



## Fast fashion meets luxury labels

**Take a stroll down London’s Old Bond Street or Milan’s Via Montenapoleone and you will see the latest offerings of Chanel and Gucci: exquisite creations of the finest material and craftsmanship. Hop over to Oxford Street or Corso Vittorio Emanuele, and you will discover the window displays of H&M and Zara are exhibiting pretty much the same designs – albeit with lower quality materials, questionable craftsmanship, and significantly lower prices. Guess which is flush with cash? INSEAD Assistant Professor of Organizational Behaviour, Frederic Godart, has some surprising predictions as to which way this lucrative market is heading.**

“The luxury industry goes well when everything goes well,” says Godart. The global economic downturn certainly affected the luxury industry; some segments such as watch making, jewellery, wine and spirits suffered due to extremely high prices, whereas high fashion and leather goods weathered the storm better. Shares of all the big name brands dropped dramatically when tragedy struck Japan in mid-March in the form of an earthquake and tsunami. Globally, consumers seem focused on paying down debt rather than spending.

Consumer models are certainly changing in the wake of the global financial crisis. Prior to 2008, it was easy to mimic the rich and famous – as long as there was space on the credit card. Looking fashion-forward was just a swipe away. However, the so-called “credit crunch” put a stop to that and “wannabes” are no longer able to buy luxury goods on their credit cards. But they can buy lookalikes for a fraction of the price in fast fashion emporiums like H&M or Zara. This “copycatting” is not technically illegal – as opposed to outright counterfeiting. Far from being concerned, designers are even creating special clothing and accessory lines for these fast-

fashion superstores. H&M kick-started the trend in 2004 by hiring Chanel’s Karl Lagerfeld to design a collection. Then came Stella McCartney, among others, and most recently Lanvin.

### **Bond Street Meets the High Street**

What’s going on here? Why would high-end exclusive designers want to associate themselves with low-end high street brands? It’s all about raising profile. And profits of course. “It’s a win-win collaboration,” Godart tells INSEAD Knowledge. “For Lanvin, it’s a way to expand its reach again – expand its audience as a brand.” Consumers who would not ordinarily be exposed to such a high-profile designer can buy into the dream. “Lanvin was known (previously) by a fashion elite, but now it’s known by a lot of people.”

But there is another agenda according to Godart. He believes that these retailers are preparing to launch into the luxury market. “That’s probably why H&M and these kinds of brands collaborate with high fashion designers – it’s a way for them to learn about the luxury fashion industry before moving there,” he

Visit **INSEAD Knowledge**  
<http://knowledge.insead.edu>

says. “They [the retailers such as Zara and H&M] want more. The only way to do it is to turn to luxury... Zara (owned by Spain’s Inditex) could buy Hermès, for example. They certainly have the cash to do it,” he adds. Is that the answer to nurturing a stable financial base in this notoriously small and select industry?

Another way to ensure exposure and entice customers who can’t come to you is to go online. The recent trends of social and online media are having a huge influence on this sector, with Richemont’s purchase of Net-a-Porter as a prime example. Although retailers tried to tap into the online trend ten years ago, consumers weren’t technology-savvy enough. This time around it looks like it’s going to work. “I think their customers are ready,” says Godart. “I also think brands – fashion or luxury – have acquired the operational capabilities to do it well.”

And then there’s China. An expanding middle class who not only have the appetite for luxury but a high purchasing power is emerging in the “Sleeping Giant”. Godart cites industry forecasts which predict that China will be the biggest luxury market in the world by 2020, representing 44 percent of the global consumption of luxury goods. This raises important questions for the industry such as whether they develop their own brands in China? Do they create local Chinese brands with Chinese designers? What about translating the name into Chinese? “The high-end brands are going to have to adapt themselves to the needs of the Chinese customer,” says Godart. And that could indeed bring a whole different look to the face of luxury.

#### Find article at

<https://knowledge.insead.edu/customers/fast-fashion-meets-luxury-labels-1051>

#### Download the Knowledge app for free



Visit INSEAD Knowledge  
<http://knowledge.insead.edu>