

Case 5 The changing face of luxury fashion: Burberry, Beckham and Big Brother

Paradise for anybody wanting to stay *en vogue* is the Choice store at the Bluewater shopping centre in Kent, England. Emporio Armani, Vivienne Westwood, Prada, Paul Smith and Gucci are just a few of the many designer labels that are tempting shoppers to splash out on a new wardrobe. Being at the cutting edge of fashion comes at a price, but it seems that the advertising slogan 'Because I'm worth it' is not just appropriate for the cosmetics brand L'Oréal but for contemporary consumption culture in general. According to Ledbury Research, the global luxury goods market was worth £75 billion in 2006 and is booming, with annual sales growth in double figures. Strong demand in large emerging markets, including China, India and Russia, has become an important source of this growth. In the UK, the luxury goods market accounts for approximately 5 per cent of the world total. The changing face of luxury consumption in the UK is, however, representing a new generation of luxury consumers. Shoppers at the Bluewater Choice store resemble less the rich and famous but more the latte drinkers in a nearby Starbucks. The consumption of luxury today gives the impression of no longer being 'exclusive' but 'inclusive'. Today's luxury shopper could be a teacher, a banker or a plumber.

This movement towards luxury mass consumption has been referred to as the democratization of luxury. The changing economic and social fabric of British society in the last decade or so has helped to transform consumer attitudes and behaviour. First, increasing disposable incomes have given consumers the financial means to purchase luxury items. A larger number of consumers than ever before are able to afford luxury goods. The emergence of the affluent masses has evolved as a defining feature of contemporary luxury consumption. This phenomenon is also demonstrated by the increasing independence and spending power of professional women, which has helped revive the luxury fashion industry. A second factor can be referred to as the 'Beckham syndrome'. Celebrities such as David Beckham, a footballer with pop star status, have become important fashion and lifestyle icons, especially for younger people. Aspirational role models from the worlds of sport, music, fashion and entertainment are bringing luxury brands from the glossy pages of fashion magazines to the front pages of the popular press. The popular hip hop music scene has also helped to glorify designer brands. The rapper 50 Cent includes numerous references to

Gucci, Fendi, Prada, Moschino, Christian Dior and Chanel in the song 'I know what you like'. Finally, it has never been easier for consumers to access luxury fashion. Designer labels are no longer restricted to boutiques in exclusive settings but available in the high street, whether in Croydon, Hull or Plymouth. The internet has also lowered the barriers to entry for fashion designers to reach out to a broader audience. Customers can click to purchase luxury fashion brands at online designer boutiques (e.g. jimmychoo.com), department stores (e.g. harrods.com) or virtual fashion malls (e.g. designermall.co.uk).

Market segments

The luxury fashion market has traditionally been segmented according to two very separate and distinct customer groups—namely the 'affluents' and the 'non-affluents'. Those who could afford luxury fashion brands were targeted by slick advertising campaigns in quality newspapers or fashion magazines. Social grades, determined by the occupation of the chief income earner, were often used to identify these customers. The reality today is, however, that the luxury landscape has evolved and luxury consumption is no longer determined by the size of one's wallet or purse. Luxury consumers are members of a 'big tent' coalition encompassing all ages, income brackets, occupations and socio-economic standings. This means that marketers need to identify and understand the luxury consumer not based solely on demographics—luxury can mean different things to different people.

One alternative is therefore to segment the luxury fashion market based on consumer attitudes and potential buying habits. The following three sub-segments, or 'mindsets', were identified as being the most prominent in terms of high-yield returns within the luxury fashion industry. First, Fashion Traditionalists represent the conservative luxury consumer who values high levels of quality and service. Authenticity plays an important role in the decision-making process. Tradition luxury fashion brands with a strong heritage, such as Burberry, Jaeger and Austin, are preferred choices. Second, Fashion Leaders are trendsetters for whom image matters. Individualistic in nature, luxury brands reflect who they are and what image they wish to reflect to the outside world. They want to stay one step ahead of their peers and are more likely to buy brands that are based on style.

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The third sub-segment is Fashion Followers, made up of self-stylists who are happy to mix and match clothes bought at high-street retailers such as Topshop, Mango or Zara with upmarket designer brands. They are also more likely to 'trade up'—that is, to spend more on selected items to meet their aspirational needs. Quality is not so important—it is more about appearance and fitting in with the latest trends.

The increasing mainstream or mass appeal of luxury fashion has important implications for the industry. A positive knock-on effect is the opportunity for luxury brands to attract a broader customer base and thereby increase sales. Fashion Teens, for example, is a high-growth segment with significant market potential. According to the market research firm NPD Group (www.npdgroup.com), designer labels account for approximately 15 per cent of purchases by 13–17-year-olds in the USA. Teens have become increasingly independent and confident as they start to experiment with luxury fashion. They adore shopping and worship brands. An important source of inspiration and information is fashion and lifestyle blogs and websites. Fashion Teens are luxury customers in their own right, and either have their own financial resources or the ability to influence their parents or guardians to subsidize the occasional extravagance.

Challenges for luxury fashion brands

However, the ubiquitous nature of luxury fashion can prove to be costly in the longer term. Despite anti-counterfeit legislation on a national and European level, the counterfeit industry continues to grow. Fake designs are costing the fashion industry tens of millions of pounds in lost sales, and risk diluting brand value. Consumers can pick up a fake Louis Vuitton bag at numerous street markets across the country or online at a bargain price. High-street retailers have also been targeted for copying designs. The designer Jimmy Choo forced the high-street chains New Look, Oasis and Marks & Spencer to withdraw products for alleged design infringements. Street credibility is paramount for Fashion Fakers. It doesn't matter if the designer brands are genuine or fake—it's the image that matters. It is sometimes difficult even to distinguish what is a fake and what is genuine. The development of so-called 'Big Brother' technology such as radio-frequency identification (RFID) tags could be one way to confirm product identification and thereby combat counterfeiting. However, changes in attitude have meant that counterfeit ownership has become increasingly socially

acceptable. Britney Spears was even reported to be carrying a replica Chanel purse. According to the law firm Davenport Lyons (www.davenportlyons.com), almost two-thirds of UK consumers are proud to tell their family and friends that they have bought a fake luxury item.

The consumption of luxury today is prevalent and complex. There appears to be something for everyone. The dilemma for many luxury fashion brands is to be exclusive and authentic while appealing to a growing mainstream market. This is not an easy task given the increasingly competitive environment within the fashion sector. Mass retailers such as Zara and Topshop, and even the supermarket chain Tesco, are redefining how luxury fashion is presented—offering similar designs but at a significantly lower price. A growing number of internationally renowned designers are also collaborating with mass retailers. Karl Lagerfeld and Stella McCartney have designed collections for high-street chain H&M. Designs were sold out within hours as shoppers scrambled to get their hands on a bargain. However, the trend towards luxury fashion for the masses has resulted in greater fragmentation. The luxury market is no longer highly polarized between two extremes, namely prestige and mass marketing. The establishment of different levels of luxury, ranging from ultra luxury to affordable luxury, is a reflection of luxury's mass appeal. This may come as a relief to the *Luxe Ultras*—the epitome of luxury. Money is no obstacle and they acquire the most exclusive luxury fashion brands on offer. They search for brands that reflect their ultra-luxury status—willing to pay £10,000 for a HENK case. This gives luxury a truly new meaning. And, yet, internet auction sites have offers for similar designs at the fraction of the original price. Will luxury ever be the same?

Questions

1. Identify and describe the key market segments in the luxury fashion business.
2. To what extent does the teen segment represent a viable segment of the market?
3. What type of market targeting strategy has been pursued to date by luxury fashion brands? Does this strategy need to change?

This case was prepared by Glyn Atwal, ESC Rennes School of Business, France, from various published sources as a basis for classroom discussion rather than to show effective or ineffective management. The author would like to thank Ledbury Research for insights into the luxury industry.