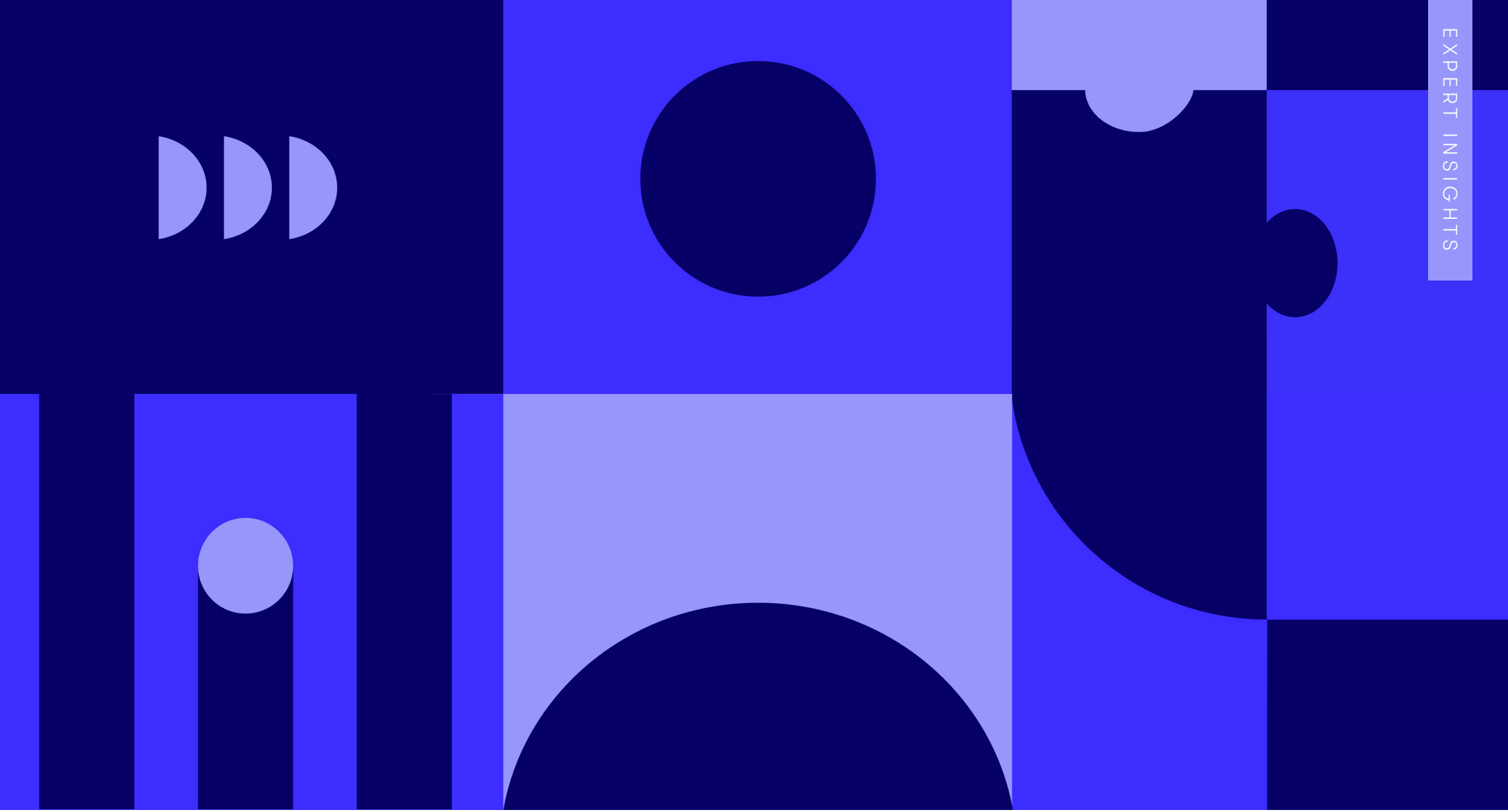


Vogue Business Index

IN PARTNERSHIP WITH KLARNA

WINTER 2021

VOGUE BUSINESS

Foreword



Anusha Couttigane
Head of Advisory

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Klarna.

Fashion: A bellwether for change

The fourth edition of the *Vogue Business* Index, in partnership with Klarna, comes hot on the heels of COP26, when the fashion industry is facing more scrutiny than ever before. It also captures a period when stores have benefitted from a relaxation of Covid restrictions, while consumers have relished the onset of new metaverse initiatives. However, as shiny as these new developments are, the innovations leading demand are more aligned to sustainability, with novel channels like rental and resale representing more exciting prospects for consumers.

Dior tops the ranking this time — a result that reflects a consistently high performance across all five pillars of the Index. Its stellar performance in digital is helped by its unique video strategy on Youtube — a platform that is often deprioritised in favour of Instagram and Tiktok. Meanwhile, our luxury consumer sentiment survey indicates that Hermès wins on trust, the value correlating strongest with purchase intent.

Methodological changes bring to light new challenges

The winter 2021 edition of the *Vogue Business* Index contains an updated methodology accounting for some of the changes we've witnessed, particularly in sustainability and technology. The biggest update is that innovation replaces financial as the fifth pillar of the ranking for this edition. Although revenue is still used as a qualifier for inclusion, it does not influence brand performance. This means brands are now measured on their adaptation to consumer demands in new spaces instead of the scale of their business. The change has seen Chanel, which previously performed strongest for financial success, drop out of the top five for the first time. Meanwhile Gucci can fairly be described as the most innovative brand in the index.

While investment in the metaverse is a key differentiator, we are keen to ensure this does not become the only benchmark for defining innovation. Within the new innovation pillar, there are also metrics on features like buy-now-pay-later, blockchain authentication and virtual clienteling. Gaming criteria looks not only at collaborations in gaming worlds, but also product partnerships, while our survey data explores the appetite for diversification into new categories too. There are lots of ways for brands to innovate and introduce newness. Tech enhancements are just one avenue.

The addition of Weibo data to the methodology shows us that domestic Chinese brands including Bosideng are competing fiercely against global competitors. We have also included the Middle East in our luxury consumer sentiment survey for the first time. This market is one of the most important growth opportunities — both in terms of investment and securing local loyalty.

Sustainability gets stricter

The ESG pillar has also been updated to reflect the evolution of efforts to do better when it comes to people and the planet. It's no longer enough to tick a box for statements on sustainability aims. Together with our expert editors, we've built in new criteria that helps us assess where brands are making progress, for example having a sliding scale for reducing carbon emissions or offering a living wage. The more granular methodology also exposes areas where the industry lacks accountability.

Moving with the times

Fashion has always been a bellwether for both consumer trends and change at industry level. In Q1 2022 we'll be introducing a spin-off Watchlist report exploring 20 up-and-coming brands. These brands are fast becoming disruptors and signify important incoming trends in fashion and beyond. At *Vogue Business*, it is our job to keep abreast of these changes and find meaningful ways of measuring their impact.

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Vogue Business, the Index and advisory services

Vogue Business is a leading provider of insights, research and data for individuals and companies operating in the global fashion, beauty and luxury industries. The Index is the cornerstone of the insights and advisory offering and provides a framework for industry leaders and investors in fashion to see through the volatility. It helps solve problems that industry leaders are facing by analysing and comparing individual brand performance, highlighting category and unique consumer insight. It is an objective scorecard for businesses and the industry to understand brand performance and ultimately make better decisions.

The *Vogue Business* advisory capabilities draw on our unique consumer and industry data and insights and unparalleled knowledge of the fashion and luxury industry through Condé Nast editors in 30+ markets, including *Vogue Business* experts. The *Vogue Business* advisory services include qualitative and quantitative consumer research with luxury consumers, competitive benchmarking through the *Vogue Business* Index, best practices and category analysis.

Our industry expertise is based on our online publication headquartered at Condé Nast in London. We offer a truly global perspective on the fashion industry, exploring how cultural trends and global patterns will impact fashion businesses. While sharing the *Vogue* name, *Vogue Business* and the Index are wholly independent entities.

About the Index

The *Vogue Business* Index in partnership with Klarna is the most comprehensive analysis of the world's top luxury fashion brands available to date.

Combining unique consumer insights from luxury consumers and *Vogue* and *GQ* readers, with data across more than 150 individual metrics, the Index is designed to help investors and fashion professionals benchmark brands and find out which have the most momentum in key development areas. The Winter 2021 *Vogue Business* Index in partnership with Klarna marks the fourth update of the Index and now features two additional brands: Supreme and Tod's.

The Index scores consumer perception of each brand, omnichannel capabilities, environmental social governance (ESG) reporting, and digital proficiency, as well as the cohort's efforts in innovation. The consumer perception pillar includes unique data from highly engaged *Vogue* and *GQ* readers in 12 key luxury markets worldwide, including the newly-added Middle East. The results reveal views on brand awareness, desirability, quality and relevance, purchase intent and many others, based on a sample of at least 350 global luxury consumers per brand.

The entire *Vogue Business* Index is updated every six months, allowing brand scores across each category to be tracked over time. The dataset for this iteration was compiled between April and October 2021. It has evolved to include numerous additional data points to account for the shifting landscape in the luxury fashion space. In this edition, you will find new metrics on exciting developments such as NFT adoption, AR/VR and metaverse participation. The data point coverage will continue to be expanded, in line with industry needs and priorities, developments and trends.

The Index provides a data-driven assessment of brand performance and captures the pace of adoption when it comes to new innovations. Its development is overseen by an advisory panel of experts drawn from leading financial and professional services firms with expertise in consumer goods and luxury sectors.

12

markets covered, with a minimum of 400 qualified luxury consumers each, including the US, China, Japan, Russia, South Korea, UK, France, Italy, Germany, Spain, Brazil and the Middle East.

60

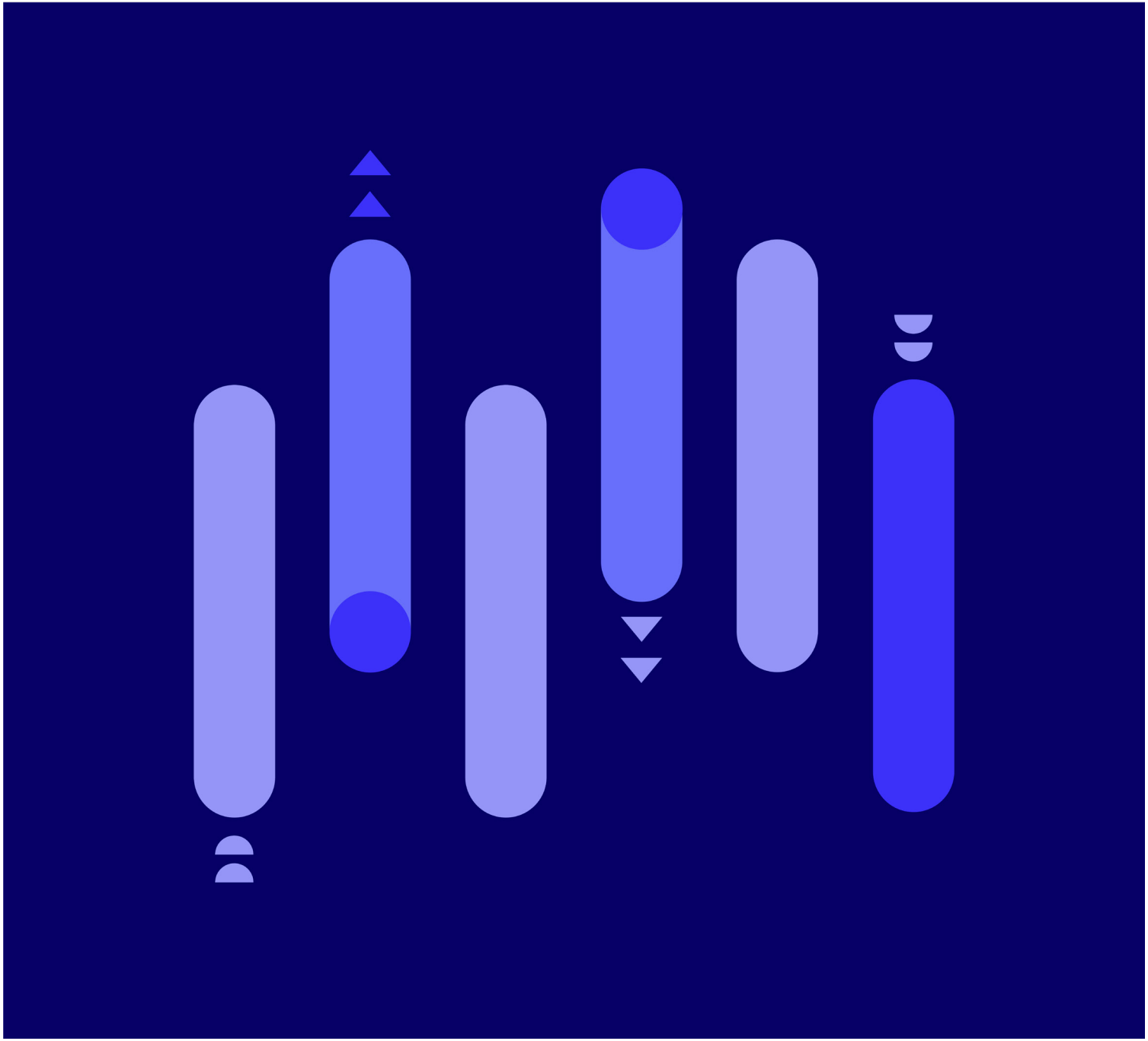
top luxury fashion brands assessed, based on revenue benchmarked.

150+

data points collected per brand across five categories: consumer sentiment, digital, omnichannel, ESG and innovation.

6,000+

Vogue and *GQ* readers spending more than $2,500 on luxury products annually.



CHAPTER ONE

Consumer sentiment

Redefining innovation: Gauging consumer appetite for cutting edge developments

Vogue Business
Advisory



Across the Index, we are measuring innovations from new channels and services to new products and technologies, including rental and resale, AR/VR implementation, virtual clienteling, efforts in gamification, digital authentication and engagement with NFTs. This includes tracking consumer engagement and demand for these innovations as awareness grows and novel features become more embedded in shopper experiences. The pace of adoption varies by brand, market and initiative and sometimes being a first mover is risky. Many of these innovations are in their infancy, meaning some scores come from a low base, but they do show which brands are brave enough to take the risk sooner and reap the early benefits. As the industry evolves, so too will our methodology.

In·no·va·tion / i-nə-vā-shən / noun

1. A NEW IDEA OR METHOD
2. THE DEVELOPMENT OF NEW PRODUCTS, DESIGNS OR IDEAS

Why: Innovation replaces financial success as the fifth pillar of *Vogue Business* Index in this edition. The past two years have witnessed a permanent shift in the way fashion businesses function and our methodology has evolved in response to these changes. The traditional KPIs do not go far enough and the noise around digital development can create the misleading picture that this is the most important, if not the only way, to define innovation. Taking such a narrow view disregards the potential for new channels, services and merchandise, which drastically limits investment and opportunity. To truly measure relevance and readiness for the future, we need to expand our definition of what innovation means, understand the consumer appetite for developments and use new metrics to evaluate white spaces.

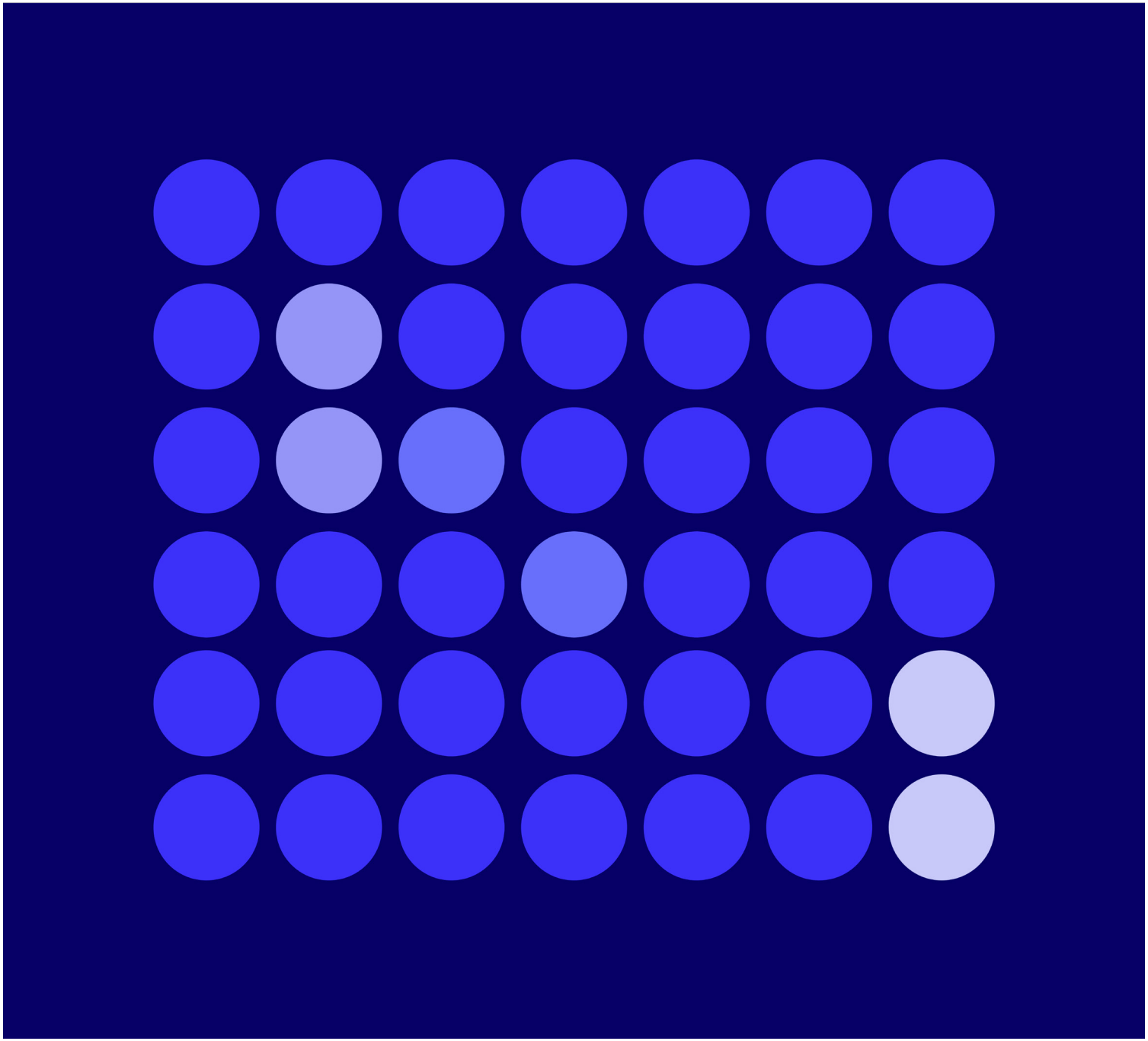
What: Both experiences and products lend themselves to innovation. Just over one fifth (23 per cent) of consumers are keen to see more brands creating gamified experiences to showcase new luxury products. Yet one quarter (25 per cent) say that luxury collaborations with gaming developers on products and merchandise are most important. Overall, 65 per cent of consumers are excited about product collaborations in general, while 55 per cent eagerly anticipate the expansion of brands into new categories. This shows that new product development should aim for lifestyle relevance, not just digital relevance, with opportunities across home, travel, fitness and beauty.

Met·a·verse / ˈmedəˌvərs / noun

1. A SHARED VIRTUAL OR DIGITALLY ENHANCED INTERACTIVE SPACE

Where: The metaverse has been one of the biggest talking points of the last year. Many consider the definition of the metaverse to extend from video games and virtual worlds to AR/VR, digital fashion and non-fungible tokens (NFTs). Yet this is not the only new environment gaining ground. In fact, when asked, more respondents to our luxury consumer sentiment survey cited the availability of new channels, such as rental and resale, as among the most exciting developments. In our approach, we award points based on brands offering these channels either in collaboration with third parties or as proprietary shopping channels.

How: True innovation does not just come from the invention of new technology. It comes from refining ideas to meet needs that are being underserved. For example, while cryptocurrency has not become the everyday currency of consumer transactions as some predicted, blockchain has become normalised as a way of authenticating goods, with 41% of luxury consumers globally saying they are excited about digital traceability. There is also still a need for new transactional services. More brands (37%) are adopting buy-now-pay-later services, with Burberry, Givenchy and Dolce & Gabbana all offering Klarna as a payment option.



CHAPTER TWO

Digital

Digital trends 2021

Lucy Maguire
Trends Editor

1 

Brands make space for long-form video

Long-form video is becoming a key part of many brands' digital strategies, supplementing lighthearted, ephemeral content on platforms like Tiktok or Instagram Reels. Many luxury brands are still lagging behind in terms of Youtube subscribers. We are likely to see more long-form video content across platforms from brands in 2022.

Fashion fans are increasingly seeking long-form content on their favourite brands' heritage and craftsmanship, as luxury brands become cultural institutions and curators. Educational and informative content is important to build brand loyalty and trust. While Youtube content can be expensive to produce, its longevity makes it an attractive marketing proposition.

2 

Musicians top the influencer charts

Celebrity mega-influencers are driving the bulk of brand visibility on social media for the Spring/Summer 2022 season. Fewer influencers attended SS22 fashion shows compared to pre-pandemic levels, yet total social media visibility was up. Brands are prioritising a select number of mega-influencers with large reach. Dua Lipa walked for Versace; Blackpink's Jisoo attended Dior; and Cardi B wore Richard Quinn out in Paris after LFW.

As music, TV, film and sport become intertwined with fashion trends, brands will find new ways to work with actors, sports stars and musicians in 2022 to create impactful fashion moments that cut through the noise. Rihanna and Zendaya are driving social buzz for both major houses like Versace and emerging designers like Maximilian.

3 

The power of sound

Podcasts, audiobooks, Clubhouse, voice notes: audio communication and entertainment has taken hold in recent years. Luxury brands are seeing the value of audio as part of digital communication strategies. Gucci's podcast has run since 2018 but the brand released 24 episodes in 2021 vs 14 in 2020, including conversations between emerging Gucci Vault designers. Dior has launched four podcasts since 2020: most recently Dior Common Threads, focused on Kim Jones's menswear collections.

While time-consuming to produce, podcasts can give an in-depth, intellectual look into a brand's inspirations and in the case of Gucci or Moncler, it allows luxury houses to spotlight close collaborators, to lift the lid on the brand "universe" and cultural connections.

4 

Personal recommendations drive purchase online

Recommendations from friends, family and experts are becoming a powerful purchase driver. Research has shown that in 2021, consumers are looking for trusted sources of information around products over paid recommendations. They are also looking for relatable "everyday" influencers. While mega-influencers can drive reach for campaigns or shows, brands are likely to push further into the nano and micro influencer space in 2022 when it comes to product marketing and social commerce.

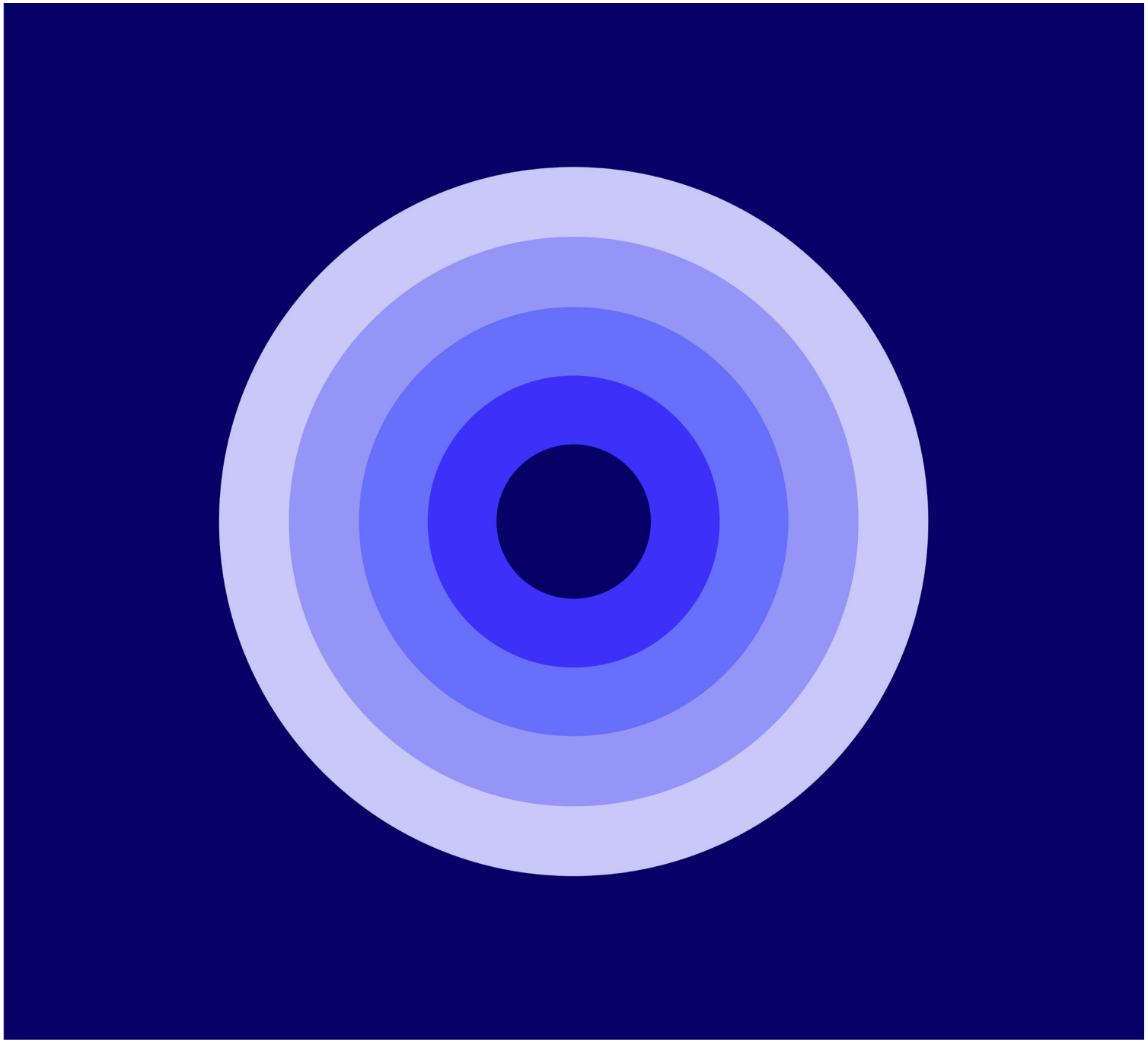
Platforms including Tiktok, Discord and Substack gave rise to a new generation of micro or nano influencers during the pandemic, giving product or style advice from their bedrooms, from TikTok fashion influencer Wisdom Kaye to "skinfluencer" Hyram Yarbro.

5 

Livestreaming heads West

Western audiences are warming to livestream shopping and influencer activations, and platforms are racing to facilitate experiences. Tiktok, Instagram and Youtube have all launched livestream shopping capabilities in the last year. Livestreaming continues to boom in APAC on platforms such as Wechat, Xiaohongshu, Kuaishou and retailer platforms including Taobao Live and JD Live.

The key is finding the right talent to run the stream, as it's not all about reach. Youtube's week-long livestream shopping event in November 2021 included mega-beauty-influencers Jackie Aina and Patrick Starr. Alongside their high reach and engagement, these influencers have proven expertise around products and can offer meaningful advice to potential customers to drive purchases.



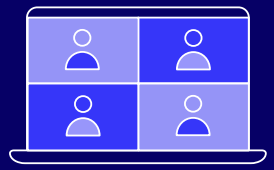
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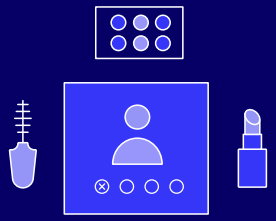
Omnichannel

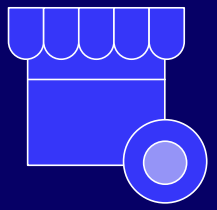
Omnichannel learnings from beauty

Kati Chitrakorn
Retail and Marketing Editor









Beauty brands are often a step ahead of the curve when it comes to using omnichannel strategies to offer high-end experiences, and there are key lessons that fashion companies can take away.

One of the biggest omnichannel evolutions that will continue into 2022 is a focus on digitising the high-touch experience once only possible in stores. Customers are expected to predominantly "hybrid shop" not just for this holiday season but for the year ahead, meaning they'll be buying across multiple channels to make sure they can find the products they want. Shopping journeys can now involve an average of nine different touchpoints, experts say.

Glossier's pop-ups and physical stores affirm the importance of human connection in the real world, but authenticity and interactivity is also vital in virtual spaces. Without the physical merchandising and expertise of in-store advisors, brands are trying to recreate the physical shopping experience by bringing product education, expertise and word-of-mouth recommendations to e-commerce. Luxury companies including Chanel and Gucci and buzzy brands such as Urban Decay and NYX Cosmetics have used augmented reality to offer a richer beauty shopping experience online.

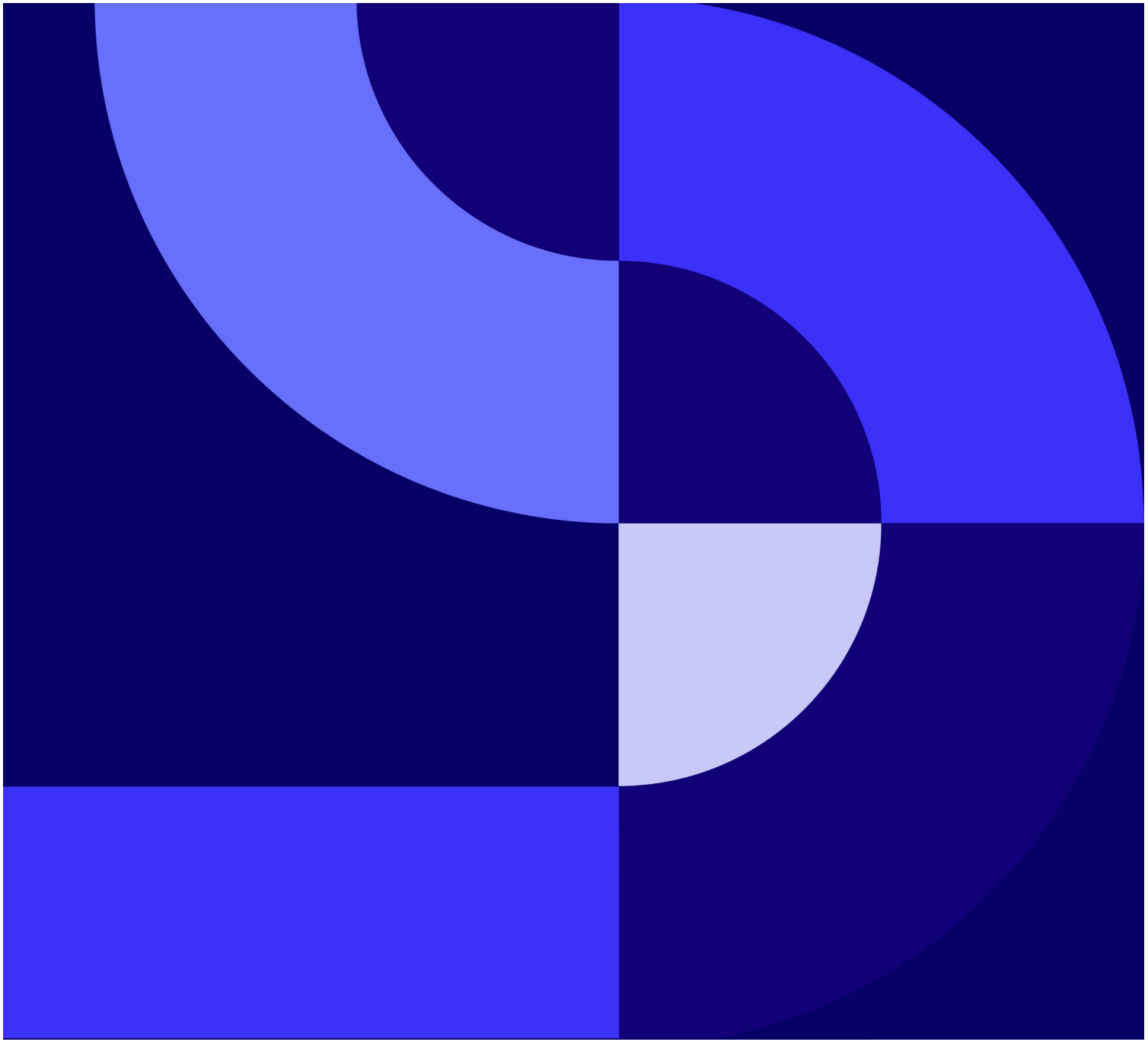
With online group activities such as Netflix Party and Instagram Co-Watching catching on during the pandemic, it's clear that peer-to-peer connections have become more crucial in consumers' lives. Estée Lauder-owned Clinique has a new virtual service centred around video chats and personalisation, where friends can shop together online from various locations. Charlotte Tilbury recently added the ability for shoppers to invite friends to join one's shopping visit via Zoom-like video screens.

Some beauty brands are shifting towards real-time, personal dialogues in place of sponsored content. They're turning to social commerce upstarts to get products into the hands of real people, who in return share honest feedback. Exa, launched by clean beauty retailer Credo, has started embedding carousels of testimonials from social media users on its online product pages and social channels, which demonstrates the importance of unfiltered, unphotoshopped, sponcon-free reviews.

Loyalty is another area ripe for innovation. Many luxury fashion brands do not offer loyalty programmes, although they may reward their highest spending customers with invitations to fashion shows and a dedicated concierge service. The privacy landscape is being redefined as consumers push for greater transparency and tech giants begin phasing out third-party cookies. In a digitised world, brands need to navigate new ways to own the customer relationship and acquire data legally.

Loyalty programmes are typically associated with points-based tiers. While customer surveys and points-collection are cost-effective and may work for beauty, it is not the game luxury brands are in, many of which are still adjusting away from a top-down approach towards one that is more democratic and inclusive. Major mainstream retailers, including Nike and Uniqlo, as well as luxury brands such as Bottega Veneta, are building loyalty by prioritising localised stores and community engagement to build direct-to-consumer relationships. The next step will be to offer more personalised experiences.

Even as physical stores begin to reopen, with increased safety protocols and updated procedures, brands are prioritising richer digital experiences that go beyond transactions and new product launches. So while consumers who craved real-life shopping experiences are queuing up to once again experience the pleasure of brick-and-mortar retail, new expectations around interaction, honesty and community have come to the forefront and brands will need to adjust how they reach their customers.



CHAPTER FOUR

Environmental, social and corporate governance (ESG)

Top ESG priorities for 2022

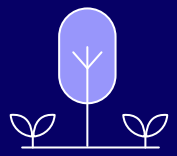
Rachel Cernansky
Senior Sustainability Editor



Renewable energy
Decarbonising the supply chain is one of the single biggest needs for meeting global emissions targets. It's not an innovation, just a matter of adoption.



Scaling down production
Whether it's establishing other revenue streams or adjusting the business model, brands need to be focused on separating profitability from volume production.



Biodiversity
Brands need to be accounting for their biodiversity impacts, and approach biodiversity loss and climate change as part of the same problem. That will require outside expertise from scientists, suppliers and others, and should lead to brands prioritising nature-based solutions in their climate efforts.



Raw materials
A shift away from synthetic fibres (including recycled polyester made from plastic bottles) towards using more natural fibres is key. Scaling the use of next-gen fibres is also crucial. This includes fibres that don't rely on new natural resources and are instead made from old textiles or other waste streams, using clean, closed-loop manufacturing and recycling processes.



Better buying practices
Suppliers can only improve working conditions, pay decent wages and implement sustainable practices if they are paid well enough by brands to do so. That means contracts need to include not only fair pricing for individual product orders, but other elements as well, such as decent payment terms and reliable production schedules.



Supply chain transformation
Brands need to invest in the end-to-end process of transforming supply chains — not just in the final product. Priority areas include helping farmers with the steep transition to organic and regenerative agriculture; and helping suppliers transition to renewable energy, whether through cost-sharing, facilitating access to bank loans or other financial tools, such as longer-term buying contracts to help suppliers handle capital costs.



Chemicals
Banning a handful of specific hazardous substances is not enough. The use of industrial chemicals, and the concerns that scientists have about their effects, have created bigger, more complicated challenges than an enumerated list can address. Comprehensive approaches are needed, with a focus on eliminating rather than just reducing harm — while engaging with the full supply chain to ensure standards are actually met.



Holistic approaches
Often, sustainability initiatives result in unintended consequences; efforts to solve one problem end up causing or exacerbating a different problem somewhere else. Do due diligence on any potential initiative to understand what tradeoffs may be involved, when it's only a temporary fix — and prioritise the options that offer real, long-term solutions.

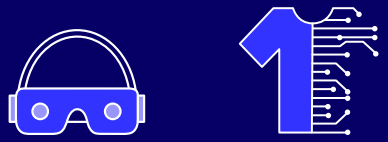


CHAPTER FIVE

Innovation

Preparing for the metaverse

Maghan McDowell
Senior Innovation Editor



Q: Which digital fashion startups or designers are you watching?

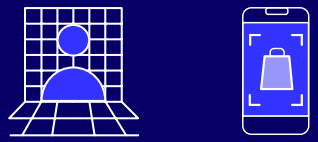
Digital fashion marketplace DressX is really smart, because it created a way for people to relatively easily buy and wear digital fashion, and it's since received funding and big partnerships. It just partnered with Farfetch to promote pre-order by digitally dressing influencers, and Google just created a digital fashion collection that is being sold on DressX.

As for digital designers and brands, The Fabricant has consistently been a leader, and Auroboros became the first brand to show a digital-only ready-to-wear collection at London Fashion Week, meaning no physical clothes were made. Most recently, a Roblox designer known as cSapphire won the first British Fashion Council award for metaverse design, and Rtfkt is also getting a lot of buzz as the Supreme of digital fashion.

Q: What are some legal or ethical considerations for brands in the metaverse?

This is a really interesting topic, because the laws and norms have not yet caught up to the metaverse in most instances. One consideration, for example, is when a brand's logo or designs appear in digital spaces. Often, these are created by fans and sold for real money, so at a certain point, it becomes prudent for the brand to be aware of this activity and potentially do something about it — especially if it becomes confusing for consumers or erodes the brand identity. As brands increasingly partner with digital platforms, it's important for them to show up in a way that is intentional and extends to the authenticity of digital products.

Another emerging topic of consideration is the ethics of avatars and profile pictures (PFPs), especially as brands create avatars and consumers can create their own avatars in branded spaces. Just as brands are conscious of representation, inclusion and appropriation in the physical world, they will need to think about similar in-house guidelines in relation to avatars.



Q: What can brands do now to prepare for the metaverse?

Brands should be thinking about how to create digital, 3D renders of designs as soon as possible, and thinking about how the brand's ethos can be translated into the digital realm, including augmented reality. Metaverse strategies only make sense when they are both representative of the brand and speak to the specific audience in each metaverse space or platform. I would also consider hiring someone, or creating a team in-house, to oversee these projects and develop this strategy, similar to how brands might have done for the early era of social media.

Q: What do you predict will be hot tech topics in the future?

We will continue to see progress when it comes to augmented reality and maybe AR glasses, although adoption is not as fast as tech companies might wish. I think we will see NFTs evolve to help with authentication and loyalty programmes, and we'll see virtual stores and other more established branded places (and clothing) in digital spaces. Digital fashion creators, then, are in position to become the new exciting talents. I'm also excited by tech-enabled clienteling and customer service, whose functions are blending, and on-demand manufacturing to create one-of-one, or small batches of items, only after they are sold. I'm also continually interested in rental and resale technology.

Q: What does the future of rental and resale look like?

It will be the new normal. Brands will offer brand-certified pre-owned or shared items directly (most likely through white-label tech partners), and through direct partnerships with existing tech platforms, just as brands today sell through multi-brand retailers and through their owned channels. Brands will produce fewer items, but those items will have more value.

Methodology



Consumer Sentiment
30%

Unaided and aided brand awareness of luxury brands

Perceived quality — product fit, design and quality, pricing, status, novelty, lifestyle relevance

Brand association — beliefs about brand values and association with iconic, classic, timeless and/or contemporary qualities, **brand story**, sustainable and ethical products, brand trust

Brand favourability

Purchase intent



Omnichannel
17.75%

Consumer perception of omnichannel feature offering

Availability of fulfilment options (delivery, returns, etc.)

Customer service (**live chat**, messenger, etc.), loyalty programme, pre-order

Geographic coverage of e-commerce, third-party platforms (Wechat mini-programme, Tmall Luxury Pavillion, JD.com). Store network in key cities



Digital
22.25%

Branded Google search volume and organic and paid traffic to site

Reach and engagement across Facebook, Instagram, Youtube, Twitter

Search volume and brand page engagement on Wechat. **Brand reach and engagement on Weibo**

Engagement and popularity of runway shows through *Vogue* Runway



ESG
20%

Effective communication of sustainability policies

Environmental policies **(recycling programs, use of regeneratively-grown natural fibres, product repair)**

Labour equality **(gender pay gap policy)**, social impact

Reporting on sustainability goals and progress towards achieving them.

Cimate neutrality timeline



Innovation
10%

Virtual clienteling

AR/VR implementation

Efforts in gamification

Technology for product authentication

Engagement with NTFs

Rental & resale offering

Note: An overview of the topics covered. Data points within each category are weighted differently. Bold elements are new additions to the Index.

VOGUE BUSINESS | Klarna.