



PARIS SCHOOL OF ECONOMICS
ÉCOLE D'ÉCONOMIE DE PARIS

French luxury and international competition: a research by the Paris School of Economics

The effects of globalisation on businesses, employment and the balance of trade are regularly at the centre of economic, social and political debate. For developed countries, especially European ones, the emerging economies – and more precisely, their industries, trade policies and even their consumers – provoke as much fear as expectation in relation to these matters.

What does the first scientific study of the luxury sector teach us?

For almost four years, the Comité Colbert has been one of the G-MonD sponsors along with, notably, AFD and Air France - this research group on globalisation and development being managed by PSE. Motivated by a common desire to further scientific knowledge and to publicise the results and any recommendations arising from them, the G-MonD and the Comité Colbert designed **a research programme focusing on the luxury goods sector**. Under the direction of Lionel Fontagné, Associate Chair at PSE, economists specialising in international trade investigated the trade performances of the luxury sector on the international market. First, they had to overcome the problem of **the absence of specific international classification of luxury products**. Initially, they identified the categories within which products labelled luxury are potentially found: tableware, home decoration, clothes, wines and spirits, perfume, jewellery, handbags, shoes and confectionery. They thus compiled a base covering 96 per cent of the volume and 88 per cent of the value of total exchange flows between 163 countries; within it, they identified the flow of high-price items – a pertinent criterion in defining trade in luxury products. This original approach allowed **the precise characterisation of the global trade performances of French and other European firms**. The researchers' second step was to identify the French luxury sector in relation to the whole range of firms exporting goods from France, within the categories of fine product and high prices. **The performance of exporters of "luxury" could thus be compared with other exporters in order to discover the specificities.**

How do we explain the success of luxury firms?

Since the end of the 1990s, luxury firms, in industries often badly buffeted by competition from low-wage countries, have clearly **benefitted from growth in emerging economies**; a new clientele has developed in those countries, for whom luxury goods serve as social markers. The effects and modalities of globalisation that are habitually denounced seem to be reversed for this sector, within which Europe occupies a particularly competitive position. In 2009, two-thirds of the global market in luxury goods was controlled by exporters from European Union countries (particularly France and Italy), followed by Switzerland, China, Japan and the United States. Generally, the differences in export performances are highly marked between manufacturers of luxury products and the others, illustrating **a strong resilience among the former to competition from low-wage countries**. However, this research stresses that the luxury-goods firms are not more productive...

The performances of the luxury sector, and more particularly, the French luxury sector, are explained by **the combination of several macro and microeconomic factors**, very often imbricated. Thus, the researchers found that the export of luxury goods has a low sensitivity to distance (i.e., to transport costs) and that price has a limited impact on overall demand. They also noted that the average standard of living in destination countries has little impact: while luxury exporters sell mostly to developed countries, they are not disadvantaged by their price-position in the battle for emerging markets (contrary to the great majority of other manufacturing industries). Moreover, the study details the determining role – in the competitive advantage of European countries – of culture, history and the intangible assets of firms (know-how, brand), as well as of design and perceived quality.

Some key issues

Lionel Fontagné concludes that, in order to preserve this exception, a source of employment and good image for Europe, governments and businesses should pay particular attention to the craftsmanship of luxury goods and to intellectual property rights – while doing their best to protect the intangible elements that create reputation and prestige..

Access the full study (in French)



« *Positionnement de gamme et compétitivité : les enseignements du secteur du luxe français* »
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Please note that you can download the **G-MonD Note n°9** (in English).

You will also have access to the related **academic papers**:

- Fontagné, L. and S. Hatte (2013). « *European High-End Products in International Competition* ». GMonD working paper, Paris School of Economics.

- Martin, J. and F. Mayneris (2013). « *High-end variety exporters defying distance: Micro facts and macroeconomic implications* ». GMonD working paper, Paris School of Economics.

Comité Colbert

Created in 1954, the Comité Colbert brings together 78 French houses of luxury goods and 14 cultural institutions. These companies turn over some 39.6 billion euros, of which 86% is earned abroad. They employ, directly and indirectly, 165,000 people in France. The richness of the Comité Colbert lies in its diversity of houses and trades bringing together what makes it the symbol of the French « art of living »: clothing and fashion, crystal, publishing, home decoration, pottery and porcelain, hotels, gastronomy, silver, bronze and leather work, gold and precious stones, perfume, wine. Of different sizes, of both old and recent creation, its member are coopted, have international ambition and are committed to the identity of their brand – to the quality, creativity, poetry of the objects. It develops a collective strategy for French luxury and promotes the French art of living to the world.

www.comitecolbert.com

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Paris School of Economics

With Roger Guesnerie as president since its creation and Pierre-Yves Geoffard as director since February 2013, the Paris School of Economics brings together, conducts and ensures the promotion of world-level scientific work, employing top researchers and attracting them to France. It offers cutting-edge teaching in the discipline across three Masters programmes (APE, ETE and PPD) and a doctoral programme. PSE also forges lasting links between the “consumers” of economic knowledge: academic, institutional and private-sector actors. With an initial state endowment, six founding organisations participated in the creation of PSE: the CNRS, the EHESS, the École des Ponts ParisTech, the ENS, the INRA and the University of Paris 1 Panthéon-Sorbonne. The Paris School of Economics is today recognised internationally as one of the ten best economics research departments in the world.

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