

RESEARCH

What are luxury brands expanding for?

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Hermès' Elsewhere

By JOE MCCARTHY

The luxury space is becoming overcrowded and brands incapable of adapting to emergent market forces will falter, according to a new report by the Luxury Institute.

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The report outlines seven key trends that will dominant the luxury industry in the year ahead. For instance, the report argues that all the copycats striving to gain luxury credibility will succumb to slowing demand.

"The knowledge of best practices is there but there is lack of execution in the luxury industry," said Milton Pedraza, CEO of [Luxury Institute](#), New York.

"There's also a lot of 'me-tooism,'" he said. "When you have so many brands and so many copy cats, so much less originality, you're going to get a race to the bottom and heavy discounting.

"The market is slowing down and there's too much of a lot out there. A reality check is coming to the luxury industry: What are we expanding for?"

Less room

Luxury consumers are exasperated by all the "me-too" brands that have emerged in the past several years, according to the report, and many of these brands teetering on the

edge of luxury will be washed away by dwindling demand.

To contend with shrinking growth, many brands will stop opening up stores. Instead, brands will focus on getting the most out of existing channels, which means placing a greater emphasize on CRM programs and cross-channel metric systems.



Rendering of Bloomingdale's in Silicon Valley

Similarly, companies will take all of their knowledge of best practices and implement them more effectively. For instance, many data collection programs collect dirty data and if associates were better trained and equipped to gather information, CRM programs would improve.

Part of this push will come from store managers who will have to rise to the level of "luxury entrepreneurs."

The report also notes that brands are finally beginning to treat human relationships as critical to brand equity. The Luxury Institute advocates for customer-centric brands that empower associates to cultivate relationships with clients.

Another trend identified is an increase of CEO transitions.



Bottega Veneta Cruise Collection

For instance, luxury conglomerate Kering recently gave the reins of three brands over to new CEOs.

Italian fashion labels Brioni, Bottega Veneta and Scottish fashion brand Christopher Kane will all have new leaders going forward. The move comes as Kering tries to tighten up its

organizations and propel its luxury division ([see story](#)).

Social building

The final trend that the report highlights is a focus on image-heavy social platforms such as Instagram.

Brands across sectors have been innovating on Instagram lately.

For instance, U.S. fashion label Marc Jacobs is simplifying the path to purchase for its beauty collection with a new Instagram effort.

Brands have struggled to generate conversions through Instagram because the platform does not allow for active hyperlinks to be embedded in the captions of shared photos. Marc Jacobs is looking to give consumers straightforward access to ecommerce through Instagram by linking its shared images to product emails for purchasing ease ([see story](#)).

Ultimately, however, the luxury industry is entering a period of slower growth that will test the competence of younger brands.

"Luxury is not built in a day," Mr. Pedraza said. "Big brands like Chanel and Hermès have been built over many, many decades.

"It takes less time these days to build a luxury brand, but it takes time and credibility for profitability and sustainability," he said.

"We need to get our creative juices flowing again."

Final Take

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