

Despite a downturn in the luxury sector, brands such as Miu Miu and Hermès are thriving by leveraging heritage, creative direction, cultural engagement and strategic pricing, luxury experts tell Drapers.

BY MARIA PAPAKLEANTHOUS 25 NOVEMBER 2024



Miu Miu SS24 at Paris Fashion Week

Last week, <u>Mulberry reported a loss before tax</u> of £15.7m for the 26 weeks to 28 September 2024 as group revenue fell 16% to £56.1m. During the same 26-week period, <u>Burberry slipped into a pre-tax loss</u> of £80m from a £219m pre-tax profit in the same period last year while revenue plunged 20% to £1.08bn.

Following record profits during the pandemic, luxury powerhouses have been bit by a slowdown in demand and <u>changing consumer habits</u>.

Yet, some luxury brands managed to buck the trend, delivering consistent growth in sales throughout the year. On Wednesday 30 October, <u>Prada Group announced a 15% increase in revenue</u> in the nine-month period to 30 September, to €3.8bn (£3.2bn), up from €3.3bn (£2.8bn) in the same period last year. The group's Miu Miu label stole the show with a 105% surge in third-quarter revenues.

Similarly, ultra-luxury brand Hermès reported an 11% rise in third-quarter sales to €3.7bn (£3.1bn) on a constant-currency basis. Meanwhile, Brunello Cucinelli announced a 12.4% uplift in revenues to €920.2m (£765.6m) for the first nine months of the year, compared with €818.4m (£680.9m) in the same period last year.

In the DNA

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Thea Gausen, strategy lead at Morning, a creative strategy studio whose luxury clients include Maison Margiela and Jimmy Choo, attributes the success of Miu Miu and Hermès to authenticity: "They are two brands taking completely different approaches at a time when everyone is thinking there's only one way to win with luxury today.

"They've actually both proved that there's no silver bullet, and you have to do something that feels really authentic to the brand core."

In the case of Hermès, which was established in 1837 as a harness-maker by Thierry Hermès, it still caters to the luxury equestrian market. This year, the business reported that their saddlery métier along with leather goods generated the most sales for the brand's Q3 revenues at €1,573m (£1,307m), compared to €1,396m (£1,161m) for the same period last year.

DNA is key to Miu Miu's success, she adds, which was established by Prada co-creative director Miuccia Prada in 1992: "It might seem like they're being reactive and trending, but actually, this has been 30 years in the making. They've always really led into culture, playing with different gender cliches. That's such a core part of the brand."

Known for its playful take on gender stereotypes, for its Spring 2025 collection shown during Paris Fashion Week in September, Miu Miu's standout pieces included boxer micro-shorts and two-tone windbreakers for women.

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At Kering, Bottega Veneta was a saving grace with a similar approach that led to a 5% increase in thirdquarter revenues.

"I think Bottega Veneta is a really good example of a very focused and disciplined strategy, beautiful product and a very clear brand position," says Carol Hilsum, who previously worked for Net-A-Porter and Farfetch, and is now the co-founder of StudioThree, a consultancy specialising in innovation within the fashion industry. "It is clear on quality and consistent in terms of what the brand is, what the product is and what the quality is."

Creative vision

Hilsum points to luxury brands' creative directors as having a significant impact on their successes this year, including the long-standing Miuccia Prada at Prada and Miu Miu, Pieter Mulier at Alaïa and Chemena Kamali at Chloé.

Last month, Miu Miu was crowned the hottest brand, overtaking Loewe, on the Lyst Index, a quarterly ranking that identifies the in-demand brands and products in fashion through the platform's search data and analytics.

"[Miu Miu's] creative direction is [no longer] in the pure art sense, but it's rather a vibe, an ethos, and a girl is no longer around in the campaign imagery," says Gausen. "It's the styling, the talent, the show, every single aspect of it is creative."

She believes Miu Miu's product choices, which hark back to its heritage, are tapping into the current consumer mindset – "for example, bringing back the ballet flats, and now we see it emerge as a huge trend". It created a similar momentum with mini-skirts: "[Miu Miu] is almost becoming a blueprint of the current consumer attention and focus."

Both Alaïa and Chloé are part of the Richemont group, where sales rose 1% at constant exchange rates for the three months to 30 June 2024.

However, on 8 November, the group announced their six-month results for the period ended 30 September 2024, reporting a 1% decrease in sales at €4.8bn (£3.9bn). The decline was mainly led by a decreased demand for luxury fashion in China, which contributed to the 18% fall in sales in the Asia-Pacific region year-on-year, though Japan increased by 25%.

The appetite for luxury items in China has been affected by a combination of macroeconomic, social and geopolitical reasons including lower GDP growth rates and decreasing consumer confidence.

Across other geographical areas, Richemont sales in the Americas were up 12%, Africa and the Middle East rose by 16% and Europe was up by 6%.

Hilsum observes: "Alaïa and Chloé have done very well in their creative direction and have, really importantly, stayed with the brand DNA that all luxury brands should have. They've allowed those creative directors time and patience to build up both the next version of the brand, but also supported them with very strong distribution and marketing strategies."

Kamali's runway debut for Chloé last February, included blue chiffon dresses, leather knee-length trousers with fringe and lace camisoles, references to the brand's '70s archives and natural femininity aesthetic.



Brunello Cucinelli

Birkin trends

Meanwhile, Hermès and Brunello Cucinelli are simply continuing to do what they have always done, says Fflur Roberts, head of luxury goods at Euromonitor International: "They've always offered true highend or absolute luxury, which is exclusive and very well made." Roberts adds that their offerings align with the trend of quiet luxury. "It's not in any way ostentatious with logos – there's none of that. It's just pure heritage luxury."

Ida Petersson, former director at Browns and co-founder of brand strategy and creative agency Good Eggs, agrees: "Hermés is true luxury with designs that have an evergreen feel. It's costly but the pieces have the potential to become heirlooms for future generations and there is a pride in the leather goods where the customer service aspect is in repair and maintenance."

Despite its high price points – the classic Birkin bags retail from £8,000 – Hermés has stayed "disciplined" with increasing prices this year, which has worked in its favour, says Hilsum: "The sales increase can be accounted for purely because it has increased prices in a very disciplined way. It hasn't gone with a very huge escalation of pricing that we've seen across the board, and it has been quite concentrated and focused on that."

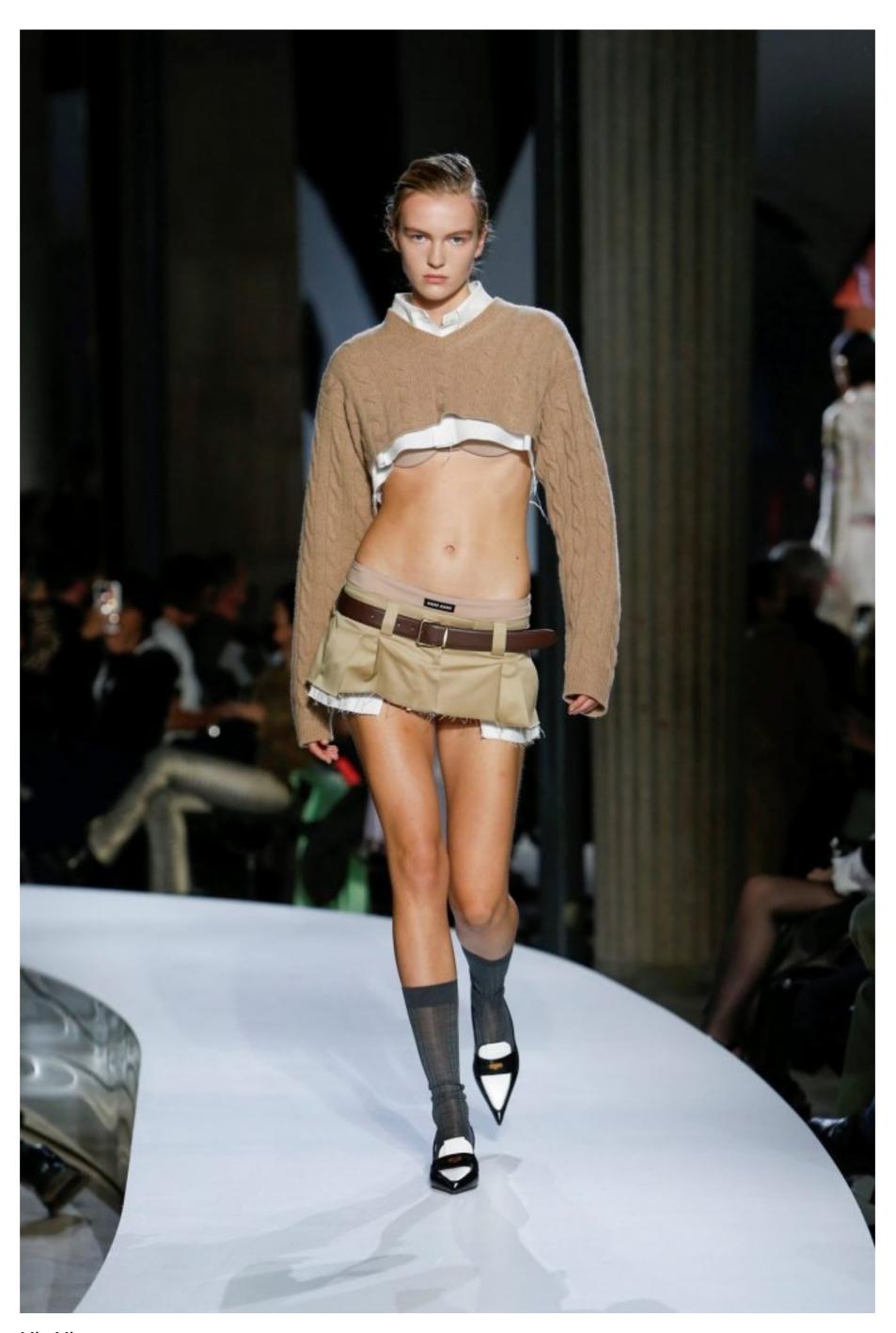
This year, prices have surged within the luxury sector for a variety of macroeconomic reasons, including the ongoing inflation. An HSBC report, *Goodbye Stellar Growth*, which gave an outlook on 2024 and examined the prices of 19 luxury products such as Chanel's classic 2.55 flap bag and Gucci's Marmont bag, in France, found that on average prices have increased by 50% since October 2019.

According to HSBC, a Chanel classic flap bag is up in price by more than 80% at €10,500 (£8,734), while a Gucci Marmont rose by 75% in that period.

"What will be very interesting to see is if, in the long term, some of these price increases have actually ended up damaging the ability of [luxury brands] to attract the early entry shopper," says Hilsum.

It is not a problem that Miu Miu is likely to have, says Roberts: "At a time when lots of consumers are feeling squeezed, [Miu Miu's] price points are generally more affordable and dynamic than other luxury brands. From that point of view it is able to capture a wider audience. With its marketing, it is making sure it is covering all angles – not just concentrating on one demographic group, although I think younger female consumers are very much attracted to Miu Miu right now."

Miu Miu's collections start from £20 for a perfume case to £12,000 for a wool coat.



Miu Miu

Culture club

Part of Miu Miu's success this year, Prada Group said in their nine-month revenue 2024 statement, is down to its art exhibition in October 2024. Miu Miu Tales & Tellers, at interactive space Art Basel Paris

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where visitors engaged with storytelling and depictions of womanhood.	

Roberts says Prada Group has always been heavily involved in the arts, which makes its marketing feel even more authentic: "It's not like they're suddenly jumping on the bandwagon and trying to make money out of it. It's something that they've always been very passionate about and is obviously paying off now," she says.

Loewe, which was ranked second on the Lyst Index, is another brand that taps into cultural moments, says Petersson. In June, after a meme featuring a beef tomato with the caption "this tomato is so Loewe I can't explain it" went viral, creative director Jonathan Anderson seized the opportunity by producing Loewe's Tomato bag.

Failure to tap into the zeitgeist is part of the reason for Gucci's 25% fall in third-quarter revenues, says Gausen, who believes its collections feature more of a 2010s aesthetic that is not speaking to today's luxury consumers: "Luxury isn't an image, it's an attitude – and amazing products that you can't find anywhere else."

Engaging with culture is one way to attract luxury consumers who are looking to invest in brands they identify with. To stay buoyant amid the luxury slump, brands will need to communicate their heritage while also aligning it with their creative direction at appropriate price points for their demographics.

WHOLESALE DISRUPTION

Amid the current wholesale disruption, with Yoox Net-A-Porter acquired by Mytheresa in October 2024, Matchesfashion collapsing into administration and the future of other retailers such as Browns uncertain because of shifts in ownership and strategic changes at Farfetch, which bought the former luxury independent in 2015, Hilsum says Prada Group's strategic approach to limit its wholesale distribution early on has paid off.

"I think particularly in the UK, that's quite an interesting part of the story, where we used to have, obviously, a huge footprint of wholesale in general, but also digital wholesale, and now the loss of that has been impacted in recent years," she says.

Hilsum argues that although the wholesale landscape doesn't necessarily warrant a sort of top line growth impact, it has steered a different direction and relationship with some luxury brands.

"You just start to see as an overall story that starts to have potentially an impact if those wholesale businesses start to sort of dramatically step back in their supply strategy and therefore, the demand through those routes as well."

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