

**REPORT SERIES**



# Global Power Of Luxury Goods

**PREPARED BY**  
180 Degrees Consulting SGGSC





**MINI REPORT 1**

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**INTRODUCTION TO THE  
WORLD OF LUXURY**

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**GLOBAL POWER OF  
LUXURY GOODS**

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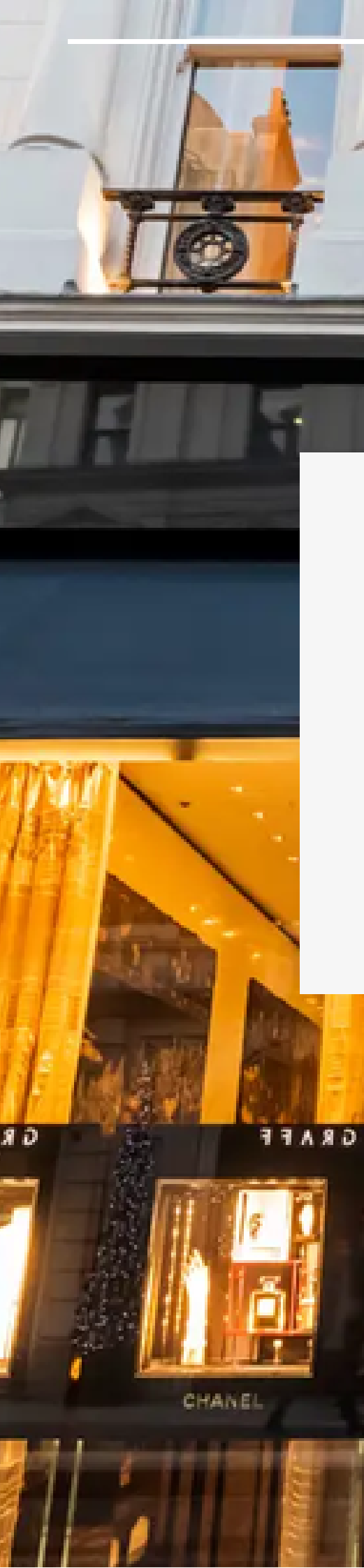
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# INTRODUCTION



INTRODUCTION TO THE WORLD OF  
LUXURY

# SCOPE OF TERM

WHEN IT COMES TO LUXURY MARKETING, SCARCITY IS CRUCIAL, AND IT'S WHAT MAKES IT SO APPEALING IN THE FIRST PLACE.

The Luxury Business has been expanding throughout the years as a very detail-oriented, complicated sector. It is an exclamation of choice - what you want, how you want it, and when you want it and is a profound articulation of the wonderful art of living. A willing consumer now has a choice of goods and services to select from, thanks to the rise of luxury companies that cover every aspect of a flamboyant lifestyle. As a result, luxury is both a vital and exclusive section of the market that sells dreams.

The ability to be exclusive is the most important aspect of a luxury brand. Of course, luxury brands will be of great quality, but premium brands that provide excellent quality and want to sell to everyone who can afford it can also achieve this level of importance in the market. On the other hand, luxury companies do not strive to serve the public, and they do not want their products to be widely available, even at premium costs.



# SUPERFICIAL INTRODUCTION OF HISTORY

The word luxury is actually a synonym for passion. It comes from the Latin terms *luxuria*, which means excess, and *luxus*, which means extravagance, and is translated as *luxure* in French. Luxury was once connected with adultery in Elizabethan times, although it has since come to denote opulence or splendour.

Throughout history, different emphases have been placed on the concept of luxury. Luxury, for example, was intimately associated with worldly pleasures and delight, both of which were considered sins. However, during the Renaissance, conceptions of

the beauty, and the pleasures of life were no longer considered as wholly wicked, but no mechanism to distinguish between greater and lower degrees of enjoyment of life had yet been discovered.

Luxury goods were viewed as status indicators and bolstered enjoyment and pleasure. Luxury things were prized by monarchs and aristocrats because they symbolised personal power in society. As a result, luxury became a societal issue distinguished by rivalry and inequality rather than a socially neutral concept.

# NORMAL GOODS VS LUXURY GOODS

Today, luxury goods are those products which are not necessary, but tend to make life more pleasant for the consumer. They're typically offered at a price that exceeds their functional value, wrapped in a holistic hedonistic experience, and are more often than not, tied to a heritage, unique know-how, and culture.

We understand that the cost of normal goods is proportional to a person's income. Purchases of normal goods increase when income rises, although by a smaller amount whereas, a rise in income causes a larger percentage increase in demand for a luxury good. For example, when income rises, demand for large, high-definition (HD) televisions is likely to climb since consumers have more money to spend on a huge TV.

However, if there is a recession, which is defined as a period of negative economic growth in which there's a reduction in the disposable income of consumers thus diminishing their purchasing power, the demand for HD TVs is likely to fall. As a result, high-definition televisions will be considered a luxury item.

People tend to spend a bigger proportion of their income on luxury products as their income rises, whereas they spend the same or less on regular goods despite this increase. People with lower earnings typically spend a larger percentage of their income on ordinary and substandard things than those with higher incomes.

A special good, on the other hand, can be a typical good for one person but an inferior or luxury item for another. While demand for sports vehicles rises by 25% when overall income rises by 20%, sports cars are considered luxury goods because the rise in income causes a larger percentage increase in demand.

# SOCIO - ECONOMIC SIGNIFICANCE

Luxury goods have been discovered to meet specific needs and give the owner both social and psychological benefits. Men and women buy and use luxury goods in different ways. One, luxury goods can provide a value-expressive function, allowing buyers to express themselves and communicate their views, attitudes, and values. Two, luxury goods can help consumers achieve social approbation and prestige by serving as social adjusters. Two, luxury goods can help consumers achieve social approbation and prestige by serving as social adjusters. Aside from psychological and social motivations for purchasing luxury goods, certain traits and qualities of the items themselves, such as "quality, comfort, resistance, prestige, and visibility of the product," have a substantial impact on overall happiness.

Though there are several factors that are commonly linked to customer satisfaction, clients' particular tastes for luxury goods vary from person to person. One of the most intriguing aspects of luxury tastes is the concept of "brand prominence." The prominence of a brand's mark or logo on a product is described as "the conspicuousness of a brand's mark or logo on a product." It has been discovered that products with more prominent branding (e.g., large conspicuous logos) are regarded "loud" and desired by those who want to associate with the upper class while avoiding the lower class.

"Quiet" products, on the other hand, are less conspicuously labelled and appeal to upper-class people looking to interact. Thus, it can be said that in order to satisfy self-expressive motives, people with a higher socioeconomic standing will select quiet luxury things and in order to satisfy socially acceptable goals, people of lesser socioeconomic standing will prefer louder luxury products.



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# TARGET AUDIENCE

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INTRODUCTION TO THE WORLD OF LUXURY



**Luxury brands must devise strategies to successfully bridge the abyss between the market's current consumer demographic and the next - the Millennials.**

Today, luxury brands face a generational shift in their target market, as Baby Boomers (born 1946-1964) give way to Millennials (born 1980-2000). Both generations are roughly the same size, give or take 75-80 million people, but they do not have the same spending power. Affluent Boomers have already made their money, amassed their wealth, and acquired the luxury lifestyles that they desire. Their desire for luxury has shifted primarily to experiences, and they are no longer interested in luxury goods.

Millennials are still on the path to affluence, as the cohort's leading edge is only 36 years old and has not yet hit their stride in terms of income or wealth. With people reaching their highest income levels between the ages of 35 and 54, the affluence window, it will take until the middle of this decade, around 2026-2029, for Millennials to reach critical mass in the affluence window. They will not have enough spending power until then to potentially drive the next luxury boom.

So, until the middle of this decade, Generation X, which is roughly half the size of Boomers and Millennials, will be in the age range that marks people's lifetime income peak and thus their highest potential as customers of luxury brands.

However, the fact remains that the relatively few affluent GenXers will be unable to fill the void left by affluent Boomers as they age out of their peak earning and spending years. And it will take another five years or so before enough Millennials reach affluence and have enough money to invest in the luxury industry.

Between now and then, brands will face a 'Luxury Drought,' caused by a shift in demographics, which will disrupt the luxury industry's forward momentum and growth. The Luxury Drought will be characterised by slowing growth and increased competition in the luxury market.

The growth years in the United States' luxury market during the 1990s and early part of the twenty-first century were largely due to the massive Baby Boom generation entering the age ranges that define the window of affluence. For luxury marketers, this means that the days of easy growth are over, and competition in the luxury industry will become fierce as a much smaller target consumer market of affluent GenXers becomes their primary customer.

### **Opportunity lies just over the horizon: Rapidly growing numbers in the 25-to-34 age range - But they are not as affluent**

Population projections for luxury brands show powerful opportunities emerging for luxury marketers who can tap the potential of the 25-to-34-year-old cohort, the Millennial cohort, and in the near future, Generation Z. While these consumers have less income and thus less money to spend on luxury, they are younger and have a strong desire to accumulate more material possessions. Furthermore, until Millennials' incomes begin to rise, the generation's most highly educated consumers, who have the best prospects for achieving high levels of income as they mature, will begin their ascent up the income ladder as HENRYs, the mass affluent HENRY with incomes ranging from \$100k to \$249.9k.

Focusing on young HENRYs, aged 24-44, with incomes of \$100k-\$249.9k, where the most potential customers are and with the greatest appetite to accumulate the material trappings of a luxury lifestyle, will be the best way for luxury marketers to succeed during this luxury drought, which will last until the mid-2020s. Luxury brands must have their fingers on the pulse of the young HENRYs on the path to prosperity in order to achieve this.

Luxury does not mean the same thing to the next generation as it did to their parents' or grandparents' generation of Boomers, thus brands must adapt to the Millennials' own perspective on luxury. The key challenge for luxury brands and the young HENRYs is not about how they connect – internet marketing tactics – but how to create new and compelling reasons why their brands are meaningful and important to this digitally-empowered generation.

### Age Breakdown of Luxury Buyer

% who say they mainly purchase luxury items/services



Question: Do you ever purchase high-end or luxury products / services? Source: GlobalWebIndex March 2019 Base: 928 (U.S.) & 1,049 (UK) luxury buyers and 353 (U.S.) & 426 (UK) non-luxury buyers aged 16-64

## **More Immersive Experiences To Engage The Consumer**

Luxury fashion brands must adapt their marketing to their new audience and engage with them. However, it is important that they maintain a balance between brand exclusivity and sales activation. Brand exclusivity is vital for luxury brands because it attracts and retains its customers through uniqueness. Since the millennial generation is more interested in experiences than in material things, brands must incorporate an 'experience' into their branding process.

### **INDIAN CONSUMER SCENARIO**

The Indian consumers have been divided into five different classifications. While the elite class is just 4 percent of the overall population, the absolute numbers are far too attractive for any luxury brand to ignore. These numbers are expected to grow from 10 million to 26 million households by 2025-26.

In addition, by 2025, the overall average household income is also expected to grow by 1.7 times. This, in itself, is an attractive proposition for any global brand.

- People want things that they don't have, and were willing to pay more for it

## Luxury Spending By Category

% who say they typically discover new luxury brands or products via the following

### TOP OVER-INDEXES AMONG...

#### Regular Treaters

Cars / automotive	26%
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Household / furniture items	36%
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Travel (e.g. first-class flight tickets, etc.)	36%
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#### For gifts and special occasions

Experiences (e.g. glamping, exclusive event access, etc.)	25%
---	-----

Travel (e.g. first-class flight tickets, etc.)	30%
--	-----

Household / furniture items	25%
-----------------------------	-----

#### Occasional Treaters

Food ingredients (e.g. truffles, caviar, etc)	34%
---	-----

Electronics (e.g. premium headphones, smartphones, etc.)	53%
--	-----

Handbags	26%
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Note: all indexes are against the average luxury spender

Question: In which of the following categories have you purchased a luxury item / service in the past 12 months? Source: GlobalWebIndex March 2019 Base: 1,119 (U.S.) & 1,195 (UK) luxury buyers aged 16-64

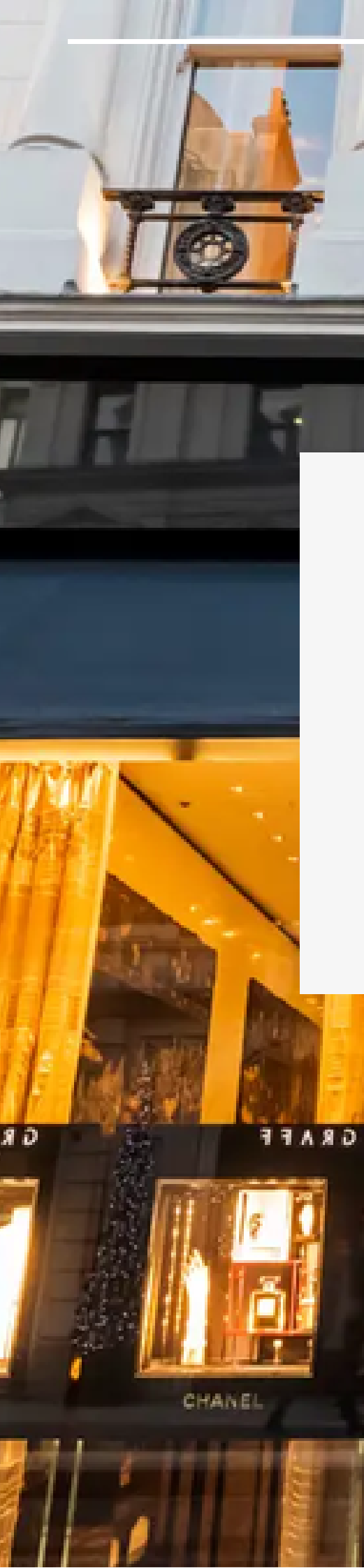
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# GENERAL PSYCHOLOGY

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INTRODUCTION TO THE WORLD OF  
LUXURY



# DRIVERS OF LUXURY CONSUMPTION

## 01 BIOLOGICAL FACTORS

It is found that testosterone, a hormone linked to the drive for status in humans, boosts the desire for high-end products. Researchers discovered that testosterone enhanced men's choice for luxury brands (such as Calvin Klein), but not for non-luxury brands of comparable quality (such as Levi's).

Another study found that biological variables interact with the social context to shape the need for luxury, that is, in the presence of a physically dominant male employee, male customers purchased more expensive products. This effect was more pronounced among clients who were shorter in stature or had a high hand-to-digit ratio (which is indicative of low levels of testosterone). These data support the theory that evolutionary demands and mating goals influence women and men's luxury spending differently.

Also, neuroscientific data reveals that the mere presence of another person improves female consumers' attention to luxury products by amplifying the emotional worth of such products due to the state of arousal induced by another's presence.



## 02 SOCIO-PSYCHOLOGICAL FACTORS

Recent research has begun to unpack the relationship between consumers' beliefs/goals and their desire for luxury. Based on the concept that conservatives place a higher value on maintaining status and that having a high socioeconomic position activates the status-maintenance aim, researchers discovered that conservatives with high socioeconomic status have a larger desire for luxury products and brands.

According to other studies, conservatives want luxury since it allows them to vertically differentiate themselves from others in the social hierarchy and to validate their opinions about the hierarchy's legitimacy. Liberals, on the other hand, distinguish themselves as non-hierarchically through innovative and creative (usually non-luxury) consumption.

Thus we can say that individuals' desire for uniqueness from high-status others is heightened by power, which leads to an increase in their desire for experiential luxury due to its unique ability to meet uniqueness needs.

## 03 STRUCTURAL FACTORS

Individuals' sensitivity to status cues can be increased as income disparity rises. A study recently found that luxury products like Louis Vuitton and Rolex are cited more frequently in tweets from locations with substantial economic disparity.

In another study, over 70% of the top 40 online questions in states with higher economic inequality were about status products, whereas none of the top 40 online queries in states with lower income inequality were about status goods. More recently, in the United States, researchers discovered that the ratio of image searches to online searches – a measure of a brand's conspicuousness – increased as a function of local state inequality for high-end products.

# HUNGER MARKETING - THE MARKETING TACTIC OF LUXURY GIANTS

Hunger marketing is a type of marketing that focuses on the emotions of people. It's a psychological technique that focuses on consumers' desires by making them hungry, causing them to have a strong desire to buy things that other people want to buy as well. By stimulating psychology, it encourages consumers to make emotional rather than rational decisions by increasing the product's scarcity. This marketing method increases people's curiosity and helps firms get more potential consumers through word-of-mouth.

**According to research, product scarcity attracts consumer attention, raises the perceived worth of the product, and fosters creative product utilisation.**

# CASE STUDY - GUCCI

## Shockvertising Strategy of Gucci

Shockvertising is a style of advertising that intentionally shocks and offends its target audience by defying social standards and personal aspirations. This strategy worked beautifully for Gucci since it was used at the right moment. The increase of celebrity preoccupation in pop culture, along with a pop moment that can only be described as "the return of sexy" in fashion, explains why it worked so effectively. Today's social media, especially in the saturated fashion business, relies on shock value to generate participation.

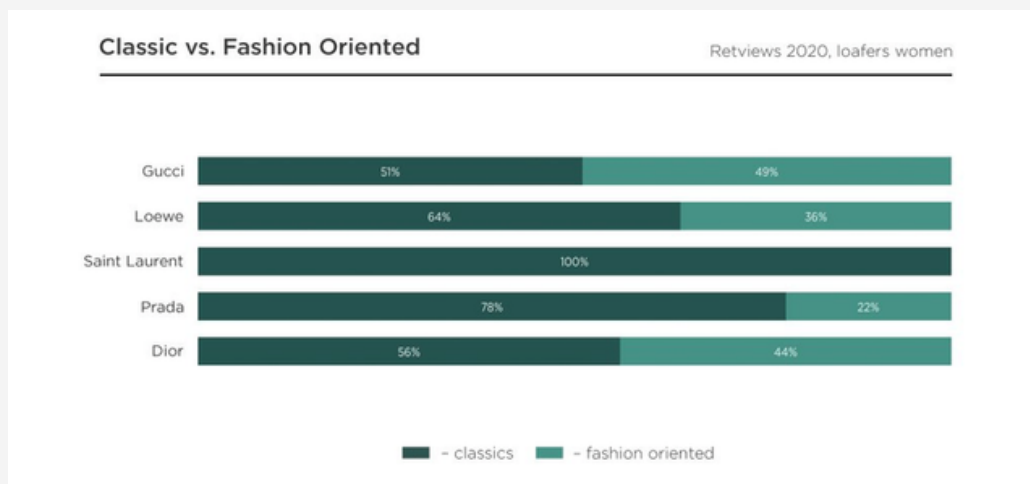
## Gucci's Influencer Marketing Strategy

Gucci has made sure to be seen on a bevy of style icons including Harry Styles, Kate Moss, and Rihanna – all millennial favourites. Celebrities have always been the ultimate validation for luxury brands. Gucci enlisted a slew of celebrities, including Harry Styles, Serena Williams, and Dakota Johnson, to host a 'talk show' called The Beloved Show with James Corden for their 2021 campaign.



## Trend-Driven Strategy

Currently, Gucci’s merchandise can be classified as 60% classic styles and 40% trendy styles. Here's why it's fascinating. If there’s one thing luxury experts would advise against, it is basing a sizable line of products off trends. After all, fast fashion retailers such as H&M and Zara, which are on the opposite side of the market, use this tactic. Furthermore, there is a risk of losing one's status as a luxury brand completely, as well as brand dilution. Gucci also ran the risk of losing its older clients. And it paid off handsomely.



## Meme Marketing

Gucci's millennial success can be attributed to the fact that the brand does not take itself too seriously. Everything from apparel that appeals to people of all genders to marketing that is truly enjoyable, the strategy has been a hit.



# CASE STUDY - CHANEL

## Scarcity Marketing Strategy

Chanel introduces a new fragrance every 10 years, not every three minutes like many competitors, thus avoiding confusion for its consumers. With Chanel, people know what to expect. The customers keep coming back, at all ages, as they enter and leave the market. Scarcity marketing safeguards a brand's visibility by instilling in the customer the fear of losing their options. Since then, the brand has incorporated this strategy into all aspects of its business, including products and advertising.

## Value-Based Marketing Strategy - Narrate Your Story

Chanel's content is always about the tales, not about hard-selling its items. Chanel probably has the most engaging content among its competitors, Dior, Hermes, and Louis Vuitton, with inventive video clips starring Pharrell Williams and Keira Knightley.



1970



2007



2017

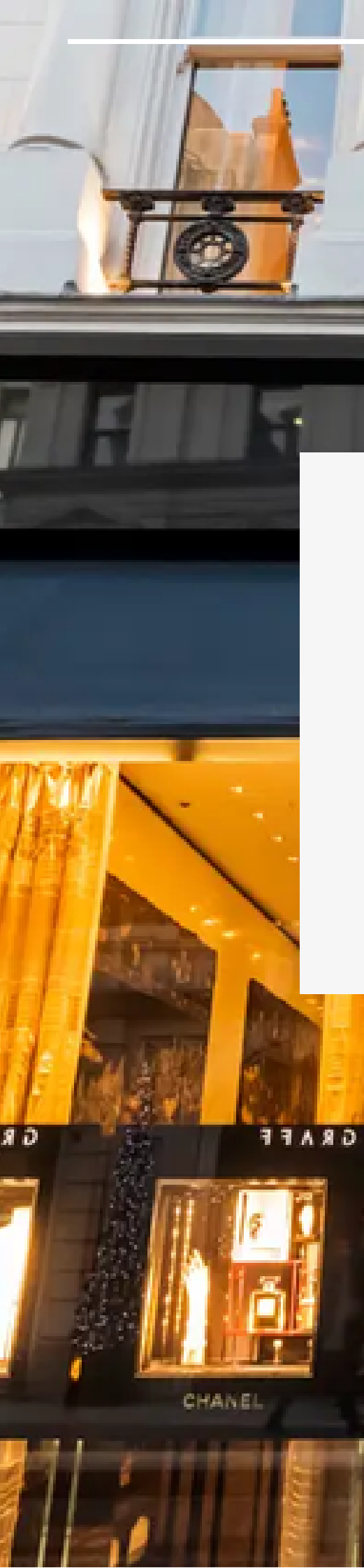
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# ECONOMIC MECHANISM

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INTRODUCTION TO THE WORLD OF  
LUXURY



# PRICE, ELASTICITY, DEMAND AND SUPPLY

In consumer theory, superior goods or luxury goods are a type of normal goods in consumer theory since they account for a bigger share of consumption as income grows. A good like this must have two economic characteristics: it must be scarce, and it must also be expensive. The good's scarcity can be natural or contrived, but the general public (i.e., customers) must acknowledge the good as distinctively superior. Possession of such a good is frequently associated with "superiority" in terms of resources, as well as prestige.

Luxury items witness a high-income elasticity of demand, which implies that as people get wealthy, they will buy proportionately more of them. This also indicates that if income falls, demand will fall more than

proportionately. The income elasticity of demand is not constant with regard to income, and it might change signs at various income levels. That is to say, at different income levels, a luxury good may become a necessity or even a substandard good.

However, some luxury items have been alleged to be Veblen goods, ie a superior-good with such a high prestige value that a price decrease could reduce demand, having a positive price elasticity of demand: for example, increasing the price of perfume might improve its perceived worth as a luxury commodity to the point that sales grow rather than decrease.

**It's worth noting, though, that Veblen products aren't the same as luxury items in general.**

# ECONOMIST'S TAKE

For a long time, economists have been baffled by the desire for high-end items.

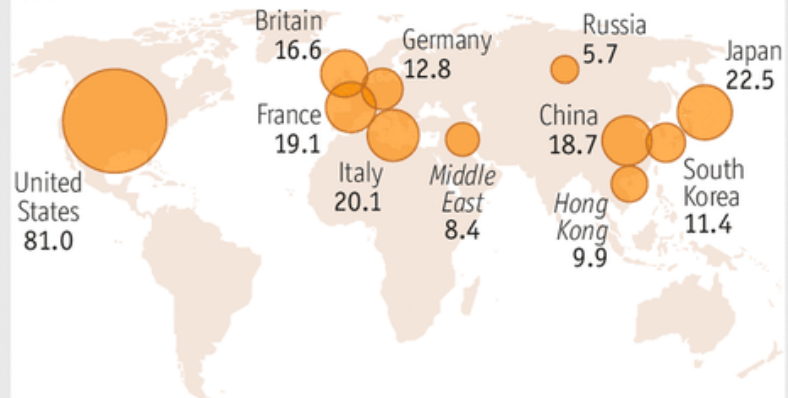
On the surface, it doesn't make sense. When there is little discernible difference in quality, a reasonable customer should prefer to purchase cheaper versions of consumer goods. Even the most discerning experts can't always tell an excellent wine from a mediocre one, according to many blind tasting trials. So, what's all the hullabaloo about?

## A world of indulgence

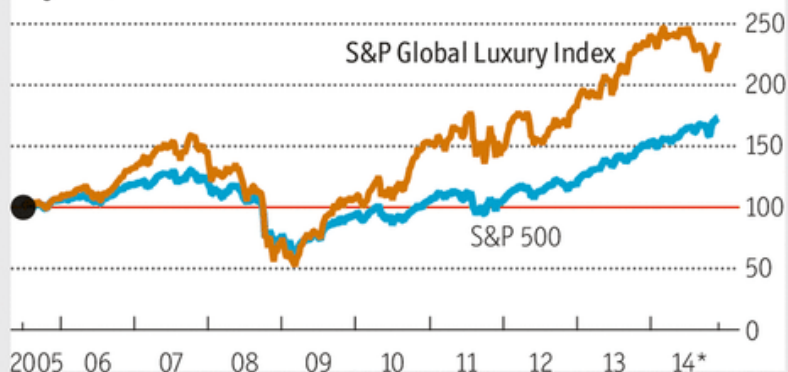
Global luxury-goods market, 2014\*, \$bn  
Total: \$1.1trn



Where personal luxury goods are bought, \$bn  
2014\*



July 2005=100



Sources: Bain/Altagamma; Bloomberg

\*Forecast



To explain why people buy things that aren't true needs of existence, Adam Smith cited the example of a linen shirt worn by a labourer in his time's Europe. This is referred to as signalling by modern economics.

"A linen shirt isn't strictly speaking a life necessity." I'm sure the Greeks and Romans were incredibly comfortable, even if they didn't have linen. "But in the present times, throughout the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the lack of which is supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct," Smith wrote in a famous passage of his classic work, *An Enquiry Into The Nature And Causes of The Wealth of Nations*, published in 1776.

The linen shirt was thus a symbol of social concern as well as a communication that the wearer was hardworking and accomplished.

## GLOBAL MARKET LEADER IN RECENT FUTURE

According to Bain & Company's annual research on the luxury sector, Chinese consumers are spending more on luxury products at home, even if they can't readily travel overseas owing to pandemic-related restrictions.

According to Bain projections issued Thursday, personal luxury goods sales in mainland China increased by 36% to 471 billion yuan (\$73.59 billion) in 2021 from the previous year. This is more than double the 234 billion yuan spent on luxury items on the mainland prior to the 2019 outbreak.

Despite a decline in overall Chinese retail sales since the pandemic began in 2020, sales of luxury goods have increased. The data also demonstrate how China's domestic market is becoming a more appealing destination for international brands.

According to Bain, China's share of the global luxury market increased to almost 21% in 2021, up from around 20% in 2020.

“We anticipate this growth to continue, putting the country on track to become the world’s largest luxury goods market by 2025 – regardless of future international travel patterns,” the report said.

“China remains the best consumer story in the world,” the Bain analysts said, pointing to the country’s growing middle class. “The average increase of disposable income remains higher than inflation.”



# CHINA HAS EMERGED AS A MAJOR GLOBAL CONSUMER OF LUXURY GOODS



2020

CHINA'S LUXURY CONSUMER BASE IS EXPECTED TO EXPAND FROM 80 MILLION TO 180 MILLION PEOPLE.

SOURCE: MCKINSEY

2015

CHINA IS EXPECTED TO OVERTAKE JAPAN AS THE WORLD'S LARGEST CONSUMER OF LUXURY GOODS.

2010

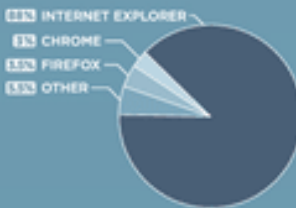
CHINA'S LUXURY GOODS CONSUMPTION REACHED US \$6.5 BILLION, MAINTAINING THE WORLD'S FASTEST GROWTH RATE FOR THREE CONSECUTIVE YEARS.

SOURCE: GOLDMAN SACHS

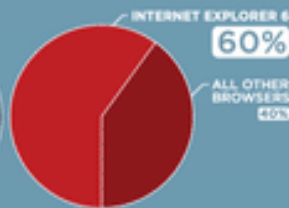
## CHINESE CONSUMERS ARE GOING ONLINE IN UNPRECEDENTED NUMBERS

### WEB BROWSER USAGE IN CHINA

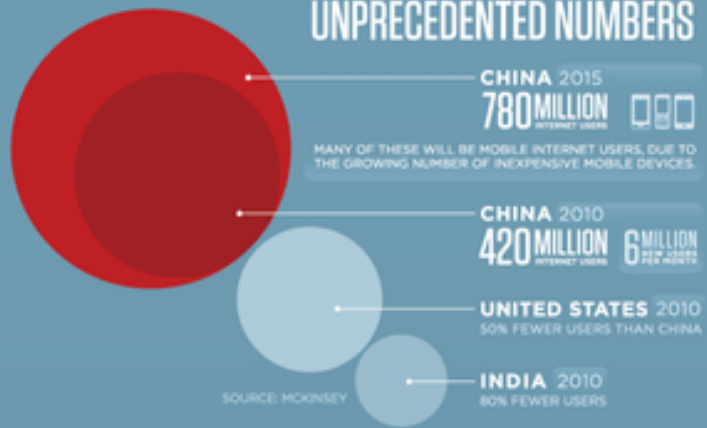
GENERAL BROWSING



ONLINE SHOPPING



SOURCES: STATCOUNTER.COM (MARCH-MAY 2011) AND INTERNET RETAILER (FEBRUARY 2010)



## THE GROWTH OF THE CHINESE E-COMMERCE CONSUMER BASE



## LUXURY BRAND WEBSITE PERFORMANCE

AVERAGE LOAD TIME FOR LUXURY BRAND HOME PAGES IN URBAN CHINA:

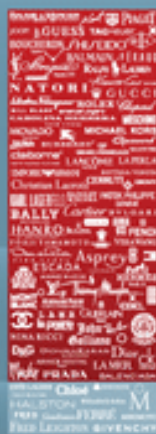
BASED ON A STRANGELOOP SURVEY OF 100 BRANDS

16.2 SECONDS

OPTIMAL PAGE LOAD TIME:

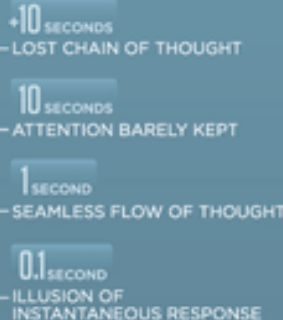
2 SECONDS

SOURCE: FORRESTER CONSULTING



## ACCEPTABLE WEBSITE RESPONSE TIMES

SOURCE: JAKOB NIELSEN



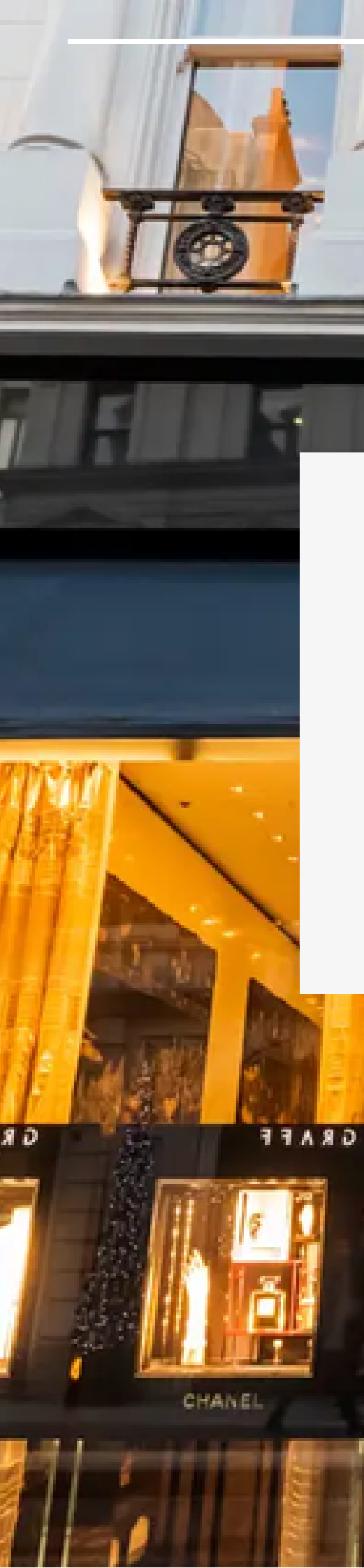
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# CHALLENGES

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INTRODUCTION TO THE WORLD OF LUXURY



The third decade of the new millennium began in 2020 and it's hard to believe, but the personal luxury goods industry has more than quadrupled since then, rising from €128 billion to €281 billion, with a 4.1 percent compound annual growth rate.

The personal luxury goods market, which includes apparel, fashion accessories, beauty, jewellery, and watches has gone through five stages of development in the last two decades: democratisation (2001-2007), crisis (2008-2009), Chinese Shopping Frenzy (2010-2013), Reboot (2015-2016), and now the New Normal (2017 onward).

The present New Normal period, which is defined by moderate growth in the 3-5 percent range, is likely to last beyond 2020, with Asian markets driving the majority of the industry's growth.

However, the luxury sector confronts a number of unforeseeable problems that could deviate from the expected New Normal in 2020.

These challenges are likely to affect individual markets differently depending on their level of exposure to the luxury market, but the end result could be massive disruption on a global scale.

## **SLOW GROWTH, RISING TURMOIL**

The same emotion is shared by CEOs working in the luxury industry, as Deloitte discovered in its upbeat assessment of consumer sentiment heading into the 2019 Christmas shopping season – "Consumers want to keep the good times rolling."

While industry insiders are upbeat about their own companies' prospects for the coming year, they are less upbeat about the luxury industry as a whole. In 2020, more people (32%) predict business conditions in the luxury market to deteriorate, compared to 21% who expect things to improve. More importantly, only one-fifth of people are still enthusiastic about 2020.

Their confidence has dwindled significantly since last year, when moreover half of the insiders polled expected the luxury market's business circumstances to improve in 2019.

The cautious mood stems from growing worry about how the economic dynamics at play will affect affluent and high-earning consumers. The popular idea that the wealthy were immune to economic ups and downs was disproved during the 2008-2009 recession, and luxury experts are concerned that another global downturn is on the horizon.

"An imminent recession is threatened by global market instability and political unrest. When matters aren't settled, even the wealthy hold back," one insider. "Luxuries are purchases that can be postponed." Another said, "The mayhem surrounding them simply makes them burrow down and wait."

## CONSUMERS TRADING DOWN, NOT UP

Many high-end companies are suffering from competition from lower-cost premium competitors that may provide equivalent quality without the high price tag. "The rise of low-cost retail has harmed the high-end." "Even consumers with the financial means to afford better have traded down," a source said.

Younger customers are driving this trend, which is described as "scaling back to eliminate waste and minimise what they consume."

Even as their wages and ability to afford luxury improve, younger consumers are embracing the ideas of conscientious purchasing. The luxury resale market is frequently described as a business strategy that is ideally aligned with their ideals, but even those who can afford to pay full price for new goods are drawn to the second-hand model.

"Even among the wealthy, the resale market has become quite cool." "They want to be a part of it," a source stated.

A responsible consumption model has replaced the old ostentatious consumerism approach that previous generations supported. "Brands that don't have anything truly unique will fail," said one insider.

## **DIGITAL MARKETING MAY DRIVE SALES, BUT IT THREATENS LUXURY BRAND INTEGRITY**

While digital, social media, mobile, and internet advertising are at the top of the luxury brand advertising priority list for 2020, the luxury brands polled are cutting back on overall advertising spending. Whereas over 60% of insiders surveyed in 2018 indicated they wanted to boost their advertising budget in the following year, only 40% of those polled this year said they planned to do so.

The amount of money companies spend on advertising and marketing is a good indicator of market confidence. This year, they are voting with little or no confidence that greater advertising spending will pay off.

When it comes to social media, many people have been burned. Despite the fact that Instagram and Facebook are the most popular social media platforms (84 percent and 83 percent, respectively), just 25% and 14% of Instagram and Facebook users view these platforms as very effective.

There are no commonly accepted standards for correctly measuring the effectiveness of social media. However, the fact that so few luxury insiders believe these channels are truly effective, as well as the fact that luxury insiders' ratings of Instagram and Facebook's effectiveness have decreased from 2019, when 33 percent rated Instagram and 17 percent rated Facebook as very effective, is noteworthy.

"Social media and the advent of celebrity culture and paid influencers have created brands that dilute the world of true luxury," one insider shared. "Influencers pull down the perception of what luxury is. They don't embody exclusivity, rareness, or craftsmanship," said another.

## DELIVERING AN EXPERIENCE IN THE OMNICHANNEL WORLD OF LUXURY

"For luxury products to flourish on the internet, two requirements must be met: proper, customised identification and multisensory experience," J.N. Kapferer and V. Bastien said in their famous book *The Luxury Strategy*. Today's digital environment is sensually reductive: it is insufficiently experienced."

The authors believed that the internet was for exhibiting, not selling, luxury at the time of publishing in 2009. However, that ship has sailed, as the vast majority of luxury goods companies now sell online, and nearly two-thirds of experiential luxury enterprises also sell some things there.

Luxury brands face a hurdle in successfully navigating the virtual, non-tactile, and depersonalised internet world and the experiential physical world, as this insider put it: "How to create a luxury experience online?" Do luxury shoppers really want to buy a high-end item online without first seeing it in person?

How can we maintain our sense of exclusivity and uniqueness while online?"

**Apart from these challenges, there have been other difficulties that the luxury industry is facing, they include:**



# IMPACT OF COVID

The Covid-19 crisis in 2020 had a significant influence on the luxury goods business. The core personal luxury goods market shrank for the first time since 2009, falling by 23% to 217 billion euros at current currency rates. This is the biggest reduction we've seen.

The total luxury market, which includes both luxury goods and experiences, has fallen at a comparable rate and is currently estimated to be worth around EUR1 trillion.

It's been a year of significant global change in the way we live, shop, and value things. Tourists have stayed at home, altering the way, when, and why they buy luxury goods. Luxury goods purchasing on the internet has exploded, with a market share of 23% in 2020, up from 12% in 2019.

The turbulence of Covid-19 has sparked restructuring in the luxury industry, which is expected to be back on track by 2022-2023. Luxury firms are expected to demonstrate a genuine and long-term commitment to diversity, inclusiveness, and sustainability, as consumer demand for purposeful action and social effect grows.



# IMPACT OF GEOPOLITICS

## 01 THE FACT OF THE MATTER

Disagreements with China and the epidemic have resulted in massive losses and disruptions in the fashion and luxury industries. Short-term fixes for the luxury industry's profound, long-term flaws are no longer sufficient cover of any type. Along with greenwashing, the next growth strategy must include non-fungible tokens and tapping potential through e-commerce and other digital technologies. Brands must put on their game faces and strategize effectively in light of geopolitical forecasts.

## 02 NAVIGATING THE INFLAMMATION IN CHINA

Zhao Wei, a popular brand ambassador, and Chinese darling, is a wealthy actress who has made millions through her playing performances and considerably more from exclusive collaborations with top luxury brands over the years. In 2018, she was a brand spokesperson for Burberry, and in 2020, she will be a brand spokesperson for Fendi, an Italian fashion house. She has been named to the 9th China Film Directors Guild Awards final round jury. She's also an ambassador for the Xining International Film Festival's 12th FIRST International Film Festival.

China got Zhao Wei's work taken from streaming platforms and her fan club banned from the social media platform Weibo in order to achieve its blacklisting goal. In her own country, she has been outlawed.

Prada also dropped actress Zheng Shuang after she was forced to pay 299 million yuan (\$46 million) in outstanding taxes, late fees, and fines in China last month.

Furthermore, news that several Chinese business behemoths and textile and garment conglomerates are in trouble has had a severe influence on global supply chains and reliance on fashion and luxury.

## 03 EUROPEAN FASHION AND LUXURY ELEVATED

The entire European fashion industry has found itself in a state of epidemic isolation. Most of their gorgeous legacy has been changed into shopping arcades and fancy fine dining restaurants, and those prominent shopping alleys of European capitals that had Asian shoppers waiting in line for hours to get their most unique bags and shoes have been abandoned in recent years. Without the profitable sparkle of tourists strolling around, bolstering their businesses, the entire retail atmosphere appears cruelly worn out.

Despite the fact that Europe's GDP per capita is four times that of China, making it one of the world's wealthiest countries, the continent may need to alter its attention away from Asian clients and tourism in order to evolve their own buyers.

Europe needs to fuel its lifestyle, which can lead to more rotating purchasing cycles among active and wealthy European consumers, as well as vintage collections continuing to sell like gold, which has been bought and elevated for appreciation by the world's elite from time to time.

## 04 COMING BACK TO INDIA

With the Atma Nirbhar Bharat campaign focused on local enterprises, India appears to be in a catch 20/20 scenario with China, America, and Europe, as a maker and creator of many luxury items and also a pioneer of luxury goods being provided all over the world. To channel income and growth, luxury brands need to spend more time with key stakeholders, prestigious firms that rank among the wealthiest, investment banking facilities, and very influential media outlets. Affluent consumers have long welcomed fashion and luxury goods into the country, and this tendency is unlikely to change.

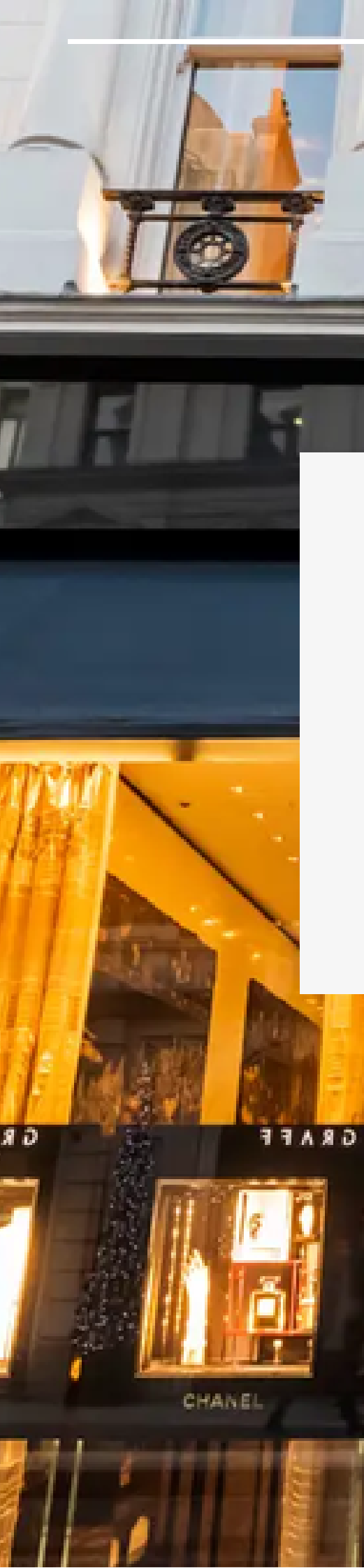
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# DARK SIDE

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INTRODUCTION TO THE WORLD OF  
LUXURY



With clever marketing strategies and excessive profit margins, luxury firms are exploiting consumers' desires. The industry is unsustainable and unethical. It uses non renewable resources and violates garment workers' human rights. It encourages customers to buy in excess and wastefully. The majority of fashion is produced by people in poor nations who work in near-slave like conditions. However, as many people may be startled to hear, the fashion industry has a dark side that affects not only the sector's poorer members, but even those who are admired for their positions within it.

## **PREVALENCE OF COUNTERFEITING IN THE LUXURY INDUSTRY AND EXPLOITATION OF WORKERS; WORKERS ARE REFERRED TO AS “MODERN DAY SLAVES”**

Counterfeit products are inexpensive, and identical to luxury goods but they lack the exclusivity of the genuine article. Many shoppers are unaware that purchasing counterfeit items supports unlawful labour, particularly among youngsters, who operate in an industry that does not pay fair salaries and promotes poor working conditions. Migrants who enter a country illegally are frequently kidnapped and forced to labour in sweatshops or sell counterfeit goods. Many migrants are kidnapped and forced to labour in sweatshops or sell counterfeit products after being smuggled into a country.

Today, counterfeit items have offered everybody, regardless of social class, the opportunity to be a part of a consumer niche that many people want. Consumers buy counterfeit products for two reasons: low prices and the perceived value of the brand. Because the cost of counterfeit goods is a fraction of the cost of an authentic product, many counterfeit products are purchased. As it is a simple technique of gaining status, the product is then assigned a higher value.

In 2013, counterfeit goods cost the global economy an estimated \$461 billion. According to the Organisation for Economic Co-operation and Development, this is the same value as the illegal drug trade, which accounts for 2.5 percent of world imports. In 2014, Asia accounted for 92 percent of all products seized at customs. China leads the pack with more than 74% of counterfeit products, followed by Thailand with 6% and India with 4%. Every day, lawsuits are filed against counterfeit products. For example, Alibaba, the world's largest e-commerce platform, was the first Chinese website to take legal action against vendors selling fake Swarovski watches in 2012. Rolex is one of the most counterfeited brands, according to the World Customs Organisation.

Fashion and retail brands make it harder for factory owners to adhere to labour regulations and norms by consistently demanding faster turnaround times and lower pricing from their suppliers and fueling competition among supplier factories. This trend was exacerbated by the coronavirus epidemic, when garment companies sought to mitigate their financial losses by abruptly cancelling orders from their suppliers, resulting in huge layoffs and pushing workers to the edge of poverty. More than one million garment workers – primarily women – were fired or temporarily laid off in Bangladesh, the second-largest employer of garment workers after China, when designer brands cancelled orders during last year's pandemic shutdowns.

The luxury fashion industry is more tough on the migrants. While the actual number of migrant workers and refugees employed in the garment industry is unknown, they do make up a significant portion of the workforce in all regions. Migrants are particularly vulnerable to exploitation and abuse because they are frequently employed under informal agreements, are undocumented, or lack proper legal protection.

With clever marketing strategies and excessive profit margins, luxury firms are exploiting consumers' desires. The industry is unsustainable and unethical. It uses non renewable resources and violates garment workers' human rights. It encourages customers to buy in excess and wastefully. The majority of fashion is produced by people in poor nations who work in near-slave like conditions. However, as many people may be startled to hear, the fashion industry has a dark side that affects not only the sector's poorer members, but even those who are admired for their positions within it.

## STEALING WORK OF BRANDS AND LOCAL ARTISANS; IDEA THEFT IS FAIRLY COMMON

Idea theft in the fashion industry is nothing new; social media simply makes it appear more common because everyone now has a platform to discuss it. Using other people's ideas is sometimes innocent and amusing, but what if the idea being taken isn't from a similar-sized brand. That's when things start to get fuzzy on the moral front, especially if a mega-label masks the theft of an idea as a well-intentioned homage. This begs the question: where do you draw the line between fashion inspiration and theft?

Gucci debuted their Cruise 2018 collection. One item sparked outrage owing to its uncanny resemblance to a jacket designed by Dapper Dan, the famed Harlem-based tailor who rose to prominence in the 1980s by producing custom items for rappers and athletes. Gucci, which has spent the previous few years associating itself with black culture, infuriated many by not mentioning the African American designer until after the backlash.

Moschino, The Italian house, which is creatively overseen by Jeremy Scott, was sued for plagiarising graffiti artist Joseph Tierney, alias RIME's artwork 'Vandal Eyes.'



Gigi Hadid and Katy Perry wore the artist's work on the runway and on the Met Gala red carpet, respectively. Tierney was particularly irritated by the misuse of his work because the Moschino and Jeremy Scott brand names were overlaid over the graffiti to make it appear as if it were part of the original piece.

The famed French company, Chanel was chastised for plagiarising the knitwear designs of Scottish designer Mati Ventrillon. Ventrillon sold a handful of her original pieces to Chanel staff who came to visit her months before the suspicious outfits were shown on the runway. According to the designer, she was under the notion that they were just being used for study. She didn't expect them to be duplicated, given the French house's illustrious reputation. Fortunately for her, Chanel quickly apologised after she expressed her dissatisfaction on social media.

The January cover of ELLE India drew a lot of criticism. The first issue of the year featured Sonam Kapoor Ahuja in a Dior gown, bringing the plagiarism to light. It was soon discovered that the print on that dress was actually owned by People Tree, an Indian homegrown company. Such a similar case was seen in Spanish retailer Zara, when it was accused of stealing a design from the Los Angeles-based artist Tuesday Bassen.

Since there are no set regulations, rules, or guidelines to protect fashion industries and their designers, what you will often have are fashion brands and designers that copy one another and steal the works of local artisans and homegrown brands which do not have tons of money and due recognition like these luxury brands.

# CULTURAL APPROPRIATION AND RACIAL CONNOTATIONS

Luxury Fashion has a long history of cultural appropriation. It's been a hot topic in the industry for a while, and now, with the rise of the watchdog culture it has helped to hold brands accountable for a variety of things, from imitating and plagiarising to cultural insensitivity. Regardless of whether you agree or not, they've helped to hold brands accountable for a variety of things.

Designers take to the runway every season to show off their current collection, and they are not afraid to make references to diverse religions, faiths, and cultures. The recognition and goal behind utilising said culture, especially when it's only to make a fashion statement, and even worse, without even respecting the OG craftspeople, is the delicate line dividing cultural appreciation and appropriation.

Cultural appropriation was also a point of contention for Loewe's Spring/Summer 2018 collection. Textile designs featuring two women with white caps, usually crafted by Ecuador's indigenous craftspeople, were among the prints on display. Although no credit was given, the artwork looked almost identical to those created by Otavalo weavers. Soon after Diet Prada commented on Instagram, design director Jonathan Anderson clarified that the blanket and tote are truly created in Ecuador to honour their artistry.

Gucci has also received a lot of criticism for its items, and two of the most talked-about ones emerged from the Autumn/Winter 2018 catwalk. The brand released a wool balaclava jumper—a black turtleneck sweater with a mouth cut-out and crimson panels that appear like exaggerated lips—in February of 2018. Because of its resemblance to blackface caricatures, it sparked criticism almost immediately. Gucci promptly issued an apology on Twitter and removed the sweater off their website. The corporation also stated that a global director of diversity and inclusion would be hired.

Only three months after the controversy began, Gucci is again in the spotlight after luxury e-tailer Nordstrom put the Indy Full Turban, which was originally seen on the AW19 runway, on its website. The Coalition of Sikhs, "The turban is not merely an accessory to monetise," tweeted a community-based organisation and think tank that protects Sikh civil rights. For millions of Sikhs, it is a sacred holy object. Many people argue that this cultural appropriation is inappropriate since "turban wearers will be unaware of the turban's significant religious significance." Later, the item was taken from the website, and the corporation expressed regret to the Sikh community.

Another cultural appropriation scandal is of Carolina Herrera. The business debuted its Resort 2020 collection, which "takes on the fun and colourful vibe of a Latin holiday," yet one design had embroidery reminiscent of the Tenango de Doria community's culture, while two dresses featured pieces from traditional Saltillo shawls. The Mexican government filed a case against the company for stealing its culture for the first time. The firm admitted in a statement to The Cut that the collection was clearly inspired by Mexican cultural heritage and handmade processes.

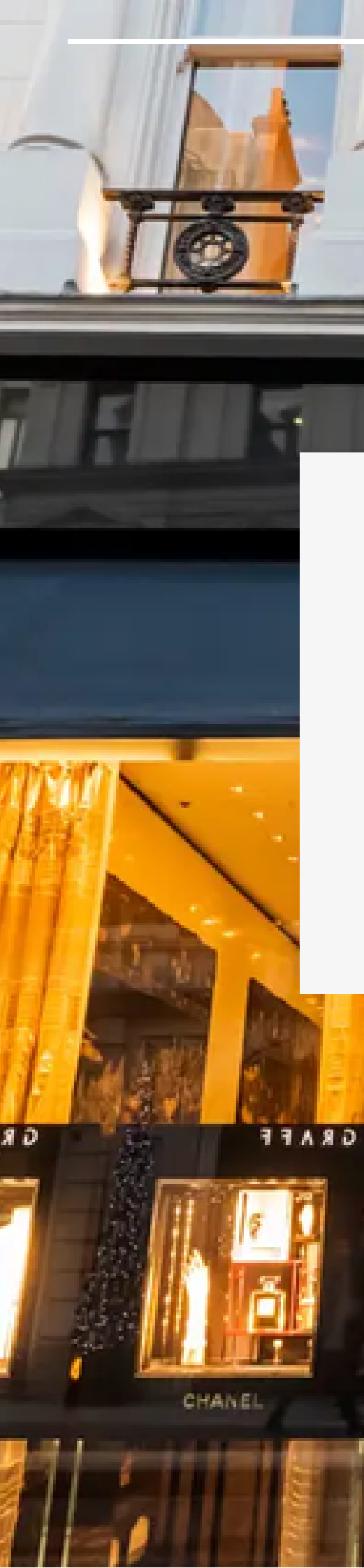
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# CONCLUSION

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INTRODUCTION TO THE WORLD OF  
LUXURY



This concludes the first report of the four - part mini report series titled “Global Power of Luxury Goods”. The purpose of this report was to get an insight of the luxury goods industry, understand the various psychological factors that drive customers, its effect economically and the current challenges faced by the industry.

The report gave an insight into the luxury goods industry, a deeper understanding of its target audience, the present challenges persisting in the industry and the dark side of the industry.

The second report of this series aims to give an insight to our audience about the multituity of the luxury goods industry and assist them in achieving a deeper understanding of the same.

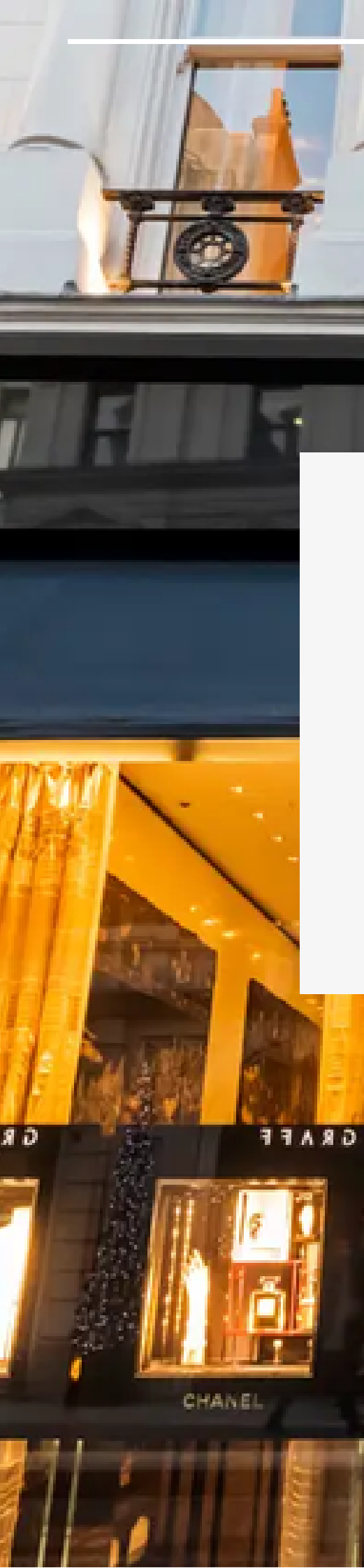
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