



## How the Luxury Industry Went the Way of McDonald's

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Today's \$157 billion luxury industry outsources production to Chinese factories, dresses celebrities for red-carpet events, fights massive counterfeiting operations and builds designer outlet malls across America. All this is a long way from the industry's history of family-owned businesses handcrafting the best products possible.

*Newsweek's* style and culture reporter Dana Thomas explores the new luxury industry in her book *Deluxe: How Luxury Lost Its Luster*. She found that today's luxury marketplace is mostly about hype and marketing. The goal is no longer making something unique and beautiful but maximizing profits. AlterNet spoke with Thomas in San Francisco.

### **Emily Wilson: Was there something specific that inspired you writing this book?**

Dana Thomas: Well, actually yes. I was reading *Fast Food Nation*, which is a great book, and I was so moved by how he'd taken the business apart and showed exactly what was going on and what was in your Big Mac. I turned to my husband and said I want to write this book about the luxury fashion business because in the 20 years I'd been covering the business, I'd seen how it had changed. I'd covered this evolution and revolution from a niche business to global conglomerates that do billions of dollars a year in sales, and I felt like most people who buy these goods had no idea what was in that bag they were actually getting. I was also a customer, and I grew disillusioned by the quality of the product in a lot of cases and wanted to find out what was going on and why.

### **Your second chapter is about Bernard Arnault. What is his role in the luxury fashion industry, and how did he change things?**

He's been really the catalyst behind much of the change. In the mid '80s he acquired through a fire sale with the French government much of Christian Dior. Arnault, who was a property developer from northern France said, "Oh, I'll take over this whole big mess of a company, (which the French government had been trying to unload for some time), and I won't break it up and I won't do anything and I won't fire people," and then he got a hold of it, and he laid off thousands of workers and divested of just about everything except Christian Dior. So he did just the opposite of what he said he was going to do. It caused a lot of anguish in France, but he got away with it. Then he waged a takeover battle in France and won to takeover the group Louis Vuitton Moet Hennessey. It was a long fearsome battle in the boardroom and in the press, and he succeeded when he acquired the Louis Vuitton

brand. And then he put this all together with Christian Dior and formed the first big luxury fashion group. He continued to either buy brands or acquire them hostilely, and today it's a group of more than 50 brands and does billions of dollars a year in sales.

**He seems like the villain in your book. What do you think of him and his methods?**

Well, his method was very simple. He saw the marketing potential of these brands. He thought that they were underutilized and undervalued, starting with Christian Dior, which had long been called the General Motors of fashion, but by the time he got a hold of it, it was sort of more the Chrysler of fashion, and it really needed saving. (Laughs). And so they put much more of an emphasis on accessories and they came up with many more accessory lines and younger hipper designs. One of the most famous -- and the real cash cow for them -- was called the Lady Dior bag, named in honor of Princess Diana. They gave her one in every color and she was photographed carrying it all the time and then they marketed, marketed, marketed. They chopped the name down just to Dior and they blasted it on anything and everything they could find. They started using a logo on the exterior of the bag and on bikinis and on underwear and on coats and even on T-shirts. They started putting out 'J'adore Dior' T-shirts. They sold and marketed like crazy to the middle market, which includes everyone from teachers to high-tech millionaires to the ghetto fabulous. It's a broad-reaching group who has money to spend when they are flush and likes to spend it on luxury brands now.

**In the introduction to *Deluxe*, you say this has changed our class system and how we interact. How is the luxury industry doing all that?**

Yesterday, after a signing, I went to have dinner with friends out in Mill Valley and they showed us the town and the town square, and there was a young boy selling lemonade, and my daughter wanted to get some, so I gave her a quarter and she went to buy it. I went with her, and one of the little girls there was about 8 years old -- about the same age as my daughter -- was standing there with a little Louis Vuitton handbag on her shoulder. I said "Well, that's a nice handbag," and she turned to me and said, "Thank you, it's Louis Vuitton." Eight years old! That is how they are realigning our social network and our self-worth.

**You have a chapter on celebrity culture. What influence has the celebrity culture had on the fashion industry?**

In the '80s the whole award show thing exploded, and you were getting some real fashion disasters on the red carpet. Remember Demi Moore, when she showed up in those black spandex bicycle shorts? So Giorgio Armani saw this as a unique opportunity for his brand. He first approached Michelle Pfeiffer and dressed her for the Oscars, and she looked so divine that the next year they actively pursued a few stars, but more than that, the stars pursued them. They dressed so many people at the Oscars that *Women's Wear Daily* said, "It's not the Academy Awards, it's the Armani Awards." What did this bring to Armani? Extraordinary cachet. He made everybody look so chic and elegant. Then other luxury brands saw this happening, and they all flocked out to Hollywood and opened offices and started dressing stars too. As one person in the business told me, dressing a Hollywood star on the red

carpet is \$1 million of free advertising. Those stars walk the red carpet and tell every single reporter and every single television camera who they are wearing from head to toe, and they are just walking billboards. The cotton industry did a survey and found that 30 to 40 percent of women in that target range they are always trying to reach, 25 to 34, say they make shopping decisions based on what celebrities wear.

**In another chapter you talk about counterfeiting luxury goods, which you have strong feelings about.**

We always think of counterfeiting as a victimless crime. In fact, it's a massive, massive industry. Seven percent of all the world's production is counterfeit. That's \$600 billion worth of goods that includes everything from baby formula to Ferraris. A large portion of that is luxury fashion goods, and the reason is because the luxury fashion houses have been advertising so, so much that there's a demand for these products, and not everyone can afford the real thing but desperately want it, so the counterfeiters stepped in. It's very easy to knock off counterfeit luxury brands. I mean, you just buy the regular handbag, you take it apart, you scan it, you get the pattern, you cut new pieces out of fabric and you sell it. Easy peasy. Most people think, "Oh I bought this handbag for \$15 or \$20, and who's going to know the difference?" What most people don't know about is the very dark side of counterfeiting -- the rings in the counterfeiting world are like drug syndicates. They're laundering money and they are doing human trafficking and child labor, and they believe some fund terrorism with the profits. There have been links to the 1993 terrorist bombing and to FARK, the Latin American terrorist group, and to Hezbollah and the IRA and, some believe, to Sept. 11.

The child labor is the most upsetting of all. Whenever I would write about this, people would write and say, "I don't believe this," so finally I just said, "OK, we have to prove this once and for all." I went on a raid with Chinese police at a factory in a tenement in Guangzhou and there were 8- to 10-year olds gluing and sewing luxury handbags. They lived in awful conditions. They were pale and tired and dirty and looked hungry, and it was like something out of Dickens.

**One of the blurbs to *Deluxe* says this is really the story of globalization. How is that so?**

The book in the end is about the globalization of luxury and why this is different from any other business; before the tycoons took luxury global, it was a niche business with a niche clientele that was immune to all of these things. The production was localized, it was all handcrafted, and they never suffered from things like economic downturns or international health crisis. When the tycoons took it global, first they started farming out production to developing nations so they're adding that global aspect to it, but they also made themselves vulnerable to all these other variables in the global market. When there was an Asian economic downturn in the late '90s, luxury fashion had just done this massive expansion in Asia, thinking it was this insatiable tiger, and they were buying lots of luxury goods. And that economic downturn hit so quickly and so hard there were some brands that were closing stores overnight because they were losing so much money so fast and they were so overexposed. It is all about globalization now.

**You say the corporations that have taken over the luxury industry want to**

**democratize luxury. Why isn't that a good thing?**

The luxury tycoons wanted to democratize luxury; they wanted to make it accessible. That's a very noble idea except there wasn't a noble reason behind it. They just wanted to make more money, and if they sold it to more people in more places and had a higher markup, they'd make more profits for themselves and for their shareholders. They're cutting the cost of production and creating sweatshops, and by making so much, they can't rely on craftsmanship. It goes from handcrafted to assembly line to machine-made and thousands produced and billions sold. It's just like McDonald's.

**What effect are you hoping this book will have?**

I've been writing about fashion for 20 years, and my mother had always read everything I would write and she said one day, "That Burberry, it's really undergone some changes and it's looking a lot snappier. What's going on?" And I thought "My gosh, my mother doesn't understand it is now a publicly traded company, that it's gone global, that they've got some hip new designer, that there's nothing British about it except the address of the headquarters, and she still thinks of it as this old Burberry trench that's being made by hand someplace in Wales." So I thought, if my mother doesn't know this, and I write about fashion for a living, then the message isn't getting out there, and most people don't know what they're paying for is marketing and that the tycoons have, through marketing and globalization, changed luxury from what it is, meaning something handcrafted and beautiful and the best money could buy, to what it represents. It's lost its soul in a sense.

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