

IN-STORE

Luxury brands must maintain status when opening outlet stores

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By ERIN SHEA

Luxury brands that open outlet stores must maintain the brand's status and prevent outlet items from overshadowing core products to avoid diluting the brand.

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Outlet stores can benefit luxury brands in a number of ways such as getting more brand exposure and helping to create new brand enthusiasts. However, if the outlet is not managed properly, it could drastically hurt a luxury brand's reputation.

"Brand managers must carefully modulate exposure in the outlet channel always in a brand-appropriate way with continued execution in full price to ensure the benefits outweigh the cost to brand equity," said Marie Driscoll, CEO and chief consultant at Driscoll Advisors, New York.

"All growth depends on maintenance of elevated brand positioning," she said.

Managing the outlet

Premium Outlets, a national chain that maintains outlets across the United States, Canada, Japan, Malaysia and Mexico, has a number of luxury brand outlets at its various properties.

Brands with stores at Premium Outlet locations include Bottega Veneta, Burberry, Chloé, Diane von Furstenberg, Christian Dior, Ermenegildo Zegna, Escada, Fendi, Gucci, Hugo Boss, John Varvatos, Michael Kors, Mulberry, Oscar de la Renta, Porsche Design, Prada, Reed Krakoff, Roberto Cavalli, Saint Laurent Paris, Salvatore Ferragamo, Tom Ford, Valentino and Versace.

Also, a number of larger retailers have specific discounted stores scattered around the U.S. such as Saks Off Fifth, Bloomingdale's The Outlet Store and Barneys New York Warehouse. These stores are often in outlet mall settings.

If not maintained properly, an outlet could hurt a luxury brand's reputation.

Luxury brands should make their core products the focus of their brand efforts. If they do not, products with a lower price point could steal the focus from luxury products.

"If the luxury brand decides to make specific product for the outlet stores, which happens more than consumers realize, it can become a distraction from the core business," said Paula Rosenblum, managing partner at [RSR Research](#), Miami, FL.

"Management should always be focused on building the brand, not on creating its own low-priced alternative," she said.



Prada outlet at Livermore Premium Outlets, CA

Also, if luxury brands choose to open an outlet store, they should do so where other luxury brands already have outlets as to not devalue the brand.

Selling older products, instead of creating new ones specifically for an outlet, could also help a luxury brand maintain its status.

"Only locate in outlets with other luxury brands and only sell end-of-season goods," Driscoll Advisors' Ms. Driscoll said.



Armani outlet at Phoenix Premium Outlets, Chandler, AZ

New customers, more sales

However, not all outlet stores hurt luxury brands.

Outlets can help reach younger and aspirational consumers because of their entry-level products at lower price points. Younger generations are a crucial target for luxury brands.

For fashion brands to survive, they need to rethink their overarching strategies and long-term marketing efforts to keep up with the times and gain new customers. However, luxury brands need to target these consumers carefully so they do not lose their loyal fan base in the process ([see story](#)).

Also, entry-level products such as beauty items and fragrances can help luxury brands establish life-long connections with consumers at a young age.

Since it is imperative that luxury brands gain younger consumers to survive, having entry-level products for younger, not-yet-affluent consumers can be a good way to introduce them to a brand. However, luxury brands cannot forget their core audience when promoting entry-level products to avoid losing loyal customers and devaluing their brand ([see story](#)).

In addition to possibly creating new brand enthusiasts, outlets can help brands generate revenue due to the larger amount of items that are sold compared to boutiques.

“They provide a way to access the aspirational consumer,” Ms. Rosenblum said.

“It is a good place to sell excess product while retaining control of the brand, compared to using a discounter, and it is incremental revenue,” she said.

Furthermore, outlet malls can help gain additional revenue for brands from travelers at tourist destinations, especially for international customers who may not be able to get certain products at home.

“I’ve noticed that many vacation destinations contain outlet malls,” Ms. Rosenblum said.

“They’re a great tourist activity for rainy days and, again, a big money-maker,” she said.

Final take

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