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MARKETING

Key takeaways from Financial Times' Business of Luxury Summit 2017

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The Portuguese handcraft of painted tile work is seeing a resurgence; Image courtesy of Financial Times

By JEN KING

This year's Financial Times Business of Luxury Summit May 14-16 traveled back to Europe to explore the material world of craftsmanship, manufacturer and new markets.

Programmed by FT fashion editor Jo Ellison, the summit brought together industry executives, creatives and financiers to examine where the luxury revolution is headed, with a focus on how craftsmanship can aid in safeguarding the industry. Sessions during the two-day conference covered myriad topics from mergers and acquisitions as a method to sustain luxury business to consumer behaviors in-store and online and if luxury is either a philosophy or a price tag.

Learning in Lisboa

Held at the Four Seasons Hotel Ritz in Lisbon, Portugal, the conference's agenda hoped to shed light on issues relevant to the luxury industry, such as if big brands are doing enough to protect and nurture manufacturing skills.

Sessions discussed luxury's efforts to train the future generations of skilled craftsman, how to run a global business and retain an authentic heritage and if the industry needs a new narrative or creative leadership.

Additional themes touched on how political and economic disruptions are impacting luxury and trade as well as how brands such as Louis Vuitton, Cartier and Hermès are adapting to changing economies and consumer behaviors.

Here are the five key takeaways from FT's Business of Luxury Summit 2017:

Mergers and acquisitions:
Often when a larger group or brand makes a purchase, it is because the company bought is family-owned and the next generations do not have an interest in continuing on that path. This was the case of Bulgari when Francesco Tranpani and his family, who founded the jeweler, sold to LVMH.

Italy, in particular, has a large number of mid-sized brands that remain family-owned and independent. The merger and acquisition potential of the country is based on its depth of craftsmanship knowledge and due to the fact that nearly 80 percent of the luxury sector is "Made in Italy."

Due to this, many wait with baited breath for the day these mid-sized luxury companies are acquired by a larger brand or conglomerate, but it will not be a purchase based on like-mindedness as all companies are individual and unique.

From left to right: Rachel Sanderson, Francesco Trapani, Daniel Piette and Luigi de Vecchi

Daniel Piette, former chairman/CEO of L Capital and current chairman of First Founders stressed during the "Europe's Next Big Deals" panel that these deals are not because there are synergies between companies, but rather a structural necessity to produce a sustainable company.

"There are no synergies in the luxury industry," Mr. Piette said. "Each brand has to be vertically managed and has very little to do with the other brands.

"From a merger and acquisitions point of view, when larger groups by other brands, it is a structural phenomenon," he said. "Synergies do not make sense. It is [financial] architecture" (see story).

Luxury needs high-desire creative and efficient execution:
During FT Business of Luxury Summit's opening keynote May 16, Kering's group managing director, Jean-Francois Palus, spoke to the "hot sauce" that has made this year the most successful for the French luxury goods conglomerate.

Although Mr. Palus summed up strong performance to consumer loyalty, he explained how Kering's business model and approach to balancing creativity, data and logistics has gleaned results for its individual brands and as a whole.

While in conversation with FT editor Lionel Barber, Mr. Palus stressed the importance of the relationship between a brand's creative director, the CEO and the merchandising director.

FT's Lionel Barber with Kering's Jean-Francois Palus

By asking questions of each, Kering is able to create momentum and an energy that balances the responsibilities, but gleans productivity and worthwhile results.

Showing the necessity of this dynamic, Mr. Palus acknowledged you cannot really speak to market share with a creative director as you can with a CEO and if you discuss a collection's balance with the merchandising director, that discussion can influence the designer.

Above all, the three need to be aligned and lucid (see story).

Bricks-and-mortar's part in the path to purchase:
Speaking at the FT Business of Luxury Summit on May 16, Cartier's president and CEO shared his outlook for the industry, as well as his insights into his own brand's efforts to

woo the next generation of luxury buyers.

While Cartier has embraced online selling, including its direct-operated online flagship and its newly launched partnership with Net-A-Porter, the brand still sees the bricks-and-mortar environment as a key part of the purchase path.

FT's Gillian de Bono, editor of How To Spend It and assistant editor of the Financial Times with Cartier CEO Cyrille Vigneron

About 90 percent of consumers conduct some form of online research before visiting a Cartier store, but most purchases still take place in physical venues. The high price points of Cartier's jewelry lead to lengthier decisions.

Cartier also favors physical points of sale to launch exclusive lines. In addition to its boutiques, the brand sells about half of its one-off pieces during invite-only events (see story).

Mobile as the new luxury shopping center:
The portion of online retail group Yoox Net-A-Porter Group's sales that are coming through mobile is constantly growing, with the company expecting the majority of purchases to be made via mobile devices by 2020.

While there were doubts that luxury shoppers would forego the bricks-and-mortar experience for ecommerce, these concerns have been proven unnecessary, with consumers turning to digital platforms to buy everything from high-fashion to fine jewelry. During a keynote at the FT Business of Luxury Summit on May 16, Federico Marchetti, CEO of YNAP, shared his outlook for the online luxury market as well as the efforts his own group is doing to innovate for today's consumer.

Federico Marchett, CEO of Yoox Net-A-Porter

Over almost two decades in business, YNAP has amassed lots of information about its customers, giving it a strong understanding of the luxury client online. While this data and automation allows for more intuitive targeting, the human element is still important.

With ecommerce growing by about 15 percent per year, Mr. Marchetti noted that there is room for multiple players in the space.

One place that YNAP has no intention of extending its operations to anytime soon is physical stores for its brands. Instead, the group is establishing omnichannel services through a partnership with Valentino (see story).

Luxury is a state-of-mind:
Membership-based beauty service Beauty Pie shows that luxury can be more about a state of mind than about the cost of a product.

Speaking at FT's Business of Luxury Summit May 16, Beauty Pie founder and beauty entrepreneur Marcia Kilgore spoke about the service's business model as well as how it relates to traditional ideas of luxury as needing to be expensive to satisfy a luxury buyer's desire. Ms. Kilgore is dismissive of that notion, stating that luxury is about how you feel and not about how much you pay.

When people think of luxury, one of the things that inevitably comes to mind is price. Luxury goods are expensive and that is just a fact of the business.

Marcia Kilgore, Beauty Pie founder and beauty entrepreneur

Ms. Kilgore's philosophy on luxury is not that it must cost a certain amount of have a certain level of exclusivity, but that the consumer must feel like they can be completely comfortable with the product and not have to worry what anyone else thinks.

When asked if this would undermine the traditional notion of what a luxury product must cost, Ms. Kilgore chuckled and responded: "Probably" (see story).