

STREETWEAR & SMART LIFESTYLE



Streetwear & a smart lifestyle - luxury 2018 is reinventing itself and staying what it is

The Condé Nast International Luxury Conference 2018 in Lisbon was all about setting the course for a new era. Because the world of luxury is moving faster than ever before; luxury has never been as changeable and yet as consistent as it is today. All the signs in the industry are pointing to growth and increasing sales - at least for those who have understood the signs of the times.

The Condé Nast International Luxury Conference is always one of the sector's most important get-togethers of the year. This time round, the who's who of the luxury market gathered in the Portuguese capital Lisbon in mid-April. It was the fourth time WHITE Communications had partnered with the CNI LUX. For good reason: there are few opportunities where you get to feel the pulse of the luxury segment as intensively as here, or experience the sector's most prominent and relevant players and their assessment of the market in such concentrated form.

Even before things got underway in Lisbon, the Boston Consulting Group had already published the results of a recent study it produced in collaboration with Italian luxury association Altagamma. Good news for the industry: for major international luxury groups like LVMH, Kering or Richemont, the signs are pointing to growth. Brands like Gucci and Louis Vuitton keep setting new sales records and announcing increased profits.

Millennials define luxury as a lifestyle

In emerging markets – especially China – consumption of luxury goods is still on the rise. And the millennials, i.e. people born between 1980 and 2000, have discovered luxury brands as the expression of their preferred lifestyle. That’s why management consultants are predicting that market volume will increase from its current level of approx. €915 billion to around €1.3 trillion in 2024. “By that time, 50% of those who buy luxury products will be part of the millennial generation,” anticipates Javier Seara, an expert on luxury goods and the fashion industry at Boston Consulting Group (BCG). And that’s precisely where the opportunities and risks for luxury brands lie.

The exquisite handbag from Hermès, the little black dress from Chanel, the Brioni suit or the Patek Philippe watch will continue to top the ranking of desirable goods. But the more young people flood the market, the more the expectations associated with luxury goods will shift. That’s because millennials – and increasingly, following in their wake, their parents, who are staying “young” for longer – gravitate towards styles from the streetwear and casual segments, even when it comes to luxury goods. Sneakers, jeans and T-shirts are what they want, as well as top-quality electronics – from smartphones and wearables all the way to high-end headphones.

Hip-hop helps classic luggage lift off

In view of this background, “The Language of Luxury” was a fitting motto for the CNI LUX. Because in times of globalisation, social media and fast fashion, it’s increasingly a question of which language has to be spoken in order to fascinate and involve an international clientele long-term. In Lisbon, Alexandre Arnault, the 24-year-old new CEO of Rimowa (LVMH), talked about the liaison between the luxury luggage brand and the skater and hip-hop label Supreme. The result: one of the most desirable suitcases in the world today. Arnault rejected the suggestion that collaboration between two such different brands could result in a levelling down. For him, merely being hip isn’t what makes the difference. It’s still “quality and intensity” that give a luxury product its soul. Arnault also struck a chord with many of the

conference attendees in Lisbon when he spoke about how vital it is to combine luxury items with immaterial experiences. Ownership alone doesn't make you happy, he said. That calls for an emotional link with your own personality and a smart lifestyle to match.

Arnault thus very cleverly summed up the direction things are moving in. Luxury means you can do all sorts of things as long as the quality is right. And desirability alone isn't the be-all and end-all. In view of the fact that the classic luxury business has slowed down, it might be tempting to launch an upscale brand into comet-like orbit powered by the thrust of a hip streetwear label. But as Alexandre Arnault knows: unfortunately, although the crowds love the spectacle of a comet crossing the heavens, it's destined to burn up when it enters our atmosphere again. The best way to prevent that from happening is to remember the categorical imperative of the luxury market: quality, quality, quality. And that doesn't just mean the materials; it encompasses workmanship, service, customer relationships and the communications between the brand and its clientele as well.



The mass market devours class

Despite all the fantasies about growth in prospering markets, responsible brand management always means ensuring that the availability of luxury products is limited. Actually, that's nothing new. Back in the 1970s, Gucci - the favourite brand of Hollywood icons like Grace

Kelly and Deborah Kerr – wanted to boost its growth by making the brand available on the mass market. But it wasn't long before Gucci's allure ended up in the bargain basement and faded. Tom Ford managed to turn things round in the nick of time and steered the brand back into luxury customers' favour.

Three years ago, Gucci's current CEO Marco Bizzarri drastically rejuvenated the collection. The once classic design of the products is becoming increasingly colourful and cheeky. "Gucci has succeeded in conveying emotions," said Francois-Henri Pinault, head of Gucci's parent company Kering, in a recent interview with German business weekly *Wirtschaftswoche*. That also includes stepping up Gucci's social media presence. According to Pinault, there has been a 70% increase in the number of its followers on Instagram – which is also part of the reason why sales have grown from around €4 billion to €6 billion in recent years.

Scoring points in millennials' social media ecosystem

Designer Philipp Plein is somebody else who only aims upwards; failure doesn't seem to be an option as far as he's concerned. The founder of the Philipp Plein International Group, which consists of the brands Philipp Plein, Plein Sport and Billionaire, always focuses on seizing the moment. During his flamboyant appearance in Lisbon, he explained that he actually doesn't think about where he might be 10 years from now – he never plans more than a year ahead. That could well mean he's on the right track as far as the online and social media ecosystem of his millennial target groups is concerned: With its ever-faster (and potentially shorter) half lives, it's an environment where users and consumers identify with the hip products of the moment and the aspirations they generate. Come to think of it, that sounds dangerously hot – a bit like a comet!

Also in Lisbon, Stefan Siegel, CEO of online platform "Not just a label", rightly reminded his listeners that luxury brands shouldn't disconnect from their customers' lifeworlds. That's why he believes it's vital for us to make our children understand that there's more to alligators than handbags and more to life than the pursuit of an entrenched ideal of beauty and youth. And that a real moment can be far more valuable than the Insta story that results from it. How wise that sounds – even if it should actually be self-evident!

Ultimately, of course, it's always the consumers who decide the fate of luxury brands. For Mark Shapiro, co-president of production company IMG, one special virtue of the "language of luxury" lies in the fact that it can help customers see themselves in the story a brand tells. "They have to want to be part of that story," explains Shapiro. That's why, for luxury brands,

it's all a question of generating dreams that can ultimately be measured in something as down to earth and unromantic as sales figures. Or to put it another way: speeding up isn't everything. Healthy growth always depends on both: hearts and minds. The audible wake-up calls at the Lisbon conference were thus entirely right. And they're something to build on. Not just when it comes to regular customers, but in order to attract hopeful new customers from China and the millennial generation as well.