

LEGAL AND PRIVACY

US tariffs on China may adversely affect fashion business

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Most individuals are focused on steel tariffs because those levies are making headlines. For the luxury goods market, steel may not be of concern.

However, this game of chicken being played by the United States and China may have an unwelcome consequence for luxury.

Material concerns

Tariff categories are expanding and likely to affect clothing, footwear and accessories, broadly.

It likely comes as no surprise to *Luxury Daily* readers that approximately one-third of all clothing and 70 percent of all footwear sold in the U.S. come from, or are manufactured, in China.

Textiles such as leathers, cotton, and the like have deep roots in China as part of the global supply chain.

As the law of physics predicates, for every action there is an equal reaction.

In the tariffs war, it is no different.

The U.S. is placing a 25 percent tariff on nearly \$34 billion worth of Chinese products. China is responding with an increase in duties on \$34 billion worth of American goods.

Bye buy

Currently, there is no specific tariff on textiles, clothing and handbags, but we cannot predict who will flinch.

If tariffs are imposed on luxury handbags, for example, several consumers, particularly HENRYs (High Earners Not Rich Yet) may cut back on spending.

With luxury borrowing and renting Web sites growing at a fast pace, tariffs may encourage HENRYs and others to forego buying and, instead, rent their luxury goods.

Even if consumers are still interested in owning their own piece of luxury, HENRYs may opt for a less expensive

item from a couture brand and in favor of less luxurious, but premium, brands for larger items such as totes, luggage and and big handbags.

Alternatively, HENRYs may cut back on the number of items purchased.

ALL OF THESE variables will adversely affect luxury brands as they attempt to expand their market share and keep current customers returning to them.

As tariffs are imposed and, the attendant cost of luxury goods increases, aspirational buyers may, unfortunately, turn to counterfeit goods to satiate their desires.

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