

A New Era

By **Sanjana Chauhan**

Young luxury brands have less to do with formality, tradition and a heritage value. Rather, they are about individuality and self-expression

In the year 2008, as the marketing head of the Indian business house that launched the tableware brand Villeroy & Boch in the country, my first step was to invite editors of luxury magazines for a familiarisation trip to the company's headquarters in Germany. Villeroy & Boch is a 250-year-old luxury products company with an image that plays on its 'heritage' tag, an enviable asset for any luxury brand. In fact, the main reason behind inviting the media to the brand's factory was to introduce them to its history. Many luxury brands like Louis Vuitton, Gucci and Hermès have based their identity on heritage, skilled craftsmen, and traditions that have been passed down generations.

In 2013, *Forbes* The World's Billionaires list featured two new names — American fashion designers Tory Burch and Michael Kors. Their eponymous brands are among the many new and young fashion and lifestyle brands that have found place in the luxury category. By building a strong positioning for their brands, Burch and Kors, over the last 10 and 30 years respectively, are two of those who cater to a revamped definition of luxury.

You merely look after it for the next generation'. However, as the luxury industry grew, and many other brands started positioning themselves in the category, consumers increasingly needed a reason to believe they weren't making purchases that they would regret about later. They wanted to be assured that the products, services and experiences they chose to spend their money on would actually last, rather than just promise to do so. Luxury, then, was about lasting, passing a beautiful piece of jewellery or a product down generations and heritage value.

The recent meltdown of the global economy has changed consumer behaviour. With a rising number of consumers around the world, especially due to the growth of new markets, luxury is now defined differently by each segment of buyers. The millennial consumer focuses on the present. So, in the past few years, a number of new luxury brands have promoted themselves as labels that offer a lifestyle, rather than wealth. For example, American brand Tory Burch grew its presence around the world on the premise that it offers a chic and fashionable way of life. Known for its American, bohemian-prep sportswear, Burch's luxury lifestyle brand is stocked globally in about 75 Tory Burch boutiques and over 1,000 department and specialty stores. The brand heavily relies on marketing tools like social media, and connects with millennial consumers. With a vision of creating an affordable luxury brand, Burch decided to launch her own store on day one, leasing space in New York's Nolita neighbourhood. It gave her a control over customer experience, right from the beginning, and provided a powerful platform for storytelling. "You can see who we are immediately, just by walking into an environment that we can make look exactly how we want — everything from the branding to the candle burning and the music playing. It was really an experience and we wanted the customer to feel that from the beginning," Burch was quoted in an article in *Business of Fashion* last year. By the end of its opening day, the boutique was almost completely sold out of inventory.



Tory Burch rapidly expanded across the world by offering a bohemian-chic American lifestyle to its consumers

Today, each of the Tory Burch stores is built around the idea of creating a retail environment that feels like you are walking into a home. They feature orange lacquered doors, mirrored walls and Lucite fixtures. What really helped the brand was a growing consumer belief in the concept of inclusive exclusivity — offering high-end experiences to the rising middle-class as well, instead of limiting it to top-end consumers.

New luxury consumers seek satisfaction not in brands that offer well-crafted goods that can be passed down generations, but in those that help them create a unique identity of their own. Since 1965, Italian shoemaker Silvano Lattanzi and his team of artisans have been crafting elegant, high-end men's shoes at their



Silvano Lattanzi has used a centuries-old method of ageing to add value to his relatively new shoe brand

Until about a decade ago, based on the high-quality of their craftsmanship, most luxury brands promised durability and permanence of their products. For example, Swiss brand Patek Philippe advertised its watches as an investment. Its campaigns featured a tagline that said, 'You never actually own a Patek Philippe.'



"There are three things that we stand for — the best diamonds, exquisite craftsmanship and timeless design. Everything that you see from our brand could have been used 20 years ago and can also be used 20 years hence"

— Nirav Modi

atelier in Sant'Elpidio a Mare. The designer uses a unique method of ageing leather in a pit, known as *infossamento*. Dating back to the fourth century, this technique was used to preserve cheese and grains. Lattanzi's The Buried Shoes is a collection of made-to-order shoes that are buried in pits for a minimum of seven months to give them a unique colour and an antique finish. Silvano Lattanzi is an example of a brand that has innovatively used a centuries-old technique to add value to a new-age luxury brand. Many new brands, like Silvano Lattanzi, have created aspirational values with a deep sense of permanence to promote themselves. German leather products brand Bree, which was launched in 1970s, prides itself on innovative products, quality and sustainability.

This change has been seen in the hospitality industry. Frits van Paasschen, CEO, Starwood Hotels & Resorts Worldwide, in an interview with *Hotelnewsnow.com* in March 2013, said that the group's W Hotels brand wasn't launched as a luxury property. However, it was able to capture high enough rates to catapult into the segment by capitalising on a "clear trend in luxury, which is moving towards each individual defining what luxury means to them."

Based on this theory, new-age luxury brands have been created not just in the mature European and American markets, but also in countries like India and China, where heritage luxury brands themselves are trying to capture the rapidly rising set of consumers. Jewellery designer Nirav Modi, who aspires to be the Laurence Graffe of India, made headlines in 2010 when his 'Lotus' necklace, which featured a rare Golconda diamond, was auctioned by Christie's for US\$3 million. In 2013, *Forbes* listed him under new billionaires, with a net worth



Nirav Modi (above) and Shanghai Tang (below) have proven that luxury brands can be created in emerging markets

interview with *BlackBook*, earlier this year. Similarly, launched in 1994, Chinese brand Shanghai Tang has grown into a well-reputed luxury label across the world. It managed to do this by promoting a clear and youthful image of itself, focussing on design and innovation, and creating a global retail network and operation capabilities. Shanghai Tang and Nirav Modi have not only managed to gain a surprising level of success, but have broken away from the myth that home-grown luxury brands in countries like China and India cannot garner global acceptance. •

(The writer is the founder of Luxury Next and can be contacted at sanjana@luxurynext.com)



Jean-Marc Bellaiche
Senior Partner and
Managing Director,
The Boston Consulting Group

"Invest to understand the aspirations and frustrations of various consumer segments"

At The Luxury Roundtable: State of Luxury 2013 conference, organised by New York-based website *Luxury Daily*, Jean-Marc Bellaiche, Senior Partner and Managing Director, The Boston Consulting Group listed out 10 calls-to-action for luxury marketers based on the change in the economy:

- Do not consider that the industry is back to normal. Things have changed gravely.
- Expand into new experiential categories instead of traditional personal goods, and boost experiences as part of a traditional offering.
- Reinvent new codes versus mass players. Ensure that you deliver a unique luxury value added in the product and the experience.
- Stretch your pricing accordingly.
- Invest to understand the aspirations and frustrations of various consumer segments.
- Target specific segments. For example, women self-purchasers or the senior segment.
- Do not forget to farm in mature countries while hunting in emerging ones. Chase the globetrotters from China to Brazil. Build fully international executive teams.
- Consider new business models, licenses and co-branding, while maintaining control. Develop new distribution formats and create surprises at points of sale.
- Increase your bond with consumers by developing more intimacy and CRM.
- Create a real web presence for the brand with ecommerce, branding, blogs and social media. Up your ambition level online.