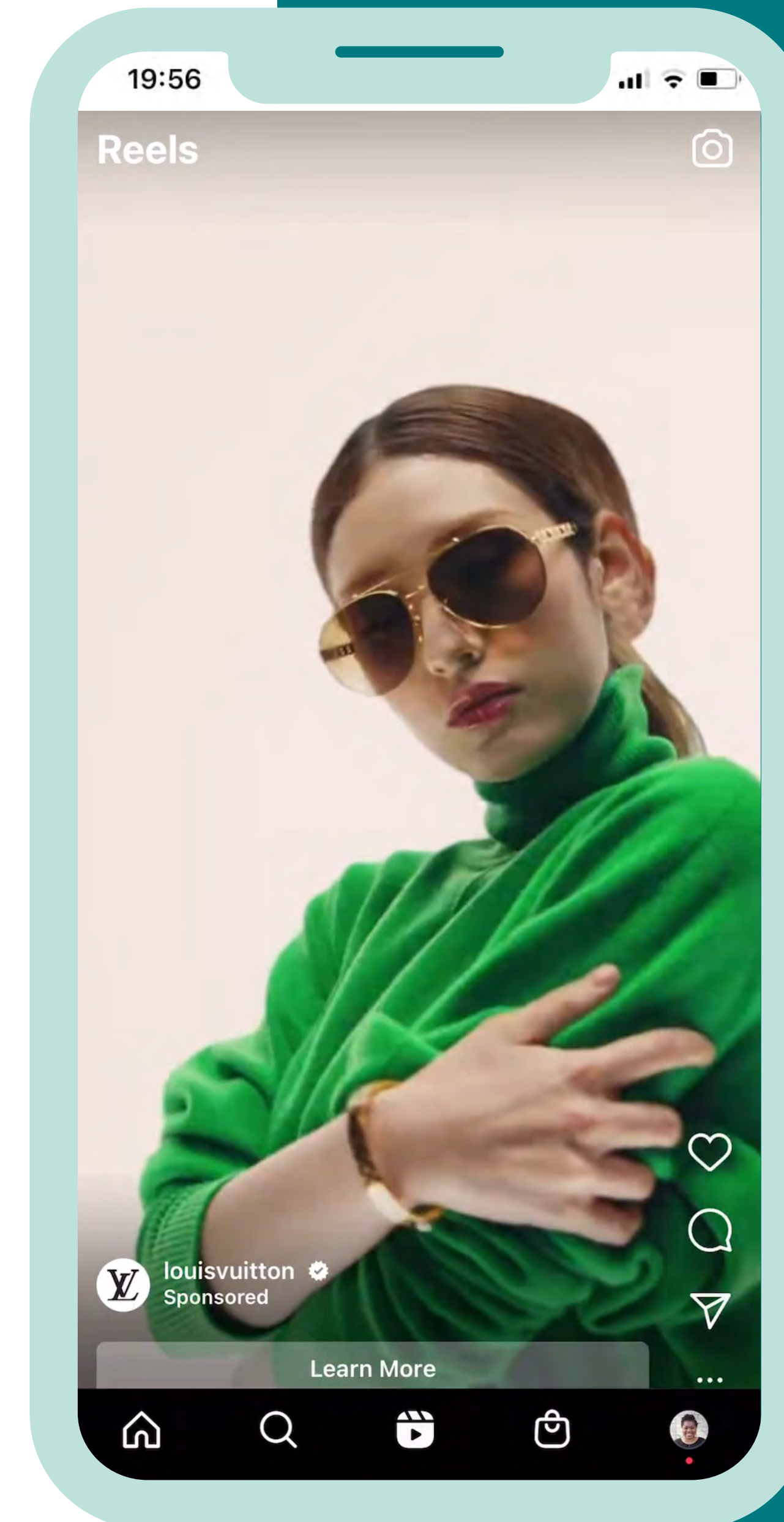
Convert Luxury Consumers

Social media, and particularly Facebook Apps and Services, are central for shopping inspiration and discovery

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Discovery Commerce Study by GfK (Facebook-commissioned online study, July-Aug 2020)

In total, 98% (1.1x)* of Luxury shoppers have bought products in-store:

Department store
- 47%
- 30%

Mass merchant
- 46%
- 40%

Retail chains
- 45%
- 33%

Brand store
- 41%
- 16%

Local boutiques
- 21%
- 11%
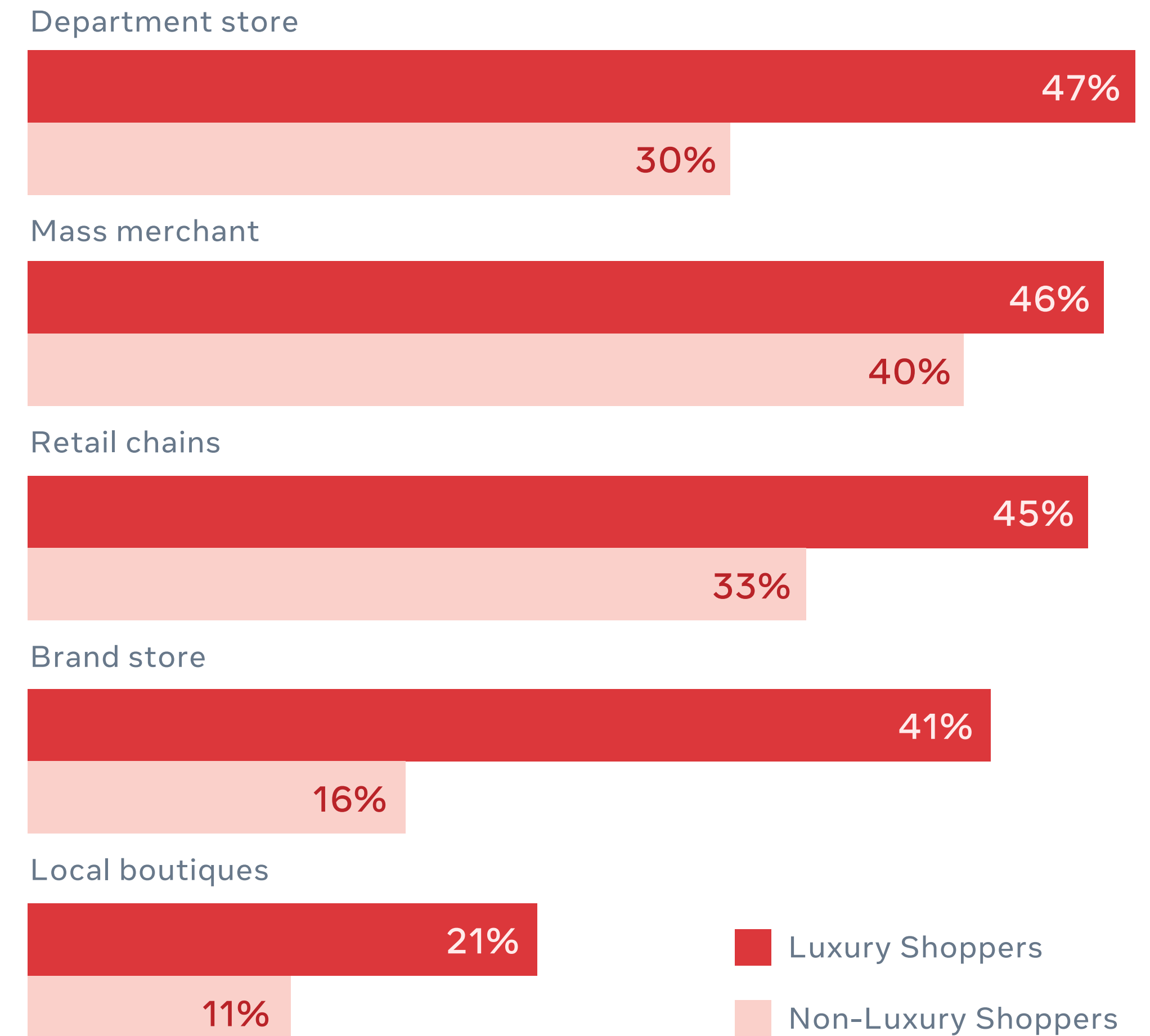
■ Luxury Shoppers
■ Non-Luxury Shoppers

*Compared to non-Luxury shoppers

Luxury consumers are looking for a convenient and seamless shopping experience across all channels

60% (1.5x)* want customer service help across channels[1]
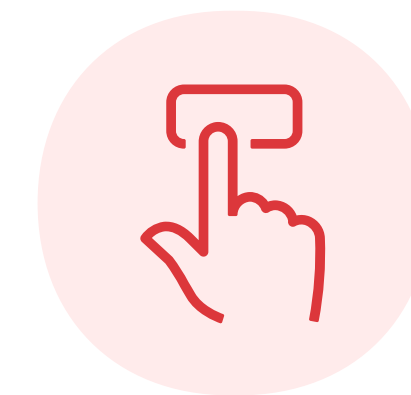
25% (1.7x)* want easy navigation across channels[2]

20% (2.0x)* want personal information to be saved based on previous purchases[2]

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Sources: 1. 'Living the new Shopping Normal' Study by IPSOS (Facebook-commissioned online study, July - Aug 2020);2. Retail Re-emerge Study by IPSOS (Facebook-commissioned online study, July - Aug 2020);

*Compared to non-Luxury shoppers

Appreciating online and in-store touchpoints, Luxury shoppers are adopting omnichannel journeys as a new norm

Diligent online research before in-store purchase

1.8x
more likely to research a product online before buying in-store

3.1x
more likely to research products on their smartphone while in-store

Diligent in-store research before online purchase

2.2x
more likely to research a product in-store and buy it later online

2.7x
more likely to explore products in-store and buy online while in-store

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: Retail Re-emerge Study by IPSOS (Facebook-commissioned online study, July - Aug 2020)

Luxury shoppers are using social channels and connections for inspiration within this omnichannel journey

… before buying in-store

… before buying online

Use social media for research and inspiration…

32% (3.1x)*

39% (2.7x)*

Talk to friends and family…

33% (2.2x)*

38% (2.4x)*

*Compared to non-Luxury shoppers

Note: Numbers are based on unweighted average across the following countries: United States, Canada, France, United Kingdom, Germany, Japan, South Korea, Australia, Mexico, and Brazil

Source: 'Living the new Shopping Normal' Study by IPSOS (Facebook-commissioned online study, July - Aug 2020)

FFOA

Success story

Breitling

Campaign Setup: Full Funnel, with a focus on DR
Market: US

18.3pts

Ad Recall lift

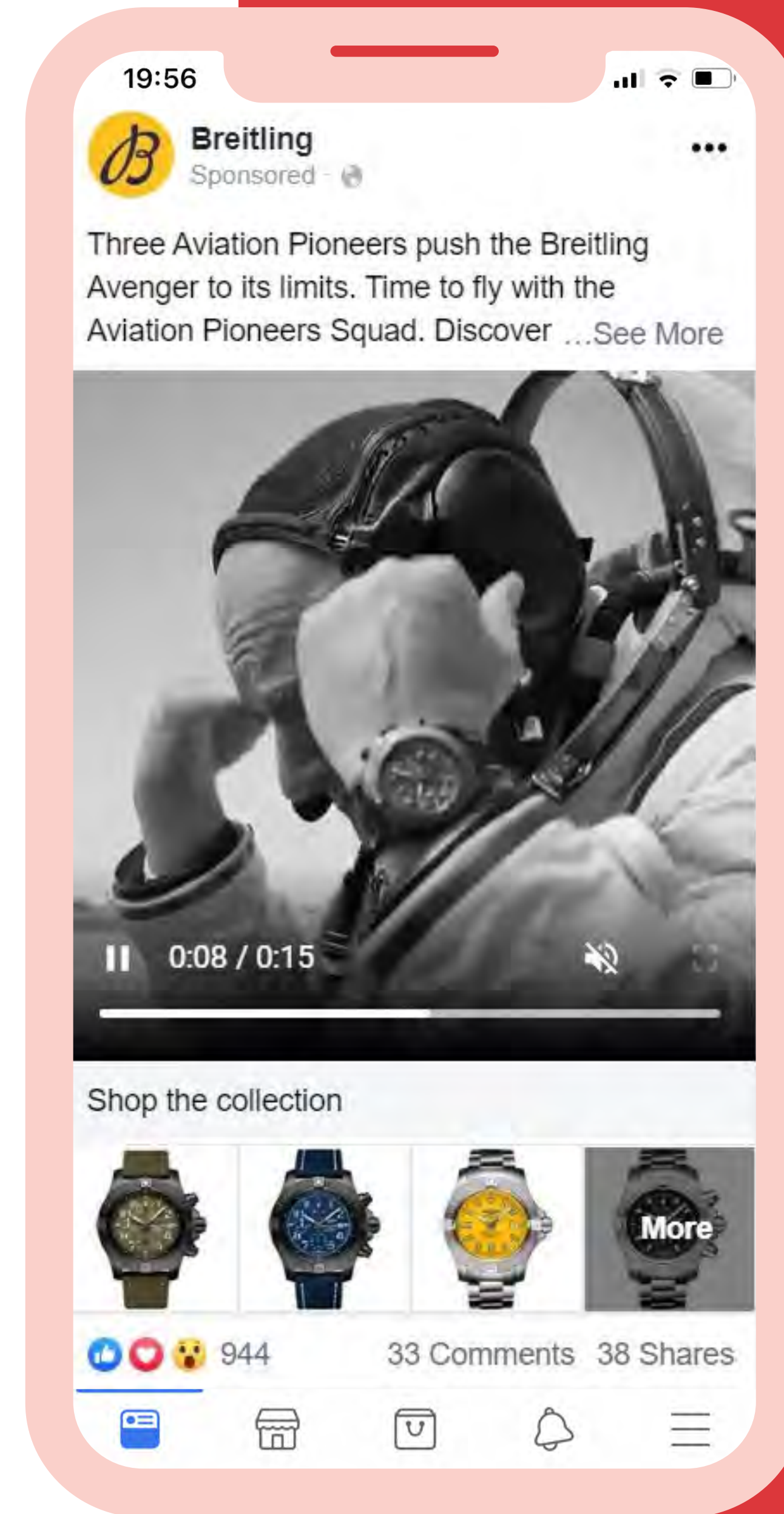**5.4pts**

Top of Mind
Awareness Lift

4.8pts

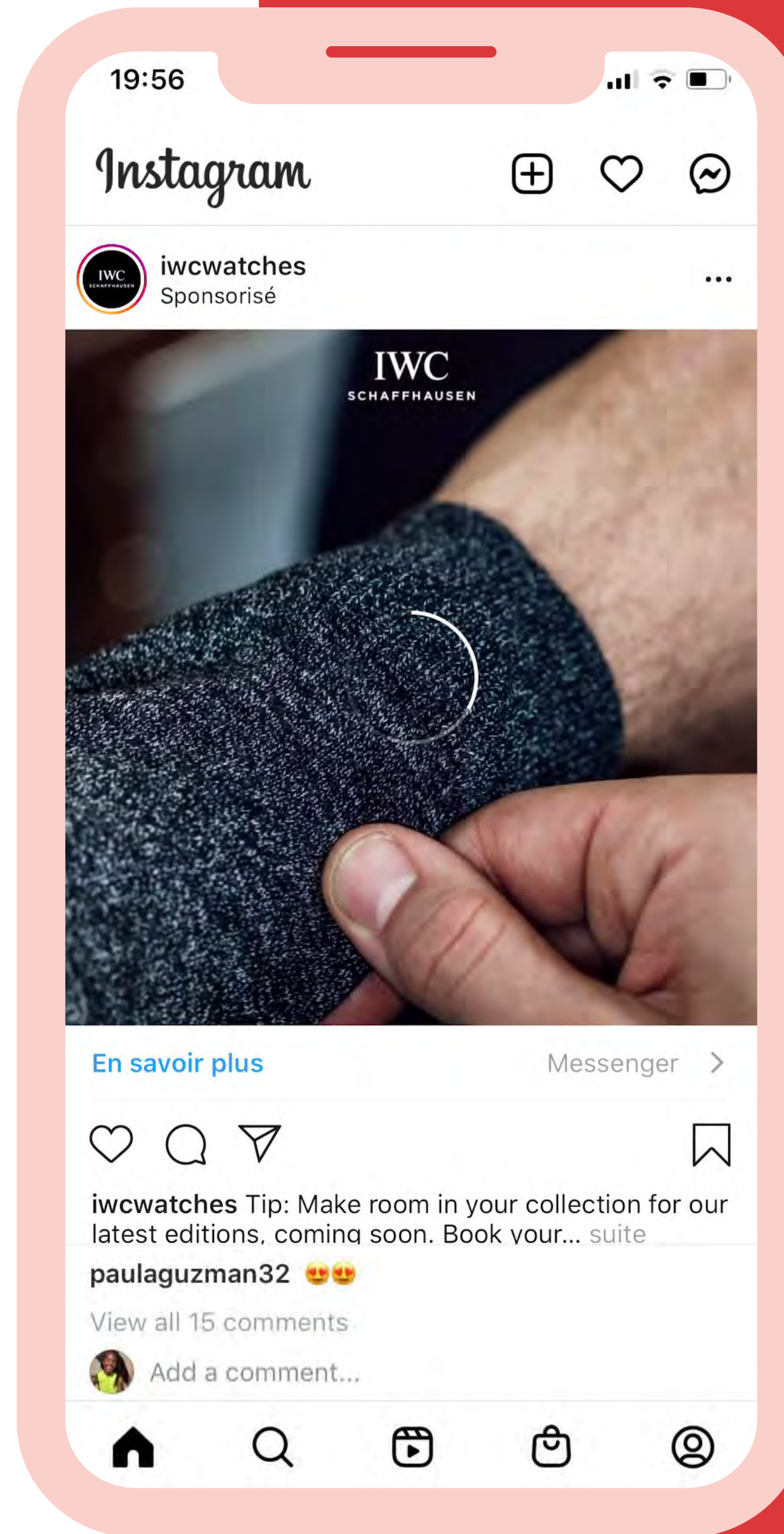Purchase Intend Lift

MESSAGING EXPERIENCES

Creative Inspiration

IWC Schaffhausen

Using Click-to-Messenger Ads and other entry points, showcase your beautiful collection and drive potential customers to a specific store by appointment booking.

LEAD GENERATION

Creative Inspiration

Bentley Motors

Use Lead Ads for appointment scheduling, event registrations newsletter subscriptions and more.
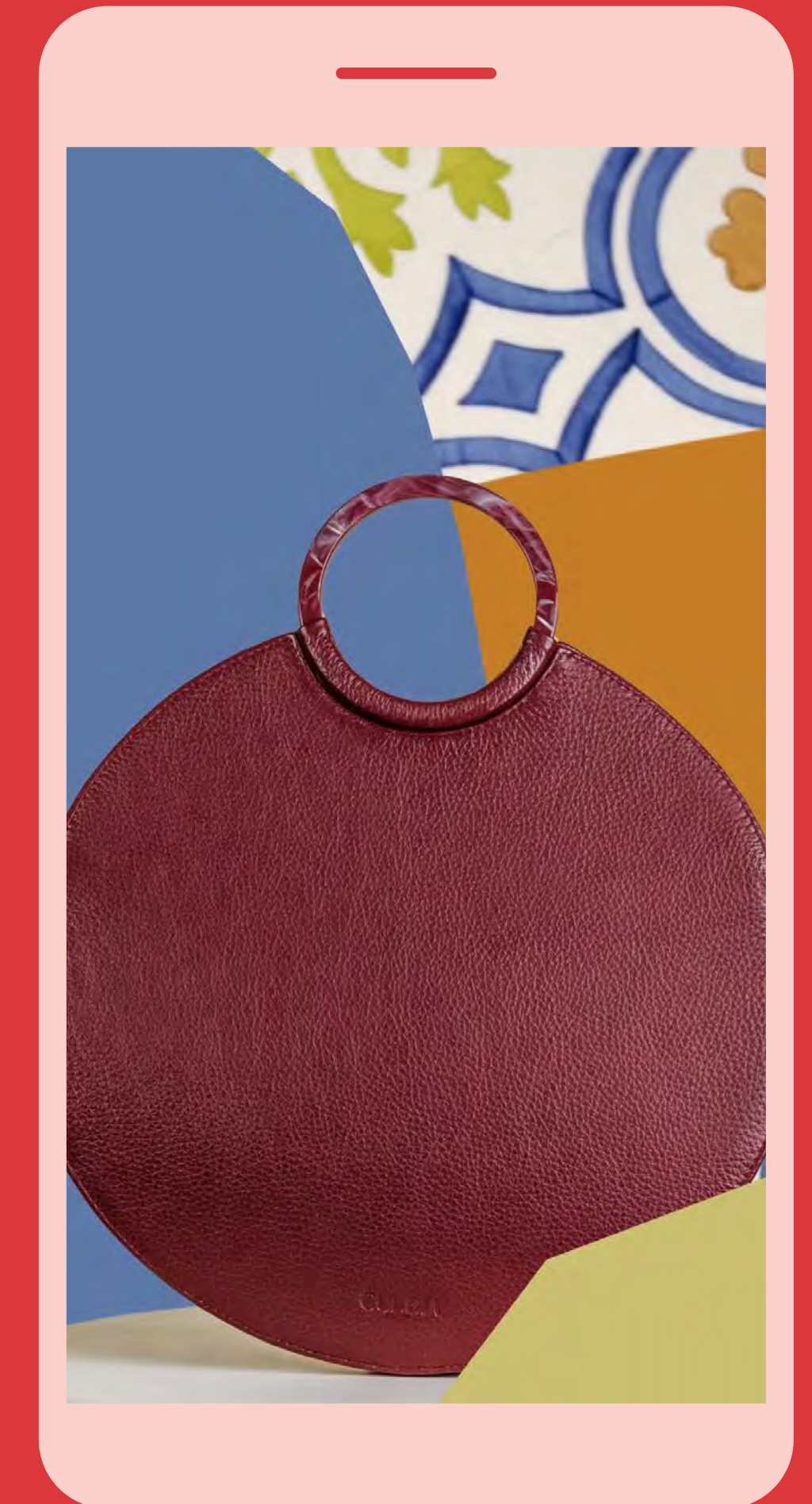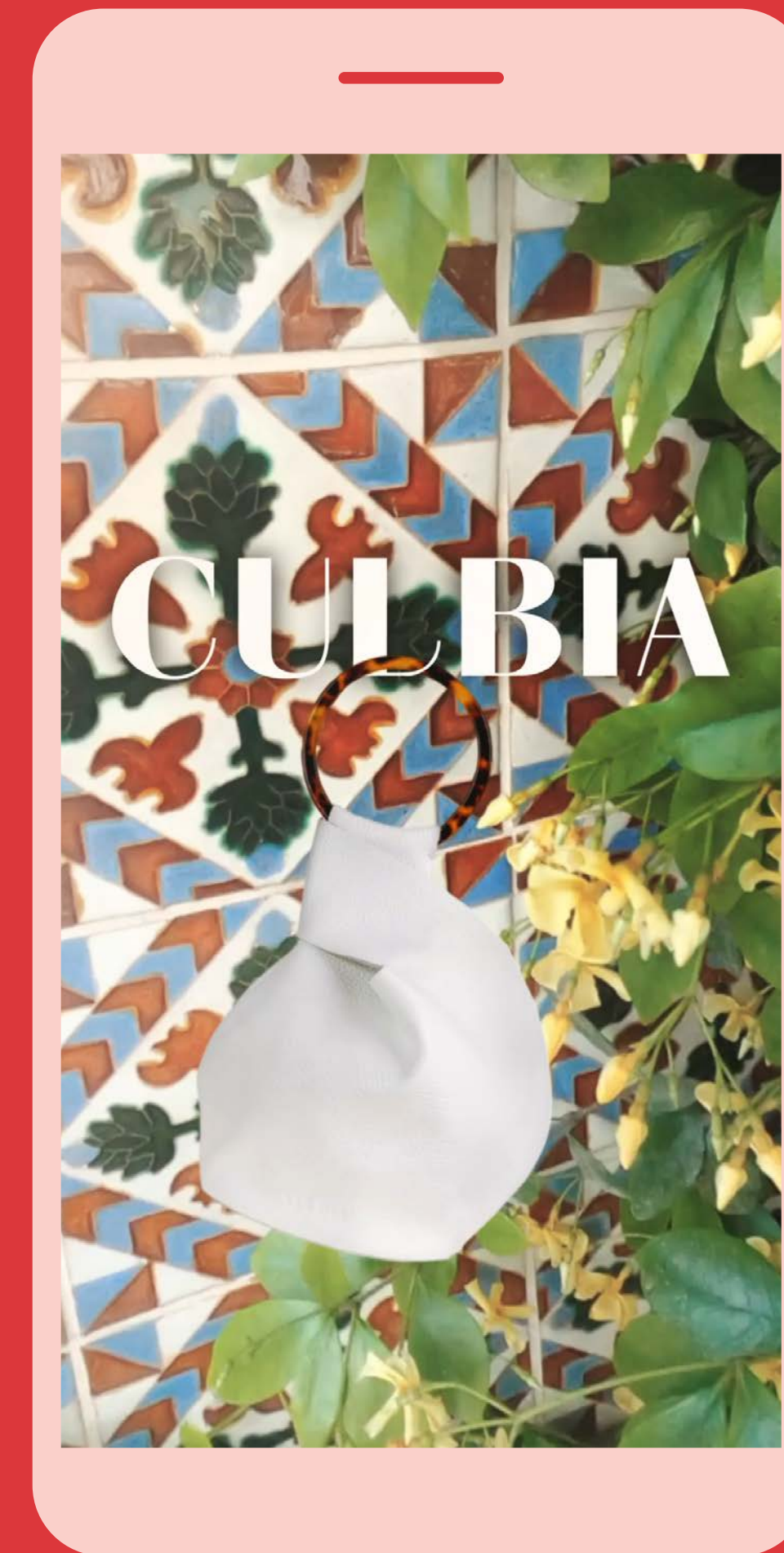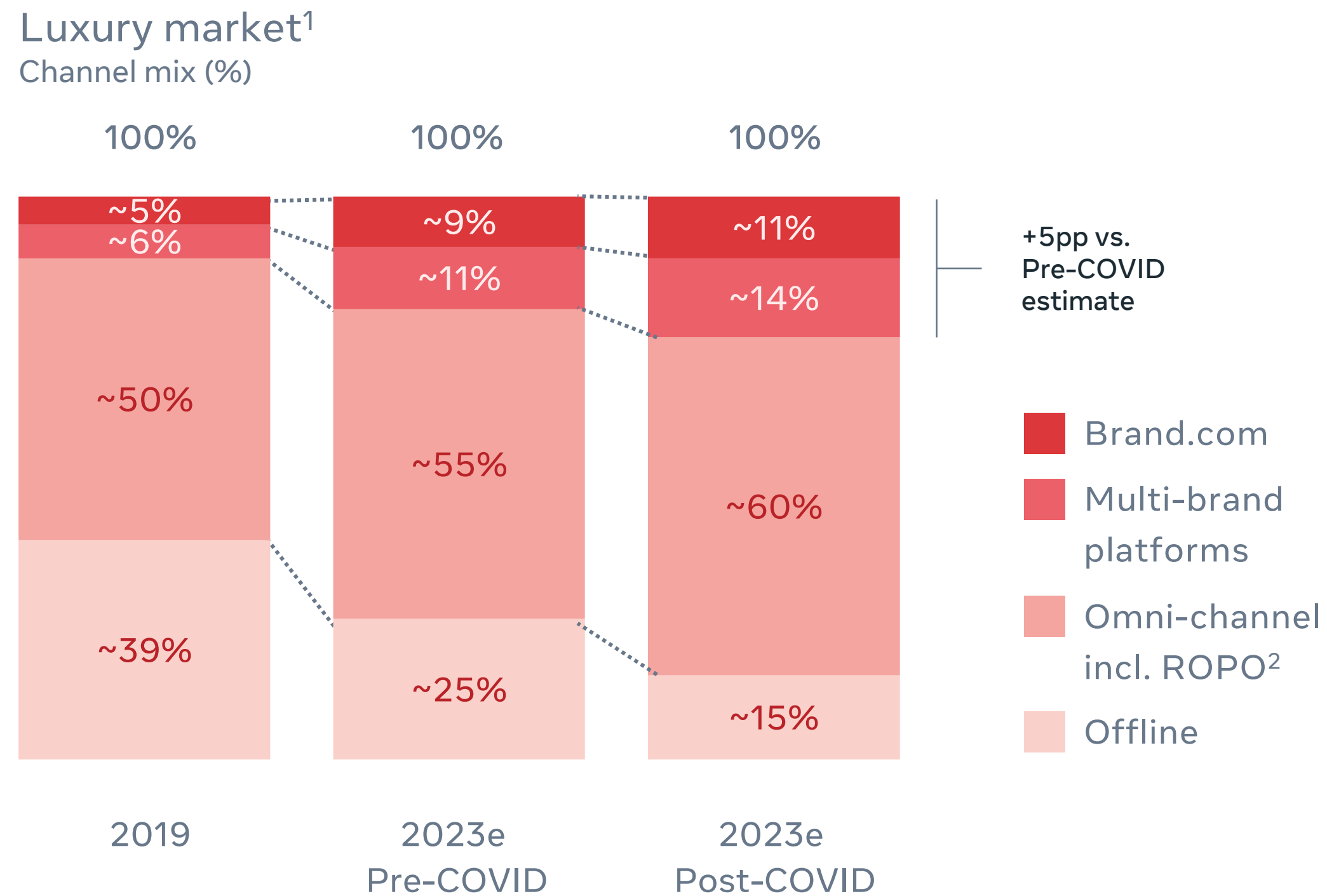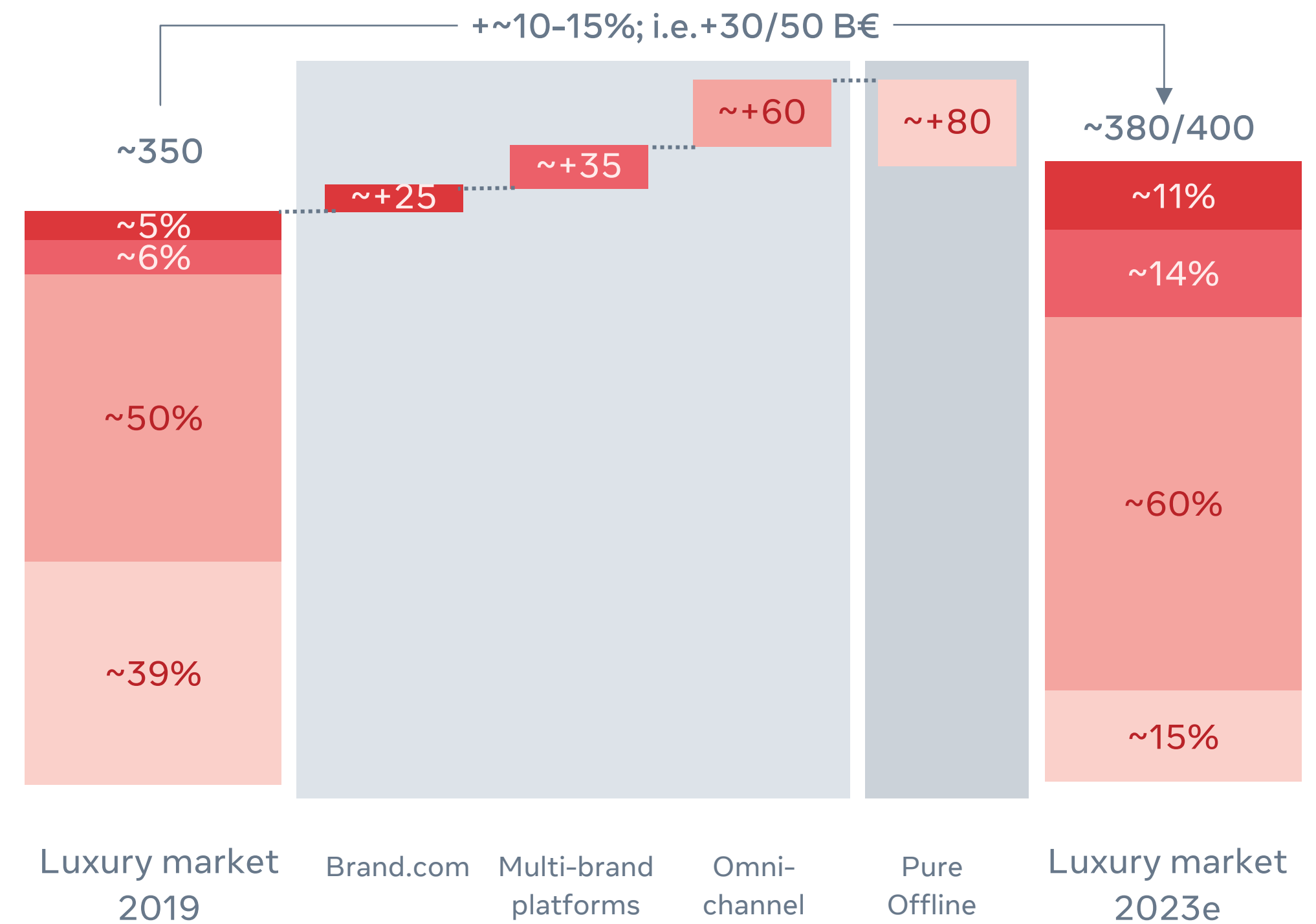
MOBILE FIRST VIDEO

Success story

Culbia

Taking inspiration from Instagram's native visual language, Culbia built hypnotic, thumb-stopping visuals that put the product in the limelight, whilst showcasing Culbia's provenance (Lisbon, Portugal)

The path ahead for Offline: from self-standing channel to touchpoint

Luxury market[1] growth by channel, 2019-2023e (B€)
Channel mix and contribution to market growth (%, B€)

Luxury market[1]
Channel mix (%)

+5pp vs. Pre-COVID estimate

- ■ Brand.com
- ■ Multi-brand platforms
- ■ Omni-channel incl. ROPO[2]
- ■ Offline

+~10-15%; i.e.+30/50 B€

1. Personal luxury market only (excluding experiential luxury), affordable luxury, and premium segments; 2. Research Online Purchase Offline.

Source: Future of Distribution consumer survey, Post-COVID Luxury scenarios (BCG Lighthouse), expert interviews, BCG analyses and estimates
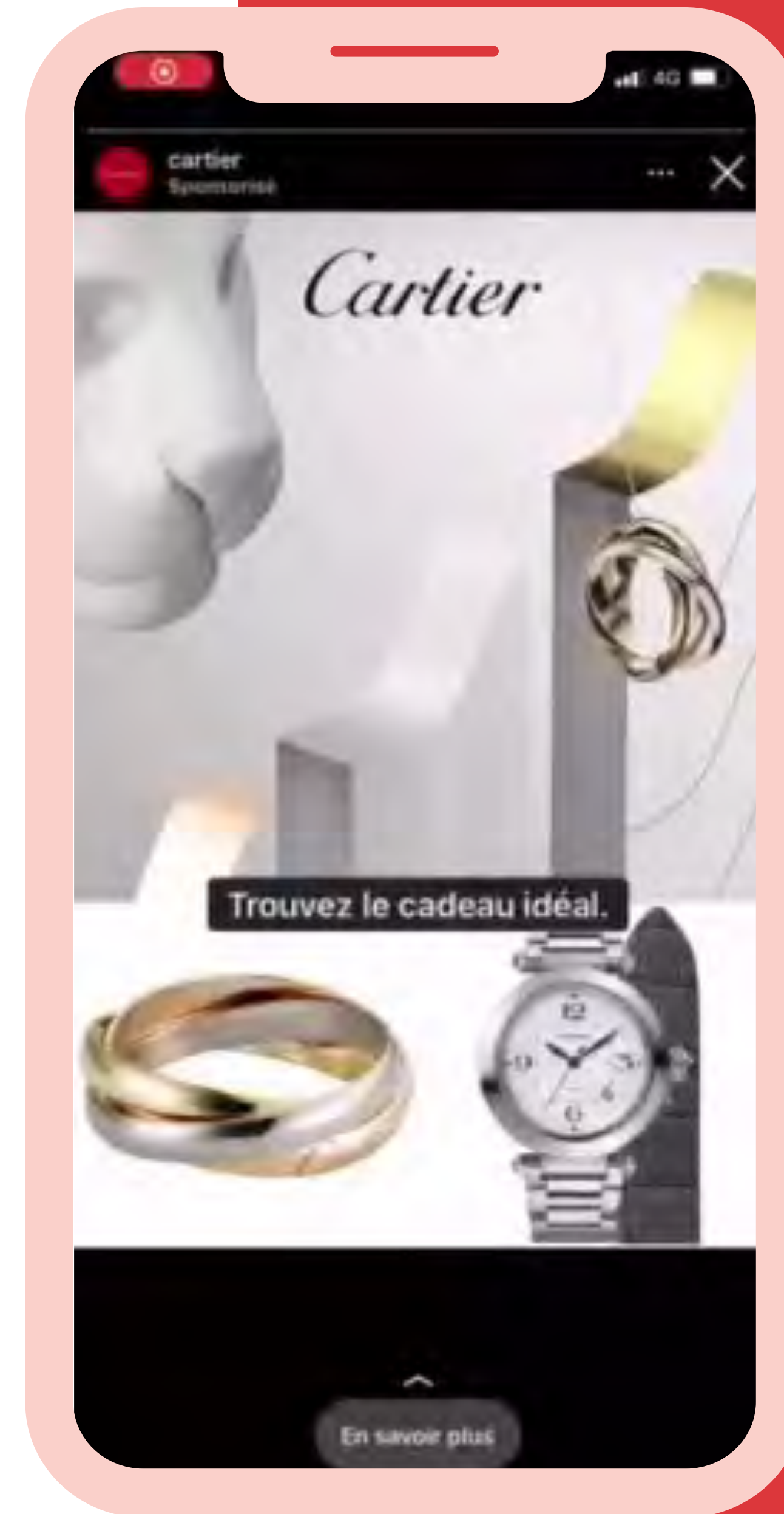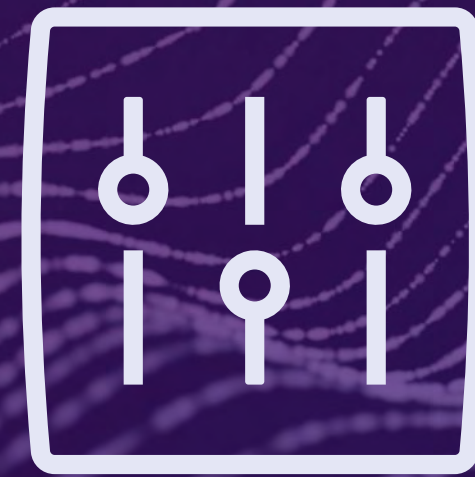
DYNAMIC PRODUCT ADS

Creative Inspiration

Cartier

Show people products that are tailored to their interests with dynamic ads.

Optimize with Signals and Measurement

Conversions API

Conversions API creates a more resilient data connection between your business-owned properties and Facebook versus using the Pixel alone, which is susceptible to data loss from:

- Page load errors
- Connectivity issues
- Ongoing cookie deprecation by web browsers

Strengthening your connection helps you maximize the data you can use for targeting, optimizing and measuring the results of your Facebook campaigns.

Source: https://www.internalfb.com/intern/gmshub/content/?id=209817500971412

Conversions API is designed to honor a Facebook user's 'on platform' privacy choices

Customer

Client website

PIXEL

Web browser

Client server

CONVERSIONS API

Facebook platforms
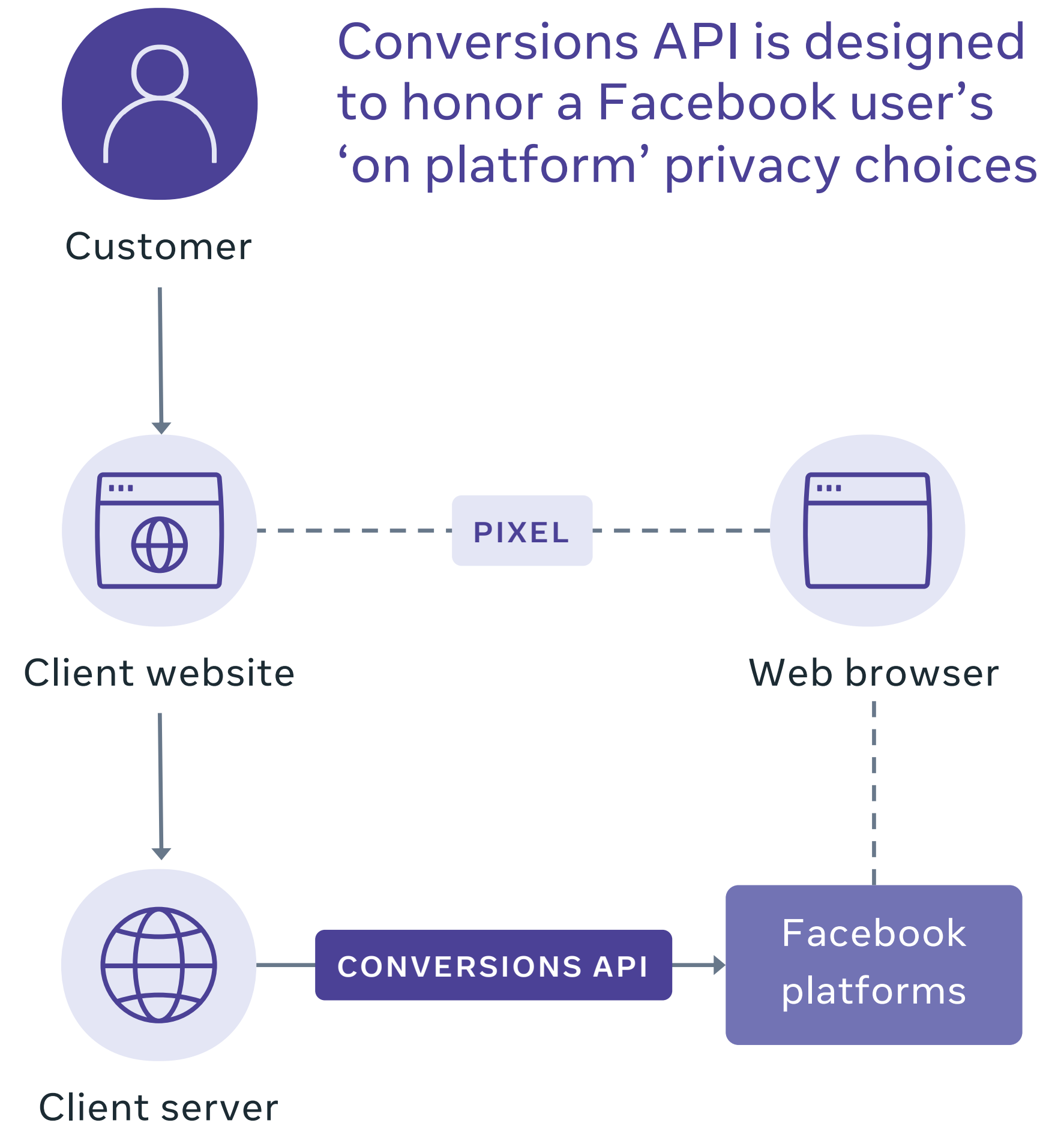
The next phase of Facebook measurement

Conversion Lift is being designed to maintain our Lift testing capabilities, while also supporting business' efforts to respect people's privacy choices. The solution is designed to minimize the amount of individual data we process, for example, by aggregating events from opted-out users.*

* 'Opted-out users' refers to people who have opted-out of Facebook's / Instagram's tracking prompt on iOS 14.5+ mobile devices.

Using less individual data

Data is de-identified

Data is aggregated

About aggregated events processing for Conversion Lift

Conversion events shared with Facebook using Conversions API for Conversion Lift tests will be processed as follows:

1. We check each Facebook user's consent choice

2. We match opted-out users' conversions to Lift buckets

3. Lift solution computes the Lift result using a combination of aggregated (opted-out) conversions and log-line (opted-in) conversions

**Will Conversion Lift reports still include the same metrics?**
No. Demographics (age and gender), country, and buyer metrics will no longer be available in Conversion Lift reports.

Is this the same methodology used for reporting in Ads Manager?
No. While both methodologies leverage aggregation to help increase user privacy, this is a distinct methodology from Aggregated Events Measurement (AEM) leveraged within Ads Manager.

Conversions API is required to enable aggregated events processing for Conversion Lift

Same lift methodology. Enhanced privacy.
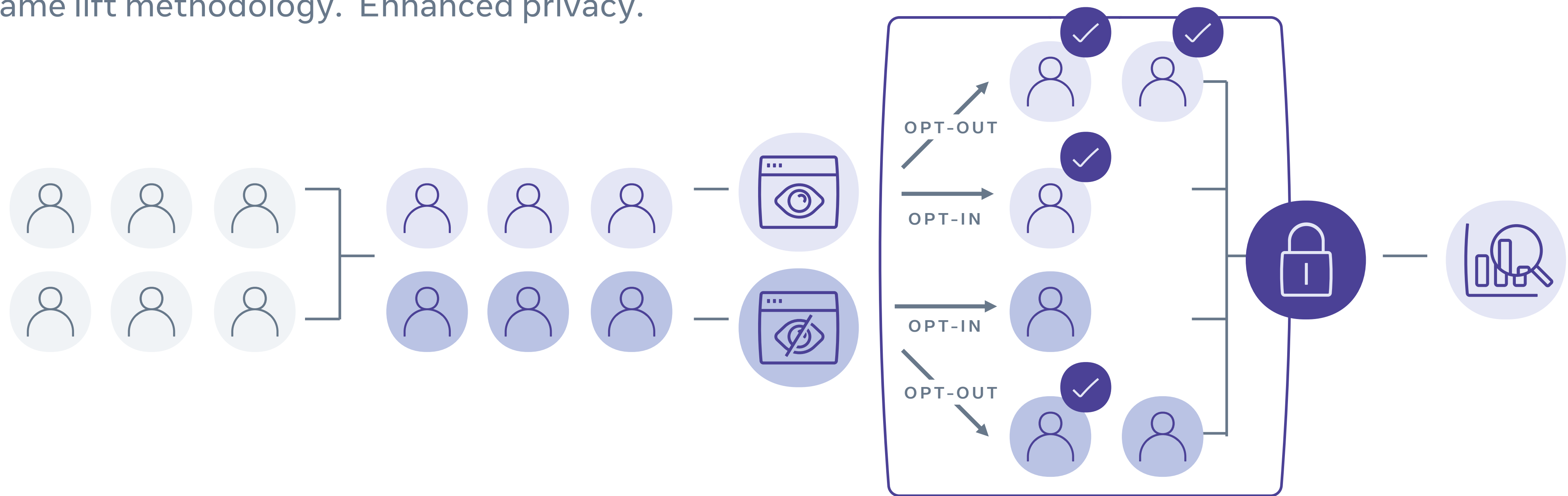
| Business defines KPIs and audiences for their Facebook campaign | Audience is randomized, then separated into test and control groups. | Ads have the opportunity to be delivered to the test group. | Business shares conversion data with Facebook using Conversions API. | Events from opted-out users are aggregated and de-identified by bucket. | Lift is calculated by comparing all conversions in the test and control groups. |

In conclusion

Online shopping has doubled and is expected to continue accelerating

Luxury consumers want to experience the brand digitally *and* in real life

Digital environments enable a broadening of the luxury consumer – 'New Gen Influential'

Brands must personalise and inspire in order to build lasting relationships.

Thank you

FACEBOOK