

MARKETING

US luxury poised for lucrative new year following successful 2017

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Tiffany & Co. sees bounce back. Image credit: Tiffany & Co.

By BRIELLE JAEKEL

While traditional department stores are still struggling, luxury brands in other sectors are turning a new corner due to a period of significant growth.

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Luxury marketers are being pushed forward with support and growth from China and online sales, with the last six months seeing significant growth for many brands. Marketers such as Tiffany & Co., Burberry and Herms are a few of the brands who saw success leveraging these successful tactics and making a bounce back after a rough year for luxury.

"Firstly, the much-trumpeted problems of United States retail, essentially a department store issue, have not precluded US luxury brands from doing well," said Pierre Mallevays, managing partner at Savigny Partners LLP. "In November it is the U.S. stocks that have performed, when European stocks are all down."

Growth and decline

According to the [Savigny Luxury Index](#), Ralph Lauren, Michael Kors and Este Lauder saw growth in the last six months of 2017.

In November, Ralph Lauren rose 6 percent and Este Lauder also saw an increase of 12 percent in its share price.



Ralph Lauren's runway show at his home in New York. Image credit: Ralph Lauren

Burberry, however, despite its success in China and in ecommerce, saw a 10 percent drop in November. This decline is attributed to Burberry's new CEO Marco Gobbetti introducing a new strategy to position the British fashion house as higher end. As such, the strategy has exceeded estimated costs ([see story](#)).

The U.S. saw positive sales numbers this Cyber Monday and Black Friday, with an increase of 15 percent in year-over-year sales the weekend after Thanksgiving.

The Paris luxury retail scene has bounced back after its terrorist attacks in 2015, with the number of Chinese tourists increasing by 25 percent. The city was the global leader in boutique openings this past year.

Last year, London was considered the top recipient of tourists but has now fallen to fourth place. Paris not only saw an increase in Chinese tourists, but a 15 percent in tourism over all in the first half of 2017.

Beauty brands saw the largest number of acquisitions and business deals this year, with four major acquisitions. Korean cosmetics brand Cosmax purchased U.S.-based research lab Nu-World Corporation for \$50 million and French beauty manufacturer and supplier Aromair was purchased by Anjac.



Digital is a mindset, not only a tool for Shiseido. Image credit: Shiseido

Canadian group Knowlton Development Corporation purchased U.S. fragrance brand Aromair Fine Fragrance and Shiseido was sold to Tengram Capital Partners.

Additional insight

Emerging markets are going to be the key drivers of growth in fashion throughout 2018, according to a new collaborative report from Business of Fashion and McKinsey.

The coming year will mark the first time that more than half of apparel and footwear sales will come from countries outside of Europe and North America. Luxury fashion in particular is projected to grow between 4 and 5 percent, largely in line with the expected increase for the overall industry ([see more](#)).

Michael Kors' saw a surprisingly positive second quarter with a 20 percent increase, beating experts expectations thanks to positive U.S. results.

Following its positive second quarter, Michael Kors appointed Francesca Leoni its senior vice president, chief brand officer.

Ms. Leoni joins Michael Kors from Valentino, where she was most recently the worldwide communications director

out of the brand's Rome headquarters. When Ms. Leoni begins at Michael Kors on Feb. 5, she will report to the company's chairman and CEO John D. Idol (see more).

"Strong increases in particular for Estee Lauder, with acquisition strategy paying off, Michael Kors, with better performance than anticipated, and Ralph Lauren with turnaround working," Savigny's Mr. Mallevays said. "Also, that whilst you can pump through a lot of volume at the affordable end, but query longevity, these questions are asked of Michael Kors, going upmarket is tough and costly.

"You must cut the low hanging fruits in terms of distribution, walk away from the easy sales that perhaps you are not entirely proud of, to be a little more hard to get and desirable," he said. "Effectively you decrease profits in the short term with a view to continue to grow them in the long term.

"This is the path that Marco Gobbetti has chosen for Burberry. Going up is always plenty more difficult than going down in market terms."

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