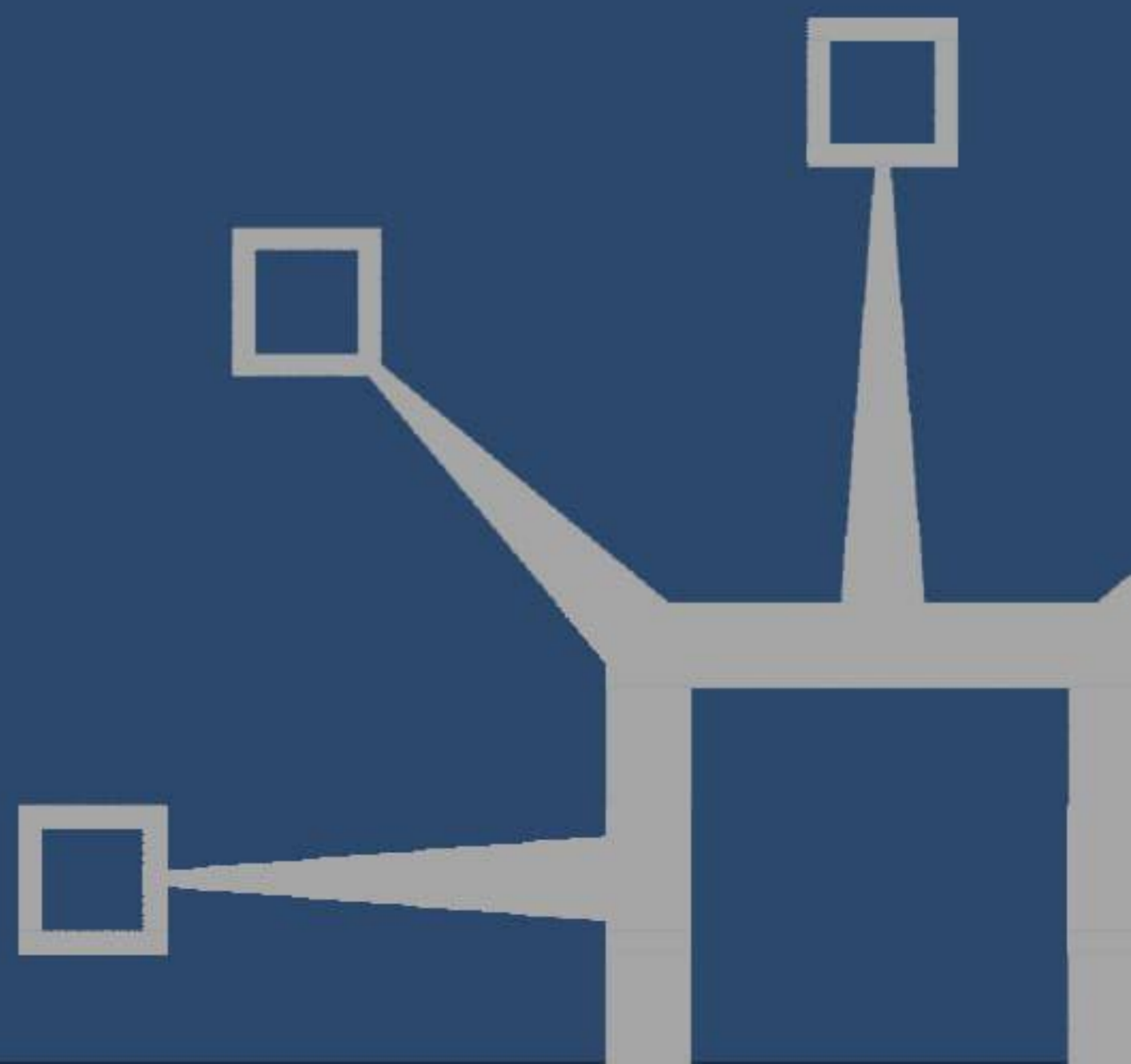


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Luxury Fashion Branding

Trends, Tactics, Techniques

Uche Okonkwo

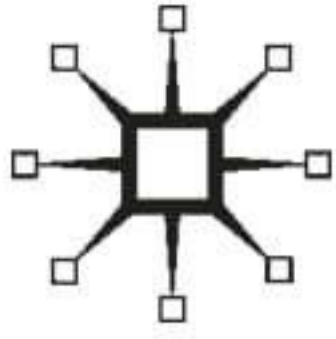


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This book is for my mother Rhoda Ada Okonkwo, from whom I learnt that quality and substance are always better than quantity and size

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Foreword

The luxury industry is relatively small in terms of the number of companies. The boundaries are hard to define, but consensus would probably indicate an ‘industry’ populated by no more than several hundred brands. However these businesses punch far above their weight, both in terms of sales – current estimates put the sale of luxury goods running at more than \$100bn per annum – and perhaps more importantly, in terms of influence. This is the industry where you’ll find the best design, the best materials, the best merchandizing and the best packaging, and hence luxury brands frequently lead the way for the rest of the world. In the process they drive both aspiration for the genuine article and the numerous mass-market imitators.

Whilst of course ‘luxury’ has changed little in an abstract sense, the word is now (mis)applied to all manner of products. The term ‘masstige’ has been coined to describe a place where ‘mass’ and ‘prestige’ meet and this democratization of luxury is probably the greatest change in the last decade. Almost all luxury brands now have products that start at low price points, whether it is a pair of socks from Polo Ralph Lauren, a Tiffany keyring, or even a 1-series BMW. This is both to secure aspirational sales and to lead customers into the high-ticket items.

The biggest challenge facing a luxury brand today is devising a strategy that can cope with the extremes of the modern luxury marketplace, with a product range that may extend from \$20 socks to \$20,000 couture pieces and which may be selling both to Shanghai secretaries and Park Avenue Princesses. This is where Uche Okonkwo’s book comes in: a practical and essential resource for anyone involved in the business of selling luxury fashion. It will of course be useful well beyond the confines of the fashion industry: as we have learned over the years from our own subscriber base, there is an extraordinarily wide variety of individuals who watch the luxury fashion industry including those from all the other luxury sectors as well as advertising, design, public relations, management, finance, property, the academics and the wider business community. Every one of them will find something of value in this book.

I started *Luxury Briefing* just over a decade ago and it has been an exciting period for the industry. But during that time the ‘landscape’, especially in the world of luxury fashion, has become ever more complex. I have lost count of the number of times that we have been asked for guidance on all manner

of aspects connected with luxury fashion so I am delighted that – at last – I have a resource to which I can refer people.

JAMES OGILVY
Publisher
Luxury Briefing



Author's note

I have a unique neutral position in not having a pedigree from any of the luxury key markets. This implies that my analysis in presentation of the luxury fashion sector is likely to be highly objective. Previous writers on the subject of fashion have often been accused of a biased point of view in favour of their countries or the brands that provide them with financial backing. So I hope these will be some of the criticisms I might escape. However, I apologise in advance if after reading this book, you feel that it has a French undertone. This is probably the effect of writing '*à côté de la Tour Eiffel!*'

The second advantage I can claim is that I live in Paris and writing this book from the fashion capital of the world provided me with access to major brands and a wealth of invaluable resources that I might not have found elsewhere. Also the central geographical positioning of Paris meant that I could easily access the rest of the fashion centres: Milan, London, New York, Florence and everywhere else that the business of fashion has resources.

The idea for this book came almost as an accident (every author probably says this to sound modest, even though they had been thinking about their books for ages, but believe me, it was truly an accident).

Towards the end of my MBA studies at Brunel University Business School, London, I chose to conduct the obligatory business management consultancy and dissertation project on the corporate strategy of the luxury fashion sector. The majority of my colleagues opted for 'serious' business sectors and topics relating to corporate finance, investment banking and global trade. While they had a field-day with abundant academic and practitioner research materials, I was shuttling between London, Paris and Milan and frantically emailing contacts all over the world, in search of the right people to interview to gain an insight into the management of luxury fashion brands. This was mainly because I couldn't find any reliable book that provided what I was looking for. There were numerous helpful published articles on different aspects of the fashion sector and a few texts (mostly in French), but although they were generally informative they lacked the in-depth business analysis I was looking for. At a point, practicality almost took over and I nearly changed my research area to a more accessible sector but my passion for fashion prodded me on. Finally, one day in Paris, while speaking to an executive of one of the largest luxury brands in the world (who by the way prefers to remain anonymous), I voiced my frustration and he entirely agreed with me but added, 'if you can't find the type of book you're looking

for on the subject, why don't you write one? You surely have adequate expertise and experience to do this.' And so here we are!

The book you have in your hands is the result of more than two years of meticulous and extensive research and continuous practice in the luxury goods sector. The journey began at Brunel Business School, London, through to close collaboration with key luxury fashion brands, branding, marketing and strategy companies, specialists, institutions and consumers in France, Italy, the UK, the USA and several parts of Europe and Asia. It also includes constant consultation of highly insightful academic material from notable experts like Jean-Noel Kapferer, Kevin Keller, David Aaker, Rod McColl, Geraldine Cohen, Adrian Woods, Peter Doyle, Charles Dennis, Lisa Harris and Joseph Pine II.

The information provided in the following pages, including statistics, charts, web contents and company information were correct at the time of writing (November 2004 to August 2006). Also, the required translations from French and Italian were done by myself so I apologise in advance to anyone who feels my translations do not do him or her justice.

Writing this book was a challenge and a relish, similar to the creation of luxury products; and writing in Paris was an additional source of pleasure similar to the delight of shopping for luxury products. I hope that after reading this book you'll find it as enriching as luxury fashion goods. Only then would I have succeeded in my mission to bring some serious insight into the concept of luxury fashion.

UCHE OKONKWO

Acknowledgements

A few years ago, a professional contact granted me an enormous favour and when I asked how I could possibly repay him, he said, 'It's simple. Write a book and put down my name as the author!' If this formula works in business circles, then I owe all the people mentioned below 'books', if not in this lifetime, then maybe in the life to come.

First and foremost, I'm grateful to all the companies and brands that graciously granted me permission to reproduce their company images in this book. They are too numerous to mention individually but I am thankful for the confidence you had in me and in this text. A special thanks goes to the House of Worth for providing me with access to the archives of Charles Worth, the inventor of Haute Couture.

I am especially thankful to James Ogilvy, publisher of the foremost luxury industry journal, *Luxury Briefing*, for his special gift of a one-year subscription and also to Catherine McDonald-Kier for ensuring that it actually happened. Thanks James for fuelling my passion for fashion through your 'gold-mine' publication. I also thank Jean-Baptiste Danet, CEO of Interbrand, France, and Aaron Simpson, CEO of Quintessentially, two highly insightful business practitioners and great intellectuals, for sharing their knowledge and time with me. Thanks to James Lawson of Ledbury Research, London, for the meeting that practically opened the door to this project and to Stuart McKay of Ergo, London, for his insights. I'm also grateful to Philippe Schaus of Louis Vuitton, Paris for his time, insight and assistance; to Susie Rogers of Gucci London for being such a pleasant adviser; and to Alessandro Guarise of Gucci Milan for his support. My gratitude also goes to my academic mentors Adrian Woods, Geraldine Cohen and Steve Smith of Brunel Business School at Brunel University, London, and to Rod McColl and Michael Ward of Ecole Supérieur de Commerce de Rennes, France, for their invaluable guidance and for believing in me and to Stephanie Morin for being so efficient.

I also received immeasurable support from people too numerous to mention including Denise Silber, CEO of Basil Strategies, Paris, from whom I constantly draw inspiration; Daniele de Winter, CEO of Daniele de Winter cosmetics, Monaco, for being a supporter from day one; Mark Tungate, author of *Fashion Brands, Branding Style from Armani to Zara* (buy his book, its great!); Brad Fox of Royal Elastics, California, for sharing my ideas; my 'sisters by choice' Mélinna Mercan, Vanessa Louis, Sophie-Ann Haberbusch, Véronique Dessout and Amalia Damesin; my 'second and third

parents by choice' Jean-Guy and Colette Mercan and Alain and Bernadette Jouglu. Thanks also to Alexandre Fabre and Jean-Laurent Louis of Adexen Paris for lending me your office so many times; to Neil for the illustration ideas and advice. And to talented fashion photographer, Sara White Wilson for making me presentable in the back-cover photo. Kisses to Jean-Pierre and Ambroise Evano, thank you for your enthusiasm and support. It made a big difference!

To Alexandra Dawe and the inspiring team at Palgrave Macmillan, this is saying 'Cheers' to all the hard work. Thanks for believing in this project and for taking a chance with me! I look forward to the future.

A big THANK YOU to my darling mother, to whom this book is dedicated and from whom I learnt all the fundamentals about fashion and business. And to my father and brothers and sisters for the incessant love and support especially my lovely sister Uju, my proof-reader (although she dozed off behind the scripts sometimes!) and ideas girl (if this book is boring, it's her fault!).

Finally but most importantly, I thank God, for giving me the foresight to begin writing this book and the energy to actually complete it.

UCHE OKONKWO

Introduction

Who said fashion is not serious business?

‘The secret of successful fashion management is a complete blend of Creative Genius and Business Management acumen, skill and resourcefulness.’

Daniele de Winter, CEO, Daniele de Winter Cosmetics, Monaco

Anyone who thinks fashion is inconsequential and doesn't deserve serious attention must think again. Fashion is a strong force that has always played a significant role in the evolution of mankind's society. As far back as the Egyptian, Greek and Roman Empires, fashion was a key social element that reflected the society through apparel, accessories and cosmetics. Fashion also had an influence on decisions regarding politics, economy, education and art. In the ancient Roman Empire, the visual representation of fashion was so ingrained within the society that the ruling government decreed the models and colours of shoes worn by the members of each social class. Also during the early years of industrialization, wealthy Americans and Asians travelled to Europe to acquire luxury goods, boosting international trade and the expansion of the global economy. In addition, the Grand Nobles of the Renaissance period and the aristocrats of the past centuries all stamped their significance and contribution to society's evolution through fashion. The fashion tradition remains prevalent today, albeit in a modern way.

Luxury fashion played a prominent role in the social and economic order of previous centuries and continues to influence our modern societies, economies and governments. The global luxury fashion sector is estimated to be worth US\$130 billion. The sector is one of the few industrial segments that have remained a constant world economy contributor with an annual growth rate of approximately 20 per cent. In addition, the industry has made noteworthy contributions to national economies. The luxury fashion sector is the fourth largest revenue generator in France; and one of the most prominent sectors in Italy, Spain, the USA and the emerging markets of China and India. The sector is currently one of the highest employers in France and Italy. In the USA, the fashion apparel industry is the fastest growing sector, while several Asian economies have witnessed a boom as a result of the entrance and expansion of luxury brands in the region. The clothing and accessories retail

business is also among the fastest growing industries in several parts of the world. Fashion has become so influential in the current global economy and world affairs that the United Nations recently launched a program of fashion shows, called '*Catwalk the World*', as a platform for raising humanitarian aid. Fashion is now also directly linked with film, music, literature, arts, sports and lifestyle as never before. The contribution of fashion and its growing influence has also permeated into other aspects of the business sector as has never before been witnessed.

Despite the high influence of fashion in our society, its analysis from a business strategy viewpoint lacks consensus and structure. This is perhaps a result of the assumption that the intellectual analysis of fashion is an impossible challenge. Or because fashion creativity and business intellect have been viewed as two parallel lines with no meeting point. In luxury fashion, where there's a heavy emphasis on design and creativity, this perspective is more underlined. Well, the days of these assumptions are gone because, today, the business of fashion requires sophisticated management techniques in addition to a high level of creativity and innovation. The rapid development of the business strategy aspect of fashion management and its balancing act with the creative world are some of the factors that prompted the writing of this book on luxury branding.

The marketplace would be colourless without luxury brands. Luxury fashion brands are unique, intriguing and special. This is not a biased statement from someone who has an innate affinity for fashion branding. It is rather a statement of the fact that luxury fashion provides a means to a lifestyle that is triggered by deep psychological and emotional needs, which is expressed through ingenious products.

A respected writer and branding expert recently told me that he believes that luxury brands deceive customers by selling over-priced branded goods that are produced at a fraction of their price tags. I disagree with this view (excuse me, Mark). I subscribe to the apparent fact that luxury brands provide a complete package of significant benefits to consumers, the social environment and the global economy. When people purchase a luxury fashion item, they don't just buy the product but a complete parcel that comprises the product and a set of intangible benefits that appeal to the emotional, social and psychological levels of their being. It is quite challenging to find another sector apart from luxury goods, that can claim an emotional connection with their consumers to such an extent that the desire for a product increases as the price tag increases.

Our society thrives on fashion as a form of identity and expression and a source of progression. Fashion, especially luxury fashion, has seeped its way into the lives of consumers, whether they're wealthy or not. Luxury brands have affected the way consumers think, act and live, both directly and indirectly. Take a moment to reflect on this. When you make a choice of clothes, shoes or other products related to your appearance and grooming, you are

making a statement choice based on how you want to appear to yourself and to others. These choices may comprise of what makes you comfortable or what provides you with a means to other forms of satisfaction like belonging to a specific social group. Your choices might be based on brands or not, but the underlying fact is that your choices are influenced by fashion. One thing is certain, and that is the undisputable reality that fashion has become a permanent part of our lives, including the lives of those that consciously decide to distance themselves from fashion in order to avoid falling into the 'victim' bracket.

So why write about luxury fashion branding?

The luxury fashion industry is a global multi-billion dollar sector comprising of a multitude of brands with high relevance. Among these are brands like Louis Vuitton, Hermès and Gucci. They are also among the most valuable and influential brands in the world. Despite the large size and income generation of the global luxury fashion industry, the sector has witnessed a slow growth in its strategic business direction. This is because for a long time luxury brands were managed through traditional business methods where decisions were made based on intuition and sometimes on a trial basis. These traditional methods also featured a strong focus on product development and publicity generation through conventional advertising methods. However, the rapid development and complexity of the global business environment currently requires modern and sophisticated business practices in luxury goods management.

In a bid to find a synergy between its origins in tradition and the requirements of modern business, the global luxury goods sector is currently undergoing an important evolution and several management shifts. These changes range from the use of business concepts such as brand equity and brand asset valuation, to e-business; and the development of consolidations and private equity financing. Also, several factors have contributed to the lowering of the sector's entry barrier, giving way to increased competition.

In addition to these, other aspects of the luxury market are also changing. These include the expansion of the luxury consumer market to include a broader mass market; competition from mass fashion brands; the reinterpretation of the luxury concept by the consumer society; the emergence of new luxury markets like China, Russia and India with new opportunities and outlook; and the increase in the number of the world's wealthy and changing attitudes in their spending patterns.

The different evolutionary stages of the luxury market in several parts of the world also create a challenge for luxury fashion brand management. For example, the European luxury scene is in its mature stage and consumers in this market approach luxury and fashion as concepts that can be adapted to

their lifestyles. This contrasts with US consumers who view luxury as a means to a lifestyle because the US luxury market is still in its growth phase. In the Middle East, where luxury fashion is in its full-bloom growth phase, consumers acquire luxury goods to make a statement of their wealth and Western know-how. Japanese consumers also have a similar attitude to luxury fashion goods, albeit with a twist of affinity to specific French brands. In the rest of Asia, the luxury scene is in its introductory phase while in Africa the concept of luxury fashion is in its early introductory phase. Luxury brands face the challenge of finding a balance in the requirements of each of these markets through their products and service offerings and business strategies.

Changes in the luxury goods sector and the consumer market have also dispelled several old notions of luxury. The Internet has altered the way luxury products are accessed and contributes to the changing consumer psychology and perception of luxury. For example, the retail cliché that assumes that buyers buy and sellers sell, is no longer valid. Buyers now sell in addition to buying, through websites like ebay.com. Buyers can now also borrow luxury goods from several companies like bagborroworsteal.com and milaandeddie.com. These possibilities are creating new attitudes to luxury and more challenges to managing luxury brands.

Further changes in the luxury fashion industry include rapid market expansion and competition as a result of easier entry into the industry. Brands can now be launched and achieve global awareness and credibility within a short timeline of only five years. Also the increase in wealth and mobility of luxury consumers and the emergence of new luxury markets is fuelling the sector's expansion. This has led to a shift in the focus of the luxury market from 'products' to 'consumers' and the 'competition'. The rife competitive business environment calls for a strong concentration on developing cutting-edge strategies through relentless innovation. The time has come for new brands to act like old brands; for consumers to be reached through new media like Internet Shopping and Mobile Shopping; and for luxury brands to represent something substantial and valuable to customers through their brands' offerings.

The branding aspect of luxury goods management is integral to a luxury brand's sustainability. The brand is the reason that consumers associate themselves with a luxury company. It is what creates and sustains the attraction and desire for products. The strong attachment that luxury consumers have to brands, which often defies logic, is the result of branding. Brands are not products and should not be managed like products. Brands are a complete package that provides a source of identity for products. This identity becomes a springboard for the associations and perceptions eventually developed in the minds of consumers. This is what draws consumers to luxury brands and remains their source of satisfaction.

Although Brand Management is the most influential business aspect, the

concept remains in its introductory phase in the luxury goods sector, despite the fact that the 'brand' is the core competence of the industry. Luxury fashion brands are yet to absorb the full implication of branding and its management systems. In most cases, the brand is managed through the view of product development and the brand portfolio is seen as the same as the product portfolio. The sequence is often to first develop products and then make branding decisions afterwards. This is a wrong approach. There's no easier way to say it. Branding decisions ought to be at the core of all the corporate decisions that a luxury brand makes, including product development.

The journey of branding begins from crafting a clear brand concept and brand identity and projecting it to the public through an equally clear brand personality and brand image. What the public sees and interprets through the brand image leads to a positioning of the brand in their minds through perceptions and associations. This further leads to the allocation of a space for that brand in their minds according to their sentiments towards the brand. This is called the brand share and influences future purchase decisions and subsequently brand loyalty.

The total branding concept (and not just the brand image) is the source of a luxury fashion brand's wealth. When the sum of all distinctive qualities of a brand results in the continuous demand and commitment to the brand by consumers, the brand is said to have high brand equity. The brand equity is what translates to brand value, which is the financial gain that a luxury company eventually accrues as a result of its brand strength. The brand equity ought to be painstakingly managed and nurtured to retain its value-creation ability. Brands are invaluable creators of wealth for companies and luxury brands that aim to attain competitive edge ought to be fanatic about their brand-strategy management. This is the most important tool the luxury fashion sector has.

Developing and effectively managing a luxury brand is a painstakingly long process. It requires a consistent integrated strategy, innovative techniques, rigorous management control and constant auditing. This is the reason that there are few existing brands that can claim true 'luxury' status. Although several brands aim towards attaining a 'luxury and prestige' rank and every talented designer aspires to creating their own luxury brand, only a few brands eventually succeed. The successful brands are those that understand the challenge of finding a balance between being timeless through a firm brand concept and heritage; being current and relevant for the moment through strong brand positioning; and being innovative in crafting a future, all at the same time.

The aim of this book is not to tell you what you already know about fashion branding and management, business strategy or the luxury goods market. It rather provides you with highly relevant analytical information about the luxury goods sector and, most importantly, a framework of business management techniques that can be applied to the sector and beyond. It also reviews

strategies that can be used to interpret current and future market changes and ways that luxury brands can be alert to face competitive challenges. The information and business strategies presented in this book are the results of both sound research and confirmed practice. They are sources of new approaches towards the business of smartly bringing objects of desire into the marketplace.