

LUXURY MEMO SPECIAL REPORTS

Cities of luxury: Paris – Luxury Memo special report

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Paris' Eiffel Tower Image credit: Atout France

By STAFF REPORTS

Luxury is found in many cities across the world, but Paris is often among the first metropolitan locations that come to mind when one hears "luxury."

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Just a few years after the deadly terrorist attacks on the esteemed city, Paris has seen a resurgence of tourism, bringing more luxury consumers back to its streets. The culture rooted in Paris offers a place for renowned brands and newer boutiques to call home.

"Paris is very emblematic of this balance between past and future, and the city is the best ambassador for French style we could dream of," said Clotilde Castaing-Debat, charge de mission at **Comite Colbert**, Paris.

"Big investments have been made recently with new stores, and Paris has a strong leadership role with amazing fashion weeks," she said. "France is entering this year under positive economic auspices, which gives Paris an even more attracting aura."

Top 5 trends in Paris luxury

- Tourism growth

In a city that is post-terrorism, many people live on edge anticipating another attack within the city. But with the unpredictability of terrorism, many have decided to take the risk and return to Paris. In 2017, the hotel industry in Paris had the best fourth quarter since 2010.

- Renowned avenues

Paris' Champs-Elysees, Rue Saint-Honor and Place Vendme are among the most famous streets in the world for luxury brands to lay roots. Some boutiques have been there for hundreds of years, while others are new to their block.

- Commercial real estate expense

Recently ranked the fifth most expensive city in the world, Paris certainly has a need for wealthy consumers purchasing luxury goods. The rent and purchase prices of storefronts allow for exclusivity in the brands that can be represented on the renowned avenues.

- Storefront expansions

Spreading roots throughout Paris allows for brands to be consistently present in the consumer's experience with the city. If a product is not purchased in one storefront, the consumer has several other opportunities to change his or her mind.

- Pop-ups everywhere

Having permanent stores allows brands to root their heritage, but creating pop-ups in hotels and throughout the city during Paris Fashion Week and other events can offer a chance to give a taste of the brand's image to a wider variety of consumers.

Get your maps out

According to a report The National Institute of Statistics and Economic Studies (INSEE), in the **fourth quarter of 2017**, the number of overnight stays in metropolitan France rose 7.8 percent from the same period a year prior. The hotel industry in Paris had the best fourth quarter since 2010.

Hotels with four- and five-star ratings in metropolitan France had 12 million nights in the fourth quarter of 2017.



Mandarin Oriental, Paris exterior. Image credit: Mandarin Oriental

Paris is looking to rebuild its image after terrorist attacks damaged more than people's lives, but also the French capital's business. Reports from Euromonitor expect international inbound tourism to see a compound annual growth rate of 0.5 percent through 2022.

While the growth is small, it is still a boost in visitors and will likely impact luxury brands and retailers who rely on the city's high-class image and inbound tourism ([see story](#)).

On April 20, 2017, there was another act of terrorism, this time on Champs-lyses, killing one police officer and injuring another. Paris' famed high street is dotted with luxury and mass market boutiques, cafes and tourist shops and is a main tourist draw for international visitors to the French capital city.

France relies heavily on tourism and foreign luxury sales for its economy, which has all suffered due to the tensions of political and social unrest in the European country ([see story](#)).

Spread wings and fly

France is central to the global luxury market, making up almost 25 percent of all luxury sales. Paris also houses the number one luxury company in the world, LVMH, which counts brands such as Louis Vuitton, Christian Dior, Guerlain, Bulgari, Loro Piana and countless other French and international houses within its stable.

French and other luxury brands have long rooted themselves in Paris, aligning themselves with the prestige the city exudes. Some houses have renovated their original roots, but others have been opening new stores or properties, expanding their reach within the city.

In 2017, Rosewood Hotels & Resorts' Htel de Crillon reopened after four years of renovations but kept its essence and charm as a staple in Paris.



Rosewood reopens its Htel de Crillon in Paris

The historic hotel reopened its doors to the public on July 5 after extensive refurbishing and restoration by building company Bouygues. Among a series of updated-yet-classic renovations, a pool, spa, restaurant and Karl Lagerfeld-designed suites are a part of the new update ([see story](#)).

Similarly, the renowned Htel Ritz Paris closed its doors for the first time in 2012 to undergo a nearly four-year renovation. The hotel opened again in March 2016, but began taking reservations for the opening in August 2015.



Ritz Paris' Gardens

The New York Times reported that the Ritz renovation cost \$224 million, but *The Wall Street Journal* put it in the vicinity of \$450 million.

Many luxury houses jumped on the opportunity that the Htel Ritz Paris posed to align their brands with the hotel that has graced Paris for several centuries.

For example, Chanel furthered its foray into skincare with the brand's first spa, which is housed in the newly renovated property.



Ritz Paris Chanel collaboration

Located in Paris' 1st arrondissement overlooking the border of the Place Vendme, the hotel and fashion house's heritages are linked through Chanel's namesake founder, Gabrielle "Coco" Chanel, making the partnership attractive for the brand's enthusiasts ([see story](#)).

Another collaboration with Chanel occurred six months after the reopening when the hotel hosted the brand's annual Metiers d'Art collection presentation.

<https://instagram.com/p/8Suhjyv0IO/>

Ritz Paris' Instagram post

Each year, Chanel travels to a new destination to stage its Metiers d'Art show, with past locales including Shanghai, Dallas and Salzburg, Austria, among others. Chanel selected the high-end Hotel Ritz Paris as its venue for the 2016 Metiers d'Art showing due to the direct relationship that the brand has had with the Place Vendme hotelier over the year ([see story](#)).

New age threats

As hotels such as Htel Ritz Paris reopen and look to reach newer audiences with renovations, others feel the threat of home-sharing Web sites such as Airbnb. In addition, a trend toward younger generations valuing experiences over accommodations has left travelers looking for alternative options.

With more than 65,000 properties and more than 1.5 million guest reviews in Paris on Airbnb's Web site, it is evident that travelers are looking for a local experience when visiting the city.



Airbnb at Galeries Lafayette

The threat continues as Airbnb adds a high-end tier.

Tentatively named Airbnb Lux, the new tier will be a hub for users looking for luxury home rentals such as mansions and penthouses. The high-end classification will be one of many new tiers from Airbnb that will help users search more easily for what type of accommodation they would like to book ([see story](#)).

Airbnb introduced a new concept for its Paris properties, enforcing a cap on the number of days a year that a host can rent out a dwelling in the city. The restrictions are only for the first four arrondissements, allowing other areas throughout the city to have unlimited rental days.

This regulation by Airbnb was enacted a month before Paris passed a new law requiring owners renting apartments on home-share sites to register with the city.

House hunters

According to the [Paris Property Group](#), there has been an increase in the number of luxury properties sold in Paris in 2017. Both domestic and international buyers sought to own last year, with higher sales in multimillion-dollar properties reported by several real estate firms in Paris.

Knight Frank is expecting a 12 percent increase in luxury property sales in the year to come.



View from Four Seasons Paris. Image credit: Four Seasons

"Having a pied-a-terre in Paris has long been a hallmark of the ultra-wealthy, discreetly signaling their culture, taste and glamorous jet-setter lifestyle to those they choose to let in on the secret," said Kathryn Brown, director of operations at Paris Property Group, Paris.

"More recently we're seeing inquiries at more modest price points as a broader range of clientele from around the world shift from buying and consuming things to focusing more on experiences and quality of life," she said. "It is a happy coincidence that fulfilling the dream of living part-time in Paris also makes sense as an investment, with clients diversifying their portfolios as they enrich and enjoy their life experiences."

Another development in Paris real estate was the implementation of rent caps in the city in August 2015.

This law empowers renters to challenge landlords if prices are too high. Landlords are prevented from charging more than 20 percent per square meter above the median rent in the area, which is annually assessed.

This law had an adverse effect in surrounding areas, raising prices in the Greater Paris region.

Outside influencers

In May 2017, France underwent a crucial election, during which the two primary candidates represented opposite ends of the political spectrum.

Emmanuel Macron won the election, stamping out the idea of his far-right opponent Marine Le Pen to follow the United Kingdom in a departure from the European Union. Ms. Le Pen was also in favor of tighter border control ([see story](#)).

For the luxury business, being part of the E.U. allows talent and goods to travel more freely between nations. These are key benefits that Britain's luxury industry is petitioning the government for as its negotiations for exiting the E.U. begin ([see story](#)).



Emmanuel Macron is the mostly pro-market president of France

In October 2017, President Macron proposed a tax on hard luxury goods for the upcoming budgetary year.

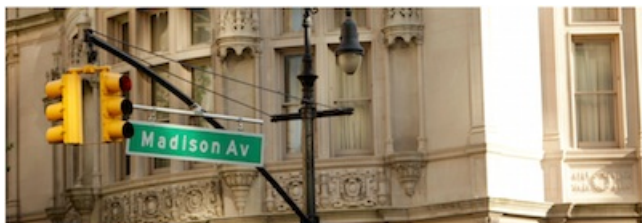
An amendment to France's 2018 budget will apply a tax to the purchase of yachts, supercars and precious metals such as gold. Left-wing opponents of President Macron have accused him of being a "president of the rich," but this recent tax proposal begs to differ, as the wealthy would have to pay higher prices for hard luxury goods ([see story](#)).

President Macron amended his reform in December, resulting in only French citizens being taxed. This will likely cause more expatriates and other non-French citizens to flock to France for greater tax breaks ([see story](#)).

The tax reform went into effect Jan. 1, 2018. The long-term effects will certainly be noted throughout the luxury business in France this year.

Dancing in the streets

New York has Fifth Avenue and Madison Avenue and London has Bond Street, but Paris has the Champs-lyses, Rue Saint-Honor and Place Vendme. These three renowned streets are home to some of the most famed luxury houses in the world and bring in millions of people, both tourists and locals, every year.



Madison Avenue in New York

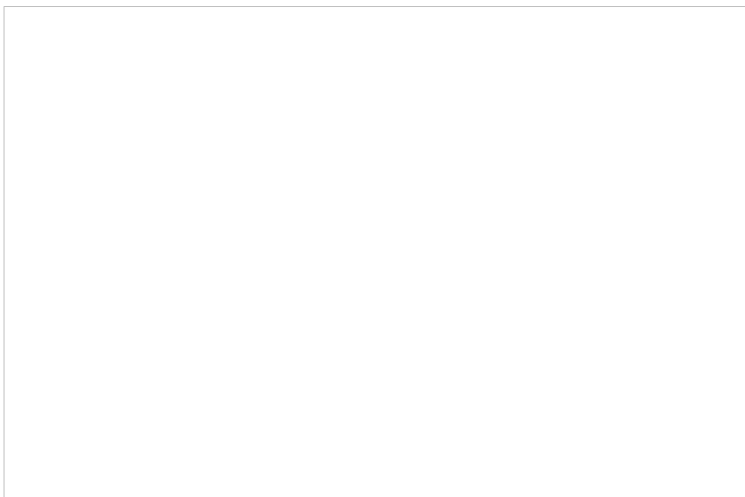
"Striking the right note for tourists versus locals can be challenging in France," Paris Property Group's Ms. Brown said.

"Most tourists expect a higher level of service than French clients are accustomed to, and while French clients don't want to be shadowed or fawned over the way some tourists might appreciate, they do appreciate the kind of discreet attentiveness that luxury clients around the world are drawn to," she said.

"On the other hand, notoriously private French clientele are likely to stop short of developing the personal relationships with providers of luxury goods and services that other international luxury buyers often appreciate."

Champs-lyses is often the first avenue of luxury that comes to mind for tourists, especially in recent years with a heavy focus on tourism. The avenue recently began offering free Wi-Fi to shoppers, and the street closes to automobile traffic one Sunday every month to encourage pedestrians to come to the avenue worry-free.

However, Champs-lyses is not just for luxury. Apparel brands such as Foot Locker and technology giants such as Apple also grace the corners of the avenue.



Champs-lyses

Rue Saint-Honor is a little over a mile long and is home to numerous luxury storefronts. The avenue is split into two: Eue du Faubourg Saint Honor, home to the major fashion houses such as Dior, Givenchy and Herms, and Rue Saint Honor, home to some well-known brands, but sprinkled with more niche designers.

The avenue runs through the first and eighth arrondissements with one end close to the Jardin des Tuileries, host to many Fashion Week runway shows.

<https://instagram.com/p/BeTMJ6MgTD/>

Chanel at Paris Fashion Week

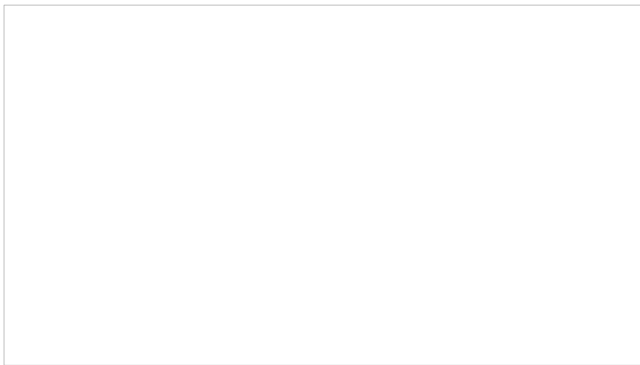
The close proximity to the events of Fashion Week provides a space for brands with storefronts to engage with guests of the event and brands without storefronts to host pop-ups nearby.

For example, Valentino creative director Pierpaolo Piccioli celebrated his Parisian "home away from home" by staging a temporary boutique within Htel Costes, located on Rue Saint-Honor.

The pop-up allowed visitors to shop the brand's fashions and enter a social media contest. Timed to coincide with Paris Fashion Week, this pop-up enabled Valentino to honor its hospitality ties while giving the hotel additional foot traffic from the fashion community ([see story](#)).

During the holidays, the avenue was illuminated with a dozen chandeliers thanks to crystal-maker Baccarat ([see story](#)).

The third high-end avenue in Paris is Place Vendme. In 2016, Guerlain closed the doors to its historic boutique on Place Vendme to relocate across town to Rue Saint-Honor ([see story](#)). However, other brands have sought to celebrate their history with Place Vendme.



Guerlain boutique on Rue Saint-Honor

For instance, British jeweler Graff Diamonds showed its capabilities to unleash the natural beauty of a diamond with the reveal of a 105.07-carat stone.

Graff's gemologists carefully analyzed the diamond in the rough, mapping which cuts would work best for the stone. The result is the Graff Vendme, a D Flawless pear-shaped diamond commemorating the brand's new store on the Parisian street ([see story](#)).

Other storefronts have been undergoing renovations on Place Vendme, bringing new life to the street. For instance, Parisian jeweler Boucheron is celebrating its 160th anniversary by renovating its Place Vendme flagship.



Kering-owned Boucheron has called Paris' 26 Place Vendme home since 1893. Image credit: Boucheron

Boucheron has called 26 Place Vendme home since 1893 when the space was selected by brand founder Frederic Boucheron to display his designs. When Boucheron moved into its maison and opened its boutique, the brand became the first contemporary jeweler to open in Place Vendme, now synonymous with high-jewelry ([see story](#)).

Another storefront on the avenue may be small in comparison, but is the largest one, Zenith. The watchmaker demonstrated its Swiss savoir-faire in a recently opened point of sale in Paris' Place Vendme.



Zenith held a VIP cocktail party to fete the pop-up opening. Image credit: Zenith

Zenith selected Place Vendôme as the home for its pop-up due to the relationship that the Parisian plaza has with high-jewelry and watchmaking, with many of its peers, such as Chaumet and Boucheron, operating flagships nearby. A pop-up strategy is an ideal method for a brand to gain exposure in an immersive way ([see story](#)).

Sign those checks

The opening of new stores throughout Paris' renowned streets offers a false sense of commercial real estate prices to the onlooker. Despite the new shops opening, Paris still remains one of the most expensive cities in the world.

According to the Main Streets Across the World 2017 [report](#) by real estate brokerage Cushman & Wakefield, Paris ranks as the fifth most expensive city.

Similarly, Champs-Élysées ranks as the third most expensive district in Europe. The average rental price in the district is \$1,407 per square foot, an increase from 2016.

Despite these high prices, brands still seek to have a bricks-and-mortar presence on the esteemed streets of the city.

For instance in December 2017, L'Occitane en Provence opened a 3,000-square-foot storefront at 86 avenue des Champs-Élysées.

Three years prior, Longchamp opened its largest store on the avenue and soon Galeries Lafayette will open in a former bank on the avenue. The French department store is also expanding outside Paris' city-limits with new stores in Luxembourg and Shanghai, but the storefront on Champs-Élysées will further cement Galeries Lafayette's French roots and will attract tourists from around the world.

Best-practice tips for brands in Paris

- Clotilde Castaing-Debat, Comite Colbert:
 - "French luxury is a driving force for the luxury industry as a whole. Its success relies on the ability of French houses to mix culture and history with creativity and innovation. This is not something new - they've been doing it for years, some of them for centuries - but this is rare. Only a few industrial sectors in the world manage doing so."
- Kathryn Brown, Paris Property Group:
 - "Luxury marketers in France do a pretty good job with the first point below but can struggle with the second and third due to cultural differences:
 - "Consistently excellent content: There are a tremendous number of popular blogs, articles and Web sites that cater to lovers of all things French. Smart luxury marketers provide relevant content, beautiful photos and creative ideas through channels where influencers and target audiences can discover secrets and share them with others who are in the know, building brand cachet. Consistent imaging and new content lures potential clients to check in and take a mini-break to enjoy dreaming about the luxury item.
 - "Unparalleled service: The client-is-always-right philosophy isn't as prevalent in France, where often it comes across more as 'Like it or leave it - this is how we do it in France.' Luxury buyers want to be welcomed, not chased and harassed, or worse, completely ignored. Smart marketers provide easy

access and warm service by welcoming prospective client interactions and inquiries, and letting them know the relationship will be ongoing and not just a transaction.

- "Impeccable ethical standards: Changing your mind isn't generally an option in France, and returns are often not welcomed or accepted. As a result, sometimes salespeople feel comfortable misrepresenting some aspect of the product or service, knowing that once the sale is made there is no recourse for the buyer. Operating with the highest ethical standards reassures and communicates to potential clients that they can trust your brand and service, that you provide an excellent value for the price, and that you are worthy of their loyalty."

- Vincent Ascher, Cushman & Wakefield:

- "Evaluating the market potential by opening a pop-up store or department store (Le Bon March, Galeries Lafayette, Printemps) or concept store.
- "Making the right choice for the first direct store in terms of location (right bank: Montaigne/Saint Honor/Champs Elyses or left bank: Saint Germain/Svres).
- "Opening the right format in order to provide an exclusive experience.
- "Finding a match between rent/footfall/positioning/turnover."

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