

APPAREL AND ACCESSORIES

How should luxury labels approach the affordable accessories opportunity?

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Other brands have sought the success Michael Kors has had in the affordable luxury space. Image credit: Michael Kors

By SARAH JONES

According to new research from Euromonitor, accessible items will be the driving force of the \$350 billion personal accessories market this year.

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In 2017, the category is on track to see 4 percent growth over the previous year, with products such as affordable jewelry and handbags behind much of the increased sales. While lower-priced luxury items reflect a growing opportunity for upscale labels, they should wade into this territory carefully to preserve their positioning.

"The affordable luxury' trend is better suited for mass brands looking to expand their portfolios towards the premium end, or for brand new players to fill the gap in between luxury, and mass brands," said Jorge Martin, head of personal accessories and eyewear at [Euromonitor International](#), London.

"Some luxury players have attempted to make this downward' journey in the past, quickly realizing about the negative impact on brand equity and consumer perception this move had on their flagship brands."

Accessing a new audience

A Bain report released last year noted that much of luxury's growth is coming from the emerging middle class and Generations Y and Z. The 50 million new shoppers expected to enter the market, coming predominantly from China, are a key target for accessible items ([see story](#)).

Similarly, Euromonitor finds that affordable luxury will be aided by rising incomes.

Also, in most markets, the middle class is expected to grow over the next five years. Through 2022, China's middle class population will rise 9 percent, while India will see its middle class grow 6 percent.

India's accessories market in particular is expected to grow to \$92 billion by 2022. The fastest growing market for this category, Euromonitor forecasts an 8 percent compound annual growth rate for the period.



India's market for accessories is growing. Image credit: Jimmy Choo

While China is the leading market for accessories, India is on the heels of the number two market, the United States, which is seeing a slight decline through 2022.

"Luxury brands are already well established in most emerging markets these days," Mr. Martin said. "However, a more harmonized pricing strategy is important considering the big proportion of luxury accessories sold to consumers while traveling abroad.

"A proper understanding of local customs and traditions is also key, as local habits and even religion plays a role when it comes to ostentatious display of wealth, for example," he said. "When it comes to India particularly, this is even more vital considering how diverse the Indian market is in this regard."

Globally, some brands have adapted to the growing demand for affordable luxury.

For instance, Italian fashion label Trussardi launched a strategy centered on accessible luxury. Part of this plan included the release of the Lovy handbag, priced around \$600, offering the brand's craftsmanship and image for less ([see story](#)).



Trussardi's Lovy bag is its first accessible design. Image credit: Trussardi

U.S. fashion label Marc Jacobs similarly upped its focus on the leather goods and accessories category.

With a strategy modeled after Michael Kors, Marc Jacobs' goal is for handbags to account for 70 percent of its total sales. Following its move to consolidate its main line and diffusion brand under one label, Marc Jacobs released a collection featured new pricing, with 70 percent of items costing less than \$500 ([see story](#)).

Jewelry brands are making the same moves, with Piaget opting for more accessible price points for its latest Possessions collection. The release, the first in the Possessions line to feature colored gemstones, also marked the jeweler's debut on Net-A-Porter ([see story](#)).

Risk and reward

While it presents immense opportunities at reaching an audience that cannot yet afford big-ticket purchases, affordable luxury also comes with challenges.

For instance, Michael Kors' diffusion label Michael Michael Kors has scaled back its wholeselling activities to protect its brand following excessive discounting in department stores ([see story](#)). This move was meant to guard the brand image in an overly promotional retail environment, with concerns that putting its handbags on sale would

harm its positioning.

For brands looking to target the up-and-coming luxury buyer, protecting the core collection hinges on an understanding of differentiation.

"Launching completely separated brands, or lines, targeting different consumers seems to be a perfectly suitable formula to succeed in this regard to avoid brand erosion," Euromonitor's Mr. Martin said. "Some well-established luxury players such as Armani have managed to do so by keeping a sensible separation between their higher end lines such as Giorgio Armani and their more affordable ones such as Armani Exchange.

"Each operating with a very unique retail and marketing approach tapping into very different consumers while building a particular brand identity without overshadowing other group brands," he said.

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