

Apparel, Fashion & Luxury Group

Luxury lifestyle

Business beyond buzzwords



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As a term and a concept, “luxury” is reasonably well defined. But “lifestyle”? Speaking to luxury luminaries at the annual “Business of Luxury Summit” hosted by the Financial Times recently in Marrakech, Francois-Henri Pinault of PPR raised the question whether the concept of lifestyle adds value to the business of luxury or whether it takes something away. In our work with luxury brands all over the world, we observe that it has the power to do both. First of all, lifestyle does not rhyme with each and every luxury brand’s identity. But even when it does, lifestyle remains a double-edged sword. Venturing into lifestyle can be a blessing if you take it slow, but can turn into a curse if you rush it. This is why we propose to think of the approximation of luxury and lifestyle as an evolutionary process rather than a revolutionary event. Lifestyle, after all, is about enriching consumers’ lives in a credible way. But building credibility takes time, and even those who have it find that it is more easily lost than won. In this paper, we will examine how luxury players can gauge the lifestyle potential of their brands and how they can reap the benefits of lifestyle without diluting their heritage along the way.

The Moroccan mirage

To a fortunate few, Marrakech is the epitome of luxurious lifestyle. The sights, the sounds, and the scents of the city add up to a sense of splendor that pervades all aspects of life: stunning architecture, delicious food, beautiful fabrics, and priceless artifacts leave visitors feeling they have stepped into a living fairy tale, from rosy dawns to silky nights. Drawn by its mystery, creative types from all walks of life have made their way to Marrakech, among them fashion notables like Yves Saint Laurent in the 1960s and, more recently, Jean-Paul Gaultier, seeking out the souks, the mosques, and the medina in their quest for inspiration. Spreading the style of this mirage of a city all over the world, they have played their part in creating the legend that is Marrakech.

Who wouldn’t want to hold on to a trace of this place, to keep and cherish when the visit is just a distant memory? Those who try will find that even a place as steeped in tradition and rich in authenticity as Marrakech can sometimes be just a mirage. To the traveler’s passing glance, a scenic side street off the souk may appear to be ringing with the sounds of traditional craftsmen hard at work, creating the sculptures, scrimshaws, and jewelry they are offering for sale. But what if the traveler were to take a closer look and find that the supposed craftsmen were not, in fact, working on anything at all? What if they were simply making noise to attract the tourists? What if the clanging of hammers, screeching of grindstones, and rattle of chisels were nothing but the fabricated soundtrack of the souk, while the merchandise was being delivered straight to the stalls in shrink-wrapped sheen, made by low-waged workers in factories out of town – or even overseas? The mirage would vanish right before the traveler’s eyes, reduced to the nothingness of a merchant’s make-believe.

At McKinsey, we are convinced that real luxury lifestyle must be rooted in authenticity. If they stray too far from their roots, luxury brands will be reduced to little more than faded labels. Luxury lifestyle holds the promise of new growth, but those aspiring to create and sustain it are walking a fine line between credible storytelling and commercial deception. There may be many luxury lifestyle brands, each of them with its particular heritage and identity, but in our experience, there is really only one way to gain traction in this sandy soil: stay true to your roots, step carefully, and keep it real. But we are jumping from illusion to conclusion – let’s get back to business.

More than just the product

Half a century ago, Coco Chanel confessed to her very own creed of luxurious lifestyle: “Fashion is not something that exists in dresses only. Fashion is in the sky, in the street. Fashion has to do with ideas, with the way we live.” Luxury brands have been talking about lifestyle ever since, sometimes in terms of exploration and adventure, at other times in terms of glamour and celebrity. This goes to show that lifestyle has been a trending topic for many years. If we go by references in print media, we find that the conjunction of luxury and lifestyle is more popular than ever, with 11 percent year-on-year growth over the course of the last decade, compared to just 3 percent for luxury in and by itself (Exhibit 1). Obviously, the media are hungry for something more. But what is it, exactly, that they are talking about? Jonathan Openshaw, writing for Monocle magazine, said: “Luxury and lifestyle are both incredibly slippery terms, overused to the point that they mean something to everyone, and one thing to no one.”

The press increasingly perceives “lifestyle” as an element in luxury

Index of number of articles, 2000 = 100

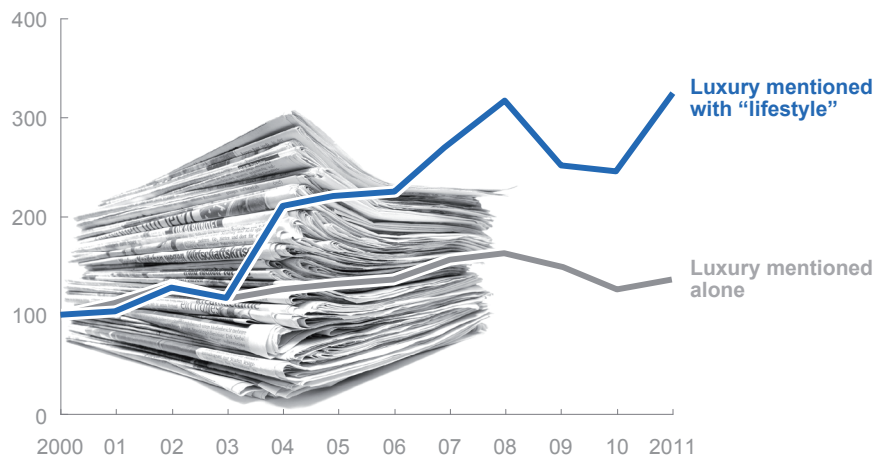


Exhibit 1

We have searched extensively for a common denominator, but what we found was that there is, indeed, no single definition of “lifestyle” – nor is there a shared concept of “lifestyle in luxury.” Rather, the term triggers a diverse array of connotations. Prompted for their definition of lifestyle, participants of the Financial Times “Business of Luxury Summit” whom we interviewed before the event most often quoted a “way of living,” a set of “attitudes and values,” or specific “consumption habits.” In publications, we came across a wealth of keywords ranging from “mythology” to “personification” and from “sensory appeal” to “symbolic value.” Consumer responses in interviews conducted in London, Paris, Milan, and Munich were no less manifold, often reverting to specific products and brands, but also to experience and emotion:

“Luxury lifestyle means living in the finest manner. Staying at nice hotels.”

“Luxury lifestyle means being able to make your life pleasant.”

“Luxury lifestyle is a way of being, of dressing, of behaving.”

“It’s just brand names. That’s all.”

“It’s marketing.”

To balance media buzz and consumer perception with frontline experience, we also interviewed senior executives from 20 luxury goods companies, including fashion houses such as Roberto Cavalli, makers of fine leather goods such as Hermès, and jewelers such as Harry Winston. Although they were far from agreeing on a single definition of luxury lifestyle, a staggering 70 percent said they regarded their brands as luxury lifestyle brands. Recognizing the evasive nature of the subject, a senior executive at one of the world’s most traditional and most renowned fashion houses gave the topic an almost philosophical spin: “Lifestyle is the result of what we do, not the purpose.”

Lifestyle provides growth opportunities beyond the core

Lifestyle holds profound and promising growth opportunities for luxury brands. In our investigation of luxury lifestyle, we identified two dimensions in which brands can leverage lifestyle to pursue such opportunities: touch points and categories (Exhibit 2). We use the touch points axis (A) to capture the degree to which a brand leverages lifestyle in the content, channels, and formats it employs to make contact with consumers: from messages conveyed in TV commercials to materials used at the point of sale, and from Web site features to experiential offerings in stores or at events. In contrast, we use the category axis (B) to plot the range of products, services, or types of experience a brand offers beyond its original core. These two axes define what we call the luxury lifestyle playing field.

Brands that attain low lifestyle scores on axis (A) focus their visual communication on the product. Their print advertisements, for example, usually include no elements other than the original product and a model, if that. These brands also tend to limit their marketing mix to traditional vehicles such as classical advertising and flagship stores, while rarely using interactive digital communication or social media platforms.

At the other end of axis (A), we find brands that communicate lifestyle across multiple touch points, often including not only lifestyle magazines and video content, but also blogs, social media profiles, and interactive mobile apps. The imagery these brands create to articulate the lifestyle they stand for extends well beyond the product and the model. Their campaigns feature visuals of cityscapes, leisure activities, or other slices of luxurious life in which the brand’s products may appear as precious props, but not necessarily as the center of attention. Iconic images from the “Spirit of Travel” campaign, shot by Annie Leibovitz for Louis Vuitton, come to mind: Keith Richards lounging in his hotel room with a branded custom guitar case by his side, Mikhail Gorbachev with his trusted monogram canvas travel bag riding in a taxi against the backdrop of the Berlin Wall, or Zinedine Zidane engaged in a game of table soccer, with his Vuitton trolley barely visible on the fringe of the frame.

Luxury brands leverage “lifestyle” across touch points and categories

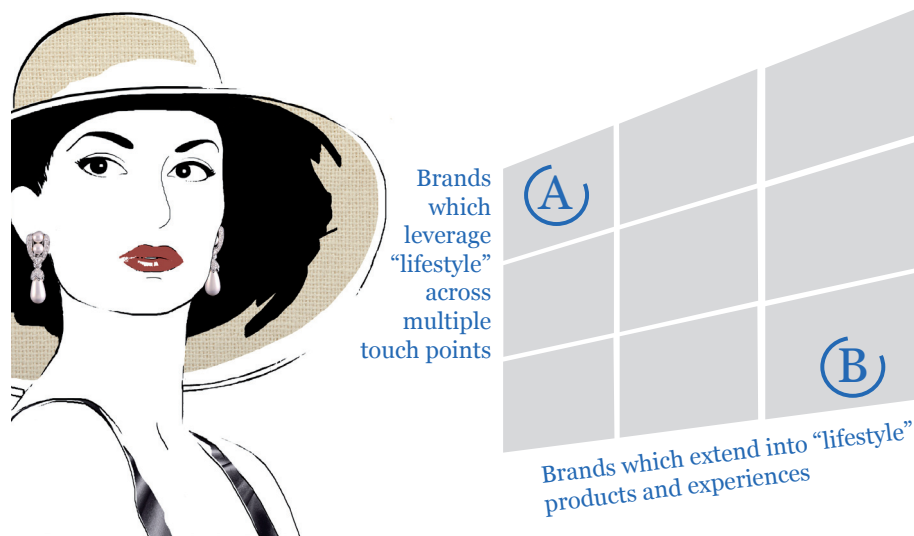


Exhibit 2

When it comes to category coverage – our axis (B) – most companies we looked at have extended their business well beyond the original core. Taking brands with an apparel heritage as an example, we found that more than three quarters of them offer an assortment that spans at least four categories (Exhibit 3). However, only a few of the more traditional, tailor-driven companies stick to a narrower product portfolio. In contrast, some players, typically those that already feature rather broad assortments, have transgressed the realm of products altogether by adding various types of experience, such as hospitality, to their offering. Examples include Givenchy and Roberto Cavalli. Although hotels and restaurants may only generate a fraction of an apparel maker’s total revenue, these ventures often are key contributors to the brand’s identity. Armani is among the most active players in this area, operating more than a dozen cafés, two restaurants, and several hotels.

Climbing the lifestyle ladder

Of course, this matrix is only a snapshot. It depicts the luxury lifestyle playing field at a given point in time. But how did luxury brands attain the positions they currently hold? Is there only one way up the lifestyle ladder, straight from the bottom left to the upper right, or are there different paths to the top? To answer these questions, we looked at the trajectories of different brands, based chiefly on the sequence of their category extension efforts. We found two distinct patterns:

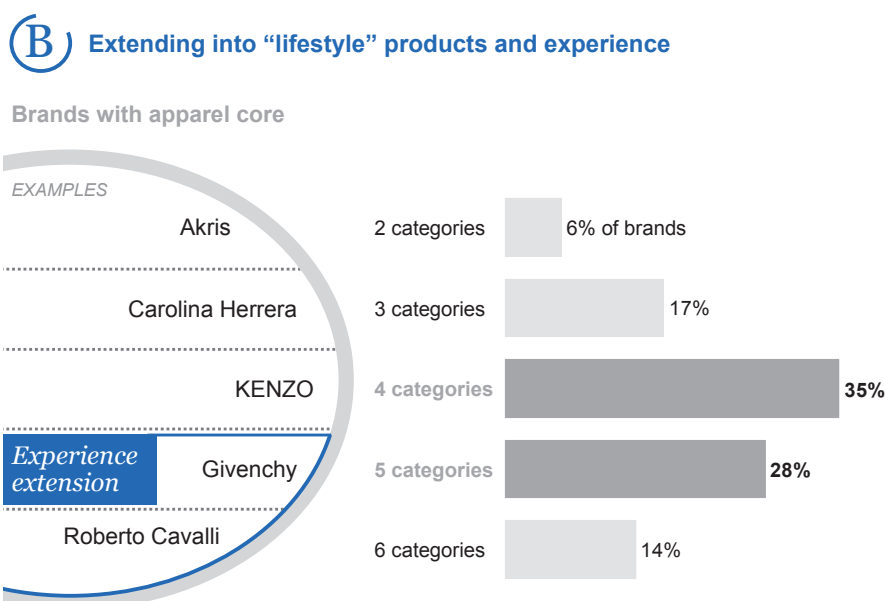


Exhibit 3

- Luxury brands with an apparel core are the most prolific lifestyle players and leverage lifestyle comprehensively. Many of them moved into perfumes in the 1980s and 1990s, added jewelry, watches, and home products in the 2000s, and entered the experience business within the last few years.
- Luxury brands with a technical core, such as makers of jewelry or watches, tend to be more limited in their extension. During a panel discussion at the Financial Times “Business of Luxury Summit,” Frédéric de Narp, President and CEO of Harry Winston, said: “There are soft luxury goods, which stand for fashion, and hard luxury goods, which stand for timelessness. Timelessness and hard luxury goods do not allow easily for lifestyle expansion, while fashion brands would allow more easily for extension.” Some jewelry brands have, however, successfully added perfume, cosmetics, and accessories over time.

Within these groups, different brands have taken different approaches (Exhibit 4). The Carolina Herrera brand, for example, has successfully established itself as a lifestyle player, but deliberately restricts touch point and category coverage to those areas closest to its core – evening wear and festive, yet timeless elegance. A more flamboyant brand such as Roberto Cavalli, however, stages its lifestyle of sensuality and glamour at many touch points and even carries it over into service categories, such as Cavalli Club and Caffè Giacosa. Carolyn Risoli, representing Marc Jacobs, told us: “Some brands’ DNA translates better to certain lifestyle categories than others.”

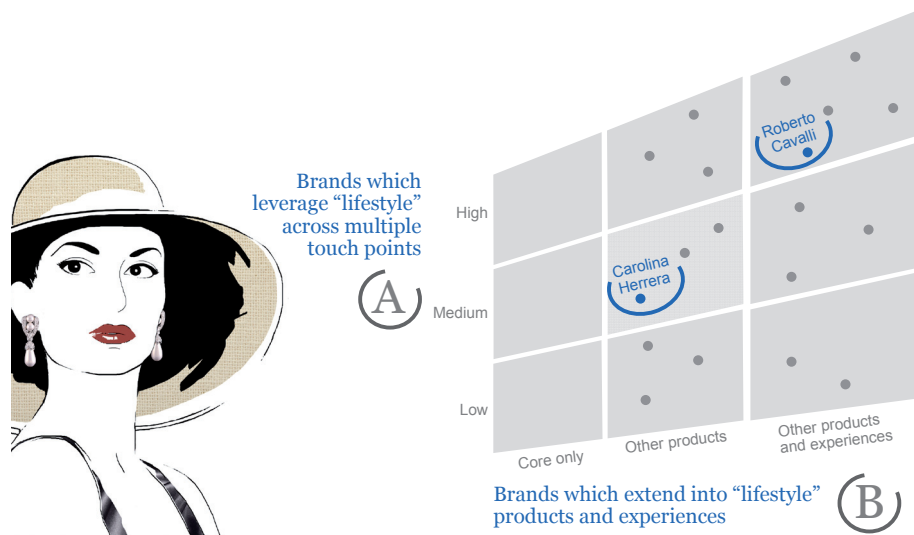
In keeping with these observations, the risk that luxury brands most fear, according to our survey, is brand dilution. While about half of the respondents see lifestyle as an opportunity to enter new categories or expand their customer base, 61 percent say they are afraid that their attempts to leverage lifestyle might damage their brands. “Those who are not credible will fail, as consumers will recognize it,” a senior executive said in one of our interviews. The good news is we believe there is a way

to hedge the risks of brand dilution and consumer confusion. In our experience, the sequence of actions makes all the difference:

- Step 1 is to fortify the brand's core and exploit its full potential. Moving into unrelated product categories too early creates unnecessary complexity and may even damage the brand – without adding substantial revenue, let alone profit.
- Step 2 is to explore the brand's lifestyle more actively in communication across touch points and start adding adjacent product categories. Most players will want to avoid service and experience at this stage, lest they overstretch their credibility.
- Step 3 is to create a seamless world that both embodies and strengthens the brand's identity in a specific lifestyle, ultimately offering the widest conceivable spectrum of products and experiential propositions.

While each of these steps can work as a stand-alone strategy, those who aspire to capture the full potential of lifestyle for their brands will choose to climb them one after another, like the rungs of a ladder. As Marc Puig, CEO and owner of Carolina Herrera, explained to us: "Each brand needs to focus on core topics, and do these right, rather than branching out too quickly. We want to grasp our full potential before moving into new areas."

Several luxury brands already leverage "lifestyle" across touch points and categories



Case example: Michael Kors

Naturally, the path to lifestyle leverage is sometimes a little less straightforward than a consultant's framework might suggest. In actuality, finding and activating the type of lifestyle that fits both a brand and its audience often takes some testing and learning. Take the case of Michael Kors, an apparel brand that first started selling its resort collection in 1981 through wholesale. In the 1990s, the brand expanded into other categories by way of licensing arrangements. Like many of its peers, the company learned a painful lesson about the dangers of sharing control. In 1993, the company filed for bankruptcy under chapter 11 and focused on its core business over the next few years.

A decade later, investors injected fresh money. Founder Michael Kors concluded his tenure as creative director at Céline and promptly appeared as a judge on "Project Runway," boosting the popularity of his own brand considerably. Subsequently, the company used not only above-the-line communication as a way of connecting with consumers, but branded retail and the full potential of the Internet as well – from owned properties, such as www.destinationkors.com, to earned media such as Facebook. In parallel, the brand expanded its category coverage step by step, entering accessories, fragrances, shoes, bags, jewelry, home products, watches, and, most recently, cosmetics.

Today, Michael Kors maintains a broad retail network comprising more than 300 stores in 85 countries, an online shop, and an active presence on social platforms. Its cross-channel communication plays strongly on lifestyle, as exemplified by the 2012 spring/summer "Afriluxe" campaign. Shot by Peruvian superstar photographer Mario Testino, it features animal prints and safari-style satchel bags, set against the backdrop of South Africa's Lebombo Lodge. Speaking to journalists at last year's New York Fashion Week, Michael Kors himself made the lifestyle connection explicit: "If you've never been to Africa, here's your chance to do so in a garment."

Key success factors: Consistency and authenticity

The matrix and the ladder have helped us map the options available to luxury players venturing into lifestyle. But once a brand has chosen its target position and charted its course, who is to know how to succeed? We turned to those who, by way of their purchase decisions, have the power to make or break a luxury brand's fortune: consumers. We asked consumers what they expected from a luxury lifestyle brand:

"It needs to be exquisite, not for everyone."

"It sets you apart from the rest."

"Authenticity and know-how. And, maybe, skilled craftsmanship."

"A certain quality of design, an originality. Something different."

"Well, I expect that they develop and keep my life interesting."

Of course these responses are far from homogeneous, but there is something these – and other – statements have in common: a clear and present longing for uniqueness and distinctiveness. Consumers turn to luxury lifestyle brands for something special and authentic that will enrich their lives. This expectation mirrors what we heard from industry experts in more than 30 interviews, differentiated by the two axes of the matrix as introduced above:

A Leverage your unique lifestyle consistently across consumer touch points:

- Find or rediscover the brand's unique and defensible lifestyle.
- Bring it to life for consumers at all relevant touch points.
- Communicate consistently to create one face to consumers.

B Stay true to your roots when moving into adjacent lifestyle categories:

- Stick to the brand's distinct design language across all categories.
- Extend only into categories with a DNA that fits the brand's DNA.
- Nurture new categories, especially if they differ from the brand's core.

The upside of infusing luxury with lifestyle is tremendous, but every luxury brand needs to find its own way and pace. Just like traditional craftsmanship, lifestyle leverage requires patience and care. And just like luxurious products, luxury lifestyle brands become more valuable over time if you take good care of them.

Beyond the horizon

Is climbing the ladder really the only way – rung by rung, touch point by touch point, category by category? Some of the most successful luxury brands have been around for so long that they may have a natural tendency to play it safe – and with good reason. Many of those that have tried to go all the way in a heartbeat have failed, gambling away more in brand equity than they would ever be able to recapture in additional revenue. We believe that the ladder is, indeed, the development paradigm for established brands. However, we also believe that totally new luxury lifestyles can be created almost from scratch. Think about the Silicon Valley dotcom billionaire, the Bollywood star, the post-Soviet oligarch, the liberal freedom fighter, the digital cosmopolitan, the Chinese traditionalist – the list goes on.

Figments of a marketer's imagination? Not necessarily. Consider the case of Shang Xia, the brand Hermès launched two years ago with Chinese designer Jiang Qiong Er, who aspires to recreate the authentic value of Chinese tradition and Chinese culture. The brand is on a mission to project a modern lifestyle founded on Chinese design traditions. In a public statement, Hermès chief executive Patrick Thomas raised the bar all the way to the top: "The idea is to bring the Hermès philosophy to China, to create a Chinese Hermès." Even today, the Shang Xia assortment is quite broad, comprising apparel, furniture, home accessories, and jewelry.

Or look at She Ji Sorgere, launched in March 2012 during the Beijing Fashion Week as a luxury fashion label for men, with all its clothes designed and made in Italy. This new brand is targeting sophisticated and wealthy Chinese consumers looking for a departure from what Western luxury brands offer. It appeals to the "origin of civilization," and it aspires to become the local destination brand for China's emerging elite. The first store is in the making, scheduled to open later this year.

Or cast an eye on Kolkata, the Bengali capital, with its unique blend of Indian patriotism and avant-garde style. Thanks to the rise of fashion designers such as Sabyasachi Mukherjee and Anamika Khanna, Kolkata has reclaimed and fortified its colonial reputation of updating traditional styles with a modern twist. Already, the new Bengali sense of style has caught the attention of Bollywood. Mukherjee has worked on some of India's biggest blockbusters. And trend-setting superstar Sonam Kapoor usually wears Anamika Khanna's designs head to toe.

The jury is still out on whether these brands will eventually leave the confines of their home markets and establish themselves as global luxury lifestyle players. At this point, there is really no telling where the vagaries of lifestyle will take the business of luxury in the coming years. In all probability, ever more new lifestyles will arise and some of the old ones will fade away. But as long as luxury brands, old and new, steer clear of the hot air that so easily gives rise to a mirage, they will create lasting value for both consumers and companies. And if they stay true to the spirit of their elders, they may just find themselves making more than merely money. As Christian Dior once said: "My dream is to make women not only more beautiful, but also more happy."

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