

The Lure Of Luxury For MBAs

Despite low pay, more B-school students see glamour in jobs at the likes of LVMH

If Adam Beckerman gets his dream job when he graduates from Columbia Business School next month, he'll face long hours, an uncertain career trajectory, and a substantial pay cut from his \$100,000-plus pre-MBA consulting salary. As an executive for Hermès, Chanel, or the holy grail of LVMH Moët Hennessy Louis Vuitton, he can anticipate a starting annual salary of roughly \$50,000 -- a fraction of his Columbia peers' \$135,000 average starting salary package. Clearly, money is not his sole object. "I want a multicultural environment, travel, and projects spanning the globe," he says.

That's brave talk from someone spending \$35,000 a year on MBA tuition. But Beckerman is part of a growing cohort of B-school students who think the luxury sector is worth the meager pay and grueling hours. At a dozen or so B-schools, from Duke University's Fuqua School of Business to Columbia and Harvard, students are trying to change the way B-schools and the glamorous retail sector perceive each other. They're starting luxury-goods clubs, hoping to win industry respect. And professors are tailoring classes to incorporate luxury lessons, bringing in big-name execs, from Calvin Klein to Tiffany & Co. (TIF) Vice-Chairman James E. Quinn, to round out their lectures.

MBAs are following one of retail's hottest trends. Luxury-goods profits grew 20% in 2003, in part because upper-income spenders got the biggest boost from the U.S. recovery and federal tax cuts, says J.P Morgan Chase & Co. (JPM) analyst Melanie Flouquet. MBAs are also tapping into a growing market bifurcation in which deeply discounted and ultrahigh-priced items flourish while mid-priced products tend to languish. "They're aware of the polarized nature of consumer goods," says Robert Chavez, president and CEO of Hermès USA.

Just a marketing niche?

At Columbia, students are flocking to Professor Alan Kane's popular Retailing Leadership class, where he lectures about such case studies as the Ferragamo family's evolution from provincial small-town shoemaker at the turn of the century to leather-goods empire at the end of it. The school's luxury-goods club, which focuses on landing job interviews, has recruited 70 members. So far, a few Class of 2004 grads are heading to Tiffany and LVMH. The luxury-goods focus group at Duke's Fuqua hopes to persuade administrators to set up a luxury elective next fall. But at other schools, such as Northwestern's Kellogg School of Management, luxury isn't seen as a separate field so much as simply one type of niche marketing. "It's a mixture of commerce and art that's intuitive and very hard to get right," says Kellogg associate professor Timothy Calkins.

Indeed, upscale retail relies less on MBA-style analysis and theory and more on creativity, street savvy, and consumers' status cravings. Few luxury executives have MBAs themselves, and there's no formal recruiting season of the kind MBAs have come to expect.

How many MBAs do luxury companies need, anyway? "We want people who have competencies in two different things, not people with an undergrad degree in business and an MBA," says Concetta Lanciaux, adviser to the chairman at LVMH. Another concern: MBAs will fare best if they check any fantasies at the door. While they may gain proximity to \$1,000 handbags and \$10,000 suits, they may not be able to afford them anytime soon.

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