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MARKETING

In this together: Why fierce luxury competitors sometimes end up working together

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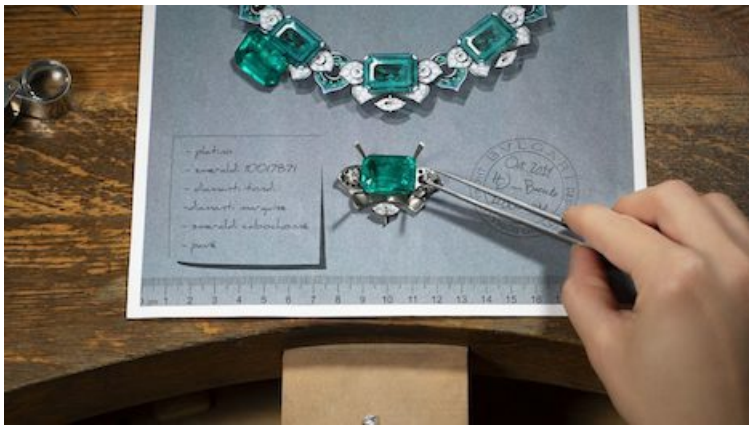

You are not alone on lobbying, climate change, and online sales and your brand might end up working with its fiercest competitors. Image courtesy of LVMH

By A LUXURY DAILY COLUMNIST

By Erwan Rambourg

On 9/11, yes, that same dreadful day of the terrorist attacks on the United States most of us likely remember where we were that day the Gucci brand became the property of PPR, now known as "Kering" since 2013, after a prolonged fight with rival LVMH.

While the media loves to focus on bitter struggles, epic rivalrie and intrigue entire books have been published on the battle of egos in the sector it is also the case that there is some proximity between rival groups and brands, and the sector has a shared interest in working together on a few topics.

As I have followed the luxury sector for 25 years now, within LVMH and Richemont, and now as an external observer, it is interesting to see top managers making the rounds as a sort of constant "Mercato Deluxe," as the sector is not great at bringing in external talent and remains somewhat incestuous in nature. That helps in terms of having a common understanding of what counts.

Very few industry-wide bodies exist, and the Comit Colbert, a once-antiquated institution that has regrouped many French iconic brands, has been recently revamped by the energetic Bndicte Epinay who took over a few years back.

Outside of these types of industry clubs, brands and groups are working more directly together as the world becomes more complex. And even LVMH and Kering, always seen as traditional rivals, have worked together on issues, establishing, for example, a charter in 2017 for working relations with fashion models.

Facing three big challenges together

For a long time, I have considered that the luxury sector has been on the back foot.

Ten years ago, I heard managers telling me they would never allow their products to be sold online. And this year, I

have heard senior managers asked why they should bother with sustainability issues, given how strong growth was.

Both approaches are obviously a bit short-sighted and, as Nike says, at the end of the day, "the consumer decides." If she wants to buy online, you need to adapt. If she asks you about transparency, traceability or second-hand sales, be sure you do not come across like a deer in the headlights. If she wants to buy second-hand and be sure about the authenticity of products, are you ready?

For some key questions, we have seen a willingness of sector players to work together, and I have in mind the following three:

- Multi-brand platforms: As explained in my column, "Why the future of luxury is not all online (yet)," groups as diverse as Chinese ecommerce giant Alibaba, Farfetch the U.K.-based and Portugal based tech luxury platform and Richemont, the multi-brand portfolio owners of Cartier and Artemis as well as the holding company of Kering (owner of Gucci, Saint Laurent, Bottega Veneta and Balenciaga) have set up a joint venture to structure the multi-brand online luxury segment in mainland China. Teaming up here hopefully will produce results.
- Sustainability: French President Emmanuel Macron mandated Kering to set up a Fashion Pact ahead of the G7 in 2019 in Paris, and the initiatives quickly gathered momentum with 32 groups initially signing on. Today, the pact includes twice as many groups, representing 200 brands in all, from Nike to Herms and Lacoste to Chanel, working towards common goals on three themes: climate, biodiversity and oceans. More recently, LVMH, the elephant in the luxury room, launched the Colored Gemstones Working Group, working with all key competitors from Kering to Chopard and Richemont to Swarovski, to secure responsible sourcing in jewelry.
- Second-hand/authentication: Late in April, LVMH again announced it had teamed up with Prada and Cartier to launch the "Aura Blockchain Consortium," which provides traceability and transparency to luxury consumers on their purchases. As the second-hand market soars, this again looks like a timely initiative.

Not all luxury brands will participate in all initiatives, as they might have their own or different elements they wish to focus on. But do not just look at the competitive landscape as "dog-eat-dog."

In an uncertain world, many more projects are bound to emerge for the industry's greater good. In luxury: Divided We Stand, United We Thrive.

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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