



## **HFDA Academy: New View**

### **Fashion and luxury after the pandemic: what to expect in the industry?**

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The pandemic has highlighted the need for digitalization developments in all sectors - the luxury industry is no exception. Moreover, it is now clear that luxury companies with a high level of digitalization in their organizational strategy and supply chain enjoy a competitive advantage. One of the most important tasks of luxury brands now is to provide their consumers with distinctive experience in virtual space as well.

#### Digitalization-centric organizational strategy

The pandemic has become the number one catalyst for digitalization developments in recent months, which did not escape the luxury industry either. This issue has been shown to be crisis-proof by actors, with digitization at the heart of their organizational strategy. One of the key features of a luxury product is to provide a unique experience and service to their consumers. After the crisis, they also need to find a way to bring the uniqueness and quality they expect from digital experiences.

In addition to digitalization developments, the crisis is encouraging the luxury industry to find new ways for themselves to grow. Here's the chance to think it through: Is there anyone in the market who can contribute to their survival as a partner? With what brands could they become bigger in the luxury market? All this so-called M&A (Mergers and Acquisitions), can be implemented as part of a practice according to the business literature aimed at acquiring or merging with other companies. At the heart of the practice is the view that companies can be strengthened through collaborations or grouping.

#### Geographical location

There are already several examples that provide good evidence that no major rearrangements within the fashion industry are expected in America and Asia. According to a recent study by McKinsey & Company, on the former continent, consumers have already begun to return to their pre-viral consumer habits. This is evidenced by a 70 per cent increase in U.S. consumption in May compared to April. That number has already reached 50 per cent in China. The future of Europe's fashion industry is already surrounded by greater uncertainty due to the temporary decline in tourism. For Asian tourists visiting the continent, shopping at luxury brand stores is at least as much a part

of the tourist experience as it is a tourist attraction. This is also well illustrated by the fact that 30 per cent of luxury brands' revenue comes from Asian shopping tourism. This number has now been significantly reduced due to the rapid change in travel destinations, so luxury brands need to create consumer demand locally.

## Digital supply chains

This period will require the luxury industry to invest even more in innovative and pioneering technologies to digitize supply chains as a whole. Virtual showrooms, digital prototypes and samples help to maintain the productivity of luxury companies. By digitizing supply chains, brands can easily reach high-purchasing buyers even in times of travel restrictions.

## The consumer experience provided by luxury brands

The sales processes of luxury brands used to go hand in hand with physical experience. One of the biggest questions in recent months, therefore, has been, can online sales do the same? The answer is yes, as long as customization is also given a role in meeting consumer needs. It is important for luxury brands to look at customers as individuals and to know exactly what their expectations are. Consumers are not primarily focused on sales channels, but on their relationship with the brand. It follows that they will buy their favourite brand's products even if they can only do so online.

## What about Hungarian brands?

Countless emerging brands in Hungary also want to gain international recognition. To achieve this, they first need a solid domestic base, which may even benefit from this period. This is because buying from local producers can now come to the forefront in all countries. Consumers turn to brands that, in addition to making products, represent a certain added value - for example, they stand for a cause that consumers can identify with.

It is already clear that the sector is resilient, so that, as in the 2008 crisis, consumer habits will return to pre-viral conditions, giving confidence to fashion industry players.