Kering's chief client & digital officer on digital innovation strategy

By Olivier Guyot - June 25, 2022

Last week, Kering went on a charm offensive to win over financial analysts. A general outline of the medium-term growth prospects for the French luxury giant's brands has emerged from these meetings. Saint Laurent is aiming to double its sales to €5 billion, while Gucci is eyeing the €15 billion threshold, after the Italian label recorded a revenue of €9.73 billion last year. Ambitious plans that require expanding the labels' retail footprint, growing their presence on the Chinese and US markets, and raising prices. Projects that also rely on e-tail success and on mastering new technologies and digital solutions. The latter areas in particular are the remit of Grégory Boutté, chief client & digital officer of Kering for the past five years.
Kering has steered clear of Vivatech, Europe’s biggest tech start-up event, staged at the Porte de Versailles exhibition centre in Paris this week under the aegis of the group’s fiercest competitor, LVMH. Instead, Boutté, the former managing director of Ebay France, welcomed representatives of the business press at Kering’s Imagination Lab, the group’s hub for digital research and innovation. The goal was to illustrate Kering’s objectives in all things digital, and the way in which the group wants to gain a head start in this domain.

Clearly, the issue is taken seriously. A year ago, Boutté’s staff left the Kering headquarters at 40 rue de Sèvres, Paris, to settle in an extremely spacious building in the city’s 7th arrondissement, once occupied by the Jesuits and home to a beautiful, leafy garden. No fewer than 200 employees work in the bright, stylish building, whose various floors host open-space offices, small quiet meeting rooms, break rooms with swing chairs, and state-of-the-art conference rooms.

“Our staff mostly comes from start-ups, so flexibility is part of their culture. They are more comfortable working from home, where they deal with emails and prepare presentations. On the other hand, we wanted this place be a venue for meetings and discussions," said Boutté. “Staff works on site three out of five days a week, and they are not assigned designated desks. They can reserve workspace on an app. [The venue] is open to the people who work with me but also to staff from the group’s various labels, and from the start-ups that are part of [Kering’s] ecosystem,” he added.

Boutté, who believes that the pandemic has accelerated the shift towards digital and big data solutions, has a suitable venue at his disposal to host data scientists and product managers, whose job is to feed creative and practical ideas to software developers, to obtain from them the most effective digital solutions. Boutté does not have an office, he roams around Imagination Lab’s various floors and regularly travels to meet with the more than 150 employees working at the group’s international offices.

A set-up designed to allow Boutté to attract the right talent to seize a number of opportunities. He said: “I was lucky enough to join the group at a time when the senior management was already aware that digital solutions are a key element to showcase our labels and generate excitement around our products. The luxury goods market is worth €300 billion, and has doubled in size in 10 years. The two main trends driving this market are young consumers who are now buying luxury goods, and the growing influence of Chinese customers. These trends’ shared feature is that both demographics are made up of highly connected individuals. If you want to grab growth, you need to engage these customers on digital platforms. Also, Kering is convinced that digital and big data solutions can enhance all aspects of the luxury market’s value chain. This is true for e-tail but also for product development, for example via the deployment of 3D design. We are extremely open to innovation. When we identify a new technology, we start working with start-ups, using the test & learn method. We trial out ideas on a small scale and, if they work, we move forward with them. This iterative process is at the heart of our innovation strategy.”

Over the past five years, Boutté’s staff has worked on highly practical projects, such as taking operational control of the e-tail sites of all the group’s labels, which were previously managed by luxury e-tailer Yoox. The project was completed last year with the Bottega Veneta site. In 2021, online sales accounted for 15% of the group’s revenue, and for a 26% share in Europe.

In parallel, the group has tested several new ideas. Some did not survive the trial phase, like the plan to create a gateway to the [group’s] e-tail sites designed to trigger a relaxing autonomous sensory meridian response (ASMR) in users. Presenting products in this fashion might initially help engage consumers, but ultimately it doesn’t generate a differential experience.

Projects well beyond e-commerce

In contrast, the Luce app developed with Apple, which informs shop assistants on inventory availability and their customers’ purchasing history, was first tested at Gucci before being deployed more widely. Another example is the increasing use of 3D design tools which, according to Boutté, reduce the need to create scores of physical product prototypes when developing collections.

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Boutté said that digital solutions aren’t limited to e-tail. We are working in three main directions: developing digital platforms to create experiences for our customers; improving the running of our business via disruptive elements that optimise the way we work and encourage creativity; and finally, innovation. On this subject, we try to form an opinion very quickly on disruptive trends in our industry. If our assumptions are confirmed, we are keen to be ahead of the pack, deploying new solutions before anyone else. Boutté highlighted the attention paid by Kering to new business models, from the resale market - tests are being carried out at Gucci, Balenciaga and Alexander McQueen - to subscription-based consumption and domains like the metaverse and NFTs. To illustrate the group's approach, he underlined that Kering is open to the use of cryptocurrencies, despite the major price fluctuations they have experienced in recent weeks.

Boutté said: “we’re sure that cryptocurrencies are here to stay. What is their right valuation? We don’t know. But there have been about 15 major dips [in value] in the past, and [cryptocurrencies] have still rallied. A great amount of wealth has been created with these currencies, and some of our customers want to be able to use them to buy our products. In order to offer the best experience, it makes sense to adopt [cryptocurrencies]. There is an underlying element that addresses a Web2 issue, the lack of a stable currency. We are talking about 150 million people with cryptocurrency holdings. It’s no longer a niche. This will be one of the fundamental new technologies, and new habits are emerging that are linked to it. We have recently introduced cryptocurrency payments at Gucci, it’s an example of test & learn. We will learn a lot from the Gucci test, and from the Balenciaga one soon to be launched in-store and online.”

The fact remains that having a digital wallet incorporating NFTs and cryptocurrencies is not yet common practice for the majority of consumers. And Boutté admitted that, while he is aware there are 2.5 billion players already active in various digital domains, there are still many questions about the future of the metaverse, primarily the issue of real interoperability between digital worlds, making it possible for NFTs to be used seamlessly across all domains.

“At the moment, it’s only a promise,” said Boutté. “But we believe that these virtual worlds will become more and more immersive and relevant for our lives. We were in the USA a month ago, and we met with industry players like Mark Andreessen, founder of the industry’s largest investment fund. He believes these are changes occurring on a generational scale, whose impact will be strongest on the generation of video game players who will become consumers in the next 25 years,” he added. Having already established a foothold in this domain, on Fortnite with Balenciaga and on Roblox with Gucci, Kering believes it is laying the foundations for a long-term strategy. The group is applying the same approach with regards to NFTs and Web3.
Boutté said that “[NFTs] are a real technological break-through. For the first time, we are able to determine the authenticity of a product, and its rarity. And we will determine the ownership of it. If this phenomenon gains widespread traction, it could be major. What makes an NFT successful is a high level of creativity, exclusivity, and an association with a very strong sense of belonging. These values are consistent with those of luxury. There is a genuine opportunity for developing a new way to express our labels and potentially [create] new product lines. We are keen to lead the way.”

Boutté added that “this raises questions about how to create NFTs, and how to integrate them into our operations. Also, keeping a community engaged is a complex matter. The user interface of Discord, the Instagram of the NFT world, where launches are made, is techy and geeky, and clearly it’s all a bit wild. But I am very confident because investments are huge, and nowadays all the talented people who have made Web2 an intuitive and easily accessible reality are moving on from Facebook and Google to take up the Web3 challenge.”

Kering has acquired minority stakes in Vestiaire Collective, in biotech company Vitrolab, currently developing lab-grown leather, and in Californian live shopping start-up NTWRK, but has not invested directly in NFT and Web3 companies. However, earlier this year, through Kering Ventures, the group invested in a fund spearheaded by Katie Haun, a Web3 and cryptocurrency guru, so as to establish a link with the sector and keep track of its latest developments.

“We invest in order to build a good relationship with investment funds founders, and benefit from insights in their domain. We need to learn, starting a conversation with them about the opportunities relating to our markets,” said Boutté. “It's the same with the start-ups in which we buy stakes. Our approach is to forge relationships with pools of investors in areas that are important to us. It’s a kind of implementation by proxy,” he added.

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A year and a half ago, Kering also invested in a fund run by private equity firm Cathay Capital, to identify promising start-ups in China. A way to delegate the job of scouting for future unicorns, companies that in the near future may be able to enrich the experience of the group’s labels. To take on board these new developments more easily, Kering has set up an educational initiative called ‘NFT Serious Game’, open to all employees. On July 20-21, it will also stage a hackathon to encourage its various departments to devise projects relating to the world of digital solutions, big data and AI.

“Having demonstrated the impact of working on these subjects, we will move on to phase two. Now we need to develop a training approach, and get the whole organisation involved so that innovation will thrive everywhere,” concluded Boutté.

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