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MANAGING FASHION & LUXURY COMPANIES

Module 1

M1 - Content

Fashion & Luxury

1. What is Fashion?
2. New Trends
3. Dream Factor and Media System
4. What is Luxury?
5. Luxury as a Product
6. Luxury as Know How, Industry and Business
7. Luxury as a Culture
8. Luxury as a Customer
9. What Luxury is not
10. Fashion and Luxury for Millennials

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Fashion

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Someone said...

What is Fashion



"We live not according to reason, but according to fashion"
Seneca, philosopher,
mid-1st century AD

"There's never a new fashion but it's old"
Geoffrey Chaucer, English poet
1340-1400

"Fashion is a form of ugliness so intolerable that we have to alter it every six months"
Oscar Wilde, poet, novelist, dramatist and critic
1854-1900

"Fashion is not something that exists in dresses only. Fashion is in the sky, in the street, fashion has to do with ideas, the way we live, what is happening"
Coco Chanel, French fashion designer
1883-1971

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Someone said...

What is Fashion

"***Fashions fade, style is eternal***"
Yves Saint Laurent, French fashion designer
1936-2008

"***Fashion is like a fruit, you couldn't eat it a day before and you can't eat it a day after, its just about today***"
Alber Elbaz, Israeli fashion designer
1961

"***I don't design clothes. I design dreams***"
Ralph Lauren, American fashion designer
1939



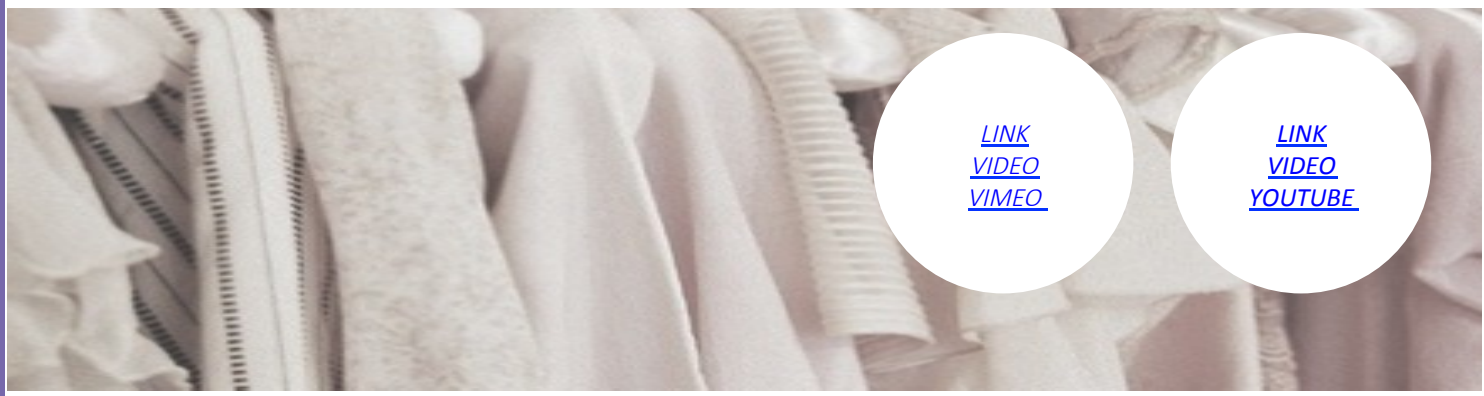
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Someone said...

What is Fashion

Ralph Lauren: In His Own Words

Ralph Lauren describes the process, trials, challenges and ultimate rewards of bringing his dreams to life each season on the runway



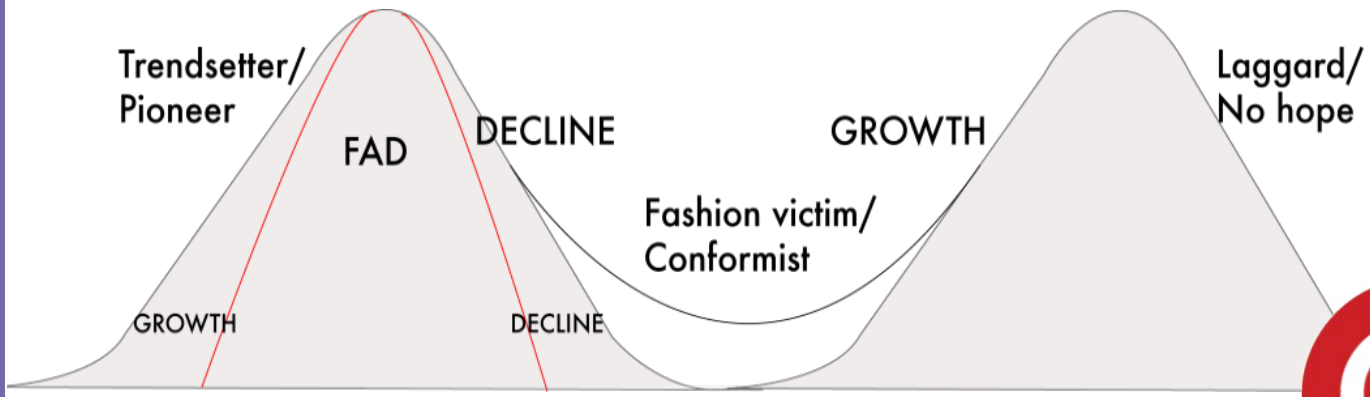
Ralph Lauren YouTube Channel | All rights reserved | http://vimeo.com/21553990
https://www.youtube.com/watch?v=ZjHOzo8CrTA

New Trends

Fashion as Cycle and Process

Not all fashion products go through a short, seasonal lifecycle. For example, polo shirts and 5-pocket jeans, never become completely obsolete, but remain accepted for an extended period of time. For these products, decline is often related to structural changes in people's habits and lifestyles

In addition to the seasonal fashion cycle and the longer cycle of basics, there is a third cycle in fashion, the so-called "fad." A fad is usually a short lived fashion, one that comes and goes.



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New Trends

The Trickle-Down Theory: An Example

If you've seen the movie "**The devil wears Prada**", you'll certainly remember the scene where the powerful editor-in-chief of an influential fashion magazine gives a lesson to her assistant explaining how **fashion is permeating our reality**: the blue color of the cheap sweater she is wearing was firstly introduced by a trendsetter designer, then it gained popularity with the help of the media system and, as time passed, it became a copy in the mass market to be finally discounted in the outlet where the protagonist bought it.

New Trends

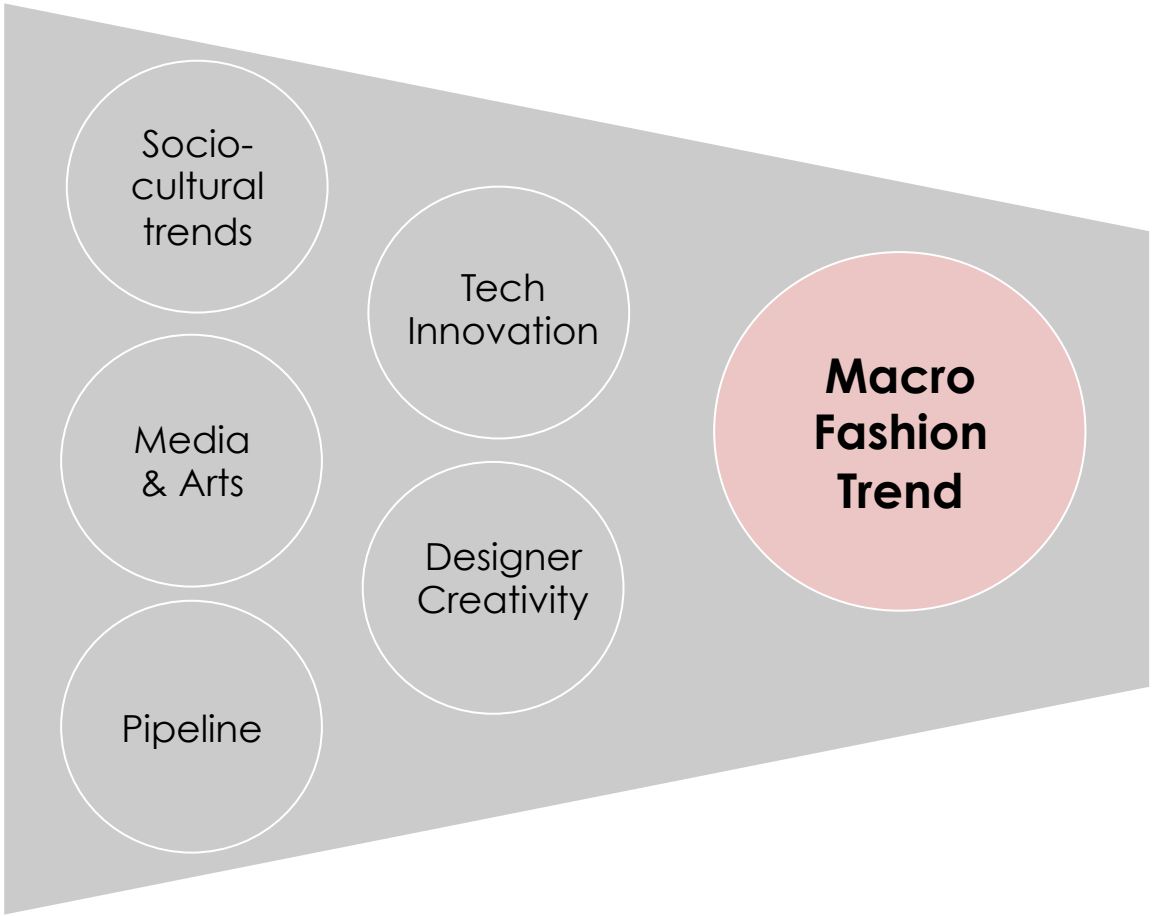
The Trickle-Down Theory: The Literature

It was first coined in 1899 by American economist and sociologist, **Thorstein Veblen: in his book The Theory of the Leisure Class, discussed the idea that the fashion worn by the upper class was then imitated by the lower class. To function, the Trickle Down Theory relied upon hierarchical society and the desire to move up the social ladder.** Not only was this evident in history but continued into the haute couture with "knock-off" designer labels being sold to lower class consumers. However, with the shift from high culture to popular and sub-culture as the main influence on fashion trends, the way in which fashion distributed itself throughout the different classes of society is also changing.

New Trends

How New Trends Are Generated

From 2 to 6 seasons per year (including pre-collections and capsules) for make-to-order brands till the weekly collections of fast fashion brands



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New Trends

Socio-Cultural Trends

Media and **Art**
film
magazines
music icons
books
exhibitions
architecture
design



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New Trends

Technological Innovation

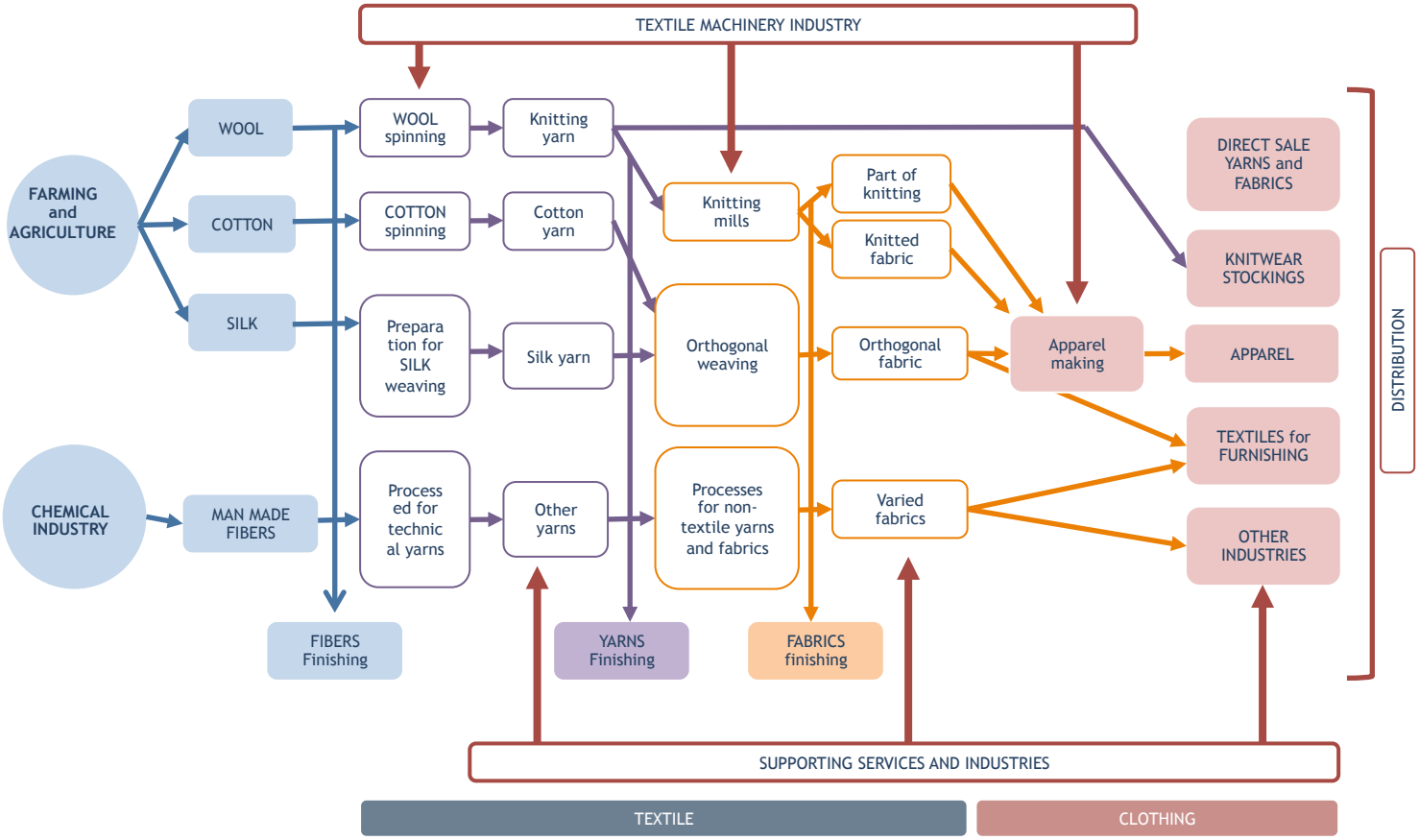
Gore-tex ®
Vibram ®
microfiber
eco leather
etc…



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New Trends

The Fashion Pipeline



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New Trends

Trade Fairs

EXAMPLE

SS2014 COLLECTION

FEB 2014 SS	Collection in the store
SEPT 2013	Fashion Show
FEB 2013	Textile Fair
JULY 2012	Yarns Fair
JUNE 2012	Color Meeting



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New Trends

Designer Creativity



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Dream Factor and Media System

Fashion is About Dream Factor

Companies not only sell products, they sell a way of expressing themselves through their products

Customers buy emotional associations with the world that fashion companies create

> Wasp lifestyle for Ralph Lauren

> Sicilianity for Dolce & Gabbana

> Art of journey for Louis Vuitton

Creating the dream factor is fundamental for creating those intangible links

Dream Factor and Media System

Fashion is About Designers

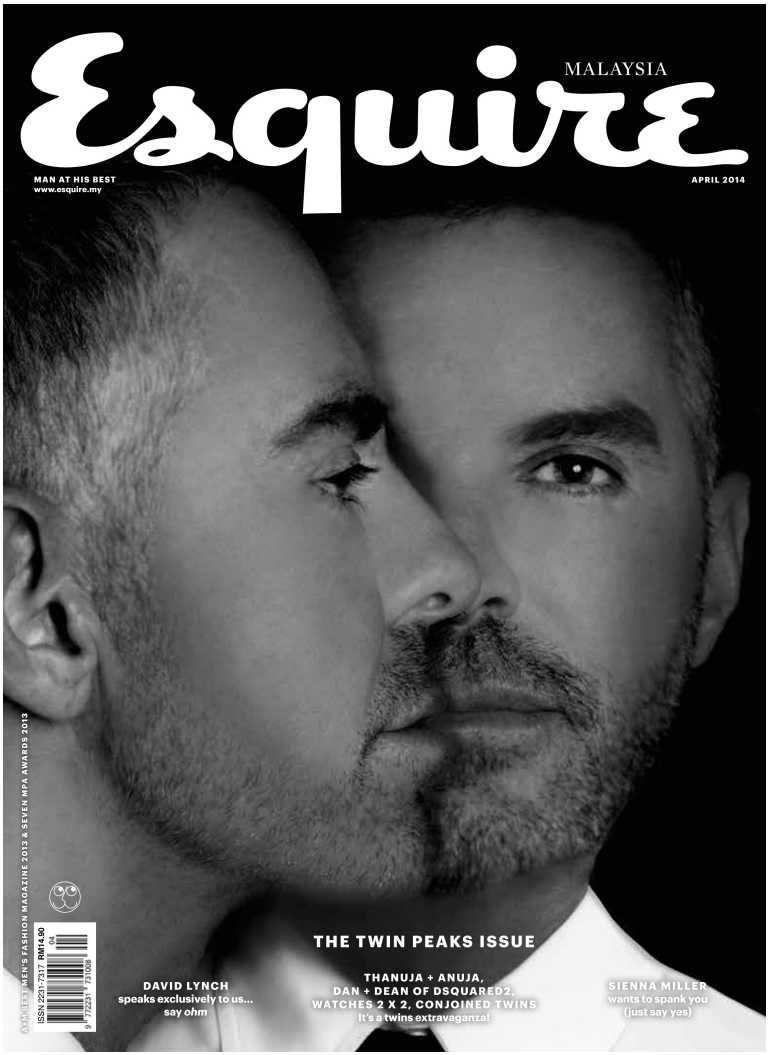
The main roles played by designers are:
> Creation
> Product development
> Communication

Creating a myth of a person is always easier and faster than creating a myth of a brand

Designers are transformed
into celebrities thanks to the runway show

Designers

Dream Factor and Media System



Dream Factor and Media System

The Designer in Fashion and Luxury

A person already identifies a lifestyle and a specific taste
> Tom Ford

Everyone would have at least heard of him before, even if they are not fashion-addicted

If I say: Jonathan Ive.
Do you know who I am talking about?

As Apple's senior vice president of industrial design, Ive is the leading visionary on Apple's design team that helped the company become the "cool" firm it is today

The difference with Tom Ford is that he never appeared on a runway or walked a red carpet. He's a guru in his sector but not a celebrity

Dream Factor and Media System

Designers themselves are a very powerful communication tool however, to be successful as such, they need the support of the whole media system

The designer shows his idea on the catwalk

The photographer transforms the conceptual idea into a tangible and emotional image

The charm of the fashion show creates the 'dream factor' which is made of music, lights, direction, guests

With the advertising campaign
the message of the brand reaches everyone

A testimonial wears the dress,
suggesting to the ordinary consumers that
they are part of a world made for the happy few

In the editorials the stylist creates an outfit that shows the dress in everyday usage
to get closer to the final consumer

Luxury

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What is Luxury



Vocabulary

What is Luxury

Luxury is a Multifaced Concept

Luxury | from latin "lux" and "luxuria"
> light, shine, excess, extravagance, difference, departure, deviation, lust

What is luxury for some is just ordinary for others
Luxury definition is dependent from: context, generations, nationalities

"What one generation sees as a luxury, the next sees as a necessity"
Anthony Crosland, British politician
1918-1977



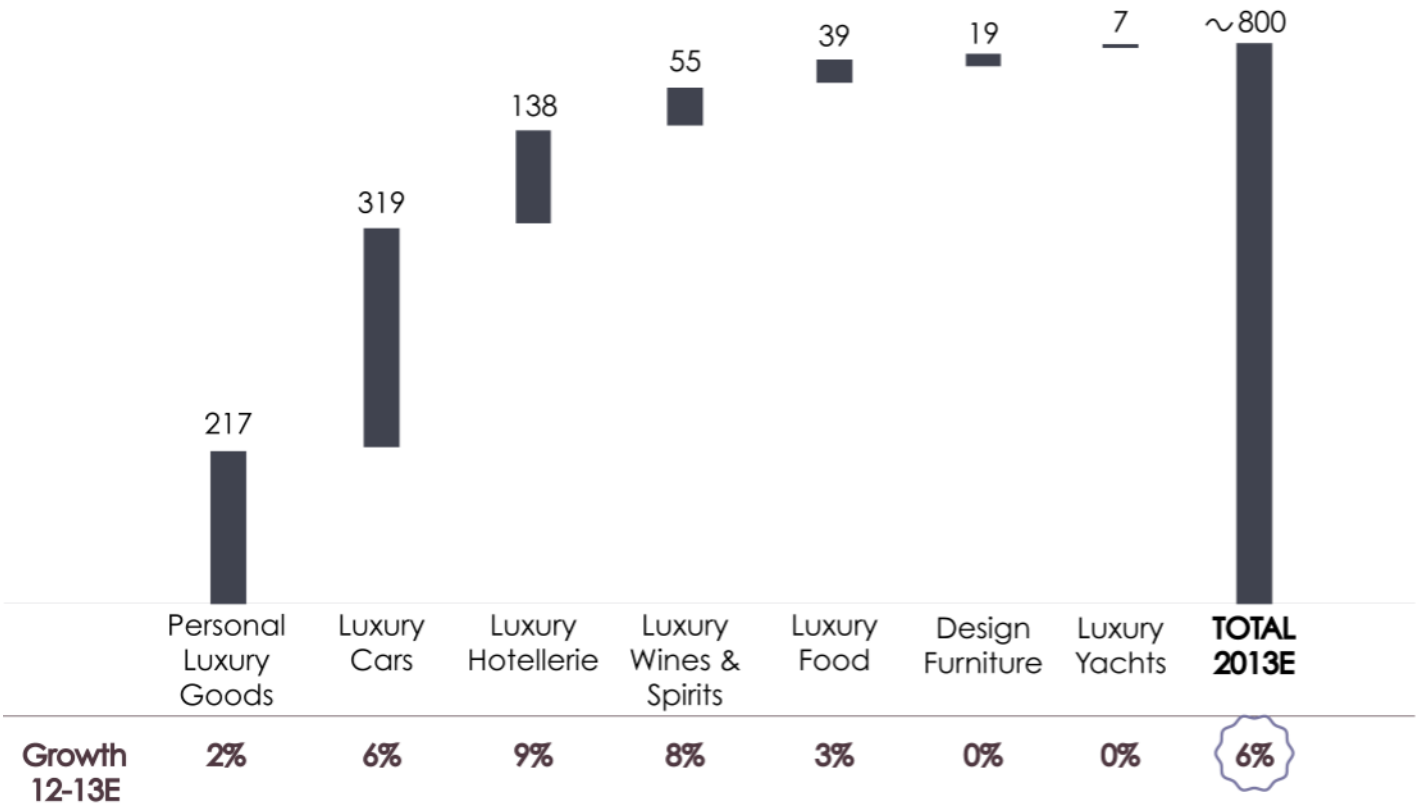


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Luxury As a Product

Worldwide Luxury Market

All Categories (2013E, B€)



Source | Bain & Co. - Altagamma 2013 Worldwide Markets Monitor

Legenda: Bain & Company, in cooperation with Altagamma - the flagship trade association for the Italian luxury goods industry - has analyzed the market and financial performance of more than 250 of the world's leading luxury goods companies and brands. The database of companies, known as the 'Luxury Goods Worldwide Market Observatory,' has become a leading and much studied source for the international luxury goods industry.

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As Know How

Meaning of Craftsmanship

Luxury is the **spirit of craftsmanship**
and it gives life to artifacts through
> Culture
> Creativity
> Innovation

It's about excellence,
for the sake of excellence,
in any business process and
product category

As Know How

Craftsmanship

Chanel

The atelier of embroidery Maisone Lesage
and button-maker Maison Desrues
for Paris-Bombay Métiers d'Art
Collection 2011/12



Chanel YouTube Channel | All rights reserved | https://www.youtube.com/watch?v=OnrgL7AFCpg

As Know How

Craftsmanship

Fendi

A fur story



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As Know How

Craftsmanship

Louis Vuitton

Savoir-Faire
Leather Goods



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As Know How

Craftsmanship

Salvatore Ferragamo

Women's shoes
The use of original materials
was a hallmark for Ferragamo



Salvatore Ferragamo YouTube Channel | All rights reserved | https://www.youtube.com/watch?v=hJ5JiGsw5O4

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As an Industry

The Luxury Industry

Among the first definitions of luxury
according to Comitè Colbert-McKinsey (2001)
the luxury goods industry is defined by:
> a strong branding that relates to an exclusive lifestyle
> superior quality and timelessness
> premium pricing
> stylish and extravagant in terms of design

Luxury can be seen as goods distinguished by their inherent value (gems, precious metals and materials, land, ocean frontage, certain urban properties), or so unique and extraordinary that they command a premium price

As a Business

The Business of Luxury

Luxury products and services encapsulate more than the physical characteristics of the product and evoke a sense of myth and fascination.

Maintaining **the aura** of luxury
is a **key driver of consumer behavior**

Superior quality and **craftsmanship** are at the heart of the luxury proposition
and give sense to the pricing

The luxury sector invests heavily in **industrial property** in terms of **creative inventions**
but also in relation to **design** and **innovation**;

Maintaining control of
the distribution and retail of products, **selective/ exclusive distribution**,
is **critical** to the **brand building** and **economic success**

As a Business

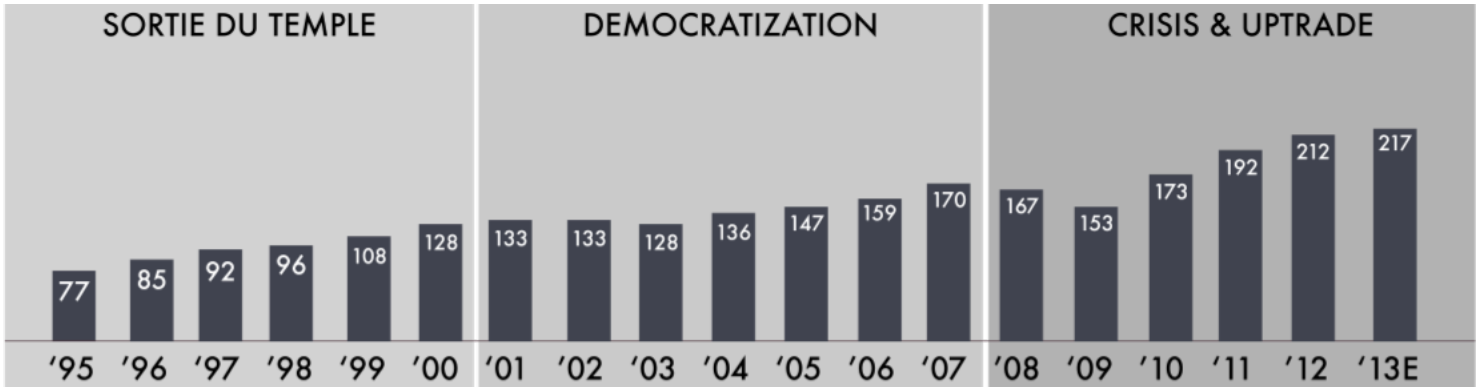
Size of the Personal Luxury Goods Market

According to Bain & Co. , the value of worldwide personal luxury goods market tripled in less than 20 years from 77 billion in 1995 to 217 billion in 2013

After September 11 the market growth has been driven by democratization: brands extension into more accessible categories (beauty, eyewear) and price points

Since the financial turmoil in 2009 the luxury market left behind double digit growth and absolute, high end, and niche segments outperform the market across products

Retail value (Billion Euro)



Source | Bain & Co. - Altagamma 2013 Worldwide Markets Monitor

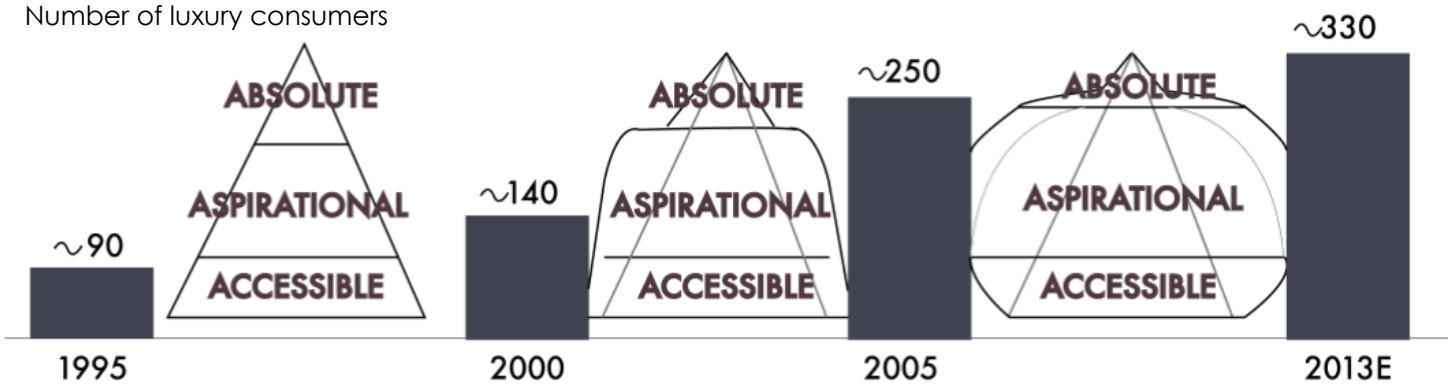
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As a Business

Size of the Personal Luxury Goods Market

According to Bain & Co. , luxury customers more than tripled in less than 20 years reshaping the market pyramid and supporting market growth in particular in the absolute and aspirational luxury segments

Luxury consumers, 90 million in 1995, are now an heterogeneous group of 330 million individuals different by gender, nationality, generation, attitude and shopping behaviour



Source | Bain & Co. - Altagamma 2013 Worldwide Markets Monitor

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Luxury As a Culture

Luxury in Europe*

A **unique business model.** The sector is based on European culture, craftsmanship, and creativity

A **major contributor** to the European economy
The total output represents 3% of Europe's GDP

A **significant source of employment** in the EU
The sector employs about 1 million workers directly, and at least another 500,000 indirectly

A European **trade champion**
European luxury brands account for over 70% of the worldwide luxury goods market
The sector exports 60% of its output, representing over 10% of all exports from Europe

A **key driver of growth** for Europe's future

*ECCIA, the European Cultural and Creative Industries Alliance, 2012

Luxury As a Culture

Comitè Colbert

The luxury industry conveys **culture** and **identity** (**French** luxury **companies**). Their quest is to combine tradition and modernity,
craftsmanship and creativity,
history and innovation.
World of reference > **art de vivre, heritage, dream**
Industries > **fragrances, champagne,**
leather goods, art de la table, hotellerie



www.comitecolbert.com

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Luxury As a Culture

Fondazione Altagamma

An industry of excellence (the Altagamma **Italian companies**). Their quest is to achieve simultaneously innovation, quality, service, design and prestige

World of reference > "**la dolce vita", Italian lifestyle**

Industries > **fashion, design-furniture, food**



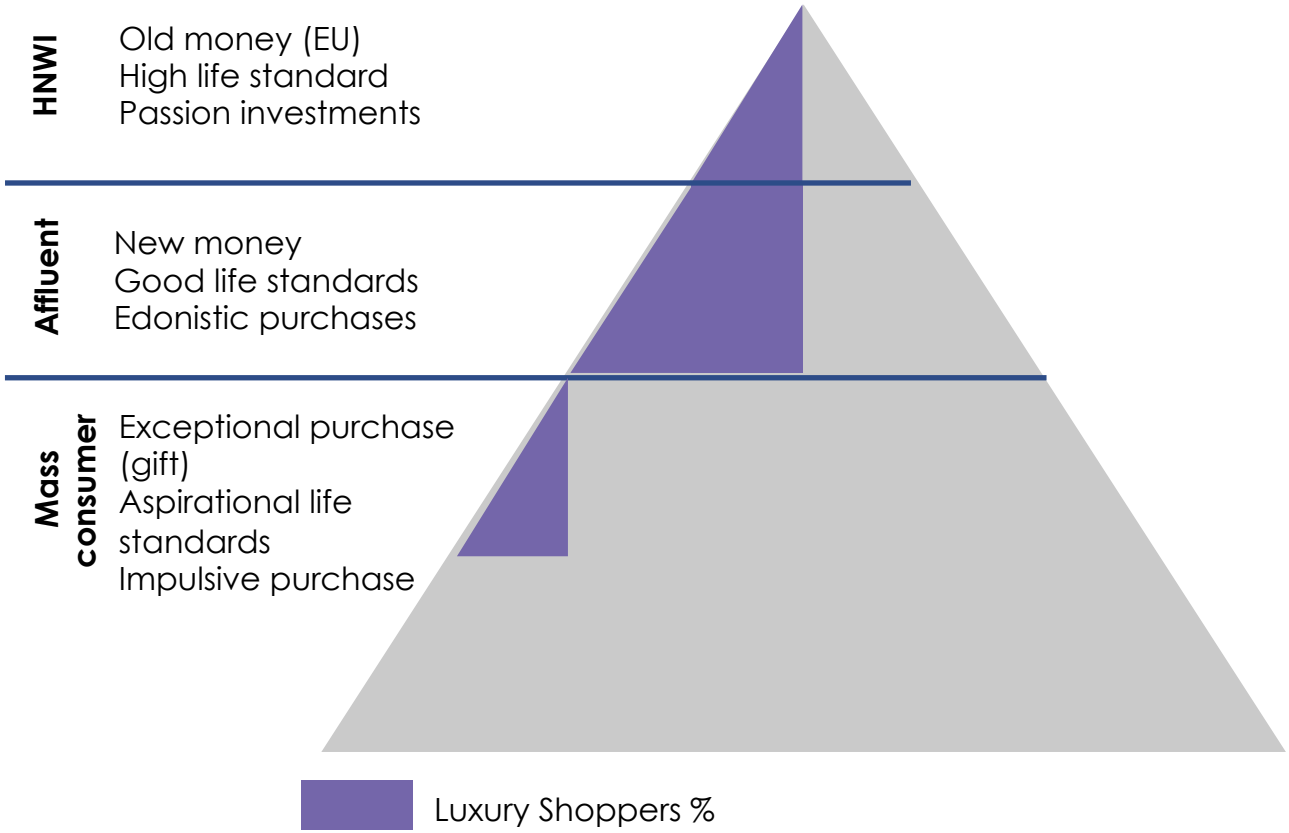
www.altogamma.it

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As a Customer

Customers' Classification

Not all luxury customers are HNWI > high net worth individual



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As a Customer

Different Attitudes and Interests

> fashion victims
> experts
> Asians
> new seniors
> young generations

What Luxury is not

What Luxury is not (and should not be)

> an object
> completely replicable
> vulgar
> expensive
> easy
> democratic
> fast