

RETAIL

Can independent brands survive without luxury conglomerates?

October 6, 2021



In tough times, some brands might consider joining a luxury conglomerate. But that might not be the best way to survive in China. Image credit: Burberry's Weibo

By [Adina-Laura Achim](#)

With the COVID-19 pandemic wreaking havoc in retail and luxury, some brands might consider an association with a luxury conglomerate.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246** ▶

Glossy rightfully highlights that "the ongoing pandemic has only increased conglomerates leverage over the industry, putting them in a perfect position to snap up even more struggling independent brands."

Indeed, recent developments have pushed some independent brands into [bankruptcies](#), while others lost revenues because of an unexpected shutdown of consumer activity.

On the other hand, the biggest luxury conglomerates have preserved their status quo and consolidated their assets [through new acquisitions](#).

In a post-pandemic future, can a luxury brand be independent of a luxury group and matter?

The simple answer is yes.

Take, for example, Chanel, [Herms](#), [Burberry](#), Missoni, Salvatore Ferragamo and Ermenegildo Zegna. These independent global fashion brands prove that family ownership and investments from private equity firms remain appealing alternatives to [M&As](#) and conglomerates.

While getting acquired by LVMH or Kering could be the path forward for many brands saddled with massive debt, not every problem can be solved with a merger or an acquisition.

Moreover, many family-owned businesses are not open to conceding a controlling stake in their company in exchange for funding, know-how and protection from market volatility.

Sure enough, the continued success of family-owned businesses depends on access to capital and affordable financing, the [relationships they build with their customers](#) over the years, their strategic adaptability to market volatility, and even the resilience of their supply chains.

In 2012, [Credit Suisse surveyed](#) nearly 280 family businesses from the Family Business Network across 33 countries for research. On average, the respondents were representatives from large companies, some fourth-generation businesses or older.

The research showed that during the 2011-12 recession, family-owned businesses outperformed their competitors in revenue growth.

"In the midst of the tough economic climate, the majority experienced material revenue increases in the 12 months to June," says the report.

Indeed, around 60 percent of these companies registered increases of above 5 percent, and more than 10 percent of them saw increases of over 15 percent.

In China, Confucianism preaches the virtue of filial piety (孝, xiao).

Accordingly, younger family members are bound to respect, honor and obey the elderly. The same interaction is present in a family business. And while we encourage youngsters to find their path and develop personal skills in the West, the youth in China are motivated to seek continuity in family businesses.

In fact, a [2019 survey by PwC](#) on Chinese family businesses showed that 42 percent of Chinese entrepreneurs plan to ensure their company's legacy by passing on its leadership or ownership to a next-generation family member.

Overall, this approach has led to high trust in family-owned businesses.

Meanwhile, conglomerates have seen a decline in trust that has been linked to capitalist and corporate values.

Accordingly, luxury companies that remain in family ownership might hold a special appeal in China, as they are associated with loyalty, trustworthiness and family values. It also helps that some of the most successful Chinese companies are family-owned (Wanda Group, Amer International Group Ltd.)

Overall, independent luxury brands can have a second life in a post-pandemic reality if they seize the opportunities that come within today's new retail environment and build a foundation based on shared values and beliefs.

Published with permission from [Jing Daily](#). Adapted for clarity and style.