Responsibility and Profits: What Temple of Luxury has Taken on the Role of Guardian?

Selvane Mohandas du Ménil

A New Situation

"Faire du ciel le plus bel endroit de la terre" (Making the sky the best place on earth): the Air France slogan first used in 1999 illustrated the extent of the ambition of the French national airline's company mission. From then on, the issue was no longer a simple means of transport with clear, fixed promises -- "La ponctualité est notre meilleure publicité1" (Punctuality is our best advertisement)-, or even simpler, evoking just movement -"L'Art du Voyage2" (The art of travel), "Demandez-nous le monde³" (Ask us for the world)-, it became a way of approaching the universe from a new angle, even considering another way of life. The brand itself was no longer enough to attract clients, despite the fact that it was absolutely evocative of its offer.

Another big name, the EDF (French electricity company), that even had the advantage of a monopoly until 2007, illustrated this point to an even greater extent: "Nous vous devons plus que la lumière" (We owe you more than just light), thus evoking an emotional connection with the client-partner rather than the client-payer, and even "Donner au monde l'énergie d'être meilleur" (Giving the world the energy to be better), positioning itself as the means through which the world could be made a better place, as simple as that. Their most recent slogan, "Changer l'énergie ensembleiv" (Changing energy together)⁴, reflects both the idea of a partnership and a quasimessianic ambition for a different, transformed and better world thanks to the efforts of the company and the moral and financial support of the end client.

In both cases we are dealing with brands whose role and function are clear and even mentioned in the company name, but who are no longer just selling a product or a service -"Air France transporte tout, partout5" (Air France transports everything, everywhere)- like they did in the fifties, or proposing a getaway to a client in search of self-affirmation and success and under social pressure like in the eighties, or even attempting to re-enchant a client who is sick of the consumer system as was the credo of worried brands not so long ago. If we take things literally, it has now become a simple question of proposing a new vision of the world rather than an attempt to re-enchant: the individual is no longer a client; he or she has become a partner, the centre of the company's preoccupations, and co-author of the efforts that the brand is making to change the world. In exchange the brand requires his or her total submission as is evident from the obligations forced on Flying Blue⁶ passengers to retain their status or by simply reading the EDF's Terms and Conditions. The brand becomes an artificially created interest group, and makes the means available, in particular in the form of rights and duties, that enable the new client-actor for change to become responsible for the mutation of his or her own consumption, of his or her own life. In a globalised world that makes national differences obsolete, it is tempting to talk of a quasi "brand citizenship" that shapes the identity of the client. It

is edifying to see the virulence of the exchanges between the pro-PC gang and the pro-Mac gang on discussion threads, or even to listen to the treasure trove of arguments put forward by loyalty-card holders to prove the superiority of the airline they use. We find ourselves emotionally defending a project that is dear to our hearts instead of rationally comparing the pros and cons of a simple brand.

In retrospect, it is enticing to see here the premise for a 2.0 world where the client contributes to his or her own consumption, which is then theorised and improved though social networking sites (Facebook, Twitter, and Google). But beyond this vision, in a jaded world with no belief system and where trust in institutions is flaking away, is it not possible to extrapolate the notion of "brand citizenship" to also see a political angle? After all, nothing is stopping brands from injecting a bit of ideology to the mix. If we read the brands' "master plans" -making the sky the best place on earth, giving the world the energy to be better- they start sounding like an ambitious and poetic pseudo-political programme, to which we latch on willingly, becoming de facto members of the brand's community⁷.

Luxury in Context

Now, let's look at the luxury industry, an industry that by definition possesses all of the components necessary to gather a group of clients together around the same vision, whether it be historical, qualitative or emotional, and who, in return, actively participate in its mission and legend, fifty years ago by wearing haute couture, ten years ago by placing a special order and today interacting with the brand online. The notion of "brand citizenship" is not new: twenty years ago one "was" either a Lamborghini person or a Ferrari person; today we interact in an almost intimate fashion with our favourite brands (whether we are actual clients or not is practically irrelevant). Burberry is a case in point. It hit the three million fans mark on Facebook in November 2010⁸ and was redefined by the vice President of Facebook EMEA– "Through the creation of original content, Burberry is no longer just a fashion company –today it is a thriving media business" illustrating the brand's capacity for generating content to make the clients faithful as they become both spectator and actor thanks to the tools available through Facebook⁹.

Luxury is a dream for most people and numerous sacrifices are possible in order to acquire a product. But beyond hedonism, individual pleasure, aesthetics and enjoyment, is it possible to detect a political angle in this "dream brand citizenship"? And taking things further than simply the product, are luxury brands ready to adopt a public political stance that goes beyond the quest for profit? What are the issues at stake? Is this fundamental for the future of the industry? What are the consequences for Europe?

The notion of "brand citizenship" which is not unknown to luxury brands is evident today in the Luxury Lifestyle, which represents the latest evolution in the sector. The conspicuous consumption of luxury products was traditionally meant to reflect social status, to transmit a veritable message to the spectators of this ostentation¹⁰. By buying a luxury car, the buyer was affirming to a family car owner that they didn't need to restrict their consumption according to their needs. However, this repetitive consumption of luxury, associated with the continuous increase in buying power since the Second World War, has distorted the representation we have of the world. Luxury went from exceptional to normal and became a way of life rather than a mere ornament of life. Patrick Bateman¹¹ turned his existence from the initial, hedonistic life decorated with rare and costly objects, into a hell controlled by possessions and neverending lists of the luxury brands that made up his universe, the *sine qua non* condition for his happiness, independent of the nature of the products in question.

That this luxury has now become a "lifestyle" is obviously good news for brands, as sales have multiplied exponentially: the industry is set to make stupendous profits this year¹² and is seen as the goose with the golden egg, not only recession-proof but benefiting from the recession, given the impressive growth rates of the companies involved, and totally unaffected by the macroeconomic environment. These profits are the result of unbridled expansion, whether it be through the products-, by expanding ranges-, through the clientele by attracting a client base that gets broader every day and is more sensitive to the brand itself than the intrinsic quality of the product-, or through geographical expansion which today enables relatively easy access to brands, regardless of the location-. The priority of the big groups is to make the most profit possible and they don't make any attempt to hide this, as their growth rates soar while the brands themselves become banal. The have gone from being the ambassadors of a certain "European art de vivre", to becoming simple logos or labels to be collected, or to be replaced as quickly as possible according to the seasons and trends instigated by the system itself to keep up the rate of constant trend renewal¹³.

All of the big players are increasingly committed to this route, aided and abetted by high sales and total commitment from an aspirational clientele looking for material happiness. This however means a brand citizenship totally empty of meaning: luxury federates, but federates around nothing, luxury is convincing, but of nothing. Indeed, it can not be reduced to a hollow "Luxury lifestyle", the simple possession of rare and costly goods. According to Vincent Bastien and Jean-Noël Kapferer, "luxury is based on hedonism and aestheticism, and not on an overconsumption that leads to saturation and disgust; the world of luxury is to be, for oneself and others, and not to have"¹⁴. To sum luxury up by the mere overconsumption of expensive products removes everything that makes it specific and its differences relative to any other type of product¹⁵.

We should also ask ourselves what the future holds for brands that are, in the end, relatively similar except through their history, accessible to all and everywhere, whose unique characteristic is now merely of high cost "market positioning" and not a message whatever it may be¹⁶. The sales results are undeniable, so is it really important to worry about this lack of commitment or stand? It is perhaps useful at this stage to remind ourselves that historically, luxury possesses an important political component through the power it displays and confers.

It began to materialise in the shape of the expression of brute force and the financial or temporal capacity to focus huge resources toward a non military or strategic aim.

The statue of Athena in Phidias, inaugurated at the Parthenon in 438, twelve metres high and entirely covered in marble and over 100 kilos of gold, is a perfect example: such expense merely went to prove the city's capacity to mobilise precious resources, it was a demonstration of unused power. In addition, the statue was really a safe; the gold could be removed at any moment. This unused power did not just have geostrategic interests; it also played a role of internal regulation. The Chinese showed this as early as 1364 with the introduction of signed ceramics, for imperial use only, on pain of death. The inaccessibility of luxury - today through the cost of the products but then through the accreditation system of the different powers that were –thus also had a political function, something that Louis XIII understood perfectly when he tamed the French nobility by creating the Court and its refined but ruinous and addictive pastimes. Colbert, by developing manufacturing and luxury fabriques, added a new component: luxury was no longer a passive political element (an affirmation but with no precise action), it could also serve the big picture, in this case financing the armies of France and its foreign policy.

In addition, this political component was something Napoleon, and more recently de Gaulle, understood fully. The ocean liner France and the Concorde aircraft, with their luxury finishes and services (a great number of craftsmen and suppliers were involved, beyond the simple cost of the service), were glossy proof that France was capable of incarnating a third way, an alternative to the United States and the USSR, in addition to displaying its economic independence.

Luxury and Responsibility

Today, we are forced to admit that the big names in the sector are obviously taking great care not to take a stand, to avoid any possible misunderstanding, and their involvement in the social fabric is becoming less and less obvious or visible. This strategy is certainly lucrative in the extreme, but it is far from safe in terms of the very future of the luxury sector. By appealing to a clientele that with each purchase is less convinced as to the specific nature of the purchase, selling a product that is more and more accessible and less and less exceptional, the industry is gambling with what has always made it unique.

Indeed, what does luxury really mean today, as an idea and not as an industry? Quality, skills, but also values of generosity, humanity, hedonism and real knowledge on the part of the client to appreciate the object, understand the cost, be aware of its specific nature. These elements are all communicable and all belong, obviously, to European culture. So today we can see a component of European "soft power" in luxury, and as such imagine that it is possible to inject content. The Hollywood dream machine, on another register, is the best example in the U.S.

At a time when Europe's decline is acknowledged, visible and tangible, as Europe loses confidence in itself as Asia rises and the U.S., even when under pressure, has no intention of resigning itself to the inevitable, luxury may enable the European political block to transmit a cultural and voluntarist message, that goes beyond the simple promotion of a way of life that is nothing but an illustration of the "museumisation" of the continent, of Italy and Paris in any case, that is out of touch with most of its citizens. Of course, luxury should not be seen as an offensive diplomatic weapon, but at least as a rampart that protects European specifics in terms of culture and skills.

Are such positions financially feasible? Is a clear commitment to national and continental skills compatible with financial results given the profits the sector is currently making?

The increased responsibility of a few fashion houses doesn't seem to have had an adverse effect on their profits, as they themselves are experiencing the same boom as brands with an exclusively economic realpolitik. Hermès and Chanel are the best examples, through their exclusively French manufacturing units for the products in question, including ready-to-wear and leather items, but also for their defence of specific skills through financial participation in structures that are not necessarily profitable but illustrate and preserve the technologies necessary to product luxury goods. Bruno Pavlovsky, the CEO of fashion at Chanel, is clear about his intentions: "We wanted to make sure that the skills and professions that are essential to the luxury industry stayed in France. With no investment and a lack of successors, they were running the risk of disappearing altogether"17. Hermès is a stockholder in, among others. Puiforcat, the Cristalleries de Saint Louis, Perrin & Fils, Bucol, and announced in its first quarterly financial report for 2011, that "the long term strategy, based on mastering skills (...) remains a priority. The theme of the year 2011 (...) focuses on the excellence and authenticity of the crafts and skills that constitute the base on which this house has built its success and its future". The message is clear, for Hermès and Chanel: European skills are non negotiable. This is also true for Van Cleef & Arpels who have kept manufacturing in France for skills that mean that 80% of their turnover is on special orders rather than on mass produced items thus going against the trend of modern economic logic. In addition, the house is constantly investing in research and development to retain their technological edge over the competition and thus keep producing exceptional products. So here we are dealing with the preservation of skills, with probably lower profit margins than with those manufactured externally, even if this information is obviously impossible to verify.

What about the necessary education, the culture required? Luxury is not only a question of skills; it must also be something one deserves, either in terms of understanding or product accessibility. At a time when practically all brands are available in stores in the most remote cities of Eastern Europe or Asia, not to mention online, certain houses have gone down the inaccessible route. Hermès, Chanel, yet again are very good examples, as they have no wholesale¹⁸ setup or do not produce enough to fulfil the demand. Goyard is another good example: the house chose to wait for many years before opening its Mount Street store in London in 2009, rather than giving in to Harrods demands, even though Harrods is courted by all luxury brands, and a presence there would probably have enabled the small house to expand more rapidly. But rather than go for growth at any cost, the family that owns Goyard decided to choose its own store location and wait patiently. In this case, the limits it put on sales despite the natural need for growth, displays an almost ideological and antithetic vision of the current dominant thinking: luxury is not for everyone.

A Crisis in the European Monopoly?

Does this mean that taking a stand in favour of local skills and high quality is a swan song or a nostalgic vision of a glorious past? After all, as Christian Blanckaert readily admits¹⁹, "The theory that luxury is the preserve of the French and the Italians is now losing credibility (...). The world of luxury is starting to lose its borders". So why stick to a position that is inherited from the past? The few houses mentioned above such as Hermès, Chanel, Van Cleef & Arpels, Goyard, do not seem to be resting on the laurels of their past, on the contrary: their competitiveness and innovative edge are very real.

But business is business, and that applies to the luxury industry also: reducing production costs means more profits. This precept is in part responsible for the complete disappearance of the luxury shoe sector in France, after having been the leading manufacturer up until the seventies. As the CEO of Oscar de la Renta, Alex Bolen, said in 2010: "Ultimately we have to sell stuff, this is not an art project"²⁰. The changes in luxury detailed above, led by the big groups, goes against the idea of cultural preservation or the affirmation of one of the last technological superiorities of the continent of Europe²¹. This would involve the houses taking responsibility, and not all are prepared to do so, like Prada or Burberry who outsource for cost reasons only, respectively in Turkey for Prada's leather goods and China for the British brand's shorts²². In addition, the profits made ensure French luxury the support of specialist institutions like the Comité Colbert: when, questioned on the painful subject of outsourcing in luxury, they reply that no one asks Renault where their cars are made, and claim to believe more readily in "made in Dior" rather than "made in France"23.

However, the Stakes are High

The increasing banality of the big name luxury brands and the loss of their distinctiveness in the mind of the client - or at least, as it is envisaged in France - as the consequence of the spread of the Luxury lifestyle is disturbing. We should remember that luxury brands are brands of image rather than brands of accounting columns²⁴ proof being the total volume of sales in the sector, 164 billion Euros in 2008, or the equivalent of Toyota's sales²⁵. The banalisation process is already happening in emerging markets, where we can see that the perception of brands is often the complete opposite to the reality. Should we also note that luxury doesn't have a slogan? In the absence of any cultural content and clear strategy besides that of making profits, there is a huge risk of confusing consumers forever. Of course, we are constantly hearing that luxury has survived its own moral crisis without a scratch, that it is no longer a question of flashy, consumer-based luxury. How are we to believe this at a time when growth is being led by emerging markets with different and status-based logics of consumption, and with spending by luxury tourists, also motivated by status²⁶? Luxury products are now bought for the most part by the middle classes rather than by the "super-rich"²⁷. Luxury is now run by business and not by brand and is losing itself in the massive proliferation of objects when the industry really should be trying to create bonding, despite the risk of rejection, instead of spreading all over the place. It is, in fact, the only legitimate industry that can adopt this kind of behaviour, if only it would remain faithful to its own values.

We could also object to the position adopted by the Comité Colbert when production outsourcing is dismissed in the name of brand power. In addition to the fact that a banalised brand (or to attempt a neologism "commoditised") will necessarily be weaker and less powerful, pure design is in no way a competitive advantage. On the one hand it would be incorrect to believe that emerging powers will never be in a position to compete with western designers, and it would be irresponsible to think that this will not happen in the future. In addition, design used as a creative advantage is completely at the mercy of the threat of counterfeiting. Only skills and technique provide true protection against pure copying. How can this advantage be preserved if it evaporates from the continent due to lack of orders or due to the constant pressure from fashion houses on suppliers to reduce their prices in the hopes of getting down to costs closer to those available from outsourcing, while benefiting from the magic "Made in"? The parallel that can be drawn with the Chinese brand Shang Xia is edifying: Hermès created a completely new brand from the ground up, based on Chinese craftsmanship and aimed at the Chinese market²⁸. It seems clear that the anchorage of skills and technique are basic, so why is production constantly being transferred abroad by European brands enabling them to produce for less but diluting their message and their very essence?

It would appear, as if proof were needed, that luxury is one of the elements of European "soft power" that as such should project the values that the continent defends²⁹.

Other sectors are trying to federate their communities of "brand citizens" through slogans or an ambitious vision of the world. like the Dyson group, that promotes healthy and sustainable growth by looking to individual responsibility and collective efficiency more than profitability and planned obsolescence³⁰. But luxury is going down a path that is diametrically opposed to this one, evacuating all disruptive elements in case they affect sales, and in doing so no longer inspires any kind of elevation or aspiration other than the material kind³¹. It is thus decisive and curious that neither Hermès nor Chanel really advertise their initiatives in safe-guarding European skills. We could reasonably hope that European luxury companies would take more collective responsibility both in terms of the values they promote that could be more offensive and supportive of their regions of origin, and their direct economic impact in their own social fabric³².

Of course, this is a big ask. Should it not come to pass, which seems to be the way things are going, the luxury industry will lose what makes it unique, it will become like any other common or garden activity, a first in the history of luxury. This would open the way for emerging countries to recreate new legendary brands after having exhausted existing brands³³, causing Europe to lose yet more of its soul and its power.

European luxury will then have become an industry like any other.

Selvane Mohandas du Ménil Graduate from HEC and IFM

- 1. Air France Slogan, 1985.
- 2. Air France Slogan, 1988.
- 3. Air France Slogan, 1992.

4. EDF slogan, 2009. EDF slogans have long had the same educational, responsible and emotional bent: "Lavenir est un choix de tous les jours" (The future is a choice made every day), "Nous sommes l'énergie de ce monde, nous sommes fiers d'être la votre" (We are the energy of this world, we are proud to be yours), "Notre énergie sera toujours à vos côtés" (Our energy will always be with you).

- 5. Air France Slogan, 1952.
- 6. Air France's frequent flyer programme.

7. Of course, this is merely an ambitious and demanding extrapolation, the marketing departments of the big name brands always take great care to remove any hidden references from their intellectual productions, as they are a potential threat to the brand's reputation. They erase any position-taking that could be interpreted as compromising by any social group, to the extent that the message becomes absurd and bland. The only thing that remains is the poetic dimension, free from any real or serious commitment on the part of the brand which is probably damaging from an economic and philosophical point of view at a time when faith in all existing value systems is waning. The maths are simple: it is better to sell a lot of products with no commitment and no hidden agenda to the multitudes, rather than trying to convince or even conscript truly committed and as such faithful consumers but with resulting lower sales. All this despite the fact that in the long term, the latter is the more rational choice (but requires more courage).

8. http://www.enmodeluxe.com/burberry-premieremarque-de-luxe-a-reunir-3-millions-de-fans-facebook/ 9. The full quote from Joanna Shields, VP Facebook EMEA, goes into detail: "Through the creation of original content, Burberry is no longer just a fashion company -today it is a thriving media business. Burberry is now the most widely followed fashion brand on Facebook. It works because not only does Burberry make beautiful clothes, but as a brand it understands the importance of taking a real interest in the community and it knows how to use social media to create fidelity and entertain customers. Whether it is relating to consumers by promoting indie bands on their Facebook Page or celebrating the ideas of the most stylish customers, The Art of the Trench, Burberry is building its brand not simply by broadcasting and advertising to them, but by creating new media experiences for them."

Thorstein Veblen, *Theory of the Leisure Class*, 1899.
The emblematic hero of Bret Easton Ellis' *American Psycho*, 1991.

12. Hermès announced profits that were up 49.5% on August 31st 2011, for Salvatore Ferragamo the increase is +32.4%, and +25% for LVMH.

13. The book *Deluxe, How Luxury lost its luster,* by Dana Thomas, Penguin Books, 2007, casts a particularly harsh light on the way in which luxury brands have established a never-ending system to maintain

demand. The system has destroyed creativity in brands, as they are constantly under pressure to fulfil the need for more collections to keep profitability levels up in order to justify the investments made.

14. *Luxe Oblige*, Vincent Bastien et Jean-Noël Kapferer, Eyrolles, 2010.

15. For those who doubt the absolute uniqueness of this industry, the book by Vincent Bastien and Jean-Noël Kapferer, *Luxe Oblige*, Eyrolles, 2010, focuses on the particularity of luxury brands and how it is impossible to compare them to other sectors, even harder to run them using techniques from other industries.

16. The example of the perfume industry is edifying in this case: in 20 years, under pressure from producers that have become more and more concentrated through a system of licences given to groups whose interchangeable decision-makers have applied marketing techniques that work but that ignore the natural specifics of luxury brands, and the distributors, who have established a mass retail strategy to take advantage of economies of scale in supplies and running costs, perfume as a product has entirely lost its dream dimension and has become just another commodity ++, an object that smells nice rather than an aspirational element aimed at an educated, however slightly, client who is looking for a little difference or an instant crush, and not a calibrated product. The omnipresence and globalisation of perfumes have removed their inaccessibility and in doing so, their specific nature. And it doesn't seem to matter that this is the very essence of perfume. This goes a long way to explain the upsurge in luxury perfumes today from Serge Lutens, l'Artisan Parfumeur, Frédéric Malle, Histoires de Parfums, to Jo Malone.

17. "Chanel : l'art du beau geste", *Paris Match*, January 17th 2011: Since 2002, the brand has bought out seven specialist workshops, from the hat maker Michel to the floral accessories maker Guillet, the embroiderer Lesage to the feather-maker Lemarié.

18. A form of distribution that entails selling the merchandise to wholesalers. This strategy enables the network to grow and make money without making any serious investment, counterbalanced by a loss of control in the retail process.

19. Le luxe bouleversé... et bouleversant, Rana Andraos, *Economie* (Lebanon), July 8th 2010.

20. Luxury sector to see niche deals, *Reuters*, June 3rd 2010.

21. Is it necessary to mention that the military, rail or nuclear development of many emerging countries has been encouraged by transfers of technology agreed to in the hopes of an immediate and huge profit, while ignoring the fact that the approach creates new competitors? We can refer to an interesting document concerning Areva and China on this page: http://www.medefparis.fr/areva_chine.php . How can we ignore the nuclear power megacontracts signed by the Koreans in 2009 with Abu Dhabi, when France is one of the most advanced countries in terms of civil nuclear technology? In fact, Yves-Michel Riols and Nicolas Reynaud, in their article "Comment les Etats ont liquidé leur capital crédibilité", in *L'Expansion*, September 2011, are merciless: "do not hesitate to do what the Chinese and American do totally without complex: defend one's strategic industries and demand symmetry in newly opened markets. Europe is, for example, the only continent in the world where the telecoms sector, the pillar of new technology, is totally open to the competition, with no reciprocal obligation".

22. Les géants du luxe assument leurs délocalisations, *Le Monde*, Nicole Vulser, October 15th 2009.

23. Ibid.

24. Les marques françaises sauvées par le luxe, *La Tribune*, September 21st 2009.

25. Les codes secrets des griffes du luxe, *Capital* hors série, October 2009.

26. Le salut du luxe est dans ses réseaux, Sophie Bouhier, Journal du Textile.

27. Les codes secrets des griffes du luxe, *Capital* hors série, October 2009.

28. Comment le luxe fait recette, Rita Mazzoli, *La Tribune*, May 31st 2010.

29. Which, it is true, remains to be seen.

30. Le design durable : pour une croissance saine et durable, James Dyson, *Le Monde*, September 1st 2011. 31. This is probably why we have seen more and more one-off initiatives not aimed at consumers but at "amateurs" (lovers), like the well-known perfumer Francis Kurdjian's current solo project, or Pagani Zonda, that only produce 30 vehicles a year.

32. Some brands are trumpeting the fact that they've created 250 jobs in France (Le luxe repart de nouveau, Sid-Ali Chikh, *News Fashion Daily*, 2010) when all of their shoe soles are produced in India (Le haut de gamme européen toujours dans la course, Sophie Bouhier, *La Tribune*, November 22nd 2010).

33. The goldrush has already started: the Chinese have bought Omas pens, vineyards in Bordeaux, the Koreans are financing the leather goods brand Louis XIV. « Demain, le luxe 100% chinois ? » Sophie Lecluse, *La Tribune*, July 7th 2010.