

The Revivalists

During the recent recession, luxury brands in the saturated US economy stayed afloat by experimenting with their marketing strategies

By **Sanjana Chauhan**

The USA is the biggest luxury market in the world. It's not just a large luxury goods market but also a mentionable hospitality market, with some of the best luxury brands having originated here. Over the last few years, though the overall American retail market, hit by recession, has seen a downturn, niche brands have thrived. It's paradoxical that in a recessionary situation labels selling shoes for over US\$1,000 are flourishing.

Since late 2009, luxury brands have been leading the recovery phase of the American economy. In a bad economy, while a cash crunch faced by a majority of the population is a cause for concern, the spending power of the wealthy can contribute towards maintaining a healthy economy. However, one of the major reasons why the US suffered a bad recession was because of the sharp decline in consumption of the rich.

To help overcome the downturn, luxury brands based in the US have been proactively innovative marketing strategies. With a lower level of disposable income available to spenders, brands were forced to attract customers using new methods. Of course, behind all these pioneering ideas lay a thorough understanding of the customer. Marketers profiled and understood what they bought, where they shopped, how much were they willing to spend on luxury and, most importantly, why they bought luxury during recession?

According to the *Brand Finance Global 500* report by the British brand valuation firm, the global downturn has spawned a new breed of recession proof and aspirational 'alphabrands' that buyers turn to regardless of the economic condition. Resisting the trend of consumers shifting to lower-end products during times of economic uncertainty, analyses show that consumers are increasingly eager to indulge in high-quality cutting-edge design and couture. Some of the world's top luxury houses have enjoyed soaring profits, and brands such as Louis Vuitton, Hermès and Polo Ralph Lauren have increased their brand value.

The success strategies of luxury brands during the slowdown in the US can be broadly grouped into three categories.

Promoting the heritage of the brand

Recent years have seen brands introducing their iconic lines in new avatars and renarrating their heritage stories. In the year 2010, Hermès opened a new men's store in a jewel-box Madison Avenue townhouse, the brand's first ever store dedicated exclusively to men. Rather than reduce prices or follow trends, Hermès decided to focus



'The Art of Craftsmanship Revisited: New York' project

and the heritage of LVMH brands. "This Exhibit allowed us to expose thousands of New Yorkers and visitors to the City to the enormous talent of our local artisans and to see the work of our next generation of design talent come alive. In artisanry, like in luxury, it takes skill, talent and hours of precise and passionate work to create every product. It is important that the next generation of design talent understands their responsibility in ensuring that the traditions and heritage of craftsmanship survive," said Renaud Dutreil, Chairman, LVMH Moët Hennessy Louis Vuitton — North America.

Earlier this month, ahead of the SIHH (Salon International de la Haute Horlogerie) in Geneva, Cartier unveiled a 2013 limited edition version of the Crash watch. The design is a reinvention of a line that was first introduced in 1967, inspired by the famous artwork 'Persistence of Memory' by Salvador Dali.

Pioneering digital media

In the past two years, luxury brands have embraced social media not just because it is the thing to do but also because it has become an avenue to connect with customers while maintaining an exclusive image.

The brand Tory Burch was created in 2004 and has interestingly grown and developed during the tough economic period. Their signature ballerina flats 'Reva' was introduced in 2006 and it changed the course of events for the brand. One of the most important marketing tools used by the American brand is digital media. In 2009, they relaunched their website toryburch.com, which was first launched in 2004, immediately after the first store opened in downtown Manhattan. Today, online sales generate more revenue than any of their 68 stores worldwide. Through Twitter, Burch maintains a direct, ongoing dialogue with her followers. The

on what it does best — produce expensive but everlasting classics that are made with impeccable quality to last a lifetime.

The experience of Hermès, and a few other brands, shows that the crisis did not kill the luxury market. Rather, it taught buyers to be more discerning in their purchase decisions. They have moved away from bling, loud colours and large logos to products that are classic. Instead of buying multiple expensive bags a year, shoppers now prefer to buy one that is special and timeless.

Incorporating this, in 2009, LVMH launched the 'The Art of Craftsmanship Revisited: New York' project in association with Parsons The New School for Design. The multi-faceted program and student contest showcased the works of local artisans and Parsons students,

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"We believe that digital has the potential to be the mother of all game-changers. There are a number of opportunities to be innovative"

— Alex Bolen
Oscar de la Renta



Tory Burch relaunched her eponymous brand's website in 2009

brand's most well-known and well-admired social media platform is their blog and is renowned in the industry as one of the leading indicators of current brand-developed content.

Oscar de la Renta is another great example of how using social media can help to engage people on a lifestyle level, rather than just with the brand or product. The brand spent a summer tweeting about yoga, music and summer in the Hamptons, through their @OscarPRGirl handle. It was a way to connect and maintain relationships with their current and potential customers.

The most creative use of social media was by Coach in 2010, which even generated sales. The brand's 'Poppy Project' was "an online art project fuelled by attention, conversations and tweets". It engaged with 468 blogs to spread a trail of poppies across the web as part of a competition for participants to win prizes. Coach created a unique method to influence niche online communities and to reward them for diffusing the word about new campaigns and products in unique and interactive ways. This helped the brand maintain relationships with their advocates — the bloggers — and through them introduce the brand to new audiences.

Creative innovation

In a difficult economy with unknown and erratic consumer behavior, luxury marketers were forced to be creative. As a result there emerged some game-changing ideas.

In 2010, to capture the splurge of the Thanksgiving shopping season, Chase Card Services — a division of JPMorgan Chase &

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The Alexander McQueen 'Savage Beauty' exhibit

Co. — along with Continental Airlines opened the Continental VIP Lounge from Chase. An exclusive retreat for Continental Chase card members, the hospitality lounge at New Jersey's premier shopping destination, The Mall at Short Hills, was a brilliant way for a mall to take customer service to another level. It offered members an array of hospitality features like a free bag check, complimentary gift wrapping, comfortable massage chairs, free WiFi and HDTVs that broadcast sports games and other popular programming. Guests could also enjoy a caffeine pick-me-up, a relaxing hot herbal tea or holiday-themed refreshments. In addition, they were invited to special events that offered them gourmet spread, foot-rubs and hand massages.

Alexander McQueen's 2011 'Savage Beauty' exhibit at the Metropolitan Museum of Art, New York was an initiative to profile the brand's history and align it with quality. It highlighted the design, craftsmanship, art and detail that go into the making of the brand's products. Consumers from across the world flocked to the Met and Alexander McQueen's death sparked more curiosity. Using a museum as a venue was a more sophisticated and artistic way to promote the brand's value system.

American brand Ralph Lauren has been lauded as one of the biggest success stories of the recession. In 2010, they opened a 22,000 sq ft store at Madison Avenue and 72nd Street in Manhattan. Built to resemble a mansion, it is the brand's largest womenswear store and also features its home collection. Though the store has been successful mostly because of affluent tourists, the opulent building and dazzling products add to the brand building effort.

The recent recession in the US has proved that even during an economic downturn, everyone wants a slice of luxury. Brands who adapt to changing habits of consumers because of changes in the economy are the ones that manage to thrive. •

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