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Luxury Fashion Designers Struggle to Adapt to Digital Era; Exclusive brands look for ways to combine the best of yesterday with what drives consumers today

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FULL TEXT

Is it possible to grow an exclusive brand in the digital world?

That is the crux of a debate currently bedeviling the luxury fashion industry, where growth has slowed at a time when digital technologies have allowed other sectors--from transportation to short-term apartment rentals--to expand globally at mass scale.

The mood in the space is sour. Global volatility and stock-market uncertainty have led to an overall slowdown in the sector. Nearly 70% of surveyed fashion executives, investors and industry observers believe that conditions for the fashion industry have become worse, according to a report in December by consultancy McKinsey and London-based publication Business of Fashion.

"The key message is that 2016 was a really bad year for the industry, probably the worst one since the financial crisis," says Achim Berg, a lead author of the McKinsey report and leader of the firm's apparel, fashion and luxury practice. "That was especially true for the luxury part of the industry, which was a bit surprising because we all knew 2016 was bad, but we didn't expect it would be that bad."

Some luxury fashion brands have turned to new technologies in an effort to connect with an increasingly digital consumer who demands immediate gratification, quick service and ever-new ways to interact with old brands.

But these qualities, of course, haven't always been synonymous with the luxury world, which, by its very nature, can seem out of place with trends in today's increasingly modernized marketplace.

Luxury's 'problem'

"When we talk about luxury, we have a problem," says Pauline Brown, former chairwoman of North America at LVMH Moët Hennessy Louis Vuitton and senior lecturer at Harvard Business School, where she teaches a course titled "The Business of Aesthetics." When people talk about luxury goods, Ms. Brown says, "we are talking about heritage, about a traditional way of storytelling, and all of that is very antithetical to innovation, to technology, to efficiency."

Many brands are trying anyway, though for now success seems limited. The McKinsey and Business of Fashion report forecasts annual online sales of luxury fashion will increase fourfold to 12% of total sales in 2020 from an

anemic 3% in 2010.

Perhaps no other innovation has garnered more attention in recent years than a process called "see now, buy now," in which a designer's collection is presented on a fashion-show runway to the usual select cadre of press and retailers, but also streamed live through their websites and social media.

While each designer does it a little differently, the biggest change posed by "see now, buy now" is that the clothing on display is made available for sale the moment the show goes live—an idea that upends the traditional rhythm of the fashion cycle, in which the designer used to have time after each show, roughly six months, to hone his or her collection before it hit stores.

"More players will get out of that standard approach," says McKinsey's Mr. Berg. Indeed, now that social media has allowed the average consumer to watch shows—often as they are happening—more brands are recognizing they need to have their wares available immediately.

Most experts agree that more brands will start following the likes of Burberry, Tommy Hilfiger, Tom Ford and Ralph Lauren, which last year staged some of the first "see now, buy now" fashion shows in New York and London. In essence, these designers made the new lines they were unveiling available immediately for purchase online and, in some cases, in stores.

Some are skeptical, however, that speeding up production lines is the answer to luxury fashion's ills.

"Luxury is a particular industry," Mr. Berg says—one defined by its customers. "You have to convince them that they want to buy, because all their closets are full anyway. How can you stimulate someone who has a lot anyway? You need to have a story, you need to have immediacy, you need to have an impulse."

Moreover, fashion designers are used to working at a slower pace, employing what may be artisanal techniques that take time.

Look at logistics

Where more speed can be added, industry insiders say, is by improving digital logistics, from how factories work to the way websites are designed and how clothes are delivered.

One name that keeps coming up in this context: Amazon Inc. The Seattle-based online retailer that made a name for itself selling books and electronics with highly streamlined processing and delivery is making a move into the fashion industry. Brands such as Kate Spade and Calvin Klein now sell directly on the Amazon website. Amazon didn't reply to a request for comment.

Other companies have started offering software and logistics services to high-end fashion brands that have more experience in clothing design than in creating lightning-speed supply chains.

Farfetch, an e-commerce fashion platform recently valued at more than \$1 billion, has expanded into this space with the recent launch of an independent business called Farfetch Black & White. The service offers retailers e-commerce tools they can use on their own websites, with an eye toward helping brands offer the quick customer support, international shipping and payment features that more technologically savvy businesses have adopted.

"Luxury brands have come around to [digital] over the past few years," says Stephanie Phair, chief strategy officer at Farfetch. "It's no longer a question of should they, but how should they."

Some fashion retailers also are dabbling in virtual reality, which other industries ranging from manufacturing to media have seen as a harbinger of how they will interact with consumers in the future.

Rebecca Minkoff, a maker of luxury handbags, accessories and clothing, sold virtual-reality headsets so that consumers anywhere with cell service or Wi-Fi could have a 360-degree view of a 2016 runway show. The brand has similarly dabbled in augmented reality and drones.

Chief Executive Uri Minkoff says his company is working on predicting what technologies its customers--mostly millennial women who are very familiar with digital technology--will be using in a few years.

"This gives us the opportunity to work with really big tech companies, and small, nimble startups that want to be part of that dialogue," he says.

Minkoff's dive into technology might work particularly well because of its tech-savvy clientele. But for other high-end brands not necessarily catering to those fluent in digital technologies, challenges could arise.

Issues such as these have led Harvard's Ms. Brown to skepticism.

The minute that digital technologies become too emphasized, it either dilutes the luxury experience or it unveils the fact that what we thought was luxury was really not, she says.

"Online today is still highly transactional, and luxury is still highly qualitative and experiential," she says. "The two don't really go together."

At least, not yet.

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