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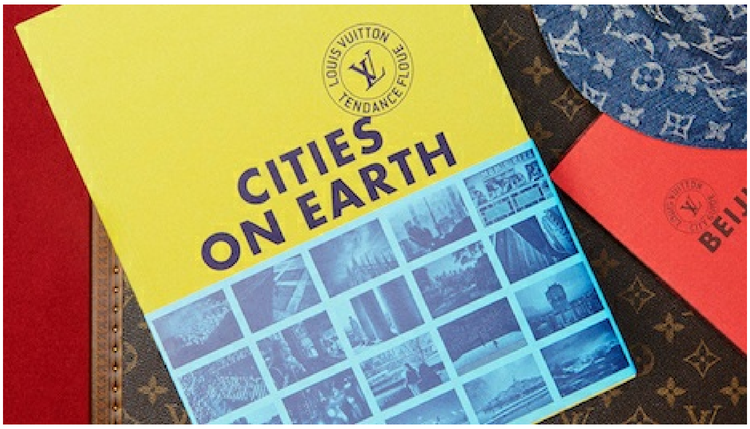
Luxury "Locavores": Another silver lining of the pandemic

February 8, 2021



COVID-related silver linings are coming in droves. Luxury is not relying on tourism anymore but getting to know local consumers. Image credit: Louis Vuitton's Weibo

By Erwan Rambourg

Future Luxe has been described as a very optimistic, glass half-full, and even somewhat nave view about the next decade of growth in luxury.

Those who think my book is too optimistic happen to be the ones who have not read it.

These are the same people who click on a story if it takes two minutes of their time but do not if it's likely to take five. Pardon me, I am getting sidetracked.

What I mean to say is that silver linings come in droves and when you focus like I do on a luxury industry that has been set in its ways, and where some managers may have become complacent over time, the amount of creative ideas and innovations still ahead can suddenly appear as limitless.

I have explained in previous columns how COVID-19 has accelerated repatriation of growth in China, a newfound consciousness around environmental and societal issues, as well as savviness on issues spanning from AI to CRM to data and more.

This week let us just focus on the benefits of a world which has become local by default and what good that brings to the industry.

"Think global, act local"
The most dj vu corporate gibberish has taken on a new reality.

As corporate headquarters develop products, ad campaigns and merchandising recommendations but HQ members are not able to travel around much the onus has fallen even more on local teams within subsidiaries to adapt to local needs.

What products resonate with Chinese, but not with American consumers? How do consumers want to meet, interact and purchase? Are consumers brave enough to go to stores, or should you go to them?

Given the dichotomy in administration responses between places such as South Korea, Hong Kong, Continental Europe, United Kingdom and the United States and to be fair, even within the U.S., different policies between states there is no obvious universal answer.

Locally adapted responses will prevail and when the world reopens, HQ staffs will have a lot to learn about what has prevailed abroad and why.

From "location, location, location" to "local, local, local"
The location retail mantra becomes de facto antiquated when online sales surge, downtown shopping areas become deserted, and consumers expect you to come to them rather than for them to go to stores.

Even when the world reopens, you will likely still have some key flagships, but also a more systematic use of pop-ups or other ephemeral spaces for entertainment, education and, yes, maybe even to sell products. But it will not be as much about where it is happening relative to what is there to experience.

The biggest surprise in 2020 was not necessarily how quickly Chinese luxury purchased bounced back and to be fair, many consumers had moved on from COVID-19 fears in a manner of weeks but how engaged local clienteles in Europe and the U.S. became.

Sales associates in France and Italy or Florida and Las Vegas, who were likely used to basically selling to foreigners, were forced to shift gears and address local consumers. The latter, having broadly been disregarded for ages, reacted positively to stimuli and moved the needle quite dramatically.

As a consequence, brands reconnected with existing luxury fans, but as importantly, recruited many new ones. If they cater to those relationships, the returns on that investment in terms of time and attention can have some duration.

"Ivory towers" no more
In a time of fast political and economic change that goes hand in hand with societal shifts and genuine environmental concerns, brands have had to become nimbler and woke about regional specifics.

I never bought in to the belief that luxury brands were developed in Paris or Milan in an "ivory tower" type headquarters disconnected from local needs.

But with local realities differing greatly, the sector has made great progress on key issues from diversity and inclusion, notably in the U.S., to approaching a completely market-specific e-commerce ecosystem in mainland China, as well as starting to respond to a growing interest for vintage and second-hand products in Western Europe.

Too much centralization, however, can lead to mistakes that brands make in distribution subsidiaries.

Too much decentralization can risk compromising brand equity and integrity.

For the edgier management teams, the pandemic has just been an opportunity to make communication between central and local decision areas way more fluid.

As company subsidiaries have a greater say in affairs for headquarters to learn and evolve, some consumers are also gradually turning to "locavore" attitudes and the "made in" a certain location is also gradually shifting to a "made by" a brand I can trust.

Going local will also have advantages in the long run that go far beyond what meets the eye in 2021. Stay tuned.

Erwan Rambourg has been a top-ranked analyst covering the luxury and sporting goods sectors. After eight years as a marketing manager in the luxury industry, notably for LVMH and Richemont, he is now a managing director and global head of consumer and retail equity research. He is also the author of "Future Luxe: What's Ahead for the Business of Luxury" (2020) and "The Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun" (2014).

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