**How luxury brands are responding to increasing consumer demand**

In a world of increasing accessibility, how ‘luxury’ can a luxury brand be?

Traditionally luxury and scarcity go hand-in-hand. When the supply of goods is substantially below that of consumer demand – driving price and desirability.

In the past, luxury brands controlled the supply to effect subsequent demand. This approach helped maintain status. However, the digital world is changing how consumers consider and perceive luxury with implications on how brands manage and maintain their market position.

Instagram pages now share and promote luxury lifestyles – expanding the accessibility to wider audiences, democratising what used to only be attainable by few.

Even more so perpetuating an insatiable appetite for all things luxurious. Where new brands can emerge and dissipate as quickly as they arrive.

It’s a long way from Louis Vuitton hand making customised luggage for uber-wealthy travellers in the 1850s to our modern day desirability for its branded wallets, handbags and highly recognisable look.

It questions how traditional luxury brands can maintain relevance, let alone remain sustainable in this environment.

Different brands respond in different ways as they look to maintain their position in this contemporary luxury space.

The following three examples highlight just a few of the causes and effects happening within the traditional luxury brand space.

1. **Responding to market demand via accessibility**

At September’s London Fashion Week Burberry aligned its shows with the retail calendar, making its ‘season-less’ collections available for consumers to buy immediately.

Rethinking the way ‘fashion weeks’ were originated, where collections previewed the coming seasons for industry and trade press to prepare for the coming season.

This new approach takes a direct to consumer strategy whereby lines are presented and sold immediately, making them a sales focused event rather than a ‘future fashion’ event.

Burberry is taking a direct response to the accessibility and speed-to-market that the internet has created which has made it no longer possible for these events to remain behind closed doors.

However, what risk does this pose to the brand?

This isn’t the first time Burberry’s fashion has gone mainstream. Back in the late ´90s the brand’s famous check was so heavily consumerised it could be found anywhere from dog leads to baseball caps and beyond.

While things may be different today and the strength of the check has been restored, this shift in focus from industry to consumer may have a direct impact on Burberry’s luxury position and therefore its scarcity.

By opening the level of accessibility to the brand, Burberry risks decreasing its scarcity by overly focusing their brand on consumer demand with potential of de-positioning itself to a more accessible and mainstream brand.

1. **Maintaining scarcity in context to increasing demand**

Is there a way luxury brands can respond to accessibility while maintaining a balance of supply and demand that keeps their scarcity factor intact?

In some cases, luxury brands have greater control of its demand, therefore helping them to maintain brand positioning.

This year for the first time, Hermes has increased production of arguably one of the most sought after handbags in the world – The Hermès Birkin.

Since its announcement last year, company performance has increased in line with production – with a better-than-expected second quarter for 2016.

Traditionally, Hermès has kept production below demand for its most iconic bag, creating an unofficial waitlist and perception where ‘one could simply not walk in and buy a Birkin’. This strategy saw Hermès deliberately boost interest in line with desirability.

This latest move to marginally lift output has been driven by increased global demand.

By leveraging its wait-list, the popularity of this bag and therefore Hermès naturally increases.

Furthermore, Hermès has greater control over demand and therefore the ability to gradually lift supply whilst maintaining the perception of ‘scarcity.’ This approach helps deliver profit without effecting brand and reputation.

Had Hermès responded by either maintaining current output or perhaps reducing production, then the Birkin’s scarcity may have led it toward obscurity. Which at best makes the Birkin unattainable and at worst could affect the overall cache of the Hermès brand.

Obscurity could happen when a desirable item becomes unobtainable, leaving the consumer’s consciousness away from desire and toward an unobtainable relic or an antique.

Without some level of visibility or an inkling of accessibility, brands can become obscure to the point of irrelevancy. If this was to happen to the Birkin, an iconic part of the Hermès brand, the effect could be felt throughout the entire company.

1. **Protecting value in the secondary market**

While Hermès and Burberry have, rightly or wrongly, increased their accessibility in response to demand, is there another way to maintain the scarcity level of a luxury brand and the subsequent perception it creates in the mind of consumers without adjusting production?

The luxury watch market has been experiencing some of the worst conditions since the late 1970’s when quartz watches revolutionised manufacturing and destroyed brand value.

Luxury watches have become a fashion accessory with thousands of products manufactured each year across hundreds of brands and their collections. For many watch brands this desire to capitalise on popularity has led to instances where supply exceeds current demand.

There are examples of specific iconic products, like the Rolex Daytona or Patek Nautilus, whereby production is scaled in context to demand (similar to production of the Birkin).

However, there are manufacturers whose brands are lesser known with outputs that either over supply or are minimal to the point of obscurity – regardless of their quality, including a rise of micro-brands and products.

It results in a pricing model not reflective of demand, which does not follow a conventional pricing structure. Therefore, manufacturers are under pressure to adjust downward, which manifests in the secondary market.

For watch manufacturer, F.P Journe, it has made an unprecedented move by taking back control of its own secondhand market.

Until now, the supply and distribution of the secondhand watch market has been left to secondhand watch dealers.

From F.P. Journe’s perspective, timepieces traded in this market could have been altered, modified, changed or even swapped in some way and then resold at the same or higher price as an unmodified used example.

Any damages or faults within these items may be blamed on the manufacturer, directly affecting luxury watch brands, like F. P Journe, and producing a serious threat to its brand equity.

In October 2016, F.P Journe responded to this issue by launching the very first ‘certified pre-owned’ program for its watches.

Entering this market will help the brand manage the quality, supply and price of its used watches – three key factors in controlling the stature of the brand.

Most importantly, a watch sold through F.P. Journe sets a benchmark for price that F.P. Journe itself controls – adding another layer between manufacturer, retailer secondhand dealer and consumer.

In the luxury watch space, watches are designed with longevity in mind. F.P Journe has taken action to capitalise on this longevity by looking to its existing in-market capital and how it can maintain product value, with the aim of making the F.P. Journe brand stronger.

However, in the end an item is only worth as much as a consumer is prepared to spend. No matter what price a manufacturer will put on a product, lack of demand still places downward pressure as much as upward pressure.

For F.P Journe, this will be felt especially if it sets a price on timepieces way above that dictated by the secondary market.

**Summary**

The latest strategies from these luxury brands are reflective but also dependent on increased market demand. As long as demand remains strong these strategies should work.

However, if demand slips then, regardless of quality, perceived value can be effected with risk to their ‘scarce’ positioning as the supply and demand dynamics shift.

In order to maintain their position and status, modern luxury brands need strategies that allow them to be nimble and agile.

With our multi-media lifestyle, markets and opinions can change faster than ever. Brands today need to move equally fast to remain relevant, desired and appropriately accessible.