

FOOD AND BEVERAGE

Should luxury brands expand into food production to get “essential services” classification?

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LVMH's Moët & Chandon could offer snacks to go with its wines. Image credit: LVMH

By DIANNA DILWORTH

When the world shut down for the COVID-19 coronavirus outbreak, the luxury business was hit across sectors from retail to travel, forcing many brands to explore new revenue streams to help hedge their bets in future pandemics.

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Amazon was ahead of the curve by selling essential products during the shutdown, and luxury companies are taking note. If brands have food as part of the merchandise even in a big shutdown, they would have a viable reason to stay open: some luxury companies already sell wines and spirits, but should they also expand into organic food to prepare for future pandemics?

"Only if brand appropriate," said Marie Driscoll, managing director for luxury and fashion at [Coresight Research](#), New York. "Would marmalade made from Sicilian oranges warrant essential categorization for Dolce & Gabbana? And would product marketing seem insincere?"

"Luxury brands don't veer from brand strategy without thinking through the implications to long-term positioning," she said.

"The longer social distancing is required, the more at risk the luxury industry is and not merely because the shops are closed but also because there are so few social options to enjoy and share your luxury purchases."



Harrods Chocolate Lovers Hamper. Image credit: Harrods

Exploring options

After a tough first half of 2020, many companies are exploring ways to help their businesses thrive this year.

Many brands are looking to build momentum around digital programs to keep ecommerce sales up and to drive curbside pickups and contactless payments in stores.

But beyond digital, brands must get creative and look for new innovations to product to help boost sales during uncertain times.

Fashion sales were hit hard during the crisis and as the markets continue to remain unstable and unemployment continues to be an issue, brands will need to sell products that people need.

If a leather handbag feels too excessive in 2020, perhaps a jar of caviar and gluten-free rice crackers will be the small indulgence that gives consumers pleasure this year.

CPG and food items could be a revenue channel that brands need as consumers look for little luxuries in essential products during this difficult time.

LVMH, owner of Hennessy and Moët & Chandon, for instance, could test sales of spirits across different retail channels. Moët & Chandon partnered with a chef to make cooking videos to entertain consumers during the lockdown ([see story](#)).

London's Harrods sells gourmet chocolate gift baskets, among other delicacies. Many retailers including U.S. department store giant Nordstrom have restaurant businesses, so perhaps packaged foods are a natural next step for these brands.

The benefit is that "it could drive store traffic and potential sales," Ms. Driscoll said.

Research needed

But brands should not just rush into the essential products market without understanding their audience. Companies should always do their homework when entering into a new category.

"All luxury brands that are considering entering a new market must be absolutely diligent about conducting the appropriate research to determine if they should even consider it as a viable option for their brand," said Rebecca Miller, founder/principal of Miller&company, New York.

"Venturing into a new space without solid critical knowledge and understanding to be used as a baseline would be a significant error on many fronts," she said. "Further, the research findings provide clear guidance and direction and often identify alternative options.

"It is easy in turbulent and uncertain times to look at who has been successful and assume that if they follow suit, they will be as well. Not so. Successful line extensions are not happy accidents, they are well-thought-out strategic decisions based on past performance.

"The advantage is, a brand is working with a proven entity to a certain degree. Almost the opposite is true when a brand enters into a new category, especially one that is a good stretch from its core."



Nordstrom is one of many retailers that runs a restaurant businesses. Image credit: Nordstrom

Thoughtful consideration

Luxury brands looking to get into selling food and other essential items should remember lessons from Business 101: Remain authentic to the brand's core categories so as not to confuse or alienate its current customer base.

"The first challenge is to protect the DNA of the brand," Ms. Miller said. "This must be front-and-center at all times. It is not optional, it is paramount. What does the brand represent? What products have been the cornerstone of its reputation and success? What does it intend to be in five years?"

"A brand, like a person, cannot protect its reputation fiercely enough," she said. "It takes years to build and only a moment to destroy."

The new goods should fit together with a brand's current existing product base.

For instance, a brand that sells high-end cooking materials could team up with a local organic farm to create farm-to-table marketing efforts.

A fashion brand could consider a frozen food line that complements entertaining and the art of dressing for dinner. Additionally, luxury marketers should ensure they have the ability to source, produce and distribute these goods.

"Some may have the opportunity to retool a factory making use of the space, equipment and, most importantly, their employees," Ms. Miller said.

"Some may conclude it is a natural segue," she said. "Others may see it as more of community duty to give back. And then there are others who may view it as a way to introduce the brand to more potential consumers.

"Companies should not enter into any business unless raw materials are available, manufacturing is in place and the distribution model includes an online component."

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