

COLUMNS

Luxury brands are more vulnerable than ever to crises

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It is not something that any company likes to think about, but crisis communications management should be near the top of the to-do list of every luxury brand this year.

In the United States, fast food chain Chipotle's continuing problems with a norovirus outbreak continue to leave a nasty taste in the mouth of consumers and with investors as shares fall. Across the pond, just one week into the New Year the head of the United Kingdom's Environment Agency resigned following his managing of the floods crisis.

Just two recent examples of an organization and an individual in deep trouble because of a crisis, but this has nothing to do with the luxury sector, though, surely? Unfortunately it has.

Crises are hitting organizations and individuals more frequently and more harshly than ever before and it is only a matter of time before a luxury brand is engulfed in one.

Crises have already struck

Some have already had their fingers burned or, at least, lightly singed, of course.

Two years ago, Oprah Winfrey claimed that she was the victim of racism when staff at Trois Pommes, a smart boutique in Zurich, Switzerland, unaware of who they were talking to, suggested that a slightly cheaper handbag might be more appropriate for the richest woman in television. Cue scathing international coverage.

British brand Aquascutum is one of a number that has had to close factories recently, throwing artisans out of work and prompting accusations that it puts profits before people and quality.

Nearly five years ago John Galliano was shown engaging in a racist rant that cost him his job and Dior, where he had been creative director, quite a lot of money.

Luxury companies are vulnerable to a variety of disasters. Data breaches can be very serious for them as their customers guard their privacy particularly well and could be particularly vocal, influential and even litigious, when it is breached.

Fair game

Scandals involving the supply chain such as accusations of child labour, unethical sourcing practices or bribery can explode and go worldwide in minutes. Note the use of the word "accusations" this is enough for a crisis to take hold.

The risk of unprepared luxury houses seeing themselves rubbished in conventional and social media is increasing.

All this is set against a background of strong financial headwinds as well as hostility towards high-net-worth individuals (HNWI), the finance industry and the luxury sector among many sections of society.

Even luxury consumers are themselves skeptical about luxury by brands these days.

According to the most recent Survey of Affluence and Wealth, published by YouGov and Time Inc., more than three quarters (78 per cent) of wealthy consumers say that many luxury goods are not compelling to them.

Meanwhile, the conventional media, especially in the U.K., are now fiercer than ever when it comes to exposing scandals and social media has changed the nature of the game.

When I started in crisis management more than 25 years ago, we used to talk about the "golden hour."

Golden hour

This was the period following notice of the problem erupting that you had to take the initiative and gain control of the situation. Failure to do so would mean that you were constantly on the back foot, desperately fire-fighting.

These days, because of the Internet and, more specifically, social media, we should be talking about the "golden ten minutes."

Before you despair, the good news is that effective crisis communications management is not that difficult.

To handle a crisis, luxury brands, like any other company, must develop an emergency media response strategy that covers every channel of communications including the press office, social media and stores.

Stores are important.

If something goes wrong for a luxury company, TV news producers will have a crew at one of its nearby stores to "vox pop" shoppers and harry staff within minutes. Even then the public with a smartphone will have beaten them to it.

EVERYONE WITHIN the organization needs to be familiar with this strategy. It also needs to be reviewed and put into practice regularly writing it is the easy bit. Letting it gather dust in a drawer is even easier.

As luxury brands become global brands, this strategy needs to have a worldwide reach and perspective. It also needs to take into account the annoying fact that crises do not always happen Monday to Friday, nine to five they can explode at 2 a.m. on a Sunday morning in any time zone.

A further bit of good news is that companies that do handle a difficult situation well can actually turn it to their advantage and end up enjoying an improved reputation and even better brand image. This, I believe, can apply to a luxury company faced by a crisis, too but only if it takes action now.

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