

COVID-19 LOCKDOWN WILL OPEN NEW MARKETS FOR LUXURY INDUSTRY



The COVID-19 pandemic has presented a paradigm shift in consumer behaviour. Nothing has been spared from its effect – mankind and industry. With limited capacity, the situation has brought a major change in consumers' mindset and the value system that underpins their luxury buying decisions. Smita Jain, Director – MGLUXM, S P Jain School of Global Management talks to IMAGES Business of Fashion and shares her thoughts on the industry, its impact on daily life as well as consumer spending on luxurious goods...

Rosy Sharma

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– Smita Jain,
Director – MGLUXM,
S P Jain School of Global Management

The COVID-19 pandemic has dramatically changed the retail industry almost overnight. As per recent reports by Bain & Co., and McKinsey, major luxury companies have swivelled focus to address urgent public health needs. Factories that were producing scarfs and perfumes are now manufacturing face masks and hand sanitizers. Mega fashion houses are producing garments for health workers and many from the automotive sectors are building life support systems. Several luxury groups have made monetary donations to hospitals, non-profit organizations, and some have also turned their factories into health care centres such as Armani, LVMH, etc.

According to the reports, global luxury sales could drop up to 35 percent by the end of 2020.

The pandemic has also presented a paradigm shift in consumer behaviour, be it in daily life or consumer spending

on luxurious goods. The situation has brought a major change in the consumers' mindset and the value system that underpins their luxury buying decisions. Smita Jain, Director – MGLUXM, S P Jain School of Global Management says, “The impact may vary subjectively with regard to the country or the target population.”

As manufacturing units have temporarily stopped production, industry leaders are planning long-term strategies to ensure basic survival of their businesses. On the other hand, artisans and daily wage earners are finding difficult to secure their finances due to the sudden halt in businesses. “Most of these workers represent the lower-class income segment who have relocated from their hometowns to find a better paying opportunity. Due to the pandemic they somehow suddenly find themselves out of work and under lockdown. However, the large conglomerate groups are paying





touch with audiences by becoming more and more relevant on digital and social media platforms.

Brands are using Twitter, Instagram as well as platforms like Facebook to constantly update consumers on latest developments. These could be anything – from the launch of new collections to latest couture designs. Millennials and the Gen Z population – both of whom are quite tech savvy – are the main targets for brand engagement on digital platforms. The bigger players are also turning to Artificial Intelligence to create more personalised experiences for their consumers.

“Most luxury brands are resorting to heightened digital engagement. Storytelling, dynamic visuals which depict the brand savoir faire, history and provide an irreplaceable meaning to the luxury consumers is the focal point of every luxury brands communication strategy today. We will see a new era open up for luxury brands, while most of the brands are still unconventional and flexible in their approach towards connecting with consumers, it will be interesting to see how the traditional brands can come out of this,” Smita Jain said, adding, “This lockdown is apt for luxury brands to reinvent themselves, to digitize their processes and enhance their systems and technology. This will allow them to develop operational efficiencies and provide personalized experiences to the consumers.”

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their employees or at least providing food and shelter during this crisis. This situation may continue for a couple of months given that work from home option is impossible given their nature of jobs,” Smita Jain explained.

Digital is the New Normal

With social distancing the new norm and stores temporarily closed in the wake of the coronavirus crisis, employees are working from home and the management is monitoring their progress using digital platforms. Similarly, businesses are keeping in

Post the Pandemic

Online buying has become an essential part of retail and will only be more attractive in the future. We are already seeing businesses resorting to various





“When you are in the middle of a crisis, it is hard to indulge. People are more focused on day-to-day concerns. Luxury consumers, I believe, will eventually tilt toward more experiential luxury and away from the materialistic expression of it all. Brands will include more meaningful values into their offerings that branch out into services and experiences and away from luxury as ostentatious symbols of wealth and power”

online platforms and the measures they are adopting to keep their business alive. The current crisis that does not discriminate upon one's income or wealth, there will be a shift in the luxury market toward wellness and well-being. It may open a whole new conversation about luxury that will be more experiential, authentic and provide healing. “When you are in the middle of a crisis, it is hard to indulge. People are more focused on day-to-day concerns. Luxury consumers, I believe, will eventually tilt toward more experiential luxury and away from the materialistic expression of it all. Brands will include more meaningful values into their offerings that branch out into services and experiences and away from luxury as ostentatious symbols of wealth and power,” opined Smita Jain.

According to her, the luxury industry will regain its strength when the current situation stabilizes although certain changes will be permanent. For example, China may no longer be the

priority territory for luxury brands to look for their supply chain.

Currently, more than 70 percent of the global luxury products in the fast-moving luxury goods category (FMLG) such as small leather goods, cosmetics and handbags are being produced in China. The supply chain will see a slow transition with brands shifting their focus to new territories such as Vietnam, Taiwan, and India. These markets have been contributing but on a small scale in comparison to Mainland China. It may take a couple of years before we see a complete shift resulting in brands gearing up their production with full force with these new markets in place.

“Ultimately the symbolic value of luxury isn't going to change. Most of these luxury brands have been around for hundreds of years. There is always going to be demand for something that is handcrafted, premium quality, and of lasting value. Overall, this may cause luxury brands to return to their roots and indulge in more storytelling and emotional engagement,” she concludes.

