Snap. Crackle. Pop! The Death And Rebirth Of Luxury

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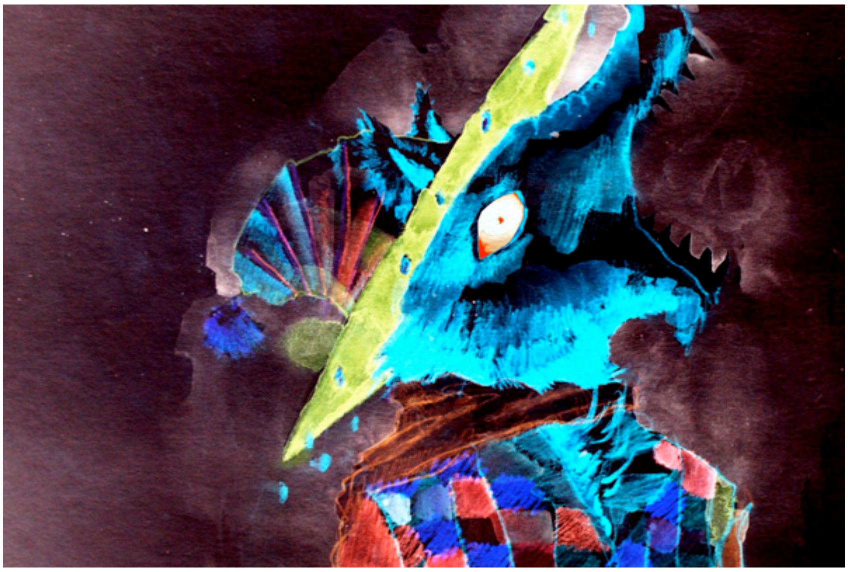
The global economic meltdown hit the fashion industry hard, giving rise to a new definition of luxury—one that is surprisingly sensible and altruistic



I'm not going to lie and pretend to understand how this whole economic crisis began. Even though many have tried explaining the whole topsy turviness of the current situation to me, I have to admit that the whole concept may well be beyond my comprehension. I'm brought back to my school days when my teacher used to lecture on the hows and whys of our economy, and no matter how desperately I tried to absorb what he was saying, I was resigned to the fact that maybe there were some things that you weren't built to make sense of. How I wish, looking back, I had paid more attention or taken greater interest in economics. Perhaps I would've been able to relate to the headlines of the past year instead of skipping the front pages and flipping straight to the lifestyle section of the newspaper. But, while I can't assess the current economic climate in terms of leveraging, financial interdependence, or asset price bubbles (Hey, I said I didn't understand it, but doesn't mean a guy can't memorize terms, right?), there's one thing I am confident talking about—and it is the luxury and retail industry.

Now, a financial crisis is nothing new to the world of fashion and design. We've seen empty stores and dwindling sales for luxury brands from the market crash of '87, the Asian Financial crisis of the late 90s, and even as far back as the dire and hard-hitting Great Depression. But what makes this current crisis more devastating and more hard-pressed on the gilded doors of many a fashion house is that it came almost without warning, at a time when luxury had gone global, churning out an endless supply of merchandise, and opening branches all over the world. It was as if the industry was experiencing and expecting a long lasting Golden Age filled with prospects of infinite profitability, brand growth, and expansion.

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Everybody was reaping the benefits of a "luxury boom." Suddenly, everyone wanted a piece of the premium pie. The whole concept of high living had seeped down to the masses and had become mainstream. Blame it on an increased obsession with celebrity and Paris Hilton-esque "heiresses" and the subsequent rich-kid centric entertainment phenomenon (from TV's The O.C., Gossip Girl, and reality series Laguna Beach and The Hills). This glamorized, tabloid-fueled trend inspired millions of consumers to make like a rich brat and actively reach for a lifestyle that was, for many, well beyond their means. This was the aspirational market—the folks that could afford the Gap, but had their eyes set on Louis Vuitton. Retailers and fashion marketers jumped at this pleasant (at that time) turn of events. Most luxury brands had till then only captured a very select group of customers. Suddenly, even mass retailers like Target, Kohl's, and Wal-Mart had jumped on the "masstige" (prestige + mass) bandwagon, further feeding the hungry monster of conspicuous consumerism, proclaiming a new 21st Century gospel that designer names made the world (and one's wardrobe) a peachier place.

Brands went bananas at the idea of more money and a wider reach. All over the world, they saw a growing consumer base, and thus began an invasion—the likes of which hadn't been seen since the days of Alexander the Great. Across all four corners of the world, luxury brands sought out new markets to sell and promote their goods to. The Middle East, Asia, and India were all part of a luxury brand's expansion program. New boutiques popped up all over the place, like mushrooms on hyperdrive. As the economies of these areas were growing (with the usual markets of Europe and North America saturated), it seemed to them the most logical move. And thus money was spent. Tons. Tons of money injected into production, construction, and marketing, all to capitalize on this veritable gold mine. How else would you explain a Harvey Nichols in Jakarta, retail presence of brands like Versace and Dior in India, or a lone Chloé boutique in the ancient city and former Chinese capital of Xi'an?

Then it hit. Bam! Everything came crashing down like one big financial snowball. Prices of commodities went up as did interest rates, people couldn't afford to pay their loans and mortgages, consumer spending dropped drastically and, as a result, corporations had widespread lay-offs, and so on. In other words, one big mess.

There were talks that all industries would be hit, but I was quite sure that the luxury industry would sail on smoothly, unblemished, like fine Hermès silk. After all, luxury per se was a rich man's game. If the average Joe couldn't afford to buy himself a pair of Prada loafers—Madison Avenue, Champs Elysee, or other bastions of designer labels wouldn't crumble, right? But then it happened, the rippling of the economic quake hit the upper echelons. With the loss of investments, troubled assets and portfolios, and stories of financial foul-play (like the infuriating case of Bernie Madoff), it became clear that no one was left unscathed.

The initial reaction to the economic meltdown was an almost unanimous halt on everything. Stores emptied out as people eagerly watched market updates from news networks. Price cuts, expansion halts, and ceased marketing efforts were some of the immediate effects.Wholesalers were hit especially hard as orders for items like watches, jewelry, wines and spirits, and cosmetics dwindled noticeably. Retailers like Saks Fifth Avenue, Bergdorf Goodman, and other high-end shopping emporiums were being extra careful on how they spent their purchasing budgets. It became a gamble with every order placed, trying to guess what their shoppers would spend their sacred money on. Restraint was encouraged among the company's fashion buyers, especially when selecting from designer showrooms in Europe whose prices had gone so much higher as a result of the weak dollar. If, in the past, merchandisers had no qualms about placing orders for a $900 dollar Manolo Blahnik pump or a tie-died Mohair Prada coat, now the last thing these stores wanted was to be left with stock they couldn't sell.

For the first time, established designers like Betsey Johnson and Vera Wang opted out of showing their collections for Fashion Week at Bryant Park, undoubtedly the most important event of the season. Both Wang and Johnson opted instead for more private presentations at smaller venues. Even megawatt design force Marc Jacobs was reported to have only invited a third of his usual attendees to his runway show. If chairs at Bryant Park were empty, so were a lot of cubicles at some of the industry's major companies. Cosmetic giant Estée Lauder was reported to have laid off 2,000 people, while retail institution Macy's got rid of an estimated 7,000 employees. In addition to sacking 200 jobs, grand dame of the fashion world, Chanel, also pulled the plug on one of its most publicized events, the Chanel Mobile Art exhibition, an extravagant and costly traveling showcase complete with a collapsable Zaha Hadid structure. Louis Vuitton had also shelved plans of opening its new store in Tokyo. Worst of all, many companies and stores closed shop or were bought by larger conglomerates (as of press time, the fate of iconic French couturier Christian Lacroix's label was all but favorable, with reports of its closure and subsequent sale after recently filing for bankruptcy).

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Magazines and other forms of lifestyle media felt the crunch almost immediately. Advertisers held on tightly to their budgets and put less out. Though there's a common belief that in hard economic times, companies should spend more on marketing and creating awareness on their wares—it was different this time. Everyone was unsure of what was going to happen next, and it seemed wiser to pull a Scrooge. Besides, nobody wanted to be the only brand glaringly advertising a croc-skinned briefcase or cashmere overcoat while the buying market was frazzled over their monthly payments and home foreclosures. Double digit drops in advertising revenue were widely reported.

The fashion magazines which had commanded model thin physiques and skinny jeans ate their own prophetic words and had themselves shrunk in size to almost brochure thickness. Oh, the irony. Magazines were either undergoing a strict page diet or folding all together. Home magazine Domino went kaput, while hipster bible Nylon forsook print and went digital. Even Oprah wasn't spared. O at Home, the home magazine spin-off of Ms. Winfrey's popular O, was canned by publisher, Hearst. Details magazine's Style Editor Micah Johnson states, "So many magazines have closed in the last year. Men's magazines have been hit hard. I think all magazines are cutting back costs, spending less on shoots, freelancers, salaries. Newspapers seem to have taken an even bigger hit because people are getting their news online."

But fashion is fighting back, and luxury is getting back on its feet with the eagerness, drive, and resilience of a woman fresh from a nasty divorce. When the meltdown ends, things will begin to settle and some fundamental changes will emerge. There will be a new luxury landscape—and a new kind of consumer at the very least. Paris-based Michel Gutsatz of The Scriptorium Company, a brand strategy agency, believes that "consumers are now having responsible attitudes: Is this necessary? Is this not TOO expensive? Can I do responsible shopping? Luxury brands and their marketers will have to face this new reality. Even emerging markets are becoming responsible, and affluent consumers wish to have responsible shopping attitudes . . . " Recovery will happen, that's for sure, and most surely at different paces. But one thing is absolutely certain—conspicuous consumerism, at least how we knew it before, will be over. Flaunting extravagance will be looked down upon as tawdry and vulgar, and those still partaking of luxuries will value discretion over status.

Even the publishing industry will have to get a little more creative in how they execute, perform, and essentially survive post-crisis. "Media is changing fast with the combination of the global recession, advanced technology, and the introductions of new ways to communicate with consumers," says Johnson. "We'll have to watch the true effects of Facebook, Twitter, online sample sales, online magazines, and blogs on standard media outlets." An overwhelming direction towards sensitivity is at hand. In the past, both brands and the media dictated the new must-buys to the public, but now the tables have turned. Linda Russell, SVP for Merchandising and Marketing for Salvatore Ferragamo North America notes, "Magazines have imposed price ceilings on featured merchandise and are sensitive regarding the prices of items editorialized. Stores are also acquiring less extravagantly priced merchandise and are lowering and expanding their opening price point offer."

Another resounding survival cry? Innovate or die. Creativity is what will ultimately set fashion labels apart. Brands must avoid homogenized luxury. Most designer stores carried wares too similar to their competitors, often spreading the market out too thin. Call it convenient designs that were set to bring in the money instead of inspiring brand loyalty. "Designers need to give the customer a reason to spend again and purchase something that they really don't need," says New York based accessories designer Rafe Totengco. "I believe that, if the piece is truly special and connects on an emotional level and the price is right, the customer will spend. Everybody is looking for value and longevity."

Brands will now need to refocus and re-edit their product offering, with less focus on glitz and a conscious redirection to their traditions and core values. Companies want to remind people that they're paying for authenticity and a long tradition of quality, as well as instill renewed appreciation for their product. Of recent designer collections, Johnson observes, "In what seemed like a direct response to the economy, a trend on the runway was a 'return to heritage.' We saw black nylon and leather at Prada (interpreted in clothing—which made it new), gorgeous Italian handwork at Dolce & Gabbana, luggage galore at Louis Vuitton, and the Burberry check reinterpreted. Companies are going back to what they do best, what they're known for, in a way."

If anything, the crisis presents itself as an opportunity for luxury brands to reassess their image. Until recently, brands blatantly showed models and endorsers on their ad campaigns nonchalantly stepping off private jets or boarding luxury yachts. Consumers won't put up with that crap anymore. Now the industry has the