

SWISS **STYLE**

**THE SWISS STYLE MAGAZINE'S INSIDER'S
LUXURY REPORT 2009-2010**

Luxury: Revolutionary Transformation
or Business as usual?

— FOREWORD



The luxury industry has prospered in the last decade, fuelled by a wealth boom across the developed economies of the US, Europe and Japan and the burgeoning wealthy elite in China, India, Russia, Brazil and the Middle East.

As the luxury industry faces harsh and uncertain economic times, we believe that it has never been more important to understand evolving consumer needs.

This is why we have carefully and diligently, as a token of our support to an industry on which we ourselves greatly depend, compiled the ‘Swiss Style’s Insider’s Luxury Report 2009-2010’. We hope that the conclusions of which will provide insights for your strategic considerations.

The report brings together the views of a bespoke independent panel of leaders and professionals of the industry who comment on luxury, responsible practice and consumer behavior from across Europe, the US, The Middle East, China and India.

The ‘Swiss Style’s Insider’s Luxury Report 2009-2010’ was conceived to also provide an insight into the evolving demands of influential, early adopting top-tier luxury consumers from some 50 nationalities who happen, by their professional functions or personal preference, to reside in this country: they constitute the bulk of the readership of *Swiss Style* magazine.

They evolve in environments of relative stability and permanence in these times of uncertainty and also focus on the transition from conspicuous to considered consumption and reflect the growing consumer call for product traceability, supply chain standards, product authenticity and quality.

This transition has made a profound and lasting impact on the way luxury companies do business — from the very large, global players to smaller niche brands and retailers. At *Swiss Style* we believe success will come to those who live up to the inherent luxury value of excellence through the way they do business and the products they sell.

We call this, simply, living up to Swiss Standards.

Whilst serving these individuals, we, as Switzerland’s largest English language magazine, cannot afford to be complacent. As in your industry, we, continually strive to meet consumer needs and uphold the integrity of our publications and Special Issues.

We hope the findings provide food for thought and insight into the evolving motivations of the luxury consumer of tomorrow.



John François Béguin
Chairman



We are extremely grateful to our panel of senior executives from major global luxury brands, consumer trend commentators, fashion journalists and trade associations for sharing their insights and opinions with us. We are also thankful for the time our Swiss Style readership panel spent with us in articulating their unbiased thoughts and their insights

RESEARCH METHODOLOGY

In-depth interviews were conducted with the panelists by telephone. The interviewees were chosen by *Swiss Style* for their expertise and know-how, and spread across a number of areas and geographies to provide a more holistic understanding of the impact of current consumer trends.

Interviewees included senior executives from major global luxury brands, consumer trend commentators and authors, industry body representatives and fashion journalists.

The majority of our expert panel has a deep knowledge of the luxury consumer and the luxury industry in the US and globally, and some have specific expertise in the emerging and dynamic markets of India and China. In total 89 interviews were conducted during Q1 and Q2 2009, with conversations lasting up to one hour.

The findings from all the interviews have been supplemented by secondary research on the luxury sector from a range of respected third-party sources and were juxtaposed to the opinions of readers of *Swiss Style* magazine, representing high net worth early adopters of diverse nationalities and backgrounds, who reside in Switzerland.



...AND OFFERING NEW OPPORTUNITIES

The emerging markets of China and India are promising environments for company growth, which remains an important part of long-term global strategy. Europe, the United States, and Russia should not be ignored, though, as their top tier consumers will continue to purchase quality products. The gap between these top tier luxury consumers and aspirational customers is widening, creating an opportunity for the truly top tier brands. Niche brands that can focus especially on exclusivity have an increased opportunity. In tough times, taking opportunities and acquiring market share becomes easier. Cheaper acquisition and advertising costs exist, which companies need to grasp to ensure they hold the best position in the future.

“Luxury has long been associated with superior quality, design and craftsmanship. But the tide is turning with a new breed of consumers who are seeking style with substance. These new consumers desire something more meaningful than just an expensive piece; they want brands to live and breathe their values through the way they do business. Our future success is entwined with our ability to ride these new waves of change.”

Stephen Lussier,
Executive Director,
De Beers Group

— EXECUTIVE SUMMARY

01

Despite the more recent shift into harder economic times, the last decade has seen the luxury industry treble in size. The number of wealthy individuals in emerging markets has been growing and these luxury buyers will have an increasing influence on the sector. These consumers are increasingly being influenced by Western trends and their purchasing patterns are transforming rapidly.

02

As their numbers and fortunes have grown, the wealthy have become more sophisticated in their buying motivations, moving beyond the traditional conspicuous drivers of status and prestige to more discerning and considered factors. A growing fatigue with 'fast' luxury products means consumers are looking for products that provide them with 'lasting value' — the return they will get from the experience of owning, wearing or giving fewer, better things. This shift from conspicuous to more discerning consumption will be even more in evidence as economic conditions worsen and 'brand value' comes under greater scrutiny. These trends constitute a broad shift away from a model of 'what you wear,' to a more personality defining 'what you do' or even 'who you are'.

03

Opinions as to the duration, depth and nature of the current crisis vary, but an important majority of both the industry as well as luxury consumers appear to agree that the market has bottomed out and is adapting rapidly. They also believe that in the future, new industry standards are likely to emerge that will raise the bar on business, social and environmental responsibility.

04

The new environment leads to the tendency of luxury consumers to not only be interested in the products themselves, but to also consider whether the brand is upholding the luxury philosophy of excellence throughout the whole of its operations, including the internet as an information vector and its considerable growth as a distribution tool. This has implications for the way luxury players do business in the future — from large global players to smaller retailers.

05

The return to exclusivity offers a business opportunity by creating a high-end market for more expensive and unique products. This presents a particular selling point for niche labels that are less accessible and can afford personalised levels of attention to detail.



06

Luxury consumers have a growing interest in the details of the story behind their purchase — where the product was sourced, how it was made, etc. A deeper experience of the product can enhance the brand story and build customer loyalty through greater engagement. Service is a critical part of this experience and creates an ongoing dialogue with consumers, helping them to save time (the 'ultimate luxury' due to its increasing scarcity).

07

Tightening of brand distribution models is becoming evident throughout the industry as is committing to exemplary sourcing and supply chain standards. These changes are viewed more and more as smart business practice and are an integral part of the luxury promise, helping to build brand value. Today, reputation is increasingly built through the way a brand operates and the quality of the products it sells rather than just what it says through marketing and PR activity.

— CONCLUSION

LUXURY LIVES...

The recession has not killed the luxury market according to 96% of experts. Despite any prior fears, a confident luxury goods market remains with an emphasis on a stronger, smaller core. Luxury buyers in the emerging markets are increasing in number and influence. These consumers help ensure the luxury market's vitality.

...BUT THE LUXURY CONSUMER HAS CHANGED HABITS

Shifts in buying patterns demonstrate that the luxury consumer has become more sophisticated. Purchasing goods to maintain, not define, their status, buyers are no longer interested in conspicuous consumption. The new, discerning consumer scrutinizes brands and looks for 'value and values'. Products must be exclusive, durable and have a strong sense of heritage. The brand must reflect standards the consumer increasingly demands such as quality materials, traceability in the supply chain and environmental and social responsibility. This type of consumer desires a deeper brand experience including knowledge on construction factors and understanding the artisanship behind a product.

CREATING NEW CHALLENGES FOR LUXURY COMPANIES...

The shift in buying patterns creates new management challenges and a more competitive market landscape. A successful company will enact good practice in all aspects of its operations. Communicating these practices and the tradition of the brand must be undertaken through persistent, inventive advertising. A change in distribution will appear as companies strive for more complete retail control. Finally, innovative retail ideas, such as utilizing the Internet to creatively convey information and aid distribution, are key.

