

Digital Innovation in Luxury Heritage Firms



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The Digital Uptake of the Luxury Heritage Industry

This paper explores the implementation of digital innovation strategy by luxury heritage firms through the analysis of dynamic capabilities and organisational ambidexterity. It specifically demonstrates how Swiss luxury heritage watch maker Jaeger-LeCoultre (JLC) has been successful in gradually transforming its traditional business model by successfully implementing a digital innovation strategy based on mass customization. The findings show that ambidexterity is crucial for luxury heritage firms to exploit their distinctive competence base – their unique capabilities, their unique skills, their know-how that allow them to produce authentic products – and to explore innovative digital strategies in order to take advantage of new opportunities. Digitalization is a technological change which enables comprehensive integration of all areas of business and society [1]. Except for companies in highly dynamic environments [2], digitalization often leads to discontinuous changes [3]. These are predictable in their results, but not always in the course they will take, partly because they can extend over a long period of time. In order to exploit the technological changes for competitive advantages in the market, companies must above all develop or activate capabilities with which they can adapt their resource to changes over time – the so-called “dynamic capabilities” [4]. Dynamic capabilities are defined by [5] as “a subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances”. Amongst these, organisational ambidexterity tends to play a crucial role in fostering innovation [6].

Although dynamic capabilities and ambidexterity [6-8] have received substantial attention since Teece (2007), little insights have been provided to how they are put into practice in the luxury industry [9,10] and to less extent in relation to luxury heritage firms.

Digital Innovation at Jaeger-LeCoultre

JLC is a luxury heritage firm with a rich history and tradition. JLC is a name associated with the luxury Swiss watch and clock manufacturer founded in 1833 by Antoine LeCoultre. The company produces around 65,000 watches annually and has retail stores

throughout the world selling exclusively its own watches, out of which some are owned, and the rest is controlled via concessions. Since 2000, Jaeger-LeCoultre has been a fully owned subsidiary of the Compagnie Financière Richemont SA, which owns some of the world's leading companies in the field of luxury goods in jewellery, luxury watches and premium accessories. In 1931 JLC's history was made with the invention of the iconic Reverso model watch which became the brand's identity. To celebrate its 85th anniversary, the Company's management decided to launch a couple of new models together with the introduction of a new digital experience that would testify that the company is looking forward to engaging its customers through the digital platforms, thus bridging its tradition and heritage with digital best practices. The company's management team was focused on transitioning JLC to adjust to operate in a more sustainable growth environment, by adapting their product offer, communication and distribution to new consumption habits while allocating resources primarily towards research and innovation, digital marketing and online sales platforms. In relation to the digitalization of the communication, the digital roadmap integrates e-services and communications, while respecting and expressing JLC's identity and ensuring the alignment between brand and strategy choice. Significant investments were made for the development in the digital environment and in new digital platforms with major transformation plans announced for digital operations across social networks and the website, most notably for e-commerce. As for the digitalization of the process, JLC was able to set up a digital team with a focus on projects related to digital activities, the e-commerce website, mobile apps and digital animations in boutiques or events.

The company launched several apps for their different watch models including Atelier Reverso app for iPad and iPhone, Wake-up to the sound of the Memo Vox, Moon phase app for iPhone and Geophysic app for iPad. The company is currently heavily investing in digital platforms and social media. Social media is a very powerful platform that gives customers an insight into products. More and more people, especially younger generations, obtain information through this platform where the company can educate

consumers about fine watchmaking. Social media provide instant updates to both young generations and watch connoisseurs. Clients are becoming increasingly knowledgeable about the brand thanks to the power of the digital technology. The Atelier Reverso was the first app that the company released. Atelier Reverso app was introduced to digitally personalise a watch. JLC is proposing to customise the customer's own watch, with its custom workshop devoted entirely to the Reverso model: The Atelier Reverso. The app is available at physical Jaeger-LeCoultre boutiques where they have their own dedicated space called "Atelier Reverso", integrated into the store's interior design or via an iPhone app. The customer gets the chance to take part in the creation of their own Reverso by choosing the design of their watch and personalising it. They have options to change the material or shade of the strap, decide on an engraved design for the reverse of the watch.

The mobile app allows the sales team not only to offer a hyper personalised in-store experience to the customers but also to make sure that the brand is aligned with the customers' evolving digital habits. It is also a way of revisiting the brand's iconic product and offer something new. By introducing a new digital in-store experience through mobile apps, JLC is following customers' evolving digital habits. According to L2, a consultancy company which helps companies to shape a digital mindset and understand performances in a fast-changing digital landscape to trigger new digital opportunities, Jaeger-LeCoultre is ranked in 14th position (measured by the L2 Digital Index) in watches and jewellery, according to its digital competence (L2, 2018). In the latest rankings the brand was the best-in-class for customer service and e-concierge services in the Index. The index is measuring data across four dimensions of digital environment; site and e-commerce, effectiveness on the brand's website, digital marketing, social media and mobile. The website category includes factors such as site technology, social media integration, product display and content, innovation and interactivity. It was crucial for the brand to adopt the right digital strategy thus avoiding the risk of destroying the brand equity that took it decades to build.

The Impact of the Digital Innovation Strategy

Several insights stem from this emblematic example. The findings support the idea that companies can leverage strong customer relationships through customer engagement [11] by implementing an emotional strategy [9]. In order to survive digital disruption caused by digital innovation companies need to develop new business models that work in the digital world and create value for connected customers [12]. Within this context, personalisation and customisation have been proven successful to strengthen the connection between users and a product [13]. Through the launch of the Reverso app, the company has been successful in focussing on experimental marketing by taking essence of one of their iconic products and translating it into a set of experiences that ultimately amplify the brand [14] and by thus enhancing the user experience. The digital strategy has presented

the company with the opportunity to expand by communicating their core message and heritage to a wider audience [15] and opportunities to develop deeper relationships with consumers [16]. JLC has shown remarkable ambidexterity [6,7] by exploiting its competence base – its distinctive capabilities and skills, its know-how that make its products authentic and unique – and by exploring the opportunities that digital innovation strategy entails. The company has been able to establish a credible bridge between its past and its future, the craftsmanship embedded in its heritage and has successfully embraced the digital transformation [17] by ultimately providing value to its clients and enhancing their experience [18].

The example offers practical guidance to luxury heritage firms on how dynamic capabilities and ambidexterity [19] can be put into practice and can yield to a successful digital strategy implementation by overall enhancing the customer experience [20].

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