

High-End Hopes

Learn how strategies have changed for post-recession affluent consumers, upscale retailers and suppliers of luxury home goods



By Wanda Jankowski

According to trend expert, Pam Danziger, president, Unity Marketing, "Recording the highest rates of growth in [luxury] spending in 2009 were luxury linens and bedding, wine and spirits, and art and antiques." While that sounds encouraging for the high-end home textile sector, Unity Marketing's "Home Luxury Report 2010," based on surveys among 4,739 consumers with an average income of \$220,000, puts that finding in perspective. It reveals that although "those who made purchases [in 2009] spent an average of 50 percent more than they spent on home luxuries in 2008," the caveat is that "far fewer affluent consumers purchased home goods."

The increases in spending on luxury goods in 2009 were driven by ultra-affluent consumers with household incomes of \$250,000 and above. The larger pool of aspirational consumers (those with incomes of \$100,000 to \$249,000) virtually disappeared from the luxury retail landscape during the recession, leaving far fewer customers for luxury goods today. Danziger reports that there are no indications that the customers who dropped out of the luxury market during the recession have returned.

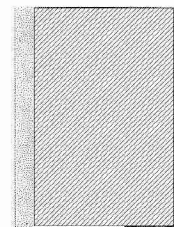
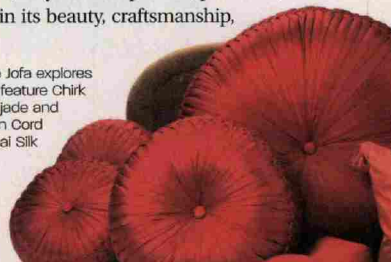
Future sales success, then, depends on attracting the ultra-affluents, says Danziger, who "will demand higher quality and more value in the luxury purchases they make."

VALUE & LUXURY: AN OXYMORON?

Just as there are several ways to define what luxury means to the consumer, so suppliers interpret what constitutes "value" differently when it comes to their offerings.

"Getting a bargain in purchasing a luxury good is almost an oxymoron," says Christoph Kull, president, Schlossberg. "The value of a luxury good is always a perceived one. It lies in its beauty, craftsmanship,

Above: The Vermont Collection of hand-screened prints on linen and cotton chintz from Lee Jofa explores and updates bright florals from the historic Vermont estate in Bermuda. Pillows (left to right) feature Chirk Embroidery in grass with Luke Twill back and trim, Maia in multi/white with Wood Drop trim in jade and Gibraltar Silk in mango with Remo Stripe trim in melon, with Remo Stripe in melon and Kenwyn Cord in green on the bench cushion. **Right:** The 100 percent silk Tufted Round pillows from Silw Thai Silk in 14-, 20- and 32-inch sizes are available in cranberry red, paprika and red spice. They are shown with the company's 4Square and cocoon bolster pillows. The fabric and finished products are made in Thailand using fair trade and eco-friendly practices.





Left: The Charleston ensemble reflects the elegant opulence typical of Fino Lino goods, but at a significantly reduced price.
Below Left: A symphony of blues and varied design motifs create a cohesive collection of outdoor pillows from Dransfield & Ross. **Below:** Anali offers the embroidered Red Orchid table linens shown in robin's egg blue.



exclusivity or all of the aforementioned. A luxury good is a good/service whose demand increases proportionally more than income increases. It is, therefore, normal that in economically harder times the demand changes downwards and the demand for value, in the sense of bargain, increases."



Geoffrey Ross, co-owner, Dransfield and Ross, says, "We believe that the savvy consumers' formula is quality equals longevity which equals value."

Anali's director of sales, Anna Wallace sees value in the specialness of luxury products. "Our embroidery and the art and detail of our designs are the value in buying Anali," she says. "People who buy our products are buying them because there is no other bath, table or bedding collection that looks like Anali."

Unfortunately, the fact that the affluent can afford to pay full price for luxury goods doesn't override the satisfaction in feeling that they accomplished something if they paid less.

"Value is the 20 to 35 percent off regular sale prices," Sam Samani, executive vice-president, Pacific Coast Home Furnishings, plainly states. "The customers who want to buy luxury and look for quality and better merchandise don't mind that they have to pay for it, but the mindset of consumers has been trained by retailers to the extent that even luxury product consumers are shopping for value."

Quality always remains an important element in the valuation of luxury goods. Alex Castro, president, Cloud Nine Comforts, explains, "To our customers, 'value' means getting the highest quality available in the market for the best possible prices. Our customers expect the finest fabrics, down fill quality and problem-free customer service, which has been our standard."

Bob Hamilton, director of marketing, Christy, also sees the inherent quality characteristics of luxury products as value providers.

"Luxury by definition is scarce and expensive," he says. "True luxury can offer value if the purchaser believes that the product will: perform better (dry, wash, last, etc.), feel like luxury and be associated with exclusive selling either through the retailer or brand."

The demand for value means that great design alone won't sway the affluent consumer.

"Whereas, in the past, consumers were willing to pay a premium for just the right look, they are now looking to find the best balance of product style, quality and price," says David Bates, creative director, Peacock Alley. "With larger retailers launching their own premium lines and with mill prices negotiated accordingly, the public-at-large is becoming educated on premium goods, but at a lower price."

Murray Massre, president, Fino Lino, expresses the frustration in satisfying the post-recession educated and aggressive affluent consumer. "They take advantage of sales and when that is not available, there is the whole new attitude of asking for a better price or, worse, telling you what they would like to pay," he says.

CHANGES IN AFFLUENT CONSUMER MINDSET

When it comes to defining who the affluent consumers are post-recession, Fino Lino's Massre explains, "There are actually two affluent customers. The first is an older, more traditional customer who is still concerned with qual-

Right: Christy's Ghislaine Collection features a jacquard pattern that mixes a warm cream ground with shimmering gold leaves. The metallic edge and ribbon detail impart a regal aesthetic to the ensemble that includes a duvet cover in queen and king; standard, king and Euro shams; neck roll and breakfast pillows; and a queen and king bedskirt. **Below:** Peacock Alley's Francesca is a garment-washed cotton/linen blend with a classic damask scroll design available in a quilted coverlet, duvet, bed scarf, shams and boudoir pillow. Also shown are the Montauk coverlet, Calypso sheets and the All Seasons blanket in Peacock Alley's new color, linen.

ity and elegance. The second is a younger, on-the-go customer, who wants casual, easy care, comfortable and environment-friendly goods."

Changes in the mindset of the affluent consumer are resulting in changes in buying behavior.

"Certainly, purchases are more strategically made," says Bates. "There's less willingness to pay a premium for a specific item, resulting in price comparison shopping."

"It seems like rather than making one large purchase, the customer builds on an initial buy," says Samani. "They will buy the basic essential items and then add to it."

"The post-recession consumer will still splurge on throwaway trendy items if it sets the tone for a special occasion," says Ross. "We do a lot of wedding business in our tabletop category and although that classification is steady in general, through event planners, that segment has blossomed in the last couple of years, servicing upscale events."

CHANGES IN RETAILERS' MINDSETS

The recession and the painfully gradual recovery have also affected how retailers are selling and stocking luxury goods.

"Retailers know that the luxury consumers are willing to wait to get what they want. So their in-stock inventory is very minimal and back orders are very common," says Samani. "Eventually, the pressure is more on suppliers to perform if they want the luxury business."

A Designer's View Of The High-End Client

Elaine Williamson, principal of Dallas-based Elaine Williamson Designs, specializes in high-end interior design for residential, retail and commercial projects. She shares insights on how the recession has affected her upscale clientele and what they purchase.

What changes in home textiles have affected the way consumers purchase?

"Many high-end bedding companies have had to rethink their lines due to the dropping prices in the bedding coming from China. There are many consumers purchasing bedding ensembles for under \$300 in department stores and foregoing the semi-custom \$1,200 to \$2,500 collections. Those who choose to spend the latter are choosing completely custom bedding. If they are spending that amount, they want it just the way they want it."

How do your clients feel about brands?

"In my design firm's experience over the past three years, branding has become less and less important. Unless there is some emotional attachment to a certain brand, the design completely overrides the name."

Do trends matter to your clients?

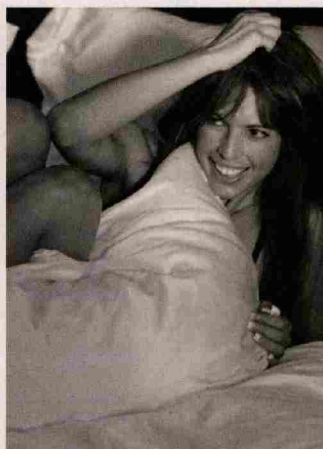
"I do find that since the recession began, my clients seem less interested in what's 'in' and more interested in a timeless and classic style, whether it be modern, traditional or transitional. They do not want anything trendy as they feel trendiness is an invitation to spend more money redesigning their space in a year or two because that trend has moved out of the 'hot' category and into the 'not' category." (continued on p. 28)



Child's bedroom design by Elaine Williamson.



Left: Maison Paisley from Kassatex is a mix-and-match towel collection in 100 percent fine ring-spun cotton that includes: Paisley Printed fiber-reactive print velour, Paisley Embroidery velour embellished with scallop piping, and Paisley Stripe terry yarn-dyed stripes. The towels are available in varied sizes.
Below Left: The Paris motif bath accessories and shower curtain from Pacific Coast Home Furnishings. **Below Right:** Cloud Nine Comforts offers luxury basic bedding marketed with eye-catching lifestyle photography.



Dransfield & Ross' experience has been different. "Our retail customers who are having success have realized that if they want to close the sale, they have got to get the merchandise into the consumer customers' hands fast and that usually means having it in stock," says Ross.

Castro finds that stores are stocking basics, but are holding the line on specialty items.

"For example, a store may not stock any darker colored sheets, but may increase their stock of white," Castro says. "We have such a quick turn-around time shipping out merchandise to our customers that it's been a win/win situation."

Hooker has adopted a "zero sum game" practice in which Sferra removes five items from its lines to add five new ones. "That allows us to keep the best, remove the slower sellers and add new, fresh product," he says.

SUPPLIER STRATEGIES

Many suppliers are dealing with changing retail circumstances by broadening their product ranges and seeking out new distribution channels.

Dransfield and Ross is adding categories that extend the use of its raw materials. Sferra has found success



Interior designer Elaine Williamson.



Living room design by Elaine Williamson.

A Designer's View (continued from p. 26)

Are high-end clients more savvy today about products than they were five years ago?

"Our clients seem more knowledgeable about linens today than five years ago due to the education about products in home magazine articles. These informational articles are very important because if a consumer is knowledgeable about a product, they tend to feel more comfortable or compelled to purchase. Understanding the quality and manufacturing of a product, especially a high-end one, makes it

desirable to those who can afford it, but also to those who might need to save longer to purchase."

Are high-end clients more or less price conscious than their mid-level consumer counterparts?

"Our high-end clients seem to be more thoughtful of their purchases since the recession. However, our mid-level clients seem more willing to spend, but only on quality items that will last. This recession has certainly been a wake-up call to what is important in their daily lives. Gen-X'ers seem to be wanting less of disposable furniture and home necessities than ever before." **LDB**



Above: Charlotte 18-by-18-inch combed cotton pillows in blue, coral, tan and ivory from Sfera are sold with a 95/5 feather down stuffer closed with hidden zipper. **Right Top To Bottom:** The contemporary Lausanne pattern achieves completely different looks in two different colorways: the neutral toned Lune and the multi-colored Antique. Zimmer+Rohde through Schlossberg USA.



with its Luxury Hospitality Division, is continuing to look for growth in its core of specialty stores and is private labeling products outside of its core assortment.

"You will see a broader offering from Schlossberg as well as a cooperation in design with Zimmer+Rohde, the German manufacturer of home décor fabrics," says Kull.

Cloud Nine Comforts is reaching out with licensing and private label programs, as well as continuing to emphasize custom-ordering and quick delivery services.

Fino Lino has introduced the Trio Collection of washed linen in a range of colors for the younger affluent customer. The Charleston bed, directed toward the traditional customer, reflects well-known Fino Lino opulence, but at a significantly reduced price.

"The biggest obstacle facing the upscale luxury retailer is the lack of traffic," Fino Lino's Massre believes. "We suggest to our retail accounts offering greater incentives to designers. In short, to use the designer as a 'salesperson on the road' as a way of attracting that affluent serious customer."

"Our designer business continues to grow and we are building a strong and valued relationship with Gumps catalog," says Anali's Wallace.

Samani sees growth through online luxury retailers. "Since 2008 when the recession hit, online retailers have captured more and more share of the retail market," Samani explains. "As they have trained the consumers to trust in buying online, they are now inching up with unbelievable websites that offer ultimate luxury products for the home. Orders are coming in on these luxury items. This area has provided the biggest recovery we have had from the shortfall of consumers since the recession."

Pacific Coast Home Furnishings has also relocated its New York showroom from 261 Fifth Avenue to Suites 539, 541 and 543 in 7 West 34th St.

THE IMPORTANCE OF BRAND

The key to the success of a luxury brand is protecting the brand by continuing to offer products and services that reflect its high-quality image.

"Quality and service have to be in line with the brand's image. All too often you see perceived higher quality brands in other industries (i.e. apparel) that are selling an inferior product (compared to their original prod-



Above: Capel has partnered with the Biltmore Licensing Division to produce the Biltmore Select Bidjar rug, a 100 percent wool hand-knotted reproduction of an original antique rug selected by George Vanderbilt for the Louis XV suite in Biltmore House. The pattern and regal blue colorway are faithful to the original. **Above Right:** The Serafina bedding ensemble is from the Austin Horn Collection offered by Pacific Coast Home Furnishings. **Right:** The Stepping Stone Pillow Group from Lulan is made with 100 percent hand-woven silk. The tight weave creates a subtle iridescence. Ancient ikat technique is blended with the modern feel of plaid with beaded stripes.



uct) in another industry (such as home)," says Kull. "Brand or designer affiliation is not a remedy to overcome bad times."

"The brand gives trust and confidence to the consumer that the quality and value is there," Samani adds. "It is what helps close the sale when

the customer is doubtful as to whether or not they should buy this item. Without a successful and well-known brand, it is difficult to sell a bed linen for a few thousand dollars."

Ross explains, "It's all about authenticity. I think there is a lot of branded merchandise that by nature has a short shelf life because of the inauthenticity of pairing an inappropriate 'name' with a category."

Hooker cautions that in this unstable economic climate, "Customers are more savvy today and most are not just buying because of the brand name."

May and June 2010 brought upsetting economic news on several fronts: unemployment remained high, home sales dipped, the effects of oil spilled into the Gulf region have still to be fully realized and looming possible tax changes affecting the affluent had many upscale consumers losing confidence in spending.

Kull states, "Post-recession? I don't think it is over and we are constantly at the edge of a double-dip."

With affluent consumers being more careful about how they spend, it is more important than ever for retailers to carry luxury goods that offer the best value, quality, customizing options and customer service. **LDB**

resources

- Capel, Inc., 800-334-3711, capelrugs.com
- Christy, 704-295-8589, christylinens.com
- Cloud Nine Comforts, 888-99-CLOUD, cloudninecomforts.com
- Dransfield and Ross, Ltd., 212-741-7278, dransfieldandross.com
- Elaine Williamson, 214-538-5552, elainewilliamsondesigns.com
 - Fino Lino, 800-829-3466, finolino.com
 - Kassatex, 212-686-5533, kassatex.com
 - Lee Jofa, 800-453-3563, leejofa.com
 - Lulan Artisans, 843-722-0118, lulan.com
- Pacific Coast Home Furnishings, 323-838-7808, pacificcoasthomefurnishings.com
- Peacock Alley, 800-275-0784, peacockalley.com
- Zimmer+Rohde (zimmer-rohde.com) through Scholtsberg USA, 908-238-0006, bonswit.com
- Sferra, 800-338-1891, sferralinens.com
- Siiv Thai Silk, 866-900-SILK, siivthaisilk.com
- Unity Marketing, 717-336-1600, unitymarketing.com