



BUSINESS

Luxury Brands Need to Win Back Aspirational Shoppers, Before It's Too Late

An image from "Ralph's Hamptons" campaign.



Alexa Chung in Burberry's Festival campaign.



- According to Morgan Stanley, luxury brands "cannot play with the pricing lever anymore, and will need to recruit again from the middle to upper-middle class" if they want to grow.

BY SAMANTHA CONTI

LONDON – The season's most popular color? Without a doubt, it's white.

Groups including Burberry, Ralph Lauren and Tapestry and smaller European labels have been moving rapidly into the white space created by the big European luxury brands, whose aggressive price hikes in the post-pandemic years have alienated aspirational consumers in China, the U.S. and elsewhere.

Although the era of greedflation is slowly winding down and the big luxury houses are no longer increasing prices in the double digits, it will take time for them to win back the trust of aspirational customers who have already moved on, and opting for brands they believe offer better value for money.

A Consumer Backlash

Over the past three years, like-for-like price inflation – especially in soft luxury – has been "significantly ahead" of its long-term average, and well in the double digits, according to Bernstein. "Brands like Chanel have led this escalation, and most have followed," the bank said.

According to Morgan Stanley, the affordability of certain "iconic" luxury handbags in the U.S. has deteriorated between 10 percent and 33 percent over the past decade, far outstripping disposable income in the U.S., and "pricing out the middle-income consumer."

In raising their prices, Morgan Stanley added, "luxury brands have provided oxygen to more accessible alternatives. We think it is no coincidence that some more affordable brands, such as Toteme, Polène, or Coach are currently growing strongly."

HSBC believes that "Coach, Ralph Lauren, Longchamp and Burberry are seemingly benefiting greatly from the white space being created by premium luxury brands being out of reach for many aspirational consumers," HSBC added.

The bank argued that Europe's luxury giants "have undoubtedly lost in authenticity and appeal," due to a lack of creativity, greedflation and prices that are "difficult to justify."

There is also a rapidly growing white space in China. According to the business research firm Third Bridge, local Chinese brands "offer better value for money, and are creating increasingly fierce competition" for the luxury brands in a highly price-sensitive market.

A New Land of Opportunity

The white space is fertile ground for brands touting a value for money proposition.

In August, Ralph Lauren outstripped first-quarter expectations and raised its outlook for the full fiscal year, even with some fear over how consumers will react to the impact of higher U.S. tariffs on imports.

Net income rose 30.7 percent in the

quarter to \$220.4 million, while revenues for the three months ended June 28 increased 14 percent to \$1.7 billion, an 11 percent increase in constant currency.

Patrice Louvet, president and chief executive officer of Ralph Lauren Corp., said in an interview the company puts a lot of emphasis on value perception, which "isn't just about price. It's about how's the storytelling, what's the product experience, what's the shopping experience."

He added: "We know the consumer is discerning, and we're putting a lot of emphasis on making sure that, relative to the competitive set, we provide a very attractive value. It is all about authenticity."

Tapestry has also been reaping rewards in the white space. The parent of Coach and Kate Spade beat fiscal third-quarter earnings and sales estimates and raised its outlook for the rest of its year, which ended in July.

In the fourth quarter, sales of the powerhouse Coach handbag brand shot up 14 percent to \$1.4 billion in the quarter, adding a dash of accessible luxury luster to the company.

In the first quarter of fiscal 2025-26, Burberry successfully stemmed the double-digit sales declines of the previous year and outstripped growth expectations.

Comparable store sales in the three months to June 30 were down 1 percent, compared with analysts' projections of a 3 percent decline. In the corresponding period last year, comparable store sales were down 21 percent.

"It's early days, and it's a tough macro, but we are really starting to see the potential of what lies ahead," said CEO Josh Schulman, who has been tweaking Burberry's pricing strategy and adopting a "good, better and best" offer in a bid to appeal to a variety of customers, not just the high-net-worth ones.

"We're taking things step by step, but we are optimistic about the quarters ahead, and optimistic about the business in general," Schulman added.

HSBC has high hopes, too. "Burberry used its outlet network swiftly to help move products from an overpriced, handbag-focused approach to go back to basics: well-priced, authentic, outerwear-focused," the bank wrote in a report called "Knight Fever," referring to the brand's historic logo.

Customers, too, are taking a renewed interest in the more democratic Burberry.

In July, after a year-long absence, Burberry made a comeback on the shopping platform Lyst's ranking of hottest brands. In the second quarter of 2025, Burberry landed in 17th place, ahead of Gucci, Birkenstock and Valentino.

Lyst said Burberry's return was the result of a resurgent "cool Britannia" vibe, a strong festival campaign and a growing demand for its menswear offering.

Big Luxury Is Feeling the Pain

By contrast, the big European brands are suffering and hoping that recent changes in management and creative direction, as well as less-aggressive price hikes will turn the tide in their favor.

According to Citl, luxury brands raised prices 3 to 6 percent in July to offset the impact of higher U.S. tariffs, and to smooth over price gaps in Europe. Industry sources say there will be more single-digit price hikes before the end of the year.

In the meantime, brands continue to feel the pain of consumer backlash against prices.

In the first half, LVMH Moët Hennessy Louis Vuitton saw net profit fall 22 percent as its key fashion and leather goods division missed expectations. The division, home to brands including Louis Vuitton, Dior and Celine, recorded a 9 percent drop in organic sales in the second quarter, below the Visible Alpha consensus forecast for a 7 percent decline. ►



Patrice Louvet

At Kering, parent of Gucci, Saint Laurent and Balenciaga, group net profit plummeted 46 percent in the first half. The group is hoping that incoming CEO Luca de Meo can stop the bleeding, particularly at Gucci, where Demna is set to take over as creative director.

At Prada Group, retail sales in the first half were down 1.9 percent to 1.65 billion euros, with performance in the second quarter impacted by lower tourist flows in Japan and Europe. Net profit in the six-month period was broadly flat at 386 million euros.

In 2024, the Chanel juggernaut came to a halt, as revenues fell for the first time since the pandemic and operating profits plummeted 30 percent amid a sharp slowdown in luxury spending in mainland China.

Revenues at the French fashion house totaled \$18.7 billion in 2024, down 4.3 percent at comparable rates, as growth in Japan and South Korea failed to offset the impact of macroeconomic and geopolitical volatility elsewhere.

The Value for Money Conversation

Even with changes to pricing, creativity and management, it might take a while for the big brands to win back aspirational customers.

According to a joint report by Bain & Co.

A Lady Dior bag.



and Altagamma, the Italian luxury goods industry association, engagement with brands across the demographics has slowed since 2022, with social media follower growth down 90 percent, and engagement rates off by 40 percent "largely due to price fatigue and stagnant creativity."

Bernstein, meanwhile, believes that "value for money remains the main concern for luxury brands in the second half, with the luxury sector facing a paradigm crisis across multiple fronts."

Yanmei Tang, analyst at Third Bridge, said even the most resilient luxury buyers "have their limits, and brands must offer more than just higher price tags to retain them. Price increases must be justified through innovation or improvements."

Tang added that "value perception remains important, as many ultra-wealthy individuals are not willing to overpay simply for a brand name. While these

consumers continue to spend, they are becoming more selective, drawn to 'quiet luxury' and discreet, high-quality items recognized by their peers."

Amrita Banta, managing director at Agility Research & Strategy, said that despite greedflation, high-net-worth and ultra-high-net-worth individuals are still spending on luxury goods.

"However, they are more selective and shifting toward value-anchored luxury. It is a redefinition of what makes luxury worth paying for," she said, adding that these shoppers scrutinize the value of their purchases.

Banta added: "If a price increase is accompanied by enhanced quality, exclusivity or service, they may accept it. However, if it's perceived as unjustified, it can result in brand erosion. High-net-worth consumers are typically brand-loyal, but not unconditionally."

Johann Rupert, founder and chairman of Cartier parent Richemont, would agree. In contrast to its luxury peers, Richemont has been disciplined with pricing, and the strategy has delivered. The group's jewelry brands posted their third consecutive quarter of double-digit growth in the three months to June 30.

Earlier this year, Rupert said he is loath to raise prices drastically — anywhere — for fear of damaging the relationship with the local customer.

"We were not greedy in the post-COVID-19 boom period. And I think our resilient results [in fiscal 2024-25] prove that we have not suffered



Gemma Chan for Cartier



Sienna Miller in a Gucci hobo bag and red Miu Miu clogs.

the revenge of our clients. Our goal is to continuously keep the value relationship for our clients, and we will not make sudden, rapid increases," he said.

A Long Road Ahead

The European luxury behemoths will have to reset their relationship with nearly all demographics and geographies if they want to start growing again.

Gen Z will be a particular challenge. The Bain Altagamma report said luxury brands are now contending with "a growing disillusionment with their offerings among younger generations, notably Generation Z ... who are reassessing their relationship with luxury."

Morgan Stanley believes luxury brands are in a "difficult situation where they cannot play with the pricing lever anymore. For the sector to grow in line with its historical average, it will need to recruit again from the middle to upper-middle class. Relying only on high-net-worth individuals" cannot translate to a mid-single- to a high-single-digit growth rate, the bank argued.

The bank said growth will need to come from "significant price discipline over the next three years or so and/or playing with the product mix."

Bernstein's Luca Solca believes the big European brands have already made a decent start. "We are now in a different world with more moderate like-for-like [price] inflation, and a focused effort to introduce more aggressive entry price products."

In the meantime, those smaller European brands, U.S. groups and Chinese fashion brands will continue to reap the white space rewards. ■



The expanded Louis Vuitton flagship on Via Montenapoleone in Milan.