



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Abrams Research Luxury Brands Survey & Report May, 2009

Has the Recession Killed The Luxury Industry?

96% of Experts Say No: "A Smaller, Stronger Core Will Make It"

There Will Always Be A Market For Quality:

35.9% of Experts Advise Against Cutting Luxury Materials and "Quality Essentials"; Only 2.8% Suggested Cutting Back

**Fine Art The First To Be Cut From Budgets, Say Experts;
High End Home Products Have The Most Staying Power**

42% Look To China As Next Big Luxury Market

Also:

Top Shop, Chanel, Louis Vuitton Voted Brands With Most Staying Power

Net-A-Porter and Gilt Groupe Fashion's Favorite Shopping Sites

Fashion Bloggers Seen As Growing Authority



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Abrams Research Luxury Brands Survey & Report

June 3, 2009 – Abrams Research surveyed over 100 leaders and experts in the luxury industry from across the U.S. and Canada – including influential fashion editors, fashion designers, editors-in-chief, buyers, merchandisers, gallerists, business journalists, fashion bloggers, wine experts, industry analysts and shelter writers – to see what they thought about the future of luxury brands, luxury media, and the entire luxury industry. Here's what we found:

- **Luxury is here to stay:** A whopping 96% of respondents said that they thought the luxury goods market would endure the recession – even if not quite in this form. 36.8% thought a “stronger, smaller core” would make it, and 34.9% were confident that the aspirational *nouveau riche* would keep business brisk. Only 4% thought that the recession had killed conspicuous consumption.
- **...and quality is timeless:** When asked how best a luxury brand could adapt to and survive the recession, the majority of respondents (34.9%) suggested cutting back on everything but essentials, and making “quality essentials the core of the brand.” (Only 2.8% suggested cutting back on luxury materials.) 33% suggested launching an offshoot, down-market brand instead; interestingly, only 9.4% suggested cutting back on advertising.
- **Good luck selling that Picasso!** It'll be hard to find a buyer for it, since 31% of our experts think that Fine Art will be the first luxury to be cut from luxury budgets. Of six choices – Fine Art, Fine Wine, Couture Clothing, Designer Jewelry + Timepieces, Leather Goods and High-End Home Furnishings, the home products seemed to have the most staying power, according to our respondents.
- **Glossy Mags Will Figure Out The Internet – Eventually:** 35.8% thought that the decline of glossy magazines would have only a temporary effect on luxury markets, but that customers would remain at the ready when they eventually figured out how to take the model to the web.
- **...if the Fashion Bloggers don't get there first:** Our experts view Fashion Bloggers as serious tastemakers online – half of them predicted that it would be the bloggers that would fill in the gap left by folding glossies. (“Low barriers to entry – and no three-month editorial lead time.”) E-tailers like Bluefly.com and Gilt Groupe were also seen as potential replacements for the glossies (29.2% - “They're there as much for browsing as they are for shopping”).
- **Destination Sites:** Net-a-Porter and Gilt Groupe for shopping; Style.com and Justluxe.com for information.
- **Destination Brands:** Our experts were asked to pick the strongest, most recession-resistant brands. Their top pick: Top Shop, mentioned by 34.1% of our sample. The runners-up moved up to more high-end with Chanel (28%), followed Louis Vuitton (21.9% - though it comes



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

closer if you add in LVMH with 5% and Moët with 1.2%). There was an interesting three-way tie for #4: Marc Jacobs on the one hand, and Forever 21 and H&M on the other, each with 13.4%. (Who they beat: Cartier, YSL, Gucci, Rolex, Tiffany, DVF and Prada.) Hermès rounded out our top 5 with 7.3% (with First Lady staple J.Crew a close runner-up with 6.1%).

- **Destination Markets:** Our experts tapped China as the next big luxury market to break into, by a decisive margin: 42.5%. The next-closest potential market was India (17%) followed by the Gulf States (14.2%).
- **Wildcard:** We asked our respondents to suggest the next big innovation for luxury brands, for a prize of \$250 to their charity of choice, plus a few special Abrams Research prizes. We got some good ones!

The complete results are below, followed by individual analysis of each category, including choice comments from the experts surveyed.

The data reported herein reflects the responses of over 100 luxury industry leaders and experts surveyed in April/May 2009.

(I) Survey Results:

1. **Is the luxury goods market as we know it over?** It's over as we know it, but a smaller, stronger core of players will still make it. 36.8%

- (a) Yes, it's over - the recession has killed conspicuous consumption (3.8%)
- (b) **It's over as we know it, but a smaller, stronger core of players will still make it. (36.8%)**
- (c) No, this just changes the profit margins. (24.5%)
- (d) No, with great change comes new entrepreneurs - which means a new crop of consumers for luxury status symbols. (34.9%)

2. **What is the best way for a luxury brand to adapt for and survive through the recession?** Cut back on everything BUT expensive materials, and make quality essentials the core of the brand 34.9%

- (a) Cut back on expensive materials (leather, suede, silk) and innovate with new one (2.8%)
- (b) **Cut back on everything BUT expensive materials, and make quality essentials the core of the brand (34.9%)**
- (c) Make fewer acquisitions and/or spin off underperforming elements (19.8%)
- (d) Scale back on marketing/advertising costs (9.4%)
- (e) Launch trendy-but-downmarket offshoot labels (i.e. Marc by Marc Jacobs) or fusion lines with lower-end outlets (i.e. Alexander McQueen for Target) (33.0%)



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

3. Which luxury item will be the first to be cut from budgets? Which has the most staying power? Fine Art: First to be cut 31.7% High-End Home Furnishings: Most staying power 25.7%

First to be cut: Fine Art: 31.7%; Couture Clothing: 24%; High-end Home Furnishings: 18.2%; Designer Jewelry: 15.3%; Fine Wine: 5.7%; High-End Leather Goods: 4.8%

Most Staying Power: High-End Home Products: 25.7%; Fine Art: 17.8%; Couture Clothing: 16.8%; High-End Leather Goods: 15.8%; Designer Jewelry: 14.8%; Fine Wine: 8.9%

4. Will the decline of traditional magazines have a direct impact on the sale of luxury goods?

At first, but the system will correct itself once magazines learn how to transfer that to the Internet (35.8%)

- (a) Yes – less space and resources for showcasing luxury goods, fewer expensive photo shoots and less editorial pages for product placement (16.0%)
- (b) **At first, but the system will correct itself once magazines learn how to transfer that to the Internet (35.8%)**
- (c) Not really – celebrity weeklies will still drive that coverage – and between TV, movies and the internet, there's plenty of room for people to find things to be aspirational about. (18.9%)
- (d) No – the wealthy are educated on where to find luxury goods. (29.2%)

5. With the decline of fashion magazines, how will online sources fill in the gap? Fashion bloggers - low barriers to entry...and no three-month editorial lead time. 49.1%

- (a) Fashion bloggers - low barriers to entry...and no three-month editorial lead time. (49.1%)**
- (b) E-tailers like Bluefly.com, Net-A-Porter and Gilt Groupe – they're there as much for browsing as they are for shopping. (29.2%)**
- (c) Online virtual sites like Stardoll.com – providing exposure to luxury goods without the price tag. (3.8%)**
- (d) They won't, really - fashion magazines have an incredible infrastructure within the industry that a quick Internet hit just can't tap into. (17.9%)**

6. **What is the best luxury site for shopping online?** [Net-A-Porter](http://Net-A-Porter.com) (runner up: [Gilt Groupe](http://Gilt.com))

7. **What is the best luxury site for information online?** Style.com (runner up: JustLuxe.com)



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

8. **Which luxury brand is best-poised to make the most of the recession?** (Respondents were invited to choose up to 3, and were also invited to select trendier, down-market brands if they so chose.

#1 - Top Shop, 34.1%
#2 - Chanel, 28%
#3 - Louis Vuitton, 21.9% (NB: LVMH got 5%, Moët got 1.2%)
#4 - TIE - Marc Jacobs, Forever 21 and H&M, 13.4% each
#5 - Hermès - 7.3%

(also singled out: J. Crew, Cartier, YSL, Gucci, Rolex, Tiffany, DVF, Prada, Gilt Groupe)

9. **How will the web best be used by luxury brands for marketing and advertising?** Innovation in advertising (e.g. Karl Lagerfeld's mini web-movies) - 34 %

(a) Traditional online advertising (5.7%)
(b) **Innovation in advertising (e.g. Karl Lagerfeld's mini web-movies) (34.0%)**
(c) Partnerships with influential fashion/luxury bloggers (27.4%)
(d) Single-brand sponsorship of e-tailers (6.6%)
(e) Adoption of social media forms (Twitter, Facebook) (13.2%)
(f) Distribute beyond high-end sites (NeimanMarcus.com) to lower price-point sites (Zappos.com) (13.2%)

(NB: Traditional online advertising came in last in our [Social Media Survey](#) too)

10. **Where's the best place a luxury brand looking to exploit global markets should be seeking to expand?** China - the biggest exporter of knock-offs is also a huge consumer of luxury brands (42.5%)

(a) India - all those outsourcing dollars need to be spent somewhere! (17.0%)
(b) **China - the biggest exporter of knock-offs is also a huge consumer of luxury brands (42.5%)**
(c) Japan - when *they* start cutting back, it's all over (12.3%)
(d) Gulf States - can you say "conspicuous consumption?" (14.2%)
(e) Other (14.2%)

(NB: Russia, Europe and the U.S. market were all cited under "other")



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

(II) Analysis & Commentary:

Abrams Research decided to launch this survey because, of all industries affected by the recession, the luxury industry should be one of the most affected. “Luxuries” are, by definition, set apart from necessities, and so in times of financial hardship will be the first to go. Or will they? The answers from our hand-curated, invitation-only sample of industry experts were surprisingly optimistic. Not only do they see a robust future for luxury goods, luxury brands and the industry as a whole, but they have confidence that the industry will adapt and innovate into a new media landscape – as well as a new economic one – going forward.

A few themes emerged. First, the importance of quality cannot be overstated. Overwhelmingly, our sample – which includes designers, buyers, editorial writers from glossy magazines to blogging, and industry analysts on the business side – felt that luxury was about quality beyond all else, and that it was essential to luxury brand identity. When asked how best to weather the recession (#2), the choice of cutting back on luxury materials was offered – and roundly rejected by our sample (only 2.8% thought it was a good idea). Instead, 35% voted for cutting back on everything BUT expensive materials so that “quality essentials” remained the core of the brand. The second-most popular option – launching a trendy, down-market offshoot label or fusion line – hews to this idea: Instead of compromising the core brand by cheaping out, offer the brand-name style and cachet at a lower-price point, where expensive materials aren’t as much a part of the equation.

This suggests recognition among our experts that there is a demarcation between quality and status in the luxury market – and both will remain relevant in this new and more challenging economy. The “quality essentials” so aligned with the hallmark brands – Chanel, Vuitton, Rolex – will always be important to the high-end luxury consumer, as matters of taste and appreciation as well as style and status. Yet for lower-end consumers with less discretionary income, elements of style and status are greater considerations – so it is here that a strengthened, uncompromised brand name can be most useful, paired with lower-end, more affordable products that still have that critical sense of cachet.

This element was reflected in the various choices for brands best-positioned to weather the recession (#8). The top spot was taken by Top Shop – a non-luxury brand that nonetheless has positioned itself in a marketing sweet spot – but close behind was Chanel, a timeless name synonymous with style and taste (across four floors of Top Shop, there are many adjectives one might apply, but “tasteful” is not necessarily the first that comes to mind). The third-top voted brand was Louis Vuitton (though when you factor in votes for LVMH and Moët, it edges into second), with votes for other classic brands like Cartier, Hermès, YSL, Gucci and Tiffany. Yet, brashly edging into fourth place in a tie were both Forever 21 and H&M – suggesting that, while timeless brand-name quality is



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

important, so too is raw selling power. F21 and H&M have that in spades, precisely because their merchandise eschews “timeless” for “trendy.” So it is clearly a fine line to walk.

Another fine line: Taking luxury to the Internet. Questions #4, 5 & 9 addressed the decline of glossy-mag ad and editorial pages, and how the Internet might fill in those gaps. Thirty-five percent of respondents had confidence that former glossy-mag functions would adapt to Internet platforms, and 50% felt that fashion bloggers would fill in those gaps “low barriers to entry...and no three-month editorial lead time.” The confidence in the Internet in general and fashion bloggers specifically were interesting results, since the luxury industry has been slow to adapt to new media, and since there is a lingering stigma attached to the Internet’s relative low barriers to entry. Perhaps this is why only 13.2% tapped social media as the best marketing and advertising route online; 34% chose innovative advertising (like Karl Lagerfield’s mini-online vignettes), which may have cachet but are far more expensive to produce than, say, a Twitter account (right [LVMH?](#))

Importantly, another option for luxury information online has emerged: Shopping sites. High-end sites like Gilt Groupe, Net-a-Porter and Bluefly.com were cited not only as favorite sites for spending, but for browsing and learning. (Gilt Groupe and Net-a-Porter were each cited in the “top brand” section of the survey). High-end E-tailers were also cited as online sources that would “fill the gap” left by declining fashion magazines, coming in second behind fashion bloggers with 29.2% of respondents. That’s a very interesting blurring of the line between retail and editorial, as seen through the eyes of the consumer – but it shows that customers are getting their information from numerous sources and platforms – and it’s up to the savvy brand to know which platforms are available, and how they should be positioning within them. (NB: “Single-brand sponsorship of e-tailers” was a low-ranked option in the web-innovation question, as was adoption of social media, but the data suggests that both those options would be well worth investigating.)

Finally, hope for the luxury industry also lies beyond our borders: Almost half our experts are putting their money on China as the next great market for luxury goods. India, the Gulf States and Japan were all distant runners-up, with a few nods to Russia, Europe and our own rebounding economy as glimmers of opportunity.

All told, there is hope for the luxury industry, and tremendous optimism about where it might evolve in the years to come. Please see below for individual question breakdown, and comments from our experts.

1. Is the luxury goods market as we know it over? *It’s over as we know it, but a smaller, stronger core of players will still make it. 36.8%*

(e) Yes, it’s over - the recession has killed conspicuous consumption (3.8%)

(f) **It’s over as we know it, but a smaller, stronger core of players will still make it. (36.8%)**



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

- (g) No, this just changes the profit margins. (24.5%)
- (h) No, with great change comes new entrepreneurs - which means a new crop of consumers for luxury status symbols. (34.9%)

The good news for the luxury industry is that no one thinks it's over. Again and again, our respondents attested to the consistent demand for quality and/or status, and pointed to the current economic downturn as an opportunity for the luxury industry to leach out the bloat and trim down to a more classic, Coco-worthy silhouette. Who is in danger: The players around the fringes, and the opportunities to slap a logo on something and charge a premium. But, argue most of our respondents, that's not necessarily a bad thing.

Comments:

"I think it would take a heck of a lot to kill conspicuous consumption."

"There were a lot of players who jumped into the luxury space. The market has severely contracted and a lot of marginal players will be casualties. However, the luxury market will rebound and eventually new brands will emerge. It's a bit Darwinian."

"There are almost always going to be enough people with the capability to afford luxury goods, and even if that were not the case, there are always going to be more than enough people who want to pretend they have that capability -- and will be willing to spend more than they have to participate in the luxury goods market."

"The luxury good market is just going back to what it was meant to be luxury: Not attainable by everyone. [This economy is just] reconfirming the exclusivity of a luxury good."

"When products get discounted so heavily, customers start to question the actual value and what they're prepared to pay. Brands that epitomize quality and craftsmanship - Hermes, Brioni, etc. - will always be perceived as luxury."

"It's over as we know it, and for a substantial period of time to come. I think it will take at least 3 -4 years for consumers with money to spend to feel comfortable flashing cash. That's probably around the same time when innovators that are currently plotting will come to market with new goods and when the luxury market will experience its next phase. "

"Luxury always has and always will be important to many people; see Vogue being around for over 100 years. Always has been aspirational. There just aren't as many people who will be using credit to pretend they're as well off as that small percentage of people who can afford \$1,000 bags. I do think



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

that it's ludicrous that there are Chanel and Gucci stores in regular malls...malls should be reserved for trashy brands and stores like Spencer gifts that sell vampire stuff and Bob Marley blankets and glow in the dark Ouija boards."

"Already, small couture brands have faded while new imprints with lower price points and more accessible style (ShIPLEY & HALMOS, Band of Outsiders, Rogues Gallery) have emerged along with "sub-brands" (PS by Paul Smith, Varvatos USA, Marc by Marc Jacobs) to fill space underneath parent brands & high-end "favorites" (Jil Sander, Alexander McQueen)."

"I think the glitzier brands traditionally associated with conspicuous consumption will have trouble...Gucci, Fendi, Jimmy Choo. But people will always be hungry for status objects and will turn to niche brands that are exclusive but more understated. "

"There is still a lot of money on the sidelines right now - not currently in play in the economy. Saks definitely damaged the luxury market in major way last November when they basically put the entire store at 70% off. This definitely violated the trust of loyal luxury customers - who grew accustomed to paying a lot for the feeling of exclusivity - and now they were just giving it away to anyone at such low prices. The loyal customer was left wondering how their brands could be sold so cheaply, and asking why were they so expensive to begin with. All that said, once private money starts being put back into play, and the strong luxe brands survive despite it all, that paralyzed loyal customer will come back, especially considering the brands may become even more exclusive because they are so unattainable. At first prices may be or lower or you might get more for what you used to pay...but the strong will survive - and perhaps get stronger than they once were."

"I believe that eco is the new luxury. There is a premium attached to eco friendly products, just like there is to luxury goods. Buying eco is better for the planet, and it makes the consumer feel good. It's also a statement, just like carrying a Coach bag is or wearing Manolo's."

"There's more money in the traditional buyers. Even though they've tightened the purse strings somewhat, they will usually still be spending more in a fiscal year on luxury goods than the masstige crowd."

"Actually, it just reorients the business further towards "emerging markets," i.e. China, India and other aspiring nations for whom established luxury brands still exude cachet."

"Aspiration is not going anywhere (as [Cher Horowitz](#) once said, "This is America")--someone will figure out how to make money from it again."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"Why would this economic downturn wipe out the market if the last few didn't? It's just sleeping. The luxury goods market will bounce back faster than the economy does. As soon as the stigma of overspending disappears, people will go back to spending ridiculous amounts on ridiculous things."

"The explosion of the luxury goods market during the boom years seems mostly to have been the byproduct of cheap credit and the financial services bubble. Since both are clearly over and wages aren't exactly rising organically, I can't see how something of that scale could return. But of course a high end market of some sort will exist."

"It became that anything with a luxury price tag was perceived as being a luxury item, regardless of the quality. I think that there will simply be a return to what it really means to be luxury."

"True luxury is about extraordinary quality which has intrinsic value. Brands that are maintaining sales are Chanel and Hermés (for example) because they have timeless style and impeccable quality, they represent enduring worth and are investments. But, I also agree with the last multiple choice statement that with great change comes new entrepreneurs and therefore a new crop of customers."

"Both the economy and the zeitgeist shift will shrink the market, but longing for luxury is as perennial as human insecurity."

2. What is the best way for a luxury brand to adapt for and survive through the recession?

Cut back on everything BUT expensive materials, and make quality essentials the core of the brand 34.9%

- (f) Cut back on expensive materials (leather, suede, silk) and innovate with new one (2.8%)
- (g) **Cut back on everything BUT expensive materials, and make quality essentials the core of the brand (34.9%)**
- (h) Make fewer acquisitions and/or spin off underperforming elements (19.8%)
- (i) Scale back on marketing/advertising costs (9.4%)

Again, our respondents were decisive in their emphasis on quality, and considered it essential to luxury brand identity. The notion of "quality essentials" was only introduced in the survey language in one question, but it was a concept that came up consistently throughout the responses to questions across the board. Interestingly, comparatively few people opted to cut back on marketing and advertising costs – an easy first cut - which suggests the ongoing importance of message to a luxury brand.

Comments:



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"I feel like "trendy-but-downmarket" category is getting a bit crowded. Plus it cheapens a brand. I'm torn on the answer here, because I think making "quality essentials the core of the brand" is really the way to go, but that doesn't necessarily mean you can only [use] the most expensive materials."

"I think it is vitally important to remember this question is asking about survival and not post-recession positioning. Also answers 3, 4 and 5 are all good advice."

"Never scale back on marketing. The companies that will make it out of this recession stronger are those who put money into marketing through the recession."

"Customers gained through marketing/advertising are fickle & have disappeared anyway. Build a loyal customer base the old-fashioned way, through ultra-high quality and customer service, instead."

"Like turtles pulling their heads back into their shells, luxury brands will shrink into themselves to survive. Those who also launch diffusion lines will find the lower prices will draw their marginal customers back into their fold, keeping them as prospective returning customers to the luxury brand when the market recovers and providing more margin dollars to invest in the brand."

"The mark of luxury needs to remain quality, but not arbitrarily expensive materials. If you can create something that performs better than an expensive material experientially, that's what counts."

"It's about offering value. People will pay for luxury if it's timeless. Obvious trends are out. More timeless designers like Tomas Maier at Bottega Veneta will be in. Flashy ones like D&G will be out."

(Voted to cut marketing) "It seems some of the most sought after brands are the least advertised anyway."

"Brands have to maintain their market presence until better times - allowing consumers to "buy in" while waiting out the storm."

"Those in the know boast about the quality of the luxury product -- you spend over \$1000 on a bag because hopefully, it means that you'll have that bag forever. If your Mulberry bag breaks, you can always take it back to the store and get it fixed -- for free -- and have it messengered back to you. LV has a lifetime guarantee as does Hermes, and for \$30 a year, Chanel."

"Anything that interferes with brand message and gets away from core products should be discontinued."

"To my mind, luxury is still luxury, so undercutting themselves by focusing on bridge labels and offshoots will diminish the brands' core essences. Focus on your mission--being a luxury brand--and



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

you will retain well-heeled customers, and still pull in women who occasionally splurge on quality essentials. If they can ride out the market, they'll be able to expand in a few years again."

"I don't think they need to scale back on marketing/advertising costs, but shift dollars to digital. They need to make better choices with how they connect to their consumers and engage consumers with the brand. Through traditional advertising it is difficult for a brand to connect and establish a relationship. Through various digital channels - social communities, blogs, interactive campaigns, etc. brands can form a relationship and nurture consumer needs."

"This can be a risky play, but launching lower-end brand offshoots can help raise brand awareness with a different audience. I think that J Crew with Loro Piana and other brands has been successful with this."

"What's dead for now is the recently emerged "mass" luxury market. So hunker down, return to roots."

"Right now, the most important thing to do is preserve brand image. Too many luxury goods went downscale, and too many of those that are still positioned at top tier create garbage. Girls from Long Island sporting track suits and sunglasses with giant D&G logos are the problem--there's no cache. Now, those middle-class strivers can no longer afford luxury brands, and those who can are looking for something that's unique. Real luxury brands, like Hermes, are going to do just fine."

"I think QUALITY must be the core of the brand but expenditures on marketing as well as the training of staff for the best possible customer experience are essential."

"You cannot kill quality of a luxury product - that is the whole purpose of buying it. While I love how brands become accessible with lines for Target and H&M and TopShop, I think that the more brands create diffusion lines, the more they dilute. I believe it should be there but it's not for EVERY brand... and the diffusion line has to be done right a la Marc by Marc - no one has done it as well as he has."

"Ride it out. Luxury brands are exactly that: luxury. If it's possible to bring money in through other means like a down-market offshoot then that's great, but don't touch the quality of the luxury product. And for the love of god man, don't stop spending on marketing and advertising."

3. Which luxury item will be the first to be cut from budgets? Which has the most staying power? Fine Art: First to be cut 31.7% High-End Home Furnishings: Most staying power 25.7%

First to be cut: Fine Art: 31.7%; Couture Clothing: 24%; High-end Home Furnishings: 18.2%; Designer Jewelry: 15.3%; Fine Wine: 5.7%; High-End Leather Goods: 4.8%



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Most Staying Power: High-End Home Products: 25.7%; Fine Art: 17.8%; Couture Clothing: 16.8%; High-End Leather Goods: 15.8%; Designer Jewelry: 14.8%; Fine Wine: 8.9%

What was interesting about this question was the wide range of responses. Yes, there were decisive wins in each category – 32% and 25% respectively, with 5 other options available, remains significant – but the corresponding rankings were anything but scientific. High end leather goods, ranked the least-likely to be cut, were in the bottom three on staying power; Fine art, which was deemed most likely to be cut, was selected as the staying-power runner-up. This question, however, was meant to offer the broadest range of choice, and in order to do so, it had to offer the broadest range of options. So – a respondent who picked one in Column A still had five choices left for Column B.

These results could not have highlighted this more: The top three picks for staying power were also deemed in the first top three to be cut. Does this invalidate our results? No – because we offered our sample two specific questions to answer, and we received two decisive responses. The lack of correlation between the “first to be cut” and “staying power” columns was, in itself, somewhat decisive – because it demonstrated that the luxury market is far from monolithic, but is actually extremely broad in its offerings and appeal. Consumer priorities vary, and spending power varies between constituencies (i.e. the mid-level aspirational shopper vs. the high-net worth consumer). Put differently: High-quality apples and finely-crafted oranges are still, well, apples and oranges.

What we did get from this question: Great insights and comments from our respondents. See below.

Comments:

“Clothing can be fudged - masstige lines look pretty good these days. But people will still splurge on things that they view as timeless or that have longlasting value. Also, there's something to be said for feathering the nest; people can justify by saying they will go out/travel less if they spend on the home and can entertain at home. Art is in between -- depends on the artist.”

“Home products have the most reuse value. Art market is the most fickle; it's taken a big plunge, and I think bargains will keep people investing in art.”

“Designer jewelry is exceptionally expensive and the marginal value of the second piece is pretty small. People who own one great watch or multiple will be satisfied in this environment with what they already own. The reason couture will not be measurably impacted is that the audience for this is so limited and so wealthy that people of marginal wealth (whose lifestyle has now be most impacted) were never proportionally significant consumers of this category.”

“Products that are consumed have much less staying power than those that will last.”

“Fine art throughout history has always stood the test of time. From the patrons during the



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Renaissance, to the investment bankers of the 80's. While the art market certainly has had its ups and downs, there has never been a question of the true value and intrinsic staying power of fine art."

"Folks tend to slow down on high end seasonal luxuries like jewelry, clothes, leather goods, but not completely since they are often on sale."

"People will hold off on items they don't really need, like watches. But they'll always make the home more appealing, even if it means Viking ranges for that once in a decade renovation."

"Not on this list - cosmeceuticals. I would think that would have more staying power than any of the above, although all of these things depend on the person's taste."

"Couture (if we are talking about true Couture, as in the Paris shows, and not merely highly expensive ready-to-wear Gucci, Prada, etc) is similarly niche - however, there are fewer events to attend and flaunting such ostentatious wealth might seem in poor taste. Couture buyers will still purchase, but in fewer numbers."

"There are many suitable replacements for fine wine at a lesser price. Consuming \$1000 bottles of wine can be viewed as a bit tacky. Fine art is often viewed as a timeless investment."

"Over time, fine art, if anything, becomes more valuable and will not lose its worth and integrity."

"Fine wines fall into that "occasional consumption" category - people will pay for good experiences instead of objects when the market dips - a nice evening with friends and a good wine is a perfect recession expense."

"Jewelry and couture clothing - just seems too excessive right now. The jewelers on Madison Avenue are empty."

"Things that are more ostentatious/showy will be the first to be cut in my opinion (designer jewelry being at the top of that list, with fine art coming in at a close second). I think that leather goods and wine - objects whose images don't necessarily immediately connote luxury - most likely have the most staying power."

"Leather goods can still be rationalized as long-term value."

"Couture is only for markets with massive disposable income-- which is out of vogue right now. While high-end home products might seem to have the most staying power, and probably ARE the best value, they're too expensive. Leather goods like shoes and bags are seen as good investments, and are relatively inexpensive compared to the other items-- and you wear them every day."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"Designer jewelry hits right in the lower to middle market of luxury goods. Fine Art collectors are above the recession."

"Art [will] have staying power. Of course, now is not the time to sell... it's the time to buy and in 20 years, it will appreciate and have a value. Blue chip artists will retain their value - Koons, Prince, Warhol, etc."

"I think that people will hold off on redoing their homes but at the same time, if they are doing some kind of interior work, you can't replace the feeling of a fabulous, well made, immaculately designed sofa. Perhaps you can get away with a lower priced accessory or coffee table, but staple pieces are just that - staple, the foundations that anchor a home when design is important, and those things will always be necessary."

4. Will the decline of traditional magazines have a direct impact on the sale of luxury goods?

At first, but the system will correct itself once magazines learn how to transfer that to the Internet (35.8%)

- (e) Yes – less space and resources for showcasing luxury goods, fewer expensive photo shoots and less editorial pages for product placement (16.0%)
- (f) **At first, but the system will correct itself once magazines learn how to transfer that to the Internet (35.8%)**
- (g) Not really – celebrity weeklies will still drive that coverage – and between TV, movies and the internet, there's plenty of room for people to find things to be aspirational about. (18.9%)
- (h) No – the wealthy are educated on where to find luxury goods. (29.2%)

Our experts were relatively confident that the system would auto-correct for the Internet age – but there was a definite nostalgia for the luxe glossy pages of yore (or near-yore). Respondents tended to agree that innovation was required to bring luxury brands to the internet, and that those brands would have to embrace the online world to replace that prime print editorial space. They also noted that glossy coverage had driven the aspirational appeal of a brand – another task for internet innovation to handle.

Comments:

"All print industries will need to find new revenue models that take advantage of electronic distribution. Advertising stands to gain incredibly from driving these new innovations and making them profitable. Marketers and products that cannot find their way into this niche will suffer."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"Traditional magazines are taking a tumble, but with the rise of multi-media, luxe advertisers are going to be forced to think out of the box when it comes to how they showcase their product. I think we are going to see more short form movies/videos/ webisodes about the product prior to web content we are reading and watching."

"Luxury goods and celebrity weeklies have no correlation, unless you are talking about the penny poor who strain their wallets to buy an item way out of their price range. I don't think the decline of traditional or high-end mags will have an impact; the impact will come from shrunken bank accounts and redirected priorities."

"Luxury goods need to tap into digital marketing channels - more and more traditional forms can now be easily translated and connected to consumers through digital means."

"The reason that magazines are folding is not because there isn't room for advertising, or that there aren't consumers to read that media. It is because there were TOO MANY MAGAZINES for a while... Now that the economy is in a shakedown, many magazines are closing....[But] magazines will always exist and be an important part of the process."

"Luxury brands that initially looked down upon the internet will have to learn to adapt in order to remain successful."

"Not clear how that will happen. The magazines seem to be dying off before luxury makers have figured out the internet."

"The answer is speculative. But advertising isn't as effective on the web so I expect there will be a downturn. However, celebrity-culture seems to have taken over the web, so what they're wearing may promote products."

"Magazines are the single best showcase for luxury goods. their diminished value in the American psyche will have an effect."

"Luxury advertising isn't directed at the wealthy, it is aspirational and will always catch the eye of those who dream of having more. hello, credit card debt."

"I need to say yes since I'm in advertising. As much as I think web is a better spend, I agree that magazine ads reach people - especially the older crowd with more money for luxury goods."

"Traditional magazines will thrive again, but only after the industry cleans up its act and improves the quality of its readership. The internet can't give luxury goods the kind of glamour that magazines



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

have. Celebrity weeklies do not cover luxury in the same way. Big, beautiful images create the idea of glamour--no internet coverage is going to do for luxury what Helmut Newton or Richard Avedon did."

"Lookbooks are becoming the new 'ad'. They are often picked up by blogs and blasted all over the internet, and they cost nothing to make unlike expensive ad campaigns."

"With less space in magazines for editorial due to ad budget cuts, there will be fewer ways to show off luxury imaging and magazines will be forced to give more and more editorial coverage to the few advertisers who are left in order to maintain their dollars. We all know that brands make couture to sell perfume and when consumers see the unaffordable "price upon request" YSL or Bottega, they can get a piece of the dream with fragrance, a small key chain, something else where there are large margins for the manufacturer. The wealthy will always be educated on where to find luxe goods but very often, the magazines inspire the less financially equipped to purchase smaller things that drive a brand's core sales volumes."

5. With the decline of fashion magazines, how will online sources fill in the gap? Fashion bloggers - low barriers to entry...and no three-month editorial lead time. 49.1%

- (e) Fashion bloggers - low barriers to entry...and no three-month editorial lead time. (49.1%)**
- (f)** E-tailers like Bluefly.com, Net-A-Porter and Gilt Groupe – they're there as much for browsing as they are for shopping. (29.2%)
- (g)** Online virtual sites like Stardoll.com – providing exposure to luxury goods without the price tag. (3.8%)
- (h)** They won't, really - fashion magazines have an incredible infrastructure within the industry that a quick Internet hit just can't tap into. (17.9%)

This was another big question of the survey: What were the emerging authorities and destinations online? And the two big answers that emerged were fashion bloggers and e-tailers. Fashion bloggers – with their low barriers to entry, access to a broad range of information/resources and nimble online reaction time – emerged as a newly-recognized authority from our respondents, who not only voted them most likely to fill in the gap left by the receding glossy dominance but also chose them as a smart option for innovating online in question #9, voting potential partnerships with fashion bloggers as a top option. This is a significant evolution of attitudes: Bloggers in every industry have had to overcome the "amateur" "interloper" stigma, but particularly in the rarefied world of fashion media with its high barriers to entry and exclusive access. In the past few years, though, that has all changed, and now fashion blogs and bloggers are at the forefront, particularly in urban centers with fact-finding browsing expeditions, fashion & trunk shows and on-the-street "look-booking" made more possible. In New York, publicists now know to include key bloggers on guest lists; people like [Fashionista](#), [The Sartorialist](#), and [The Fug Girls](#) are now covering the Bryant Park shows and consulting for designers. Beyond fashion, self-made online stars are making a huge dent: [Apartment Therapy](#) for



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

shelter (which suddenly feels far more prominent since the sad loss of *Domino*), and indie blogs like [Shelterrific](#) (born from the ashes of *Budget Living* by some stranded staffers after it folded) ; Gary Vaynerchuck has become an online video-blogging dynamo with his [Wine Library](#). Bloggers are becoming the first portal for news and reviews of new products, new store openings (two words: Top Shop), and provide a mash-up of critical appraisal, news, gossip and unabashed fan-girl-and-boy love for the products.

E-tailers are the other big online story of this survey, particularly the two sites voted top shopping sites, Net-A-Porter and Gilt Groupe. Respondents name-dropped these two, along with Bluefly and a few others, again and again in their responses, citing them as top information sources and even top brands (though Gilt Groupe came in second as the top shopping source, it is the one that inspires the most love in the comments: "I am obsessed with Gilt" "Gilt. I love Gilt"). The upshot: The shopping experience is not at all separate from the browsing/surfing experience. Who knows what damage could have been done to these years if only glossy ad pages had click-throughs.

Online virtual worlds like Stardoll.com were not a popular pick with our experts (3.8%), but it should be noted that the fashion experience is being simulated there, and new markets are being seeded with the Tween community, who will emerge from the recession as young adults with buying power and years of playing aspirational dress-up. (Guilty secret of grown-ups: They love the site, too.) Designers are getting this, and are [signing on](#) put their products – and the stamp of their brand – on the site; meanwhile, notions of luxury are [driving activity](#) in virtual worlds.

One other note: the Internet is bringing fashion and luxury to people like never before, allowing fledgling fashionistas in non-urban centers to tap into that world through the portals above (with sites like eBay facilitating actual participation in it). Meanwhile, social networking is allowing information – and trends – to whip around the world like never before. The opportunity for growth, development, customer relations and brand extension online is unparalleled.

Comments:

"Style bloggers are the new celebrities - they innovate much more than editors can, and most of the time, they have to work on "real-girl" budgets. They are much more accessible and eventually, will command just as great an audience as magazines."

"E-tailers will "fill the gap," but not completely. They can't sex up luxury the way magazines do. I think to compensate for this, you'll see more luxury fashion brands selling themselves with online multimedia content: short films, etc."

"Everything here will play a role. The line between media/blogging and e-tailing is blurring, and it may become harder and harder to label a site one or the other."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"This is a silly question; magazines will not "decline" they will just reinvent themselves online. I checked "Stardoll" but Stardoll is really bullshit, online virtual sites like style.com and shopstyle.com are the ones that are working."

"It's all about the fashion bloggers, baby. Which is good and bad. Fashion is like art in some ways- everyone thinks they are a critic but few actually put it in historical and social perspective. It's only the real scholars that do. So I think it's a source that will fill the gap, but not in a good way."

"Consumers trust peers. Online reviews and peer word of mouth is extremely powerful. Thus fashion bloggers have already helped this area through their own blogs but also via micro-blogging (Twitter and Friend Feed). Consumers can get direct recommendations on what's trendy or not, and get what's most important - if the buy is worth it."

"There are some highly aspirational fashion blogs out there -- it's no longer outsiders commenting on fashion, it's people with editorial background, stylists, and designers who are launching blogs and making them look as sleek as magazines themselves without the production costs."

"Fashion magazines will stay around because they are an aspirational vehicle showcasing the best fashion and are not as news-based or time-sensitive...Consumers want the job done for them by the experts."

"I think E-tailers are going to have an increasingly powerful presence as will fashion bloggers. Twitter is the perfect example that we want all of our news - be it about Marc Jacobs or Congress - as immediate as possible."

"If I could choose more than one of these, I'd say all four are true, in shifting proportions. Fashion magazines may be substantially less powerful in the internet age, but they perform a different function that has yet to be replicated by blogs or e-tailers."

"The strong will survive. We'll always have fashion mags, just not as many of them."

"Again, the "decline" is only temporary. We need fewer, better magazines."

"It's not that the internet can't tap into it, but once magazines figure out how to use their websites as actual websites as opposed to landing pages for subscriptions, the gap will be re-filled."

"I think we are too caught up in this print dying hogwash. I don't care what 22yr old bloggers think about fashion, because they have had a short existence and thus don't know as much about how clothes fit into a WOMAN's life. That's why fashion blogs have younger readers 17 and 18 yr olds who



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

look up to 22yr olds. Women want to read someone that they trust, someone who has been in the industry forever. That is Sally Singer at Vogue, Glenda Bailey at Bazaar etc. They will always buy magazines to hear these voices and also flip through all of the beautiful ads, it is part of the experience of buying a magazine and luxury shoppers enjoy it!! I think we'll see print magazines become more expensive, perhaps a luxury item themselves and only the best ones will survive. I hate to say it, because so many friends are writers, but the magazines that are dying off right now, many of them are superfluous to their market or area of expertise. There are already too many fashion magazines and only so many ways to shoot the gold Balenciaga leggings! We get it, they are gold, they are shiny, Beyonce wears them."

"The three month lead time is the real killer of all magazines. Blogs and fashion sites in general will be able to tell people in real time where they can purchase certain items and where they can find the best deals. That's something a print magazine can never do, no matter how they eventually evolve."

"What the hell is Stardoll. I just looked. Stardoll is scaring me."

Respondent-recommended sites:

WhoWhatWear.com; Fashionista.com, The Sartorialist, [Lisa Place](#), [Style Bubble](#), [Bunny Bisous](#), [Some Notes On Napkins](#).

6. **What is the best luxury site for shopping online?** [Net-A-Porter](#) (runner up: [Gilt Groupe](#))

Here is the breakdown of most popular online shopping sites, as selected by our respondents:

- #1 - Net-a-Porter - 33.7%
- #2 - Gilt Groupe - 15.7%
- #3 - NeimanMarcus.com - 8.9%
- #4 - Eluxury.com - 6.7%
- #4 - Barney's - 6.7%
- #5 - Bluefly.com - 5.6%
- #5 - Shopbop.com - 5.6%
- #5 - Saks.com - 5.6%

Also: Bergdorf's - 4.5%; J.Crew - 2.2%; eBay (!) - 2.2%; Vivre.com - 2.2%; Macy's - 2.2%; Nordstrom - 2.2%

Other suggestions: [Agent Provocateur](#); [PhillipsDePury.com](#); [RecessionSampleSale.com](#)

7. **What is the best luxury site for information online?** [Style.com](#) (runner up: [JustLuxe.com](#))



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Here is the breakdown of most popular online shopping sites, as selected by our respondents:

- #1 - Style.com – (includes men.style.com) - 25.6% (editorial)
- #2 - Justluxe.com – 8.1% (editorial)
- #3 – WWD.com – 6.7% (editorial)
- #3 – Luxist.com – 6.7% (editorial)
- #4 - Gilt Groupe – 2.7% (shopping site)
- #4 – Fashionista.com – 2.7% (blog)
- #4 - A Small World - 2.7% (social network/editorial)

Other suggestions: NYMag.com; [Times Online](http://TimesOnline) (Fashion – UK); Glam.com; Net-a-Porter; Blackbook; Some Notes On Napkins; the Daily Beast ([Fashion Beast](http://FashionBeast))

Notable comment: *"Ebay. It's all about the vintage finds."*

8. **Which luxury brand is best-poised to make the most of the recession?** (Respondents were invited to choose up to 3, and were also invited to select trendier, down-market brands if they so chose.)

Rather than provide a pre-determined list of brands to vote between, we invited our respondents to suggest their own top three brands, and got a wide range of results. The top spot was taken by Top Shop – a non-luxury brand that nonetheless has positioned itself in a marketing sweet spot between down-market affordability of Forever 21 and the haute-sensibility of runway style via the strong association with Kate Moss (this is not Jaclyn Smith shilling for K-Mart!). As a top-of-mind choice, Top Shop has benefited from the recent publicity surrounding the opening of its New York flagship store; but of course, H&M enjoyed a similar frenzy when it arrived on U.S. shores in 2000 (velvet-rope lines to get in, anyone?). Still, the successful brand-transfer from the U.K. to the U.S., the effective market penetration of the promotional campaign and the versatility of the products in a muted economy all suggest that Top Shop has hit on a formula that brands in the space would do well to recognize.

That said, a note: Across the survey, brands like Chanel, Vuitton and Hermes have been consistently mentioned as examples of timeless luxury, quality and style. It's an area in which younger, cheaper brands can hardly compete, even as Top Shop and Forever 21 become the destination stores for finding pieces to mix-and-match. This question like no other demonstrates the tension between the essentials of the luxury brand – quality, exclusivity, workmanship – and the demands of a consumer base with way more information and way less money.

- #1 - Top Shop, 34.1%
- #2 – Chanel, 28%
- #3 – Louis Vuitton, 21.9% (NB: LVMH got 5%, Moet got 1.2% - which



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

would effectively make for a tie.)

#4 – TIE – Marc Jacobs, Forever 21 and H&M, 13.4% each

#5 – Hermes - 7.3%

Runners-up:

J.Crew, 6.1%

Cartier - 4.9%

YSL – 3.4%

Gucci – 3.4%

Rolex – 3.4%

Bottega Veneta - 3.4%

Gilt Groupe - 3.4%

Tiffany – 3.4%

DVF – 3.4%

Prada – 2.5%

Net-a-Porter - 2.5%

Some shout-outs: Christie's, Balenciaga, Manolo Blahnik, Alexander Wang, DKNY, Stella McCartney, Dolce & Gabbana.

Comments:

"J Crew They are positioned to serve the customers whose life changed from loss of wealth but still want to afford great style."

"I wouldn't call them luxury necessarily, but Target, TopShop ... the places that let you buy great looking stuff for very reasonable prices."

"Barneys (it's smart), Bottega Veneta (subtle), Prada (good value, indestructible)."

"Based on your list - consider Dolce & Gabbana have bridge lines or lower cost point alternatives (D&G, TopShop, DKNY). They suggest fashion forward quality w/out hefty price. But these are not luxury brands. Right now, it's about price. Neiman's is offering substantial discounts to loyal customers (ahem ;) to push folks into the stores. Each week the offers are more attractive, coffee's w/ buyers/designers, insights on "what's next" for season, how to mix and match w/ existing wardrobe. These women may not have \$32,000 to spend on shoes EACH SEASON but they will return to their loyal stores for the unique customer service and value."

*"Not sure if it's considered a *luxury brand*, but I've heard J Crew is sort of reinventing itself under Mickey Drexler. They recently opened a discreet men's store in an old bar in Tribeca. Completely unbranded, with a few items that they don't sell anywhere else."*



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"Forever 21 will see huge profits and gains due to the fast rate at which they produce and sell trendy items that are short-lived, whereas luxury brands invest in them. Chanel will never lose its luster...because it's Chanel! Louis Vuitton is synonymous with luxury too, and hopefully the government will continue to clamp down on the fakes market in order to make luxury handbags elusive as they once were."

"Chanel - girls will still save up for purses, and everything else has such a high price point, only recession proof wealthy people can buy it anyway. Juicy Couture - easy entry point but still perceived as "luxury" to young women. Marc Jacobs - girls cannot give it up, Marc by Marc sales will finance everything else!"

"Louis Vuitton, b/c of its international status appeal and mid-level price points; Tiffany for the same reasons (and that Bat Mitzah silver market!)"

"Gilt Groupe and sites of its ilk, b/c there is so much unsold apparel that retailers and designers will shovel them towards discount sites and markdown 75%. There will always be buyers for Louboutin at 75% off."

"Louis Vuitton is best poised to ride out the recession. Everyone wants that monogram bag and Marc Jacobs isn't going anywhere any time soon. Burberry- the CEO Angela Arendt's has a stroke of genius for making things relevant and also making sure profit margins are met. Cartier- Heritage brand and again, the CEO Fredric Du Narp gets it the way Arendt's gets it. Their foray into MySpace was a little hokey, but they understand that they need to be a 360 luxury brand, not just focusing on watches and advertising in magazines. They are embracing social media in a way that not a lot of luxe brands are doing, and that is cool."

"TopShop (they honestly could not have picked a more perfect time for that new store) J Crew (hello, Michelle Obama!)."

"Prada, Marc Jacobs, H&M, TopShop, Anthropologie, Target's designer lines... the first two because they have classic staying power, the others because they were already more affordable."

"Chanel - one of the best high fashion brands at successfully marketing themselves to high-end consumers as well low-end. Brand identity remains strong, and with all of the Coco Chanel movies coming out this year, expanded visibility can't hurt. DVF - her SS09 line was incredibly consumer-friendly. She's focusing on extremely wearable ready-to-wear accented with elements of luxury, making it feel special. Plus the brand's exposure via 'The City' on MTV can't hurt either."

"Chanel. They've maintained their perception as being a true luxury brand and since they don't discount, they won't get stuck in a price war."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"Forever 21, H & M... they are trendy and on price point. Consumers will spend if they feel they are getting a good deal."

"Hermes -- people will always pay for quality and classics, though the "waitlist" for the Kelly bag will surely shorten. Cartier/Rolex -- see above, though their entry price points will suffer."

"Bottega Veneta, known for true understated luxury and craftsmanship; Louis Vuitton, didn't get involved in the whole mess of discounting and promotions; Christian Louboutin, because he is a genius."

"Rolex, b/c they are timeless, and a Rolex increases value with its age. I received a Rolex 13 years ago, and my jewelry store just evaluated it at price which is 20% more than the original purchase price. Educated high end shoppers know that there are still good buys out there."

"Chanel: Its timeless design and haute luxury will maintain its legendary status as the ultimate high fashion iconic brand, and Kaiser Karl always keeps it fresh. Tiffany: its consistent marketing and occasion based purchases will ultimately make this a definite survivor. Mercedes Benz: nothing beats German engineering and no bankruptcies or recalls to tarnish the brand."

"Marc Jacobs TopShop Calvin Klein (minimalism is what people buy when trends are not affordable.)"

"Global luxury brands, such as LVMH, Chanel, Gucci. They will have the cash and global strength to survive an extended drop in sales. The 'mid-market luxury brands,' such as Coach, may have a tougher time. There will always be a market for a \$3000 handbag, and, increasingly so, for a \$75 trendy bag. I think the companies in between (i.e.-the \$300 bag) will lose the most market share."

"Louis Vuitton Chanel Lanvin - They are just the most classic and you can always make the excuse of "investing in future vintage for my eventual children" when you purchase something... Lanvin may be a surprising choice but I think that the fashion folk know that a Lanvin piece is forever and the designer is poised to make history. I don't consider TopShop a luxury brand - but it will thrive."

9. **How will the web best be used by luxury brands for marketing and advertising?** Innovation in advertising (e.g. Karl Lagerfeld's mini web-movies) - 34 %
- (a) Traditional online advertising (5.7%)
 - (b) **Innovation in advertising (e.g. Karl Lagerfeld's mini web-movies) (34.0%)**
 - (c) Partnerships with influential fashion/luxury bloggers (27.4%)
 - (d) Single-brand sponsorship of e-tailers (6.6%)
 - (e) Adoption of social media forms (Twitter, Facebook) (13.2%)
 - (f) Distribute beyond high-end sites (NeimanMarcus.com) to lower price-point sites (Zappos.com)



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

(13.2%)

Is there hope for innovative marketing on the web? The luxury industry has been reluctant by and large to embrace the internet, and this goes double for social media, which was the cheapest option on this list. Surprisingly, it was one of the lower-ranked choices – the top-ranked choice, innovative advertising a la the Lagerfeld movies, suggests an inability to break that free-spending ways of luxe marketing. At least they know that things need to change; “traditional online advertising” came in dead last (as it did in our [Social Media Survey](#), too. Maybe the luxury world and the social media world CAN get along...!).

Comments:

"The largest impact will be created by outside the box viral ideas. I would also add sweepstakes by brands and retailers as a possible significant driver but it wasn't a choice."

"Luxury brands need to find ways to self-produce content that advertises their product but which people would also WANT to see, as opposed to traditional advertising which people want to avoid."

"High end must remain...high end. It's status, value, etc for some and a sign of achievement, exclusivity for others. Luxury goods are defined by these values and would be shortsighted to change. The market will recover and these goods will be bought based on creative outputs and innovative added values."

"Style bloggers command massive readerships; readers who check multiple times daily for new updates. They have the best venues for advertising and innovation."

"The web movies only work for brands that already have huge fans (like Chanel). If someone like Dooney and Bourke made a web movie, nobody would care unless it starred Shiloh Jolie Pitt."

"I couldn't begin to answer this question. Luxury brands were very well suited to the glossy-ad format."

"TOTALLY social media but it really is all of the above. If they don't understand that by now, luxe brands are going to have a REAL problem (luxury Darwinianism)."

"Discount websites offer a low-pressure means of shopping and the illusion that one is saving money while actually spending it."

"If this is done authentically (as in, not just a one-off opportunity but a fully fleshed-out partnership), it could go a long way towards establishing brand loyalty and increased exposure."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

"This seems the most organic. Partnering with bloggers means that there will be something not completely REAL about the promotion and people will see right through that. I like the idea of companies pairing up -- and PAYING MONEY transparently to advertise with -- with companies that match their ethos and brand identity."

"Love Zappos. Bought Givenchy shoes there. You feel like you've discovered a secret. I prefer straight advertising or sales online - while I might enjoy the Chanel movie very much, it's not going to make me want to go shopping."

"Or using celebrities...the best advertising you can ask for right now is to get your dress on Jennifer Garner and then have the photo on every website on the planet. Or to get your weird steroid water in Lindsay Lohan's hands, etc...the Jennifer Aniston/SmartWater approach but without the actual ads."

"The internet is about access. Luxury is about denying access."

"Brands have to add a lot more value. A leather bag is a leather bag, why should I buy yours? Because you make great movies, or you give a pair of shoes to an orphan in Africa for every pair I buy (Tom's Shoes). Luxury will be thoughtful; LVMH was on to this last year with its campaign using celebrities but for charity."

"Yes, I clicked adoption of social media BUT that is because there was no "all of the above." Consumers live in a distributed manner online and consumer media in a multitude of ways - the only way to penetrate the online space effectively is to be everywhere consumers are, not just one hub. Facebook is great but it's not a "build it and they will come" land where all is perfect. You have to be everywhere and make sure all initiatives and communications work together and are not too overtly commercial. Combining social media programs and innovative webisodes and Twitter and email and blog outreach and partnerships is the ONLY way to go."

"No one takes bloggers seriously when it comes to setting trends... the fashion companies set the trends and then the bloggers pick them up. Partnering with bloggers would do couture companies no good, and I think they realize this. Sticking with traditional advertising will be the way to go."

"The right model does not exist yet, but it will."

10. Where's the best place a luxury brand looking to exploit global markets should be seeking to expand? China – the biggest exporter of knock-offs is also a huge consumer of luxury brands (42.5%)

(f) India – all those outsourcing dollars need to be spent somewhere! (17.0%)

(g) **China – the biggest exporter of knock-offs is also a huge consumer of luxury brands (42.5%)**



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

- (h) Japan – when *they* start cutting back, it's all over (12.3%)
- (i) Gulf States - can you say "conspicuous consumption?" (14.2%)
- (j) Other (14.2%)

The verdict is in: China is the land of luxury opportunity. India, the Gulf States and Japan were all distant also-rans, though promising in a number of respondent's eyes. Other options: Russia, Europe and the cautiously rebounding economy stateside.

Comments:

"Hard to compete with the largest potential of the future middle class of China."

"The US - despite what we feel here, this economy is hitting the US less badly than most countries, and we are taking a more aggressive approach to solving it. The gulf is too dependent on depressed oil prices India's growth is stalled for another year, and in any case, luxury goods are priced lower there, thus smaller margins. Japan is saturated."

"China. They knock it off, but they know the difference, and the demographic numbers are undeniable."

"India, the new frontier. Japan will always be important but there is an enormous rise in India.... Russia, too."

"Dubai is a Mecca for spending."

"Or Japan, or Korea. Prada is opening a giant new space by Reem Koolhaus in South Korea because the East Asian market is booming. Barbie just opening a flagship in China, and as far as I can tell, I don't think she has one stateside."

"In the end, we will all be living like the Chinese. Marketers need not only to sell to the Chinese market, they need to understand what's unique about it and begin selling products that reflect those unique needs. For example, most upper-middle class Chinese don't drive, they have hired drivers. So luxury carmakers need to start putting emphasis on their back seats, not their front seats."

"India is going to become our overlord."

"Dubai is the shopping hub of a 2 billion person region; once oil prices rebound, the malls will start to refill."

"Hopefully the Gulf states can stave off the hemorrhaging until Western markets improve. I think the uptick in popularity of ridiculously impractical vehicles such as Hummers might be an indication that Gulf



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

residents may be unwilling to take a recession lying down."

"I was recently in Mumbai and feel that their love of clothes, adornment, food, and display of status will be a factor as their middle class expands."

"Other – [luxury brands have the] strongest connections to US, Mainland Europe, & East Asia. Better quality jobs (IT, Engineering, Financial Services) than China (Manufacturing)."

"The Indian economy is booming and with that comes a new group of people willing to purchase luxury goods."

"If it's a U.S. based luxury brand - Europe due to the slight difference in buying power."

"The gulf states have hit several setbacks - but a culture of consumption has been established and, perhaps, the way individuals will let each other know that they are still prosperous will be through unabated spending."

"ALSO, it's not just about outsourcing dollars in India- it's really about the enormous middle/upper middle class that has the Benjamins to fly the family first class and pack everything in LV luggage!"

"Who knows? They say Chinabut now China's in a deep recession too. Luxury brands should look to address the top 5% in all major countries right now instead of looking to go mass-market. Luxury brands are, after all, meant to be elite, exclusive, and luxurious - remember?"

"It seems the Japanese have an insatiable appetite for Western luxury goods, but what about all of Russia's new money??"

"China - As wealth emerges, American and European brands will have significant appeal to the rapidly growing affluent consumers looking to prove they have "made it" on a global stage."

"China IS the future."

WILDCARD! We asked our respondents: "What's the best way for your favorite luxury brand to survive the recession?" In the spirit of the times, the most innovative and forward-looking answer wins \$250 donated to their non-profit of choice. That winner is....AMANDA DOBBINS. Her innovative suggestion:

"I think Marc Jacobs should start hosting pseudo-underground dance parties in his West Village stores after hours--they could replace The Beatrice."



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Finding a way to leverage the brand with maintained exclusivity, use existing resources, and create an opportunity for free exposure is a genius solution in these times. As far as our respondents' favorite brands go, Marc Jacobs doesn't seem to need the help, but it's this kind of innovative thinking that creates storylines, buzz and brand cachet – not to mention brings in customers. So congratulations, Amanda!

(III) Conclusion

This survey makes clear that, while the fundamentals of luxury remain the same – quality, taste, workmanship – the parameters within which it is interacting with customers is changing. The decline of print, the emergence of fashion bloggers as an authority, the growing primacy of online e-tailers as destination sites, and the possibilities of social media and online innovation in reaching new demographics and maximizing customer base are all factors at play in this changing luxury landscape. Abrams Research, with our access to the top minds across the board in all of these areas, can work with your organization to maximize these opportunities, and position your brand to innovate and prosper through this time of flux and beyond. We look forward to hearing from you.

Contact: Rachel Sklar, Abrams Research, rachel@abramsresearch.com, 347-882-8227.



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

Appendix – Brands Cited in “Best Brands” Question (#8)

(in order of appearance in responses)

1. Louis Vuitton
2. Manolo Blahnik
3. Top Shop
4. YSL
5. Balenciaga
6. Gucci
7. Bottega Veneta
8. Bulgari
9. Chanel
10. Balmain
11. Alexander Wang
12. Garrard
13. Marc Jacobs
14. J. Crew
15. Forever 21
16. H & M
17. Bluefly
18. Stella McCartney
19. Christie's
20. Cartier
21. Gilt Groupe
22. Dolce & Gabbana/D&G
23. DKNY
24. Gucci
25. Hermes
26. Barney's
27. Prada
28. Juicy Couture
29. Tiffany
30. Burberry
31. Diane Von Furstenberg
32. Karl Lagerfeld
33. Guess
34. Zappos.com
35. Moet + Hennessy
36. Levis
37. Net-A-Porter
38. Henri Bendel



Abrams Research

Ph: 347-882-8227 www.abramsresearch.com

39. Brioni
40. Belvedere
41. Tory Burch
42. Dior
43. Galliano
44. McQueen
45. Philip Lim
46. Rodarte
47. Gap
48. John Varvatos
49. Band of Outsiders
50. Ralph Lauren
51. Sony
52. Trovata
53. Malin & Goetz
54. Mast Brothers' chocolates
55. Linda Loudermilk
56. Rafe handbags
57. Proenza Schouler
58. Mizrahi
59. Coach
60. Sotheby's
61. Uniqlo
62. Zara
63. Patek Phillipe
64. Jane Mayle
65. Anthropologie
66. Diane Von Furstenberg
67. Rolex
68. Christian Louboutin
69. Zac Posen
70. Mercedes Benz
71. Calvin Klein
72. Lanvin
73. Mod Cloth
74. Bag, Borrow or Steal (Avelle)
75. Agent Provocateur