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THE FUTURE IS NOW

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PLUS
THE MILLENNIALS
Who are they and how do you reach them?

Forward-thinking on emerging markets, recession-busting and credibility-building

How to reach

'Millennials are definitely more questioning of the integrity of a brand. If you make a mistake, that will all come out on online forums and blogs very quickly'

Clare De La Poer Beresford, Icon

"Millennials are an activist group. Not in a political sense, but they are tremendously active on consumer issues," says Milton Pedraza, chief executive of the Luxury Institute, a New York-based luxury ratings and research firm. "They can launch activism – positive or negative – in a quicker and larger way online than any previous generation. You have already seen that with consumer petitions on Facebook."

Luxury Institute research from March 2007 found that while the wealthy are not heavy users of social networking websites, 73 per cent of the sample studied used the internet to research information, particular for product referrals and reviews.

"Among the wealthy, you find a lot more young people than in previous generations," says Mr Pedraza. "They want to connect to each other and share views on products."

"High net worth individuals are very task focused when they are on the internet," says Guy Salter, deputy chairman of Walpole, which promotes UK luxury goods. "When it comes to fashion and luxury, that is even more the case." Thus, he believes: "One version of the future is going to be online communities that exist for very specific things, with a very edited approach to goods, which emphasises the rarity value and stories behind the goods on sale."

Others, however, argue that the web is popular with millennials because it allows them to express their inherent scepticism towards institutions, businesses and, ultimately, brands, in the most immediate and powerful way.

"Millennials are definitely more questioning of the integrity of a brand," says Clare De La Poer Beresford, director of creative services at Icon, a new London-headquartered luxury advertising agency. "If you make a mistake – employing sweatshop labour, for instance – that will all come out on online forums and blogs very quickly. And if you think about 15-year-olds rather than 25 year olds, they are even more internet-savvy. Brands are going to have to be much more creative in their marketing without resorting to gimmicks."

Founded in Paris in 1838, bespoke shirt maker Charvet has long been revered for the attention it provides its clients. "We try to have personal relationships with all of our customers," says Anne-Marie Colban, who runs the business with her brother Jean-Claude. "It's not unusual for a client to ask us to remake a tie that they purchased 15 years earlier or to have a new shirt remade to match a vintage Charvet shirt from their grandfather."

Once upon a time, this sort of long-term relationship between brand and customer was not unusual. But today "luxury has become a series of one-night stands", says Guy Salter, deputy chairman of the Walpole Group of British luxury firms. "Although we remain very good at seduction, we almost never get to the dating stage, let alone partnership."

The personal relationship that was once the defining feature of high fashion has fallen victim to the industry's rapid expansion. Now, the big brands use multimillion dollar advertising campaigns and flashy events to attract customers. But, says Salter, "the mass market is increasingly good at seduction too, so luxury brands need something more if they are to stay ahead. Consumers are more discerning than ever before – if you treat them in a shallow way, they will treat you the same way and show you no respect and no loyalty."

One way to give them respect is to give them a voice, and nowhere are voices louder than on the internet, as consumers exchange opinions on everything from handbags to cosmetics and men's ties. Lively discussions are taking place on blogs, online communities and other social media in a second generation of

internet technologies, often referred to as Web 2.0, which emphasises online collaboration and sharing.

And, says Seth Godin, a bestselling author and digital marketing expert, "since the dawn of the internet, the most curious, outgoing – and, thus, wealthy – consumers have been at the centre of web usage."

For luxury brands, this seismic shift presents both opportunities and risks. The growing power of bloggers in particular is notable because they have trusted relationships with their readers, enabling them to influence purchasing decisions, reminiscent of Anne-Marie Colban at Charvet. As passionate consumers, bloggers can also provide valuable, honest feedback to the brands.

But, "most luxury firms are still in one-way communication mode", says Milton Pedraza, the Luxury Institute's chief executive. "They are trapped in traditional media and have failed to listen to, engage and create a community dialogue amongst their most ardent fans."

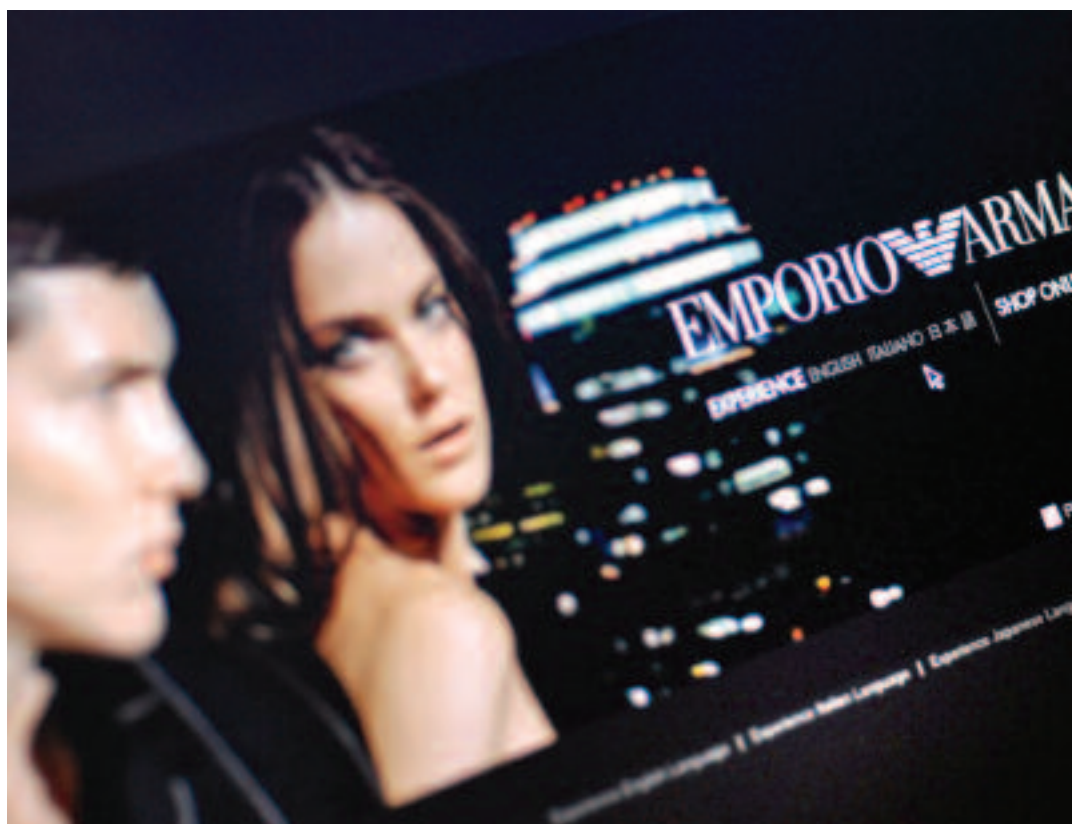
There are some exceptions. For example, both Alexander McQueen and Louis Vuitton are actively working with bloggers. Jonathan Akeroyd, McQueen's chief executive, says: "We treat respected bloggers in the same way we treat respected journalists, servicing them with information, news and images, and valuing their opinion in return."

While stopping short of setting up its own online community, McQueen has also recruited MySpace users to create an advertising campaign for its youth-oriented McQ collection. Mr Akeroyd says: "The most notable thing was how much [the users] understood the essence of our brand. With a strong identity, user-created content can serve to reinforce this."

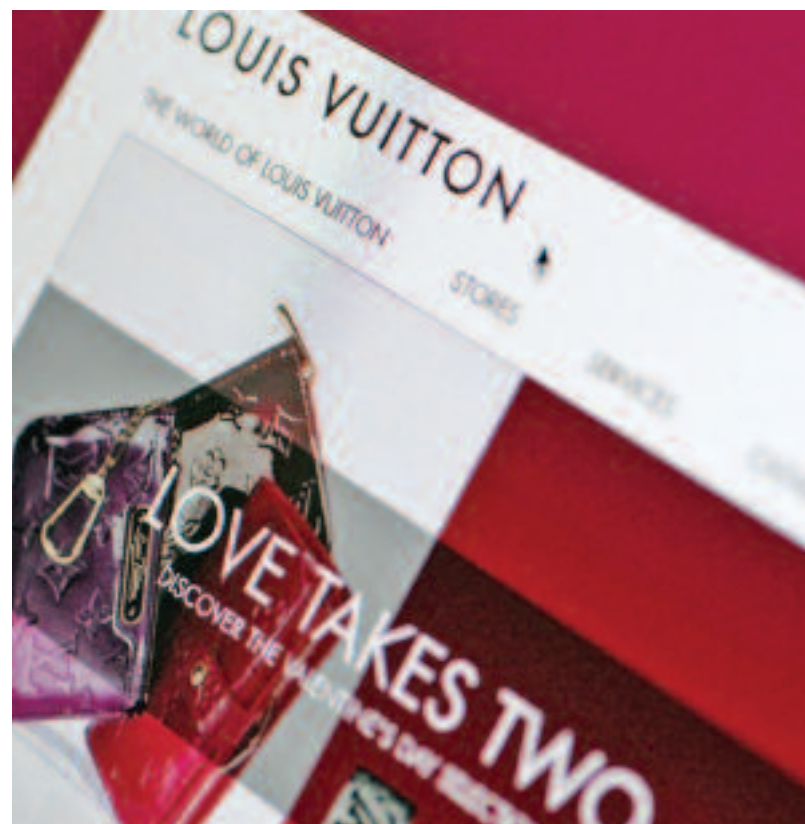
But here, Philippe Schaus, senior vice-president, international, of Louis Vuitton Malletier,



Charvet



PHOTOGRAPHS BY GREG MEESON



second base online



Yet, outside of fashion, companies such as BMW's Mini have demonstrated how a branded online community can work. "The Mini Owners' Lounge was developed as a community environment where Mini owners could get together and share their experiences, learn more about Mini, and make connections with each other," explains Kate Alini, manager for Mini Marketing Communications.

Since the community was launched in 2002, more than 150,000 Mini owners have registered on the US site alone, representing 68 per cent of all the Minis in the US. About half of the registered users are active, posting about 12,000 new messages a month. Still, so far, luxury fashion brands have steered clear, concerned about the impact of questionable content and unflattering comments on their brands, especially if they are housed on their own internet sites.

Mini addresses this by intervening when necessary. Alini says that "while Mini rarely gets into the ongoing dialogue, on occasion there is new information that we want our owners to hear first, or we need to address significant issues or concerns. We've found that the best 'policemen' on the site are the owners themselves – they often jump in if they feel that someone has posted something questionable, or if the tenor of a message turns negative".

In addition, Alini explains, "Through the Owners' Lounge we have gained great insight into what is important for Mini owners. Ultimately, our active owners also end up being our best brand evangelists – so the return on the investment can be measured in Mini's increased brand awareness and, of course, in ongoing increased sales."

Milton Pedraza of the Luxury Institute believes that this type of community "will become popular and commonplace in most luxury categories – especially rapid cycle, trend-driven categories such as fashion. They may be created by customers and fans, independent intermediaries, or by the brand itself – or all three. Either way, the dialogue will occur".

Imran Ahmed is an adviser to the fashion industry and is editor of a blog on the fashion business at www.businessoffashion.net

is more tentative. Even though Vuitton is actively pursuing e-commerce in several countries, when it comes to online communities and forums, Schaus says: "We are waiting and watching and thinking about it. We don't have all the answers yet... it is a world without boundaries and control."

Louis Vuitton is not alone in its wait-and-see approach. While Gucci, Bottega Veneta, Emporio Armani and most big fashion brands are now selling on the internet, none has set up its own online community.

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*Philippe Schaus,
Louis Vuitton
Malletier*

This hesitation is understandable. Age-old luxury brands have spent years cultivating their images through controlled marketing. The idea of letting go of this can feel risky.

Indeed, a report by Immediate Future, a PR consultancy, recalls a pointed warning about social media from *The Cluetrain Manifesto*, a bestselling book on marketing: "There are no secrets. The networked market knows more than companies do about their own products. And whether the news is good or bad, they tell everyone."



Alexander McQueen recruited MySpace users to create an advertising campaign for its McQ collection (above); BMW's Mini (left) has pioneered creating branded online communities

