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MARKETING

# Changing consumer behavior amplifies importance of brand identity

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*DVF spring/summer 2016 ad*

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SAN FRANCISCO Changes in the retail world are forcing brands to focus on how they relate their story, according to panelists at the Financial Times' Business of Luxury Summit on May 24.



Alterations to the runway format, anniversary celebrations by new brands and even the revolving door of creative directors are all related to houses needing to find effective ways of telling stories in a newly altered retail environment. With the rise of digital now impacting commercial real estate, the new world of luxury has found questions of heritage and communication manifest themselves in far-reaching ways.

"Our ambition was to simplify and streamline the processes and be ready to welcome back creativity into the house of DVF," said Paolo Riva, CEO of Diane von Furstenberg. "We wanted to make it a place where the chief creative officer could flourish success and evolve the brand."

Ch-ch-ch-changes

Discussing the "see now, buy now" model that has recently thrown fashion for a loop, Victor Luis, CEO of Coach, Inc. said that he does not believe in the model. Although the larger reach of the Coach brand should make the idea more palatable, the extra internal work and the removal of consumers' anticipation make it a risky decision.

Mr. Riva agreed, saying that if the idea is to get things to consumers faster, it should start at the design stage rather than the commerce stage, otherwise the anticipatory part of the purchase journey is lost.

Continuing the line of thought, Thom Browne CEO Rodrigo Bazan noted that he once ordered a watch and waited over a year for it to ship. Fashion could adapt a similar model to appease the "see now, buy now" craving. Consumers could see a product, order a customized version and then wait the customary six months for delivery.

This model would maintain anticipation while also fostering a transparent and more direct line of communication between brands and consumers. The model could also preserve the business of fashion and press role centered on the runway show.

Shifting runway models are just one symptom of the changing retail business. Commercial real estate values are also starting to fall.

"We see that the levels that have been reached in the past cannot be sustained in the future," said Philipp Gajzer, managing director of Now Move Now Luxury Brokers & Advisors. "They are being confronted with a take it or leave it' situation where they are saying, in this case, keep it.'

"Luxury brands as we saw them between 57th and 68th Street [in New York] are no longer willing to pay these levels of rent and these sharp, steep increases at time of renewal," he said.

Accordingly, flagship stores need to create an experience in highly trafficked locations that offer consumers something more than a place to purchase products that they can purchase online. For DVF, this meant hosting an in-store event to reveal a new collection and creating an environment that is inclusive and personable for women.

Confronting the renaissance of "Made in America" and the stigma of "Made in China" in the luxury world, panelists were quick to point out the realities of production. Different materials are of the highest quality in different locations. As DVF's Mr. Riva points out, Italian silk was originally brought back from China.

Similarly, having a through-line between designer and production, as with Coach, where both operate out of one building, is a desirable but difficult benefit. Brands would do well to educate consumers on production practices and sourcing to help them understand the quality of products rather than allowing them to rely on stereotypical notions of "made in" tags.

The new retail model

Others have also looked at ecommerce growth and falling bricks-and-mortar sales as evidence that traditional high streets will see rents halt or reverse.

Commercial real estate values have already peaked in New York, according to the majority of professionals surveyed for Marks Paneth's Gotham Commercial Real Estate Monitor.

In just three months, the share of executives expecting values to rise has dropped from 43 percent to 31 percent, with nearly a fifth predicting a downturn in prices. The economy, new laws and even the growth of digital shopping all could play a role in future drops in New York commercial real estate (see story).

Retailers have also indicated that the future of bricks-and-mortar involves catering to a different set of experiences than is traditionally associated with the platform.

Physical retail is not dying, but brands need to adjust to consumers' digitally informed expectations.

"Architecture: Building and Brand Extension" panelists at Financial Times' Business of Luxury Summit 2016 May 23 focused on the shift in physical retail into an experiential and lifestyle component unique to each location, a shift from the uniform, more identifiable layout that many still associate with retail. Listening to and monitoring consumers will allow brands to maintain focus on the customer experience, which can then manifest itself in an in-store environment conducive to shopping (see story).