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FASHION WEEKS AND THE MARKET VALUE OF PUBLICLY LISTED LUXURY COMPANIES: THEORETICAL FOUNDATIONS OF AN EVENT-STUDY ANALYSIS

Abstract: this article develops the theoretical and methodological foundation for testing the hypothesis that fashion weeks affect the market value of publicly listed luxury companies. It is shown that fashion weeks are institutionally governed, datable and economically significant information events capable of revising investors' expectations about the future cash flows of luxury firms. The article distinguishes brand equity from brand valuation and substantiates the role of the firm's market value as the most complete measure of brand value under conditions in which IAS 38 prohibits the recognition of internally generated brands on the balance sheet. The efficient market hypothesis and the formal apparatus of event-study methodology (the market model, abnormal and cumulative abnormal returns) are set out, and the literature at the marketing–finance interface is systematised. The analysis identifies a research gap: the stock-market reaction to fashion weeks, the central event of the luxury calendar, has not yet been subjected to systematic empirical testing.

Keywords: fashion weeks, luxury industry, brand equity, brand valuation, event study, efficient market hypothesis, abnormal returns.

Introduction

Fashion weeks rank among the most organised and publicly significant events of the creative economy: twice a year, the shows of the largest fashion houses concentrate the attention of the press, buyers and a multi-million online

audience, shaping and renewing the symbolic image of brands on which their commercial success rests. Yet the question of whether fashion weeks leave a measurable trace in the share prices of publicly listed luxury companies has not so far received a systematic scholarly answer. Posing it correctly requires a theoretical apparatus that connects three domains rarely studied together: the marketing and cultural logic of the show, the economics of the brand as an intangible asset, and the mechanism by which the stock market reacts to new information.

The method adequate to this question — the event study — rests on a chain of assumptions: a fashion week is a datable information event; its information is potentially material to the value of the firm; the value of a luxury company is to a considerable extent determined by the value of its brand; and asset prices react to material information in a statistically distinguishable way. Each link belongs to a separate scholarly tradition, and without their integration the empirical results would be impossible to interpret. Building such an integrated framework is the purpose of this article.

The aim of the study is to form an integral theoretical and methodological foundation that allows the hypothesis of the influence of fashion weeks on the market value of publicly listed luxury companies to be correctly formulated and subsequently tested empirically. The object of the study is the market value of such companies as a reflection of the value of their brands; the subject is the theoretical and methodological foundations for analysing the stock-market reaction to fashion weeks, considered as periodic information events.

To achieve this aim, the following tasks are addressed: to characterise fashion weeks as datable marketing events; to distinguish brand equity from brand valuation and to substantiate the role of the firm's market value as the most complete measure of brand value under the constraints of accounting; to set out the efficient market hypothesis and the formal apparatus of the event

study; and to systematise the empirical literature at the marketing–finance interface and identify the research gap that the study addresses.

Methods and research

In its nature the study is theoretical and methodological; its principal methods are the analysis and synthesis of the scholarly literature, the comparison of concepts, systematisation, and the deductive derivation of testable implications. The methodological instrument whose foundations are built here is the event study — a technique for measuring the influence of a specific datable event on the value of a firm through the behaviour of its shares in the vicinity of the event date. Its logic is simple: if one can estimate what the security's return would have been in the absence of the event — its 'normal' return — then the difference between the actual and the normal return isolates the effect of the event. This difference, the abnormal return, is what is tested for statistical significance. The method goes back to the 1969 work of E. Fama, L. Fisher, M. Jensen and R. Roll [12], was placed on a rigorous statistical footing by S. Brown and J. Warner [13] and given a canonical exposition by A. C. MacKinlay [14], which secured its reputation as one of the most reliable instruments of empirical finance.

The analysis requires a number of quantities to be defined. The event is assigned a date, denoted $t = 0$. The estimation window is the preceding interval (for daily data, of the order of 120–250 trading days), over which the parameters of the normal-return model are estimated and which is kept free of the event's influence; the event window is the interval surrounding the event date over which the effect is measured. As the model of normal return, the market model predominates, linearly relating the return on a security to the return on the market portfolio. For security i on day t it is written as:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

where R_{it} is the return on security i on day t ; R_{mt} is the return on the market portfolio; α_i and β_i are the parameters of the market model, estimated by ordinary least squares over the estimation window; and ε_{it} is a random disturbance with zero expectation. The market model removes the part of the return that is explained by the movement of the market as a whole, reducing the variance of the abnormal return and increasing the power of the test relative to the constant-mean-return model [14]. The abnormal return is defined as the difference between the actual return and the return predicted by the model:

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt}) \quad (2)$$

and its summation over the event window from t_1 to t_2 yields the cumulative abnormal return:

$$CAR_i(t_1, t_2) = \sum AR_{it} \quad (3)$$

When many events are analysed, returns are averaged to form the cumulative average abnormal return (CAAR), which characterises the typical reaction of the market to the class of events studied. The null hypothesis is the absence of any effect of the event (a zero expected cumulative abnormal return); it is tested using both parametric and non-parametric (sign and rank) tests [13]. The market model is adopted as the principal specification on grounds of parsimony and comparability with the literature, while the constant-mean-return model serves as a robustness check.

Results

The analysis makes it possible to substantiate each link of the theoretical chain. First, fashion weeks may legitimately be regarded as institutionally organised, datable and economically significant information events. Each of the 'Big Four' weeks (New York, London, Milan, Paris) is administered by a national professional body that sets the official calendar; the shows take place twice a year in a fixed sequence, roughly six months ahead of the retail season. Crucially, the public, verifiable nature of the calendar makes it possible to fix

the event date unambiguously — a condition without which an event study is impossible. From a marketing standpoint the show is not a sales event but a concentrated platform for the production of meaning: according to the 'anti-laws of marketing' of J.-N. Kapferer and V. Bastien, luxury cultivates managed scarcity and a 'dream value' that exceeds the utility of the goods purchased [3], and the show acts as its supreme ritual, reconciling exclusivity with mass visibility and generating, within hours, hundreds of millions of media impressions.

Fashion weeks also carry economic weight: according to an Oxford Economics estimate prepared for the British Fashion Council, the direct contribution of the UK fashion industry amounted to some £26 billion, supporting about 797,000 jobs [15], while in the United States it is measured in tens of billions of dollars and hundreds of thousands of jobs. Events of such scale are unlikely to be irrelevant to the firms at their centre. Digitalisation has heightened their informational character: live broadcasts have practically eliminated the delay in the diffusion of information, sharpening the event in time and widening its audience potentially to investors and analysts, which reinforces the treatment of a fashion week as a fully fledged information event.

The second link is the economics of the brand, through which the symbolic work of the show is converted into value. Brand equity is a predominantly perceptual, consumer construct: D. Aaker defined it as the set of assets linked to a brand's name (loyalty, awareness, perceived quality, associations and other proprietary assets) [1], while K. Keller developed it as the differential effect of brand knowledge on the consumer's response [2]. Brand valuation, by contrast, is a financial exercise — the assignment of a monetary figure to the brand as an intangible asset [4]. The study, in essence, tests whether changes in the perceptual sphere acted upon by the show pass into the financial sphere recorded by share prices. A luxury brand, moreover, is a meaning-producing asset — a long-term accumulation of cultural capital renewed by each

show; a special role belongs to the creative director, whose appointment and debut collections, timed to the fashion weeks, are among the events most material to value.

Brand value is measured by cost, market and income methods, among which the income approach (in particular the relief-from-royalty method) predominates in practice [4]; conceptually important is the work of C. Simon and M. Sullivan, who derive brand equity directly from the market value of the firm [5]. Decisive here is the accounting paradox: under International Accounting Standard (IAS) 38 'Intangible Assets', internally generated brands may not be recognised on the balance sheet, since the cost of creating them cannot be separated from the cost of developing the business as a whole [10]. The most valuable asset of a luxury house thus proves to be 'invisible' in its financial statements, whereas an acquired brand is recognised. It follows that it is the market value of the firm, rather than its book value, that absorbs the value of the internally generated brand, and that an event study of share prices proves to be the most adequate way of measuring the value effect of fashion weeks.

The third link is the financial mechanism. A share price is not a record of the past but an estimate of the future, equal to the present value of the firm's expected cash flows; hence any new information that alters expectations should alter the price. The theoretical basis that legitimises interpreting price changes as a reaction to information is the efficient market hypothesis of E. Fama, who distinguishes weak, semi-strong and strong forms of efficiency [11]. The semi-strong form is relevant to the event study: since a fashion week is a public event, the information it generates is impounded into the price promptly and without systematic bias at the moment of its arrival, which makes it possible to measure the effect in a short window [14]. Evidence from behavioural finance of departures from strict efficiency does not invalidate the approach, which requires only a sufficiently prompt and unbiased reaction of prices to public information.

Bringing these links together acquires its full significance against the background of the empirical literature. The conceptual framework was set out by R. Srivastava, T. Shervani and L. Fahey, who showed that market-based assets create shareholder value by accelerating cash flows, raising their level, lowering their volatility and increasing the firm's residual value [6]. Empirically, T. Madden, F. Fehle and S. Fournier established that a portfolio of strong-brand companies outperforms the market at lower risk [7]; N. Mizik and R. Jacobson showed that perceptual brand attributes carry information for the market over and above accounting indicators [8]; and V. Lane and R. Jacobson found that brand-extension announcements generate measurable abnormal returns whose magnitude depends on the strength of the parent brand [9]. These works constitute a general law, a particular case of which the present study tests, since fashion weeks act precisely on the perceptual sphere.

When the focus narrows to the financial consequences of shows for luxury firms, the literature thins sharply: studies of the media and social-media discourse of fashion weeks (sentiment analysis) do not link sentiment to market outcomes, while the few event studies of publicly listed luxury companies address other subjects (for example, sustainability practices) rather than the seasonal show. The intersection of these strands — a rigorous event study of whether fashion weeks themselves generate abnormal returns in the shares of listed houses — remains essentially unoccupied. The feasibility of an empirical strategy is meanwhile assured by a sufficient population of publicly listed luxury companies, the principal of which are presented in Table 1.

Table 1. Principal publicly listed luxury companies (exchange and ticker)

Company	Exchange	Ticker
LVMH Moët Hennessy Louis Vuitton SE	Euronext Paris	MC
Kering SA	Euronext Paris	KER
Hermès International SCA	Euronext Paris	RMS
Compagnie Financière Richemont SA	SIX Swiss Exchange	CFR
Burberry Group plc	London Stock Exchange	BRBY
Prada S.p.A.	Hong Kong Stock Exchange	1913

Company	Exchange	Ticker
Salvatore Ferragamo S.p.A.	Euronext Milan	SFER
Moncler S.p.A.	Euronext Milan	MONC
Brunello Cucinelli S.p.A.	Euronext Milan	BC
Capri Holdings Limited	New York Stock Exchange	CPRI
Tapestry, Inc.	New York Stock Exchange	TPR

Note: the list is illustrative; listing status and tickers are subject to re-verification as at the data-collection date.

Two features of the industry refine the design of the study: a number of culturally significant houses (Chanel, Dolce & Gabbana) are private and do not enter an analysis of share prices, while the largest listed companies are multi-brand conglomerates that do not disclose results at the level of an individual brand, so that the effect of a single house's show is partly diluted. The clustering of the 'Big Four' shows into compressed periods raises the risk of overlapping confounding events, which calls for careful screening of event windows and caution in interpreting the results.

Conclusion

The foundation constructed here is integral in character, and the connections between its elements are constitutive: fashion weeks matter financially because they shape brand equity; brand equity matters because, for luxury firms, it is the principal driver of value; that value is observable in full only in the share price, since accounting renders the internally generated brand invisible; the efficient market hypothesis guarantees that material information is promptly reflected in the price; and the event study provides the instrument for measuring it. Removing any single link destroys the argument. From this follows a testable implication: if fashion weeks carry information material to value and investors are responsive to it, then publicly listed luxury companies should exhibit statistically significant abnormal returns around show dates. Testing this implication is the subject of the subsequent empirical study, which operationalises the framework developed here.

At the same time, the limits of the anticipated conclusion must be stated clearly: an event study measures association, not the mechanism that produces it, and does not reveal precisely what the market is reacting to — the aesthetics of the collection, a signal about the strength of the brand, or a change of creative leadership. The absence of a significant reaction, in turn, would not prove the irrelevance of shows, since their information may be anticipated, diluted within a conglomerate, or act over a longer horizon. With these reservations, the theoretical foundations constructed here provide a methodologically conscious transition from theory to empirics, which was the aim of the present work.

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