

MARKETING

Success in luxury today requires risk-taking

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Gucci's success has been a mix of luck and skill. Image courtesy of Gucci

By SARAH JONES

NEW YORK The rules and styles of luxury are changing as younger generations gain more purchasing power and influence.

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According to panelists at the Women in Luxury conference on May 9, some experimentation is needed to adapt to changing fashions and consumer behavior. However, brands should be careful not to stray too far from their course.

"We've seen a shift in power from the brand, the designer and the product to the consumer and what they want and how they want to experience and where they want to buy," said James Mun, president and CEO of North America at [Lalique](#). "You do need to stick to your DNA. You don't want to pretend who you're not."

Women in Luxury 2018 was produced by Luxury Daily, with venue sponsor UBS

Risk and reward

While much attention is often focused on the impact that parents have on their children, millennials today are influencing their baby boomer parents' purchasing decisions.

Millennials' spending power has resulted in true luxury aspiration, according to data from McKinsey. Currently, millennials are responsible for 20 percent of the luxury goods market.

By 2025, millennial consumers' spend will triple and the demographic will control 40 percent of the luxury goods market ([see story](#)).

Even though millennials are highly relevant to high-end brands today, Mr. Mun pointed out that luxury brands should not lose themselves trying to cater to the up-and-coming buyer.



Partnering with mass brands can be risky for luxury labels. Image credit: Balmain

Often brands stray far from their own realm in search of new consumers. For instance, partnerships with mass brands or up-and-coming labels lend a sense of newness to labels, but at a potential cost.

One of the success stories at taking risks is Gucci. CEO Marco Bizzarri took a chance, tapping then unknown designer Alessandro Michele as the brand's creative director.

Since then, Gucci's revenues have seen double-digit growth, and it is now a \$7 billion brand. In addition to attracting a younger crowd, Gucci's change of direction in design and marketing has brought back some customers that had strayed from the brand in recent years.

"We're in a world that is so messy and so nonlinear that almost anything can go," said Milton Pedraza, CEO of the [Luxury Institute](#). "And people in a very tumultuous period are trying lots of things, most of which is noise and very little of which is substance, but they have to experiment.

"I think you just have to make your choice and live with the consequences...Experimentation is not a bad thing as long as it doesn't kill you."

Mr. Pedraza also noted that Gucci's success was due to both luck and skill.

As styles evolve, a distinction is emerging between those who are more trend-driven and faster fashion cycle and luxury brands who stick to more of a timeless appeal. For instance, Balenciaga has embraced streetwear, while Herms keeps to its traditional codes.

Retail renovated

Aside from reinventing design, brands are rethinking retail. Some are closing stores, making their bricks-and-mortar footprint smaller but more engaging.

Luxury brands should forge connections with customers that go beyond the transactional. Emotional, friendly relationships are at the heart of strong luxury customer experiences.

This focus on the experiential reflects trends seen in consumer behavior. Jennifer Laddy, global corporate sales manager for chocolatier [MarieBelle](#), noted that she has seen a shift in how consumers gift, with physical objects being replaced by other categories such as food.

One potential hurdle in delivering customized experiences is the upcoming GDPR regulations in the European Union. Under the mandate, consumers gain more control over their data, reserving the right to be forgotten ([see story](#)).

For luxury brands that rely on data, separating E.U. residents from others when marketing may be a solution.

"If you can segment your marketing to any extent, then you may do so to make your life easier," said Rania Sedhom, founder/principal of [Sedhom Law Group](#).

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