

Porter's five forces model for luxury goods industry

[Business](#), [Marketing](#)



The Social Media has empowered consumers in all industries, including in the luxury goods industry; because of the feeling that they can secure the support of many other people in regard to their rights, as consumers, customers in the luxury brand industry have become more powerful to influence the industry's strategies (Deloitte 2014) - H

Customers in the luxury brand industry seem to prefer 'online purchase' (Deloitte 2014), a fact that needs to be taken into consideration by the managers of the luxury brands (Deloitte 2014) - H

Bargaining power of Suppliers

The number of the industry's suppliers tends to be continuously decreased due to the acquisition of the relevant firms by most powerful luxury brands (Luxury Society, 2012) - H

Certain countries prefer to focus on luxury products based on local materials; India is an example (Luxury Society 2012) - L

Suppliers who have access to fine materials/ pieces have become quite valuable, as a result of the industry's turn to timepieces (Luxury Society 2012) - H

Pressure from Substitute Products

Since 2012 an important trend has appeared in the luxury goods industry: the emphasis is given to 'fine jewelry' (Luxury Society 2012, par. 13) and not on 'seasonal accessories' (Luxury Society 2012, par. 13). Louis Vuitton has been the luxury brand that first supported this trend; Richemont Group, the owner of popular brands such as Cartier, had followed (Luxury Society

2012) - L

Popular luxury brands have taken action against those who try to develop cheap substitutes of their products; for example, in a relevant lawsuit the courts ordered the owners of a series of websites that have developed such activity to pay an amount of \$100 million to Hermes (Luxury Society 2012) - L

In any case, luxury products are, by their nature, related to costly materials; the high cost of these products prevents those who would like to create substitute products of low price (Luxury Society 2012) - L

Competition

The industry's competitors would have to face the following challenges:

- a) continuous turbulence in markets worldwide; downturns in the performance of markets have been proved as able to affect the buying power of the industry's customers (Paton and Sanderson 2014); only the brands that can secure high quality, innovation and uniqueness of their products are able to secure their market position - H
- b) exchange rates tend to change constantly; this phenomenon causes delays to the industry's growth (D'Arpizio 2013) - L
- c) in 2012, a major part of the industry's growth, about 28%, was achieved through 'online sales' (D'Arpizio 2013, par. 11) - H
- d) the industry's complexity has been increased (D'Arpizio 2013), a fact that has resulted in an increase in competition (D'Arpizio 2013) - H

New Entrants

The rate of development of the luxury goods industry is satisfactory but unstable; the strong turbulences in the international market are considered as the key reason for this phenomenon. The industry's high instability would discourage new entrants to enter in the luxury goods industry (Blog Euromonitor 2013) - L

Also, the increase of the popularity of timepieces, i. e. on luxury products that can have a long life, has led to the increase of luxury products based on costly materials; new entrants would find it difficult to compete in the industry since the capital available for responding to the industry's manufacturing costs would be high (Paton and Sanderson 2014) - L

The industry is characterized by the dominance of specific brands; new entrants would have to invest high amounts in order to establish their position in their market (Paton and Sanderson 2014) - L

Assessment of the industry's attractiveness

For now: the industry seems to be quite attractive

In 2-3 years: the industry's growth would be stable

In 10 years: the attractiveness of the industry would be assessed by checking the economic performance of markets worldwide at that period of time; in any case, risks are expected to be increased, especially due to high competition and the extremely high power of customers