

MARKETING

## Streetwear: Efficiency and effectiveness of value creation in luxury

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Streetwear and luxury are in a very close relationship today, but there is ultimately a dual position that streetwear holds in our luxury culture.

On one hand, and especially to the lovers of "pure" luxury and its aura of exclusivity and heritage, luxury and streetwear are two different things. In this legacy mindset, streetwear is just a diffusion line to luxury and not the luxury itself. However, from the young consumers' perspective, streetwear might very well be the new luxury.

Word on the street

Streetwear is leading the outdated forms of traditional luxury brands towards a new future as it is currently the most individualistic and culturally relevant expression of luxury to the new emerging generation.

This is the generation that covets values such as freedom, self-actualization and individual identity as the highest and most desirable expressions of the self. And as the return to the inner essence is one of the biggest and most apparent shifts in our perception of luxury today, it is clear that streetwear is doing something right.

Now it is up to the luxury brands to catch up and find new, relevant ways to elevate their brand essence and experience to be more inspiring to all of their customers.

The reason why streetwear is so appealing to today's generation of young consumers is twofold: it is inextricably linked to their sense of individual identity and it capitalizes on the cultural zeitgeist.

In other words, it is both customer-relevant and culturally relevant. It has a clear sense of meaning rooted in the here and now.

The majority of traditional luxury houses today, on the other hand, lack both of these vital attributes.

Luxury brands continue to exist cut off from the real world and needs of people, effectively consuming their own sense of legacy.

Traditional luxury today fails to offer new culturally relevant expressions. It borrows symbolic and cultural codes from streetwear in a desperate effort to appear cool, current and on-trend.

But the goal of luxury brands should not be to chase the latest trend but to create products and experiences of timeless and superior value that will, in turn, help the luxury brand continually elevate its symbolic expression and unique essence.

If being an authentic self is the new highest form of luxury in the world that is constantly changing, then luxury brands should strive to help us connect back to ourselves, to our own essence and to the lasting values that matter to us.

The core problem here is not actually about streetwear at all, it is about what streetwear represents to the luxury brands that is of issue. This means that the solution to future relevance and profitability of luxury brands is not about mimicking streetwear, but in developing a new culturally relevant expression of luxury, just like streetwear is culturally relevant to young people today.

Inevitably, streetwear will not kill the luxury market, but the luxury market will kill itself if it starts operating and behaving like streetwear.

Luxury brands, eyes off of the competition

As the idea of see-now, buy-now is spreading fast, it is visible that the focus on utility and democratized access is coming to the forefront of the luxury conversation to keep luxury brands competitive. This is somewhat unfortunate as the focus should be the exact opposite.

Instead of other market sectors aiming to emulate luxury and provide more value to their customers to differentiate their offerings and make them more distinctive, now the market is pushing luxury the only remaining beacon of long-term value creation to become more like utility brands: consumed with trends, short production cycles and fast consumption ending up buried in meaninglessness.

Luxury brands are value creators, not passive bystanders. They should not follow high street trends and be defined by their external circumstances. They should adapt to this new redefined world and lead from their unique essence to add *more* value. They should aspire to be more like streetwear in their understanding of what their diverse customers desire today: their need for individuation and unique identity, crafting authentic experience and understanding the underlying streams of culture.

Luxury brands should aspire to create a new more competitive model to deliver an uplifting value to their customers. They should use streetwear as an inspiration to boost their relevance, not to replicate the success of streetwear via imitation.

Continuing down this path of imitation will lead luxury brands to cannibalize their own symbolic potential and flatten out both their differentiation and distinctiveness which are so incredibly important for luxury brands in building their equity.

Effectiveness over efficiency

The value creation model in luxury today is broken because brands cannot sacrifice their long-term value for short-term gains and call it growth. This is an illusion of growth that leads to a steady demise and exploitation of future resources to fuel our ever-increasing demands in the now.

It is funny how much we are focused on maximizing profit today, yet we do not seem to understand that the most sustainable and optimal way of making this short-term profit is by generating long-term value.

Doing the opposite is a good way to a burnout and erosion of value, not the creation of it. You cannot optimize your way into value creation. It requires an opposite dynamic and a set of values.

The job of luxury is not to cut costs and optimize. It is to create and inflate its symbolic value and make people feel better about themselves.

Effectiveness and efficiency are two vastly different concepts.

Efficiency is all about minimizing costs to deliver the existing value and find new cost-effective channels to optimize this value to achieve the same or similar results.

Effectiveness is about creating new value by maximizing resources. It is the language of creative expansion: it is

about imagination, creativity and ingenuity and human capacity to create new value and deliver it in unexpected ways to maximise results.

If you are a value creator, your strategy is opposite to that of the high street model. It is not about efficiency, it is about *effectiveness*. You first have to *create value* to *deliver value* and get results. It is the other way around.

As a luxury brand, you need to look forward and project your inner value towards the future, not look back in the rear-view mirror towards the past, as the past no longer exists.

Luxury brands need to revisit their past and not to rest on their laurels, but move forward.

Find out who you are and what you care about as a brand and why it matters to people, and embody these values through the means that resonate in the 21st century.

Claim your essence boldly, tailor it to what is culturally relevant to people today and create value that precedes you. The rest will be history.

Two streams of value creation: Move up, then move down

To stay competitive, luxury brands need to explore both ends of the value creation spectrum, but in the right order:

First, move up the value chain to create authentic meaning, pay attention to how culture is evolving and what it means to your brand, understand your new role in consumers' lives to create personal and cultural relevance, explore new avenues of inspiration and embody these insights through meaningful and transformative experiences that resonate with people.

Then, move down the value chain towards democratization and focus on the supply chain, learn how to become more competitive and deliver accessible value through relevant channels in the here and now based on understanding your physical context and the patterns of consumption of the new emerging generation of consumers.

You first need to create something of value, then you can focus on how to deliver this value to people who will appreciate it.

Focusing on channels and modes of delivery first by blindly following the streetwear example without having anything new, important or meaningful to say or sell is not a sound strategy.

If luxury brands are too accessible, they are no longer considered luxury.

If they are not accessible or comprehensible enough, they are not seen as relevant.

This means that luxury brands need to adopt a strategy that puts them somewhere in the middle to embody the luxury essence in ways that are seen as relevant today. They need to embrace both cultural relevance, having a strong voice and message, and contextual relevance, using the right channels in the right ways.

Master the game of meaning

When it comes to luxury, technology is only an enabler and catalyst to value, not the value in itself. Luxury is not about technology it is about people.

What industry leaders do not realize sometimes is that our continued focus on data and technology over meaning and people is exactly the reason why we are caught up in this vicious cycle of cost cutting, efficiency and immediate results.

The easiest way to generating short-term results is by creating long-term value for customers. It is the other way around. And who else should lead the way in value creation than luxury brands?

Luxury brands have always been the champions of long-term value, where the idea of longevity has been one of their key pillars to justify the increased price.

Luxury costs more because it *means more*. Not just to us, but also other people. It is a vehicle of social mobility, status signalling, a piece of cultural heritage, an enhancement to our taste, values and identities, the list can go on.

Luxury occupies many different roles and spaces in our society, and that is why we are inclined to pay more for it unless it does not any more.

WHEN BRANDS are at odds with culture, they can lose value even if their legacy stays strong. This affects the luxury

and premium sectors far more than any other category simply because they have a lot more to lose.

Meaning decides whether the brand thrives, plummets or faces unforeseen challenges.

Luxury is truly the sweet spot of value creation because this is where brands can create most value or lose most value if not careful. They need to rise above the clutter and define new ways to express their unique essence which is tied to their brand value to attract new and existing customers in culturally relevant ways.

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