

Luxury brand goes back to basics



By David Tusing on Friday, February 27, 2009

The perception of luxury is changing. Even as the conflict between the nouveau riche and old money continues to impact market dynamics, the effects of the global downturn are presenting fresh new challenges to players and marketers.

But this is not necessarily a bad thing, according to the executive of one French luxury leather brand. In fact, it just makes the market "more interesting".

"The future of the luxury brand will be very different," says Hervé Descottes, the president of Le Tanneur, who was in Dubai recently to chalk out expansion plans.

"While the approach to luxury in European markets, where people have been rich for centuries, is more subtle, it's very prominent and apparent in countries such as Russia and those in the Middle East and Asia where people feel the need to show their new found wealth."

What luxury brands offer these markets, and how they deal with challenges such as the downturn, will stand them in good stead, says Descottes, whose company posted a turnover of €57 million (Dh270m) in 2008.

"Not too long ago, the luxury market represented a pyramid. Now it looks more like an hourglass and we are positioned at the lower end of the high-end market," he says of his company, founded in 1898.

Descottes, who bought Le Tanneur in 1986, says he is determined not to make the same mistakes his company made before he took over the reins. It was born as a leather goods company and is one of the oldest in France, he explains.

While luxury leather and fashion house Hermes started off as a saddle-maker, Louis Vuitton began as a maker of trunks.

"It started to grow very quickly and had a strong hold of the market until the seventies," says Descottes. That was until the company missed the opportunity to explore the changing marketplace.

"It failed to take advantage of the growing influence of fashion and did not progress from a manufacturing culture to a retailing culture.

It also didn't explore women's goods, which soon became an important segment of every leather goods company."

But even as Descottes set out to cope with these issues, he was forced to sell the company to the illustrious Vuitton family in 1992 following a disagreement with his partners, only to buy it back in 1997 after the family made him an offer.

"When we started off, especially with the women's range, we were not quite sure whom we were aiming at," he says. "Our lines were too broad and we had to streamline our collections."

Today, Le Tanneur has more than 38 stores spread across France and Europe and retails in a number of countries including the UAE.

Featuring a combination of classic, modern and sophisticated designs, its product range includes an assortment of women's handbags, functional briefcases and accessories. Retail prices of handbags, for instance, range between Dh700 and Dh2,000.

"There are very few brands that offer the whole range from luggage to small leather goods," says Descottes, who counts former French president Jacques Chirac as one of the brand's long-time clients.

"We do not pretend to be specialists. Our products are all about functionality and very good price, quality and creativity ratio."

A seamless purse, made by the company in 1898, has been registered as an invention, while the executive says it also manufactured the first men's bag in 1958. Before that, men only carried briefcases, he says.

The businessman, who is partnered with the locally-based Chalhoub Group says his company's products have been retailing in the UAE for more than 18 years. Although Le Tanneur standalone stores don't exist here yet, he says it's on the agenda.

"I think we are ready now. We have had a change in our internal business systems and philosophies and we are ready to implement that strategy here," he says.

But with the gloom hanging over much of global industry, the executive agrees that these are not the best of times for luxury retailers.

"Of course it's difficult. Everyone has to reconsider strategies," he says. "But our sales in January were more than five per cent than last year and in 2008, we had a 14 per cent increase in sales.

"I know 2009 will be difficult but I'm not expecting a disaster."