

illUminate Blog Transcript: Ludovica Cesareo on COVID-19 Fashion and Holiday Shopping

Recorded Dec. 10, 2020. Listen to it [here](#).

- ANNOUNCER: 00:01 [music] This podcast is brought to you by ilLUMinate, the Lehigh Business blog. To learn more, please visit us at business.lehigh.edu/news. [music]
- JACK CROFT: 00:14 Welcome. I'm Jack Croft, host of the illUminate podcast for Lehigh University's College of Business. Today is December 10th, 2020, and as the holiday shopping season rushes toward the finish line, we're talking to Ludovica Cesareo about a new category, COVID fashion, along with other COVID merchandise and what luxury brands are doing to enter the market. We'll also discuss the broader retail sales picture during a time when many people live under stay-at-home orders. Dr. Cesareo is an assistant professor of marketing in Lehigh's College of Business. Her research focuses primarily on the psychological processes that influence consumer behavior toward authentic and counterfeit luxury products, as well as the integral role emotions play in consumer decision-making and marketing related outcomes. Thank you for being with us today, Dr. Cesareo.
- CESAREO: 01:09 Thank you for having me. It's lovely to speak with you again.
- CROFT: 01:13 Yes, it is. Let's start. We're kind of in the peak of the holiday shopping season, which the song says is the most wonderful time of the year. I'm not sure how true that is for most people this year.
- CESAREO: 01:28 This year.
- CROFT: 01:29 Yeah. Both retailers and consumers who are trying to figure out how to get presents and get them to people. So let's kind of look at that broader holiday shopping season, particularly as it relates to the retail market. How are things looking this year?
- CESAREO: 01:50 Well, I think it's a great point to start, especially it is the hottest time of the year when it comes to sales, when it comes to retail. But just like everything else this year, I think holiday shopping will be a little bit different. The latest estimates actually say that relative to last year, we're going to be up about 1 to 1.5 percent, but if you think about the growth we had last year for the same time period, which was around 4%, clearly it's a bit dampened. And I think there's a few trends and a few things we're going to be seeing in the coming weeks as we gear up towards Christmas. Some things you've already probably noticed is that shopping for the holidays has started much earlier, right? In the last few years, the big holiday shopping started on Black Friday. This year, companies started putting out sales way back in October. And I think they decided to do that especially given the social distancing rules we're living under and just to have safer shopping practices. The second big change for this year is that most holiday shopping will happen online. If you think about occupancy restrictions that are in place in most states and limited store hours, it makes sense, right, that consumers that are staying home, are doing most of the shopping via E-commerce. And E-commerce is supposed to do really well for the coming holiday season. It's supposed to be up 35%. And if you think about the explosive numbers that we saw Thanksgiving weekend, meaning Thanksgiving Day to Cyber Monday, I think we're going to be seeing something similar. It was the biggest Cyber Monday-- I don't know if you know, but it was the largest online sales day ever, which is interesting, right?

And overall online sales for that weekend rose 36% and consumers spent around \$25 billion for that weekend. So it was really a very fruitful weekend for retail, which has been suffering because of COVID. Because of rising unemployment and consumer spending is much stricter, it has been suffering overall for the year.

CESAREO: 03:48

But if you think about what online shopping also means is that there's going to be delays in shipping, right? There's so much strain put on company's logistics and delivery systems that have already been hit hard with COVID-19, and so I think companies are advising consumers to shop early and they're putting deadlines on their websites to know you need to order by this date in order to receive things before Christmas. And then an option that's really taken off in retail, especially during the pandemic but it's been a trend of the last few years, is the buy online, pick up in store. It's really been something that consumers have enjoyed as an option because you can still have the benefits of purchasing online but there's still that in-person component, right? Just like curbside pickup. And so I think that's something that's really taken off. Now you were mentioning, right, it's going to be a bit of a weird Christmas especially Christmas holiday season, and I think analysts are calling this a K-shaped recovery, meaning they're distinguishing between what we call the haves and the have nots. So the consumers who have lower income wages that are at risk of losing their jobs that are just nervous, right, about finance overall, are only going to be spending on necessities, right? And so I think for them, we are going to see a decrease in holiday shopping. However, for the consumers who are what we call in research and in academia, the haves, those who have job security, who have higher income, who are not at risk of losing their jobs, will actually be spending more this season. And if you think about it, it's because they can't spend on vacations and on experiences, right, on all those in-person services that they would have spent on last year and so they're really going to be funneling that money into holiday shopping and into gift purchasing specifically.

CESAREO: 05:45

And then in terms of what are the hottest items for this holiday season? Of course clothes, shoes, electronics, those are typical. But because we are under stay-at-home orders and because we are spending so much more time at home, the categories that will do well are gaming, subscription services, health and beauty gifts, right, to pamper yourself, to take care of yourself. At-home fitness equipment has seen a huge rise this year, and then just home decor. So those are the main categories that consumers are going to be focusing on this holiday season.

CROFT: 06:23

Yeah. I wonder when you talk about retail, it was interesting you brought up the pick up in store. For the bricks and mortar retail, which obviously has had to go through a lot this year, not just with restrictions — in most places, there were periods where they were closed completely. In terms of planning, it must just be a horrific year for them to try to figure out when they're going to be open and how many people they're going to be able to have in at any point in the future. But I wonder how much kind of rebounded to them in this shopping rush that happened from the fall into today, or was it more of the online, the digital retailers?

CESAREO: 07:23

So, as I mentioned, I think most of the holiday shopping and all shopping that's happened over the last few months, has really transitioned to online. And I think as you were mentioning, right, small businesses, right, your local shops are those that have really suffered the most, especially when you think about the type of restrictions that governments have put in place. I mean I live in Philadelphia and the Friday before

Thanksgiving, the mayor put in this new restriction saying that there is a limit to, I think, it's 10 people every thousand square feet. And you can imagine for a store that's small, right, that means basically no one can enter the store, right? Well, for the large footprint shops, I'm thinking of the Targets, the Best Buys, that have these huge footprint stores, they can still have a good amount of customers. And so I think that there's been a huge push to help small businesses stay afloat, right? And I've seen tons of campaigns saying, "Shop locally when you can. Don't buy your books online. Go to your local bookstore," to make sure that we're carrying them through these hardest months of the pandemic when these tough restrictions are in place. And because now the vaccine is coming out, there is a hope that this will end within the next few months. And so really all these initiatives aimed at small businesses are just trying to get them through the next few months once we can reopen safely and make sure that they are still there come the spring.

CROFT: 08:50

Yeah. One of the other, unexpected to me at least, trends that has come up as a result of the pandemic, is COVID fashion, COVID merchandise, and we saw after several months of uncertainty, new stores popping up COVID Essentials in malls around the country that are specializing in COVID related products. So what do you think about that?

CESAREO: 09:27

I mean I think it's a really interesting retail idea. And just how well they've been doing, clearly signifies that it's something that consumers wanted. So as you mentioned, there's this chain called COVID-19 Essentials, which is this chain of retail stores. They have eight so far that have opened in high-end malls around the country like New York City, New Jersey, here in Philly, Las Vegas. And I think it's so fascinating. First I find it absolutely interesting that they opened in high-end malls, meaning next to the traditional luxury stores, like the Louis Vuitton and the Gucci. And what it is, is a store that only sells COVID-related merchandise. So from cloth masks, which are the core of their business, and then of course all other COVID-related accessories. Think of door openers. Think of portable UV lights to clean surfaces. And so why I think this is interesting is because they are charging premium prices for their products, and because cloth masks are the core of their businesses they're giving consumers the opportunity to personalize the masks themselves. And so while a basic mask can cost \$20, they charge \$10 for each addition you put on it. You can put rhinestones. And I think it's just fascinating because masks have really become a fashion accessory. And I know in a little bit we'll talk about the importance of signaling, but the fact that we have to wear this piece of material over our face has really become an opportunity for brands of all types, whether it's traditional retail fashion or also high-end luxury brands, to give consumers a way to express something about themselves via this item that they now have to wear for safety purposes. And so I think it just totally makes sense that they saw a retail opportunity and they took it. And the fact that they're doing so well, again, speaks to the fact that consumers were looking for this kind of offering.

CROFT: 11:28

Right. And I know a lot of your research focuses on specifically the luxury brand market and also this idea of signaling that you mentioned. Can you explain to us what signaling is and why it's important, particularly in terms of your research with the fashion industry?

CESAREO: 11:49

Yes. So signaling theory is this theory of communication which deals with the transmission of information from one individual, who is the sender, to another

individual, who is the receiver. And there is plenty of research that looks at how products and brands are vehicles to signal identity —relevant information about oneself, but also status. And so the desire for status as this fundamental human motive, which refers to the respect and admiration and deference that we are afforded by others. And so why I care about status and signaling is that a common status signal across society is conspicuous consumption. And so the idea that you purchase expensive products in order to signal wealth and to signal status. And so if you think about luxury consumption, well for a very long time, it has been a means by which consumers signal to others where they are on the social ladder, where they intend to go. It's also a reflection of social class and of privilege and of wealth. But so what this implies is that luxury brands give consumers the means through which they can signal status to others and it gives the wealthy, right, where we defined it a little while ago as the haves, the means to secure their status. But it also gives everyone else, who's aspiring, right, to pertain to that group, the means through which they can climb through the social ladder. And so I do tons of research on luxury, and the signaling component is always key. If you remember last time we spoke, we talked about ugly fashion and ugly luxury. And if you remember, right, signaling is at the heart of why what we call ugly luxury even exists. And I'm doing some other work on sustainable luxury consumption and maybe we can talk about it later, but the basic idea there is that younger consumers today purchase luxury as a way to signal to others, not wealth and status as traditional luxury brands would, but to signal the values they care about. So to signal that they care about sustainability and they care about respect for the environment and they care about diversity and a whole host of other important issues.

CROFT: 13:57

You mentioned the ugly fashion, which is a fun story that we had done together a couple of years ago. I'm wondering, particularly this time of year, it's the year of the ugly Christmas sweater, is that still a thing?

CESAREO: 14:17

I think it's still a thing. The fact that we're not going to have ugly Christmas sweater parties is going to dampen--

CROFT: 14:23

Yeah. Except on Zoom.

CESAREO: 14:25

Yes. Right. We could have them on Zoom. And I think consumers will do that, right, because there's still that strong need to socialize and to be together and so I definitely think that's still something that's going to happen, just probably less than in prior years, right, when we could actually hang out with our friends and take selfies with these horrible sweaters. But they were more gimmicky, right? I think they're a very different kind of signal than what Gucci is doing in terms of ugly fashion, but they're still a very fun thing for the holidays.

CROFT: 14:56

Now, one of the stories I had come across was on the world's most expensive pandemic face mask. And at first I was kind of horrified that there was a \$1.5 million jewel encrusted face mask, until I read the story. And then it turned into kind of a pretty cool thing, where Yvel jewelry company in Israel has something like 90% of their employees are immigrants and they have a customer who ordered the \$1.5 dollar mask because they don't accept donations. I think the Israeli government was paying half of the employees' salaries during this year, but I mean that one purchase actually managed to keep all of the employees on the payroll for this year, which is a cool thing. And that it's more of a work of art. It's not something that he's going to be wearing in public to signal that he's wealthier than the rest of us. It struck me that

maybe there's something in that story when you talk about luxury signaling, wealth and all of that, that's kind of a good lesson particularly this time of year.

CESAREO: 16:26

Yeah. I mean, as you mentioned, right, so the mask that this consumer ordered was conceived to be this one of a kind art piece, right? I don't think it was a viable commercial product. But the story is that this client who commissioned the mask was this Chinese businessman and art collector who lived in LA and he was an old client and friend of the company. And so he commissioned the company to make this bejeweled mask, as you mentioned, was worth one and a half million dollars because it was, of course made of gold, and black and white diamonds. But the neat thing I think was that it had to be fully functioning, right? An N99 fully functioning mask. He wanted it to be ready before the end of the year and it had to be the most expensive mask in the world. And so I think that the idea here is that he just wanted to create this buzz-worthy item. And the reason, I think - as you were mentioning - that the customer actually commissioned the product, was to help the company stay afloat in difficult times. And I think specifically, as you mentioned, they don't accept donations and so this purchase helped. The company keeps its precious employees, which by the way, are all trained artisans in jewel making. But what I will say is that the jeweler himself, right, and who was interviewed, says that bejeweled masks are not what they do, right? That is not their core business. They're a jewelry manufacturer. And so he actually said that he really hopes to never have to make one again. And so, honestly, I think this was more of an act of patronage on the part of this consumer who loves the brand and wanted to help the employees. And it was basically doing good for a company given that he had the financial means to do so, right? And if we think about doing good and luxury-- this makes me think back to when the pandemic first hit back in March, multiple-- and if you remember at the very beginning, there was a shortage of PPE, right, personal protective equipment. And so many luxury brands actually stepped up in order to help make this equipment that was so in high demand, right?

CESAREO: 18:27

I remember Ralph Lauren and Louis Vuitton and Giorgio Armani, they all transformed their design house and their factories into manufacturing hubs for masks and for gowns, right? Those who manufactured perfume and cosmetics used the production lines to make hand sanitizer. And so I think there was really this come together moment, this doing good beyond revenue, right? Because of course luxury, yes, it's been hit and we can talk about the numbers, but overall, the luxury industry will survive, right? The big luxury houses will survive the pandemic. But the fact that they immediately stepped up and they were donating these products, they weren't asking for anything in return, is really a way of doing social good. And I think this goes back to the example you brought up of the one and a half million dollar mask, it was an act of patronage, right? It was an act of kindness and of helping a company that the customer loved, get through a really tough time. And it was honestly very nice. For somebody who studies luxury, I was very happy to see that luxury brands stepped up back in March to help.

CROFT: 19:37

Yeah. So zeroing in on the luxury market, how much of a hit have they taken this year?

CESAREO: 19:44

It's been a rough year. We can say it's been the toughest year since 2009, right, since the big financial crisis, so that really says a lot. Honestly, Bain [and Company], the big consulting company, predicts that sales are going to fall around 60% this year. And in terms of the personal luxury goods market, they're going to be down about 23%, so

it's a big hit. And they actually don't expect the industry to get back to, quote, "normal" levels for two to three years. And of course this depends, right? It depends on how quickly and effective the vaccine is. It depends on consumer confidence levels. It depends on whether tourism starts up again. And so, of course, there's tons of things that go into predicting how the luxury industry is going to recover. But, again, all analysts say it will recover, it will just take a couple of years. And what I think is fascinating in terms of recovery, is that China, which is where this all originated, is going to drive this recovery. Because if you think about it, even though the pandemic started in China, they were very good at shutting it down immediately. And so what has happened is because they have shut down their borders, right, all of the luxury sales that would happen overseas in the years prior, right, consumers loved traveling to Milan and Paris to buy these luxury products, have now had to purchase them on the mainland. And so China is going to become the largest luxury market in the next five years, and they are going to be really driving the recovery for luxury. So I think that's just interesting and fascinating, especially relating it back to COVID.

CROFT: 21:20

Yeah. That really is. And sticking with the pandemic and COVID for just a minute more. Over the course of this year, then, the luxury brands kind of have transitioned into this new COVID fashion market as well, is that correct?

CESAREO: 21:41

Yes. That is correct. So at first they helped make PPE, but then just like everyone else, they realized that there was an opportunity, right, to create a new market. And masks, especially, as we were talking about before, have exploded. And the estimates actually say that by next year, the mask market alone is going to be worth \$6 billion.

CROFT: 22:05

After some technical difficulties here, we've got Dr. Cesareo back with us. So let's pick up with the question about the luxury brands moving into the COVID fashion space that has opened up this year.

CESAREO: 22:24

Yes. Right. We were discussing how not only are most brands making masks now, but luxury after doing good back in March and making the PPE and donating it, realized that there was an interesting market opportunity in the face mask market. And so many brands have started making their own luxury face masks. And I think one that got a lot of hype and also a lot of criticism was Louis Vuitton. That back in September, as part of their 2021 Cruise collection, launched this face shield that cost almost \$1,000. Actually, \$961, to be specific. And it was interesting because it had this elastic monogram strap around the head and it had this movable shield which was attached by these golden studs with the Louis Vuitton logo, and the shield itself on the rim had the monogram print and you could flip it upwards and use it as a peaked hat. And the neat thing I think is that it came with this transition technology, so it could go from clear to dark depending on the sunlight. And it was eye catching, it was unique, it was stylish, and it was protective, and the consumer loved it, right? It was for sale on their website and it sold out almost immediately. Now, most luxury brands, of course, saw it as an opportunity to A, make masks and also B, put their logo on the mask itself. So not just Louis Vuitton, but other brands like Fendi, like Burberry, like Marni, like Dolce & Gabbana, like Missoni, all started making these masks. And I think it's interesting because the mask market itself is exploding, right? There's some estimates that say that by next year the market for just masks will be worth around \$6 billion, right? And so I think companies just saw this as an opportunity that was too good to pass up on.

CESAREO: 24:20

And because masks have now become a fashion accessory, the fact that you can personalize it, the fact that you can change it depending on the occasion, or the fact

that the mask itself can communicate something about who you are or the values that you believe in is really important. I was mentioning right before the election here in Philadelphia, I saw a lot of people wearing masks that said, "Go vote," or I've seen people wear Black Lives Matter masks. We, professors at Lehigh, got our Lehigh logo masks and I wear it very proudly, right? So I think the mask has really become a symbol for self-expression. It's a way to say to others the things we care about. It's a political statement, our political inclinations, but also the causes we support, the sports teams that we love, or the universities that we either teach or attend, and that's why I think it's exploded as a market. And, honestly, even though we have the vaccine coming out, I don't think it's just going to be a bubble, right? The fashion world agrees that masks are here to stay because, right, even if the vaccine comes out, we're still going to have to social distance and we're still going to have to wear the mask, and so they actually forecast this market to grow over the next few years.

CROFT: 25:43

Yeah. You had mentioned seeing the Black Lives Matter mask and other social political masks. And I do wonder with the idea of signaling, given the kind of broad-based movements for racial justice and the protests against income inequality, is it in vogue, still, to be signaling, "Hey, I'm really rich. I'm part of the 1%."

CESAREO: 26:17

That's a great question. So I think the short answer is, yes, right? Conspicuous consumption is not really going anywhere, right? And the data we can base this on is from when there was the recession back in 2009, there was a really interesting study done that looked at whether consumers were more or less likely to buy conspicuously branded goods. Meaning goods that display the logo of the luxury brand prominently. And what this research found was that for consumers who buy those types of goods, meaning consumers who have the income, but are also high in what we call need for status, right, they still purchase those goods even more so in a recession. Because if the conspicuous good is the way in which they communicate their status, then even in a recession, they're going to need to demonstrate that they still have the wealth to purchase those kinds of goods. On the other hand, consumers who have the money but are not high in need for status, so what we would call patricians, those who are certain of their status and who don't need a Louis Vuitton handbag to remind them of that, are less likely to buy these conspicuous goods and are more likely to buy what we call quiet branded products. Think of Hermes, right? Hermes almost never puts their logo on anything and yet the Kelly is an iconic bag and the shape is so unique that everybody who's in the know, knows you're carrying that type of super expensive purse. And so I think even though those were numbers for a recession, you could imagine we're in a similar situation right now, right? Now, there might not be much signaling going on because we're not really in public very much, but the mask, right, has become almost like the new handbag, right? This new accessory that is helping us communicate something about ourselves. And so I think that's why you're seeing that Louis Vuitton face shield for almost \$1,000 get eaten up by consumers.

CROFT: 28:22

One other aspect of the retail market we haven't talked about is direct to consumer, and Tamara Mellon, launched in 2016, is what they say is the only luxury designer footwear brand that's direct to consumer or DTC. And I wonder where does direct to consumer fit into the future of luxury brands?

CESAREO: 28:48

So I think it's a fascinating question, and I don't know if they're the only luxury designer footwear that's direct to consumer. I can actually think of a lot of premium and luxury brands that have adopted this model. I'm thinking of Rothy's and Gemi. I'm

thinking of Everlane and cashmere or NAADAM cashmere. I'm thinking of Lo & Sons leather goods. And so as you mentioned, direct to consumer is a really interesting model because it gives the company and the consumer a price advantage, right? Because they're effectively eliminating the middleman, there's less overhead, there's less distribution costs so you can focus on marketing spend. You can focus on the higher quality of the products at lower prices and you can be omnichannel, meaning you can do it both offline and online. And so the example you bring about Tamara Mellon is interesting because when they started this direct to consumer shoe model, they decided to basically have this traveling truck, which was a traveling closet that went around the country. And now, during COVID, they allow one customer at a time, and so you get this really unique personalized experience where you get to try on these very high-end shoes and you get to purchase them directly in the truck. And so, really, I think DTC with its online version and offline versions, has taken the fashion and the luxury industry by storm, right? And if you think about it, with COVID especially, it's become a really explosive opportunity. And so I think we're going to see a lot more direct to consumer in the next few years.

CROFT: 30:28

And for the final question, the thing I usually like to ask is, is there anything I haven't asked you about that you think our listeners should know about this holiday season, the luxury brands, and the effects of the pandemic?

CESAREO: 30:46

Well, one thing I will say about the luxury brands-- again, because they are my main area of research and especially with the direct to consumer model you mentioned, one thing that I think is really taking the luxury industry by storm is the importance of sustainability. And I think it's interesting because tons of luxury brands are incorporating sustainability into their business practices. A few of the brands I mentioned that were DTC, direct to consumer, Rothy's and NAADAM and Lo & Sons and Everlane, they're actually all sustainable at their core, right, whether it's the sourcing of the materials, whether it's the production processes, they really care about the environment. And why I think this is important and I'm actually researching into this right now, is because the luxury consumer of the future, which is going to be a younger consumer, right? Millennials and Gen Zs are going to be the main luxury consumer in the next few years, really care about sustainability. Us younger consumers, we care about climate change because it's going to directly affect our life. And so we feel highly self-accountable, right, towards these issues, whether it's sustainability, whether it's diversity and inclusion. And so I think we're seeing a shift in luxury. These new brands are incorporating it automatically, but traditional luxury brands are incorporating sustainability into their business practices, because that's what the new consumer wants. And why I think this is neat is sustainable luxury is still signaling status, but what if signaling is changing? So if you think about what traditional luxury signals, we've talked about wealth and status a lot and prestige. And so I think that while traditional luxury signals what we call wealth as status, these new forms of luxury, these more sustainable forms of luxury, signal what we call values as status. Meaning showing that you care about the environment is a new status symbol among younger consumers. And I think that's just where the industry is going and we're researching into that right now.

CROFT: 32:50

That'll be great. We'll be happy to have you back to talk about that once the research is completed.

CESAREO: 32:53

Oh, I would love to. Absolutely. That would be my pleasure.

CROFT: 32:58

Well, that's great. Thanks again for being with us today. It's truly been a pleasure, and I just want to wish you Happy Holidays.

CESAREO: 33:06

Thank you. Same from me. It's been lovely. I wish you a healthy and happy holiday season and looking forward to 2021.

CROFT: 33:15

Indeed. I think we all are. Okay. I'd like to, once again, thank my guest Ludovica Cesareo. Her research has appeared in many journals, including the Journal of the Association for Consumer Research, Business Horizons, and the Journal of Consumer Marketing. This podcast is brought to you by iLLUminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh business thought leaders, please visit us at business.lehigh.edu/news. And don't forget to follow us on Twitter @LehighBusiness. This is Jack Croft, host of the iLLUminate podcast. Thanks for listening. [music]