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Outlets: Fashion dreamlands or nightmares?

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Shoppers at England's Bicester Village outlet mall posing in front of the Gucci store. Image credit: Bicester Village

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Fashion brands, especially high-end brands, represent a significant critical mass in the global business market. They drive trends and outfits, create and develop markets, and grow an immense business leading to employment, wealth creation and dream fulfillment.

The key message is that “fashion” is only for discerning people, willing to spend because they acknowledge the particular value of a product.

High-end fashion brands also have a highly selective official distribution and directly operate stores in luxury shopping streets such as Rue du Rhone in Geneva, Avenue Montaigne in Paris, via Montenapoleone in Milan, Madison Avenue in New York, Ginza and Aoyama in Tokyo and the most prestigious malls in Shanghai and Beijing. All are locations with stellar rental prices and highly qualitative traffic.

The collections are carefully and consciously developed to be seamlessly connected season after season. Lots of products technically defined by merchandisers carry on with the same shape or cut, merely differing in color or pattern, aiming to fill the closets of the fashion-conscious public.

Products are launched with events allowing key influencers to advertise them, as they travel the globe non-stop as if in a modern version of Hemingway novel, "Fiesta".

Discounted prices

Only the smartest, most opportunistic brands can succeed in this fiercely competitive market to sell high volumes of expensive merchandise. And even those that are successful are only profitable thanks to their plan B: outlets at discounted prices.

High-end fashion brands on one side nurture the Dream of all Dreams with the promulgation of the imagery of their products being directly linked to a wealthy lifestyle, whilst on the other side intensively developing their outlet business.

Outlets – those out-of-town places where people can buy fashion brands products at discounted prices – were created first to sell excess merchandise or seconds instead of having to destroy these goods.

These stores first popped up in Europe as factory outlets in the 1970s and showcased only products that were not sellable full price. They were usually located in old and rundown warehouses co-located with the factories in the countryside, with limited offers from previous collections and items that were appealing only thanks to the very low price.

From these factory outlets – where initially mostly employees and blue-collar folks used to buy products – the business grew to a separate division inside the company organization.

A whole network of outlet stores came to life and different retailers took advantage of it by creating entire villages with brand stores, food stores, and cafés and restaurants.

Many fashion brands, to nurture the business, started producing low-cost collections only for the outlets.

Today, discount outlets have also been opened in China, and Chinese customers – who represent the key market for luxury and fashion – are becoming more price sensitive.

In Europe, a record number of outlets is currently in the U.K., with Italy coming in second place as two models have been developed.

Shop-and-go outlet model

The Mall is just 30 minutes from Florence. Created in 2001 by the Gucci Group, it is home to 40 high-end labels from Bottega Veneta to Valentino, from Givenchy to Pomellato and Balenciaga.

Other outlets are also located in the neighborhood such as Moncler, Prada and Hugo Boss.

Gucci has the largest space, with three floors of merchandise and a cafeteria. Probably the largest outlet location of the brand, it is always full of Chinese customers buying collections that are not so different from what is in store in the Florence flagship at via Tornabuoni, at least in terms of look and feel.



The Mall outside Florence in Italy attracts Chinese shoppers in search of luxury goods. Image credit: The Mall

The Mall is a shopping area with pleasant green gardens, a pond and even a ramen restaurant, where different detached buildings are dedicated to different brands.

It is not exactly a highly desirable venue outside of the shops themselves, but it is very convenient for tourists who can simply get off the bus and directly have access to the Dreamland of Fashion Discounts.

The shoppers reach the shopping destination with a regular shuttle bus service from Florence that runs all day, and there they can buy Gucci items at discounts of 50 percent as well as impressive selections of bags and accessories from the likes of uber-exclusive brands such as Bottega Veneta and Roger Vivier.

Only high-end apparel and leather goods brands are available in the zone. Items from iconic fashion brands such as Chloé and Versace can also be found there.

At the end of the season, it is possible to pick up major-league bargains, such as Burberry coats at around 500 euros.

Lifestyle outlet model

A different kind of outlet destination is the very successful and notorious format of the "village," such as Bicester at the outskirts of London.

The Village is clearly created carefully to make the entire shopping process easy, comfortable and very enjoyable.

Visitors can walk in a well-designed space where a peaceful atmosphere has been consciously created and where

you can choose from a range of delicious food. The obvious intention is to create a venue that encourages visitors to spend as long as they can in the Village.

These villages are very well developed and they actively encourage visitors to spend time wandering around a wide selection of stores selling items from apparel to accessories to homewares and luxury stationery.

Commonly, they are located on busy highways such as the Fidenza village in Italy. Away from busy major conurbations, they offer convenient parking spaces supervised by security guards, and may also offer a concierge service and efficient Wi-Fi.

These outlets are not just aimed at enticing foreign clientele. They are regularly visited by locals who enjoy browsing premium brands and sports brands for all tastes.

The experience of entering the village is like finding yourself in a Fashion Disneyland where every detail is well curated and the entire area is clean and fit-for-purpose.

Outlets are the source of relevant business for fashion brands that attract those who are eager for bargains from all over the world.

The question is, how much will this discounted business cannibalize the brand equity and the full-price business?

On the pure fashion side, it was recently announced that Tommy Hilfiger shut down the only two bricks-and-mortar full-price stores the brand had in the United States, keeping only the 200 outlet stores, the wholesale distribution and ecommerce.

Gucci announced shortly after its relaunch in 2015 that it has stopped markdowns. Prada has also recently made the same move.

Yet, Gucci and Prada stores are present in the most visited outlets in the world, from Americana Manhasset close to New York, where Gucci recently renovated the boutique and Chanel has a point of sale with discounted merchandise as well, to Bicester Village and to Noventa di Piave, close to Venezia, a La Vallée Village close to Paris, and Florentia Village in the outskirts of Shanghai in China.

This means that even if officially prestigious brands set up the no-markdown policy, they continue to sell their own products and icons at discounted rates year-round in outlets not far from the heart of major cities and luxury shopping capitals.

Retail stores are increasingly becoming a kind of image investment and a powerful window, while a significant amount of commerce takes place at the outlets where buses full of customers come to stock up on all kinds of merchandise.

The issue is that if high-end fashion brands are positioned to cater to discerning customers that appreciate the "Made In" label, quality and attention to the detail.

These customers are willing to spend a higher price for these factors, and for the status associated with these products.

If, on the other hand, these brands provide similar products discounted at 30 percent to 50-70 percent at high-volume outlets, they are weakening their own foundations by not walking the talk.

Put simply, what is the real value of these products? In terms of appeal, of the intangibles that support their own desirability, is the full price purchase value for money?

Is the market saturation reaching its peak for some brands? Is this an outlet strategy for managing over-production, or is over-production planned to feed the outlets?

What about the pricing of these high-end products? Is it justified or not?

While an effective branding strategy tends to create consistency in brand message for the customers of the likes of Hermès and Louis Vuitton, are other high-end brands in such a hurry to catch up with revenue growth that they are forgetting to nurture the brand equity at an appropriate level?

Who is nurturing and who is exploiting the brand? Only time will tell.

THE CUSTOMER IS the same. And the world is becoming smaller.

Will the fashion dream become a nightmare soon?



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