

COLUMNS

Luxury Unfiltered: Compliance failures are exposing the fragility of cultural capital

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By A LUXURY DAILY COLUMNISTBy **Daniel Langer**

I am writing this column before departing to the Middle East and Asia for master classes on what luxury means today and how to build a luxury brand that is relevant for the next generation of wealthy and affluent clients.

One of the most critical aspects in creating desirability is cultural capital, or what I sometimes describe as a brand's extreme value creation system. It requires offering a brand proposition that provides a deeper meaning for clients.

As I often point out, the creation of cultural capital is elusive; it needs to be inspired again and again, and every mistake can easily destroy it due to its intangible, unstable nature.

Media firestorm

In an industry synonymous with the perception of exclusivity, the highest level of materials, artistic craftsmanship and a storied heritage, brands are selling a brand-specific dream.

They use the narrative of intent and effort that goes into the creation of products to defend high price points. Therefore, it is not a surprise that the recent fines against Dior and Armani in Italy have sent shockwaves through the luxury sector.

The revelation that these iconic brands buy bags from suppliers for as little as \$57 to \$99, while selling them for thousands, coupled with their failure to comply with labor regulations, has ignited a firestorm of criticism across social media and in the press. This controversy underscores a critical lesson: the fragility of cultural capital in luxury.

The internet has been ablaze with reactions since the news broke. Hashtags like #HandbagScandal, #DiorExposed and #ArmaniExploits have trended on X, with users expressing their shock and disappointment.



Dior's Saddle Bag. Image Getty Images

Comments ranged from accusations of hypocrisy to calls for boycotts. One viral tweet with over 50,000 likes reads, "How can we trust a brand that sells us dreams but hides nightmares in its supply chain?"

On Instagram, influencers and fashion critics posted scathing critiques, with one prominent fashion blogger noting, "These brands preach luxury but practice exploitation."

TikTok saw a surge of videos where users broke down the scandal, with many highlighting the stark disparity between the production costs and retail prices. A particularly impactful video, garnering over 2 million views, emphasized, "These brands sell bags for \$2,780 but pay workers less than \$1 an hour."

Mainstream media has been equally unforgiving. Articles in major publications like *Reuters* and *The Wall Street Journal* detail the grim realities uncovered by the investigations.

Reports highlighted that Dior's suppliers were paying workers as little as 1 euro per hour, forcing them to live and work in harsh conditions. The Italian court's decision to place both brands under judicial administration has been seen as a significant step towards holding these luxury giants accountable.

Dior and Armani were fined 5 million euros each by the Milan court. The investigations revealed that Dior's bags, sold for up to \$2,780, were produced at costs as low as \$57, while Armani's bags, retailing for \$1,900, were produced for \$99.

The violations included illegal labor practices, such as employing undocumented workers and ignoring basic safety measures, with workers forced to sleep in factories and work excessive hours without proper breaks.

Cultural capital

As the critical success factor in luxury is shifting from a traditional product-centric approach to a client-centric one, where brands need to inspire through their story, the ability to create positive cultural capital is a must.

As stated above, it is the intangible value that brands accumulate through their storytelling including their perceived uniqueness and exclusivity. When cultural capital is compromised, as in the case of Dior and Armani, the repercussions can be severe.

Desirability depends on trust. When trust is broken, loyalty fades and shoppers, especially the best clients, will break up with a brand in no time.

At my university, I have done significant research on luxury brand breakups and missed expectations. Broken trust is one of the fastest ways leading to a breakup.

A recent [luxury study](#) by Adobe Systems with insights by Qualtrics Research showed that less than two brand interactions that are below expectations suffice to make a luxury client end their loyalty.

That is why mistakes that impact cultural capital at scale can be so devastating. The current scandal highlights the urgent need for luxury brands to align their business practices with their brand stories.

Critical choices

Luxury clients today demand transparency, and since trust is fragile, the best brands strive to replace trust with certainty.

Clients want to know the origins of the products they buy and the conditions under which they are made, and seek assurance

that what they buy is truly extraordinary.

If they learn that a bag retailing around \$3,000 costs less than \$60 to make, then it feels like the “extraordinary” may just be a well-packaged, or disguised, version of the “ordinary.”

This, for any brand, is a trust breaker. For a luxury brand, it is a catastrophe.

The fines and audience backlash against Dior and Armani serve as a stark reminder that even the most prestigious brands need to gain trust and cultural capital every day.

In an era where clients are more informed and discerning than ever, luxury brands must prioritize cultural capital, ethical practices, authenticity and transparency.

Either brands create extreme value in the eyes of clients or they do not. It is the most fundamental and strategic choice.

Luxury Unfiltered is a weekly column by *Daniel Langer*. He is the CEO of *quit*, a global luxury strategy and brand activation firm. He is recognized as a global top-five luxury key opinion leader. He serves as an executive professor of luxury strategy and pricing at Pepperdine University in Malibu and as a professor of luxury at New York University, New York. Mr. Langer has authored best-selling books on luxury management in English and Chinese, and is a respected global keynote speaker.

Mr. Langer conducts masterclass management training on various luxury topics around the world. As a luxury expert featured on Bloomberg TV, Financial Times, The New York Times, Forbes, The Economist and others, Mr. Langer holds an MBA and a Ph.D. in luxury management, and has received education from Harvard Business School. Follow him on [LinkedIn](#) and [Instagram](#).

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