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Hard luxury faces dangers, opportunities in times of crisis: Kering CEO

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Kering-owned Boucheron's Rellet timepiece

By JEN KING

FLORENCE, Italy - Hard luxury goods comprise 22 percent of the global market share of luxury and are growing at a faster pace than other sectors, according to the CEO of Kering's luxury watches and jewelry division.

Although a strong sector in the luxury market, hard luxury, consisting of jewelry and watches, has faced recent hurdles that other sectors have not seen. During the "Hard Luxury or Soft Luxury" session at Conde Nast International Luxury Conference April 22, Kering's Albert Bensoussan spoke of the major challenges currently affecting the hard luxury sector and how these issues can lead to opportunities.

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"We are always faced with challenges," said Albert Bensoussan, CEO of luxury watches and jewelry at **Kering**. "The watch and jewelry industry has been facing many challenges that have directly affected the industry.

"[For instance,] we cannot manage...hard fluctuation overnight," he said.

Challenging times

To begin, Mr. Bensoussan explained that hard luxury is the traditional heart of the luxury sphere. As with countless brands across the sector, hard luxury maisons stand for history, tradition, legacy and values, made in, legitimacy, memories and timelessness.

Hard luxury also stands for creativity and innovation, which Mr. Bensoussan broke down as being inspiration, storytelling, craftsmanship, manufacture, complication, research on materials and re-evolution. With this comes excellence in finishes, quality, savoir faire, exclusivity, bespoke and a palace spirit.

Even with a strong sense of itself, hard luxury still faces many challenges. Most recently, the Swiss franc exchange rate created challenges that the industry could not see coming and was unable to adapt to.

Industries across Switzerland have been affected by the Swiss National Bank's lift on the value cap of the Swiss franc. For the past three years, the SNB had implemented a cap on Switzerland's currency to follow the rate pattern of the euro, but on Jan. 15, in response to the steady drop of the euro's value, the SNB removed the ceiling.

As a result, the Swiss franc's value increased by 30 percent, which has already sent waves through the real estate and tourism industry while the effect on watchmakers has yet to become fully realized ([see story](#)).



Albert Bensoussan of Kering

There are also fixed cost challenges in managing and operating a global network of retail stores. Having storefronts on the world's high streets and artisan workshops are a significant cost.

Another challenge is the notion that the luxury market is becoming more and more concentrated. With a concentrated marketplace, brands in hard luxury are faced with additional challenges such as brand overexposure and store saturation, newcomers, an increasingly sophisticated consumer, new ways of communicating and price

transparency.

For example, the Chinese market has become concentrated due the weight of the region's emerging wealth and shopping behavior. The Chinese demographic consumes both domestically and internationally, resulting in brands spending a significant amount of time and effort catering to the consumption trends of this group.



Chinese tourists shopping at LVMH-owned Louis Vuitton

China's maturing luxury buyers care most about quality and exclusivity, while in other areas, such as Hong Kong and Singapore, luxury is more defined by a lofty price point. As luxury brands spread out and increase operations throughout Asia to reach what will be 1 billion affluents over the next 10 years, understanding the nuances and personality traits typical in particular countries can help them more accurately market to residents ([see story](#)).

Adaption strategy

Although a brand cannot hire a fortuneteller to predict the upcoming challenges that will face the industry, there are ways to adapt.

Mr. Bensoussan stressed the importance of an omnichannel consumer experience to meet tech-savvy consumers where they wish to interact, as well as the need for creative campaigns, exclusive experiences, a geo-pricing strategy, recently implemented by watchmaker Tag Heuer ([see story](#)), emphasis on value and heritage and a consumer-centric model.

Challenges cannot be avoided in a global economy, but Mr. Bensoussan referred to the Chinese character for "crisis" to help those in the audience navigate and adapt to situations that hurt or complicate a brand's happening.

He explained that the character for crisis is made of two symbols, one for "danger" and the second for "opportunity." This message can be applied to any situation, business or otherwise.

Hard luxury's latest challenge is the emergence of wearable technologies such as the Apple Watch.

But, brands have adapted to consumers interest with Kering-owned Gucci introducing a new smartwatch created in collaboration with rapper Will.i.am ([see story](#)).



Gucci's wearable with rapper Will.i.am

As with many of his peers in the luxury industry Mr. Bensoussan expressed anticipation, and weariness, regarding the Apple Watch.

"I'm interested in [Apple's] device, it's worn on the wrist – [Apple Watch] looks like a watch, smells like a watch...and I hope it tastes like a watch," he said. "[Apple] is bringing back focus on the wrist, it is something I'm happy about."

Final Take

Jen King, lead reporter on Luxury Daily, New York

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